Međunarodna naučna konferencija Univerziteta Singidunum
Singidunum University International Scientific Conference

Book of Proceedings

Singidunum University International Scientific Conference

“Are you Ready for the ContinuousNEXT® after Covid-19?”

Singidunum University

December 2021

BOOK OF PROCEEDINGS

Singidunum University International Scientific Conference

ARE YOU READY FOR THE ContinuousNEXT® AFTER COVID-19?

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Singidunum University International Scientific Conference

ARE YOU READY FOR THE ContinuousNEXT® AFTER COVID-19?

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ARE YOU READY FOR THE ContinuousNEXT® AFTER COVID-19?

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ABOUT FINIZ 2021 CONFERENCE

It is our great pleasure to introduce the proceedings of the International Scientific Conference FINIZ 2021, which is online on December 3, 2021. The main topic of this year's conference is: "***Are you Ready for the ContinuousNEXT® after COVID-19***?"

The critical nature of change and culture is an integral part of the future business of organizations. According to Gartner, Inc. the application of the *ContinuousNEXT®* approach can facilitate the understanding of this paradigm, the formula for success in an ever-changing world. The COVID-19 pandemic as a global risk and challenge has changed business conditions globally. Now it is time for organizations to be more adaptable to change, as new models of the *ContinuousNEXT®* approach redefine the way organizations create, deliver, and record value by introducing new practices, developing new capabilities, and creating new ways for achieving success. The phase that transcends the digital transformation is a period of constant evolution and in order to keep up with new innovations and changing ways of doing business, organizations need to understand the meaning of the *ContinuousNEXT®* approach and what it means for their future. In fact, a *ContinuousNEXT®* approach is an approach that everyone adopts to be able to cope with and adapt to changes in technology, competition, and business.

The aim of this conference is to provide a multinational platform where eminent scientists and experts will discuss how the application of the *ContinuousNEXT®* approach enhances work outcomes in their fields of interest including internal audit, corporate finance, forensics, evaluation and risk, human resource management, business finance, banking, marketing and management and insurance.

The following sections outline how papers contribute to the application of the *ContinuousNEXT®* approach by thematic areas of conference (internal audit, corporate finance, forensics, evaluation and risk, human resource management, business finance, banking, marketing and management and insurance).

All the accepted papers have undergone a thorough review process, performed by the reputable members of the Conference Organizing and Scientific Committee.

The overall statistical data on the conference are as follows:

- The total number of submitted papers / abstracts: 19
- The total number of full papers submitted: 17
- The total number of accepted papers: 16
- The total number of rejected papers: 1
- The total number of withdrawn papers: 0

The number of papers according to their related field:

- Internal Audit: 1
- Corporate Finance:1
- Evaluation and Risk: 1
- Business Finances: 1
- Banking: 3
- Insurance: 1
- Forensics: 1
- Marketing and Management: 4
- Human Resource Management: 3

The total of 42 authors from 14 countries has taken part in this year's conference. The number of authors according to their country of origin: Bangladesh: 1; Croatia:1; France:1; Federal Republic of Germany:1; Greece:1; India:1; Pakistan:1; Russian Federation:1; South Africa:1; Serbia:28; Sultanate of Oman:2; The People's Republic of China:1; United Arab Emirates:1; United Kingdom:1.

All the accepted papers are published on the Conference portal. Each paper is assigned its DOI number, a reference on Google Scholar, and the Conference Proceedings have an ISBN number.

As Singidunum University is strongly committed to continuous enhancement of financial reporting and corporate governance, it will keep promoting this issue among the scientific and general public, with the aim to put forward practical scientific and business solutions that could ensure long-term survival and sustainable growth of corporate sector.

Organizing Committee of the International Scientific Conference FINIZ 2021

Singidunum University International Scientific Conference
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INVITED PAPERS

INVITED PAPERS

There are 3 invited papers in the areas of internal audit (1), evaluation and risk (1) and banking (1). The first invited paper titled *Internal auditing in COVID-19 environment: Is remote auditing a solution?* discusses possible solutions related to internal audit as a service providing profession following economic and financial crisis cause by pandemic. The authors imply that service providing entities are left with a dilemma as to how to choose the right model for their business activities and care for their employee's health at the same time. Therefore, the paper discusses possible solutions related to internal audit. It also analyses advantages and disadvantages of internal auditing activities performed before and during the pandemic. The authors' findings lead to the conclusion that auditors could use this business environment as an opportunity for complete digital transformation since the function of internal audit can be further improved using new information and communication technologies.

The second invited paper titled *Exchange-traded funds and their performance during the covid crises* aims to analyze the industry of exchange-traded funds (ETFs) along with their basic characteristics. ETFs have been the most popular novelty in the financial industry in the previous three decades, demonstrating new investment vehicles; with variety of styles, sizes, risk spectrum and holdings' coverage. Analysis of the industry includes three most representative broad benchmarks and their associated tracking vehicles: SPY, VGK and IEMB; representing US, European and Asian markets, respectively. Analysis result implies superior risk-adjusted performance of Asian markets' ETF, given its emerging market status and more lucrative flexibility in flight of capital.

The third invited paper titled *Understanding the behavioral intention to adopt internet banking: An Indian perspective* aims to identify the components that essentially influence the intention of bank clients to utilize Internet banking administrations in India. The examination proposed a complete model called Internet Banking Adoption in India, which was an implicit part based on the "Brought together Theory of Acceptance and Use of Technology" (UTAUT) and three extra factors that were recognized as setting delicate.

A self-made survey with 100 samples on the impact of behavioral intention to adopt Internet Banking was conducted using surveys available on the Internet. For further analysis, a statistical tool like Chi-Square, correlation and regression were performed on SPSS software. According to the TAM Model, perceived trust, perceived risk and perceived ease of use was taken into consideration to rate the behavioural intention for adopting Internet Banking in day-to-day life.

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INVITED PAPERS
Internal Audit
Review paper

INTERNAL AUDITING IN COVID-19 ENVIRONMENT: IS REMOTE AUDITING A SOLUTION?

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Abstract:

The global pandemic caused by the new coronavirus COVID-19 disease flared up around the world and it was very difficult to predict. When it comes to the worldwide economy, there is no doubt that the pandemic will have serious consequences because, besides being a health crisis, pandemic has already turned into a great economic and financial crisis. This, in turn, left the management of service providing entities left with a dilemma –to choose the right model for their business activities and care for their employee's health at the same time. This paper discusses possible solutions related to internal audit, as a service providing profession. It also analyses advantages and disadvantages of internal auditing activities performed before and during the pandemic. The authors' findings lead to the conclusion that auditors could use this business environment as an opportunity for complete digital transformation since the function of internal audit can be further improved using new information and communication technologies.

Keywords:

remote auditing, pandemic, internal auditor, digital transformation, ICT.

1. INTRODUCTION

Daily changes in modern business environment are some of the main characteristic and they have an effect on the labour market, as well. The emergence of a global pandemic caused by the COVID-19 brought with it additional uncertainty, risks and challenges to an already fast-paced environment and changed current business conditions. This, in turn, forced many countries around the world to restrict and ,at one moment, even ban office work. For example, the Government of the Republic of Serbia passed the Decree on Organization of Work by Employers during the State of Emergency (Official Gazette of RS, 31/20, 2020). The decree prescribed that work should be organized from home, that business hours should be harmonized and that, when it is not possible, working from home should be organized while the state of emergency lasted. Generally speaking, all industries have been affected by the global pandemic, and will continue to feel financial consequences of it even after it ends. For example, the impact on the Gross Domestic Product in the Republic of Serbia can already be noticed, if we compared the figures from 2019 (GDP rate: +4.2) and 2020 (GDP rate: -1.0) [CITATION The201 \l 9242]. To prevent additional losses, business entities should adapt to their current business environment and increase their operational capacity. Workforce is one of those key elements in such situations because their innovative ways of thinking and willingness to use modern information and communication technology (ICT) to a larger extent, will be reflected on the adoptability of whole business entities (Stanisic, Spahic, & Tomin, 2018).

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Internal audit is focused on the comprehensive operations of the entity, where constant control of business activities is carried out, such as: monitoring, verification and improvement of performing activities; identification of the risks to which the entity is or may be exposed; assessment and evaluation of internal controls; and providing appropriate recommendations to address deficiencies and noticed irregularities (Rew - Est d.o.o., 2018). This paper will discuss how internal auditors should respond to the current business environment and at the same time provide the same or higher level quality of their services.

2. EFFECTS OF COVID-19 PANDEMIC ON INTERNAL AUDITING

The need for reliable information for business, strategic and other decision-making process is a vital need of an entity. In that sense, the role of the internal auditor is of great importance, bearing in mind that his/her results can be used to meet the information needs of stakeholders within the company, primarily entity owners and different levels of management, but also the supervisory, executive and audit boards. According to International Standard on Auditing 610, the external auditor refers to the work of internal auditors, which indicates that the external audit is one of the users of internal audit services. The main difference between internal and external audit is that the latter function is outsourced, namely external auditor will be hired by a business entity to perform their audits. However, internal audit as a function of an entity should be part of it, and internal auditor should be employed to perform its activities for the needs of the supreme governing body in the company. However, modern business conditions and the possibility of achieving maximum efficiency and effectiveness in the market have imposed the need to entrust internal audit to business entities that perform internal audit services as their main business activity (so-called internal audit outsourcing). In that case, the internal auditor will not be permanently employed within the entity but will be hired on a contract basis. This was an important factor in adapting to the current business environment, as outsourced internal auditors were probably already using ICT in their work, trying to minimise the need to be physically present on the company's premises.

Even before the global pandemic, the accounting and auditing profession faced the need to revise the strategy and methodology they use to perform activities, as well as introduce a complex process of digitization and digital transformation; in order to improve its function. Digital transformation and other new technologies changed many internal audit functions until the outbreak of the pandemic (Serag & Daoud, 2021).

The author (Tusek B., 2019) states that the accelerated application of digital technology brings numerous and fundamental changes in business models, strategies, organizational structure, business processes and their adaptation to the digital age. As no process takes place overnight, adaptation to the new circumstances and conditions has lagged behind, both due to limited resources and resistance of employees to change. However, the pandemic has confronted auditors with a suddenly new approach to work and accelerated digitization in performing activities. Therefore, they are facing new unexpected and unknown inherent risks that they have to deal with in performing auditing engagements (Tusek, Ježovita, & Halar, 2020).

Additionally, standard setters and regulatory bodies reacted to the changes in business environment by revising issued standards and additionally providing guidelines for auditors and accountants. Namely, there is a significant impact on the activities of accountants and auditors in preparing financial statements in accordance with International Financial Reporting Standards (IFRS), as well as their audit, in accordance with International Standards on Auditing (ISA). In March 2020, the International Auditing and Assurance Standards Board (IAASB) issued the first statement on the work during the global pandemic, sampled by COVID-19. The Board states that the audit, whether internal or external, should be performed in accordance with the required standards. The Board also states that auditors may need to consider developing alternative procedures to gather sufficient and appropriate audit evidence to support their audit opinion or to amend the audit opinion (IAASB, 2020). Areas that the IAASB considers particularly important in this regard are auditor reporting; going concern; subsequent events; auditing accounting estimates; considerations for public sector audit considerations. By September 2021, a total of 17 communications in the form of accounting and auditing guidelines were issued at the time of COVID-19, which could indicate changes needed to be done (IAASB, 2020). The Institute of Internal Auditors states some of those changes that chief internal auditors could expect during a pandemic in terms of the way the internal audit process is conducted (Audit Executive Center, 2020):

- increased use of data analysis procedures (Data Analytics);
- increased use of agile audit techniques (Agile Auditing Techniques);
- providing advisory engagements;
- identifying ways to save costs (Cost Management);
- reducing the time needed to complete internal audit engagement;
- increasing the use of audit software packages and ICT;

- investing in automation of the internal audit process; and
- increasing the use of robotic process automation.

Also, the IAASB conducted a survey on a sample of 486 chief internal auditors and internal audit officers from the United States and Canada during 2020. Regulating body investigated perceptions of the long-term effects of the COVID-19 pandemic on the efficiency and effectiveness of internal audit functions. The results of the research showed that the key areas of action of internal auditors, on which the COVID-19 pandemic will have long-term effects, are: budgets of internal audit functions, frequency of risk assessment and updating of internal audit plans with the audit committee, and increasing demand for certain competencies and skills (IAASB, 2020).

3.THE ROLE AND SIGNIFICANCE OF REMOTE AUDITING CONCEPT

In times of crisis, the function of internal audit is crucial in the process of risk management and control, because the auditor can give relevant advice and assessments that correspond to the organizational structure of the observed entity. Therefore, internal auditors should be part of crisis management teams in companies, to ensure adequate response to all challenges and provide advisory support to management. Internal auditors are expected to pay special attention to employees, processes and technology when conducting a pandemic impact analysis on the company's operations (Audit Board, 2020). They are also expected to work on related internal controls to minimize these risks (Pempal IACOP, 2020). Although most companies have Disaster Recovery and Business Continuity Plans in place, it was impossible to predict a crisis-like situation caused by the current global pandemic. Namely, business entities lacked key resources, employees, who had to switch to online work (Audit Board, 2020), (KPMG, 2020), (Teeter, Alles, & Vasarhelyi, 2010).

As it has been mentioned, auditing profession faced unexpected challenges as, during the COVID-19 pandemic, internal and external auditors had to switch to different methodology in order to perform their activities. In this way, traditional audit has been replaced by remote audit, which requires modification of the audit methodology and application of advanced data analysis techniques. Internal auditors are faced with increased requirements for consulting engagements, as well as significant changes in business processes that result in previously non-existent risks. Thus, remote audit results in the need for updating and significant changes in strategic, annual and individual plans (Tusek, Jezovita, & Halar, 2020).

Remote audit, also known as virtual audit, is a method of conducting an audit, using modern technology to obtain audit evidence. Authors (Teeter, Alles, & Vasarhelyi, 2010) define remote audit as "the process by which internal auditors link information and communication technologies with data analytics to collect and evaluate electronic evidence, interact with the auditee and report on the accuracy of financial data and internal controls, independently from the auditor's physical location ". Unlike traditional, remote audit is performed partially or completely off-site. In this regard, two main approaches can be distinguished for conducting a remote audit, namely: partial remote audit and full remote audit.

Partial remote audit is a combination of remote procedures and on-site procedures. Remote procedures will follow the standard part of the audit using technological tools to access the necessary evidence and collect a limited number of surveys or interviews from employees or third parties, as well as other visual evidence. The on-site procedures aim to verify the conclusions gathered from the remote procedures and to conduct additional tests of issues that could not be verified through the remote audit process. On the other hand, a full remote audit is performed using modern information technologies for gathering evidence. A full remote audit should follow a standard audit flow using technological instruments and tools to access the necessary evidence, including interviews, using appropriate sampling techniques (Serag & Daoud, 2021).

4. ADVANTAGES AND DISADVANTAGES OF REMOTE AUDITING

The way of doing business ex-ante COVID-19 pandemic, in most cases, required personal visits of remote areas in order to collect the necessary data. Therefore, the auditor had to make additional efforts to reach a particular auditee and perform the necessary tasks. Significant travel-related efforts and costs are the primary reason why remote audit (without personal presence) has become attractive to internal, as well as external auditors (Christ, Eulerich, Krane, & Wood, 2021). Commonly mentioned advantages of remote auditing are reflected in the following: time and money savings by using ICT, avoiding personal visits of remote areas, increasing the scope of audit, increased efficiency of the audit team, double-checking documents leads to more relevant evidence, increased use of ICT strengthens documentation and reporting, logistics related to auditing is not needed anymore (Serag & Daoud, 2021).

When it comes to the literature from this field, there has been some research done on the topic and the following text will provide a brief review.

Authors (Eulerich, Wagener, & Wood, 2021) in their research presented the results of a survey conducted during 2020, which involved 271 German internal auditors that conducted remote and traditional audits. Based on their responses, the research showed that internal auditors did not notice any differences in the efficiency and effectiveness of stakeholders' trust in the results of remote and traditional audits. Also, research showed that there is a positive correlation between the perception of efficiency and effectiveness and internal auditor's experience with remote audits. Namely, the perception of efficiency and effectiveness increased as the internal auditor's experience with remote audits increased. Additional analyses showed that expected success of a remote audit predominantly depends on the auditee support.

From the standpoint of the impact of remote audit on the level of quality of provided internal audit services, the authors have conflicting opinions. The first group of authors conclude in their work that the quality of audit will be reduced (Bennett & Hatfield, 2018), (Saiewitz, 2018) and (Saiewitz & Kida, 2018). The mentioned authors noticed in their works that personal interactions are important for the quality of the audit. Namely, when auditors personally visit an auditee, they can get better conclusions through non-verbal communication, or they are able to obtain more answers, compared to interactions via e-mail. Therefore, audit clients and third parties believe that auditors' personal requests are more urgent and important than e-mail requests. In addition, they expect a higher number of questions in face-to-face interactions.

On the other hand, the authors (Carlisle, 2018) and (Hawkins, 2017) suggest that remote auditing would in fact improve audit quality. The first author claims that an auditor will be more neutral in remote auditing as he/she will not be influenced by auditee management and will try to find their own source of information to confirm the claims given in financial reporting. The second author claims that when auditors are not physically present at an auditee's premises, he/she will show higher level of scepticism, compared to traditional audit when an auditor may place too much reliance on auditee management presentations.

5. CONCLUSION

The spread of the pandemic caused by COVID-19 has imposed new business conditions around the world. While countries struggled to adopt timely measures to combat it, business entities still had to make important decisions that would help them keep their businesses afloat. The global economic and financial consequences are likely to be felt in all industries and activities, even after the end of the pandemic. The above led company managements to lay particular emphasis on their employees during the pandemic, by introducing special protection measures in the form of remote work, amid efforts to suppress the spread of this type of coronavirus. It can be concluded that internal auditors should use current COVID-19 environment as an opportunity to improve their effectiveness and efficiency by resorting to digital transformation. The authors from this field mention different advantages of using remote auditing concept, with cost savings being the most important ones. Furthermore, an auditor may appear more neutral compared to traditional audit as he/she will express higher levels of scepticism towards the auditee. If we go back to the research question defined in the title of this paper, we can conclude that remote auditing is definitely a proper solution in the COVID-19 environment, but it can also be used in regular conditions in its partial form. Finally, it can be concluded that remote auditing could possibly result lead to resorting to smarter ways to perform internal auditing in the future, which may have a positive effect on employees' willingness to adapt to new business environment.

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INVITED PAPERS
Evaluation and Risk
Scientific - original paper

EXCHANGE-TRADED FUNDS AND THEIR PERFORMANCE DURING THE COVID CRISIS

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Abstract:

The subject of the paper is to analyze the industry of exchange-traded funds (ETFs), along with their basic characteristics. ETFs have been the most popular novelty in the financial industry in the previous three decades, demonstrating new investment vehicles; with variety of styles, sizes, risk spectrum and holdings' coverage. Analysis of the industry includes three most representative broad benchmarks and their associated tracking vehicles: SPY, VGK and IEMB; representing US, European and Asian markets, respectively. Analysis result implies superior risk-adjusted performance of Asian markets' ETF, given its emerging market status and more lucrative flexibility in flight of capital.

Keywords:

ETFs, financial markets, performance, COVID-19.

1. INTRODUCTION

Exchange-traded funds (ETFs) are hybrid investment vehicles that offer investors exposure to a plethora of asset classes and investment strategies. This hybrid characteristic refers to ETFs likeness to both open-end and closed-end mutual funds. Introduced just some 30 years ago, ETFs are now one of the fastest-growing segments of the investment management business. They provide liquid access to virtually every cor¬ner of the financial markets, allowing investors, both big and small, to build institutional-caliber portfolios with management fees significantly lower than those typical of mutual funds. High levels of transparency for both holdings and the investment strategy help investors easily evaluate an ETF's potential returns and risks (Hill, Nadig & Hougan, 2015).

ETFs trade on an intraday basis and generally track an index, demonstrating characteristics of both mutual funds and stocks. While ETFs provide investors with exposure to a diversified investment opportunity, they are also low-cost, tax-efficient and transparent, which is why these investment vehicles are extremely popular. ETFs can also be divided into two strategy types: physical and synthetic. Physical ETFs hold the basket of securities under which it derives its value. Synthetic ETFs, on the other hand, track the value of an index through derivatives or swap agreements through a counterparty that promises to pay the value of the specified index to the fund. Therefore, whereas synthetic funds carry extra risk in the form of counterparty risk, they do have lower tracking errors than the traditional physical ETFs.

The History of Exchange traded funds dates back to the 1990s with one of the largest and most famous 'Spiders' (SPDR) ETF first sold in 1993. The reason for the emergence of this ETF was due to the demand for passive indexed investments for retail investors. ETFs initial performance was low and Assets under Management (AUM) of these funds were insignificant under the indexed funds category. However, from 1995 to 2001 their annual growth was around 132% (Gastineau, 2002).

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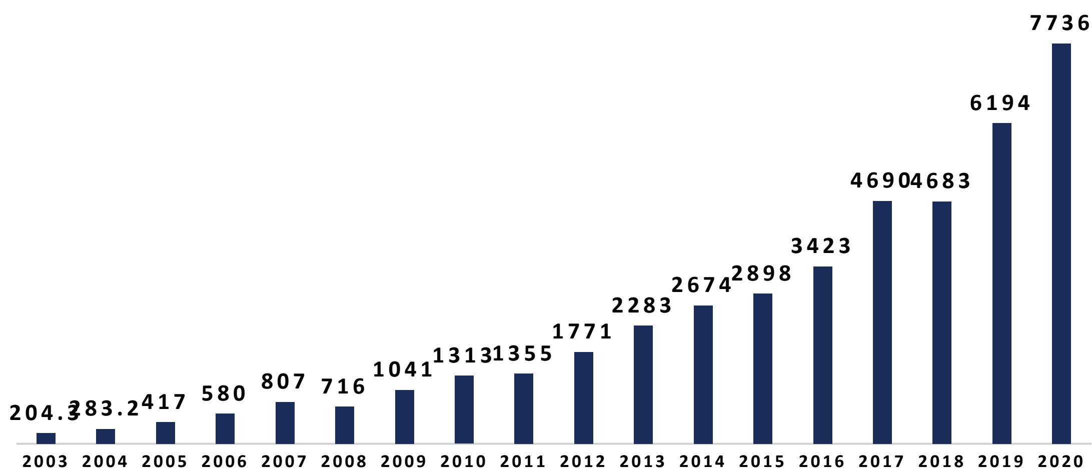
This indicates the increased popularity as well as the importance of these investment vehicles. Since the introduction of ETFs in the 1990s, the number and variety of ETFs available to investors have grown at rapid pace. From only one ETF in 1993 to 102 by 2002 this number further increased to 1000 ETFs by 2009 and as of May 2020 there were more than 7100 ETFs available to investors. This further emphasizes the popularity of the ETF market (Simpson, 2021).

Although ETFs have substantial benefits for the investor and the global economy, they do not come without risks for the investor and the global economy at large. While all ETFs are exposed to market risk, liquidity risk and price fluctuations, the more complex these vehicles get the higher the risks for investors are - counterparty risk, exotic-exposure risk, tax risks, to name a few (Foucher & Gray, 2014). The performance of three ETFs, namely, SPY, VGK and IEMB will be analyzed as these ETFs represent the US, European, and Asian markets respectively and will serve as benchmarks for those markets. Additionally, the impact of the COVID-19 pandemic on financial markets and the performance of ETFs during this period will be analyzed as well.

2. ETF PERFORMANCE

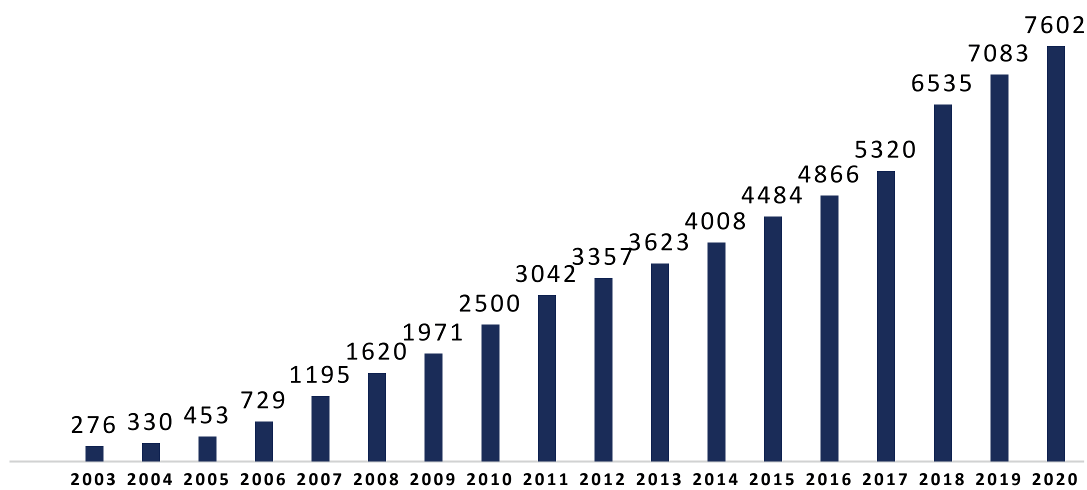
In the past decade, financial markets have witnessed a paradigm shift, when it comes to investing approach (Wigglesworth, 2018). Passive investing (and associated vehicles) has outperformed active funds, mainly due to ETFs existence and their constant evolving. For the past few decades passive funds had been catching up with active funds and as of September 2019 passive investments have triumphed over the active ones (Grittelsohn, 2019). Rising popularity can be shown with Figure 1 and Figure 2, which display the growth trend of ETFs in assets under management as well as in the number of ETFs available to investors showing exponential growth that has accelerated in recent years.

Figure 1. Development of assets under management of ETFs worldwide ($)



Source: Statista Research Department

Figure 2. Number of ETFs globally (period 2003-2020)



Source: Statista Research Department

In order to show the performance of ETF industry, the analysis will be focused on three ETFs that cover three different markets, often considered as most representative ones:

1. SPY – ETF that tracks S&P 500, the broad and most representative benchmark of US market
2. VGK - tracks Developed European markets based on FTSE Developed Europe All Cap Index and
3. IEMG - ETF that tracks MSCI' market-cap-weighted index of emerging-market firms in Asian countries.

SPY, more commonly known as SPDR or "Spiders" is the first and largest ETF on the market. SPY tracks the S&P 500 and is the largest ETF by AUM as well as trading volume. This ETF is, therefore, representative of the US market. The VGK is an ETF that holds a broad, comprehensive portfolio of large, mid, and small-cap companies based in the developed regions of Europe including the UK. This ETF will be representative of the European market. Finally, the IEMG focuses on emerging markets and has a focus on Asian equities. The fund is designed to measure large, mid, and small-cap equity market performance. This will serve as representative of Asian market performance.

Following metrics will be used to analyze the performance of the three aforementioned ETFs: tracking error, alpha, R-squared, beta, standard deviation, as well as the Sharpe ratio. Additionally, the NAV return will be compared to the market return. It should be noted, however, that those metrics are just part of the larger universe of indicators, which are used to demonstrate various characteristics of the funds.

The tracking error of an ETF simply illustrates how closely the ETF tracks the index. The lower the tracking error the less the ETF will deviate from the performance of the index. The reported tracking error figure is typically only the annualized stan¬dard deviation of the daily differential returns of the ETF and its benchmark.

Alpha represents the portfolio's returns compared to the benchmark. If alpha is positive, this indicates that the portfolio or fund is outperforming the benchmark index. Conversely negative Alpha indicates that the portfolio or fund has underperformed relative to the benchmark index. Therefore, the closer alpha is to 0 the closer the fund replicates the returns of the benchmark index.

R-squared tells investors how much of the price movements that the fund experiences are related to or driven by the index from which it holds securities. This ratio or statistic is expressed as a value from 0-1 or more commonly as a percentage from 0% -100%. If an ETF has R squared value of 100%, this can be interpreted that all the movements in the prices of the ETF are perfectly correlated to movements in the benchmark index it tracks. Conversely, a 0% R squared value shows zero correlation of price movements with the benchmark index.

Beta is a measure of systemic risk. It is essentially the covariance of a security or portfolio to the market index. The index by definition has a beta of 1 and as securities come close to one this means the portfolio or ETF moves with the market. Negative beta indicates an inverse relationship with the market movements, as the market goes up the portfolio will go down. Beta may however be greater than one. This would indicate greater volatility with the security or fund. Essentially gains and losses would be magnified. For example, a beta of 2 will increase in value twice as much as the market when the market is bullish and drop twice as low as the index in bear market movements.

Standard deviation is a commonly used measure of risk. It represents the dispersion of a dataset (returns) relative to the mean. The greater the standard deviation indicates a larger variance between historical returns and therefore higher risk. Conversely, lower standard deviation indicates less variance between historical return values and therefore indicates lower volatility and lower risk.

The Sharpe ratio is a relative measure of risk that captures the risk-adjusted returns of securities or portfolios. This ratio shows investors how attractive some returns are relative to their volatility or risk. The Sharpe ratio has become the most widely used measure of risk-adjusted returns. The NAV return represents the Net Asset Value returns of the ETF and their developments historically. The NAV is calculated by taking the total assets minus the total liabilities of the constituent holdings of the ETF and therefore will illustrate the performance of the fund when looked at historically. This is then compared to the market return to compare the performance of the ETF to the market as a whole.

Table 1. ETF Fundamentals

	SPY	VGK	IEMG
Expense Ratio	0.09%	0.08%	0.11%
Tracking Error	0.03%	6.3%	9.35%
Net Assets	$361.9B	$19B	$82.0B
Median Bid/Ask Spread	0.01%	0.02%	0.2%
Volume	56.5M	2.1M	2.2M
Shares Outstanding	**856.6M**	**293.1M**	**1.2B**

Source: Fidelity.com

Table 2. ETF Fundamentals

SPY	NAV Return	Market Return	Alpha	R squared	Beta	Standard Deviation	Sharpe Ratio
1-Year	40.15	40.25	-0.08%	100%	1.00%	14.62%	2.40
3-Year	17.87	17.86	-0.09%	100%	1.00%	18.49%	0.91
5-Year	17.03	17.07	-0.09%	100%	1.00%	14.96%	1.05
10-Year	14.25	14.26	-0.09%	100%	1.00%	13.58%	1.01

Source: Fidelity.com

Table 3. VGK Risk and return metrics

VGK	NAV Return	Market Return	Alpha	R squared	Beta	Standard Deviation	Sharpe Ratio
1-Year	44.3	44.72	-8.90%	93.86%	1.29%	19.11%	2.03
3-Year	9.42	9.36	-0.06%	95.61%	1.11%	20.01%	0.48
5-Year	10.24	10.25	-1.39%	93.63%	1.11%	16.81%	0.60
10-Year	6	5.94	-0.50%	92.79%	1.06%	16.66%	0.40

Source: Fidelity.com

Table 4. IEMG risk and return metrics

IEMG	NAV Return	Market Return	Alpha	R squared	Beta	Standard Deviation	Sharpe Ratio
1-Year	51.17	51.16	16.35%	59.82%	0.71%	13.26%	3.22
3-Year	9.11	9.15	0.36%	86.57%	1.01%	19.22%	0.48
5-Year	13.36	13.36	2.29%	83.28%	1.02%	16.34%	0.78
10-Year	--	--	--	--	--	--	--

Source: Fidelity.com

SPY is the largest ETF on the market when looking at AUM ($361.9B) and daily trading volume (56.5M). It is also one of the cheapest ETFs with an expense ratio of 0.09%. One of the reasons for this cheapness, other than the fact that it employs a passive strategy, is the size of the fund, given that more assets flow into the fund and it becomes more efficient, and managers of the fund can afford to lower the expense ratio further.

With extremely high liquidity this also leads to a much lower bid/ask spread (0.1%), as underlying assets of an ETF are more liquid, and the funds trading volume increases. Conversely, lower liquidity of underlying securities may lead to wider spreads for investors.

SPY has experienced an Alpha of value very close to zero or just below it, which indicates that the fund does not outperform the market but rather underperforms relative to the market. However, the value is almost negligible and associated with minor explicit and implicit trading costs.

The value of R squared for SPY as well as the beta of 1 or 100% indicates that all the price movements of the fund can be derived from price movements on the market, and the beta indicates identical movement with the market. The historical returns of the SPY ETF have therefore mimicked the stock market almost identically and in the recent bull markets performed well, especially lately as markets have rebounded from the hits of the covid pandemic.

VGK or the European markets ETF, which also adopts a passive strategy of replication, has a low expense ratio of 0.08%. The fund has about $19B assets under management but unlike the SPY has a higher tracking error of 6.3 indicating more volatility relative to the SPY. This is due to a more active approach in that the fund holds companies that cross national borders, and this results in higher tracking errors. The fund is however liquid, and this can be seen in the low bid/ask spread of 0.02%. The fund seems to be consistently underperforming relative to the market especially in recent years with the 1-year alpha value of -8.9% value. However, the 3-year, 5-year and 10-year alpha values are near 0 at -0.06%, -1.39% and 0.5% respectively. The R squared values for VGK indicate a high portion 90%+ of the returns that are driven by the market movements. The 1-year beta of 1.29 further reinforces the previous indication of more volatility seen in the tracking error. However, the 3-year, 5-year, and 10-year beta are similarly above 1 but lower than the previous year (1.1; 1.1 and 1.06 respectively).

IEMG, or the emerging Asian market ETF is the youngest among the funds in the analysis and is the second-largest out of the three, with AUM of $82.0B. The expense ratio is 0.11%. The tracking error is the highest out of the three ETFs at 9.35, also having a comparatively larger median bid/ask spread at 0.2%. The IEMG market in the previous year has performed well above that of the index it tracks as indicated in the alpha (1- year) of 16.35%. This occurrence however was lacking when compared to the alpha over the longer periods of time with the 3-year alpha of 0.36% and the 5-year alpha value of 2.29%. The R squared values in the 5-year and 3-year time frame are in the 80+% indicating a moderate to high level of price movement driven by the index. However, the 1-year R squared ratio of only 59.82% further explains the improved performance relative to the market as shown in the 1-year alpha (16.35%). The 1-year beta of 0.71 indicated the ETF moves with the market at a lower degree and the beta over the longer periods has been near the market beta of 1. (3-year and 5-year of 1.01 and 1.02, respectively).

In the shorter term, the 1- year period, IEMG has the better risk-adjusted returns as indicated in its Sharpe ratio of 3.22; 119 basis points higher than VGK and 82 basis points higher than SPY. However, over the longer term, SPY has the better risk-adjusted return with a Sharpe ratio of 1.05 (5-year as the time frame is available with all ETFs) compared to 0.60 for VGK and 0.78 for IEMG.

Figure 3. Sharpe ratio of three representative ETFs

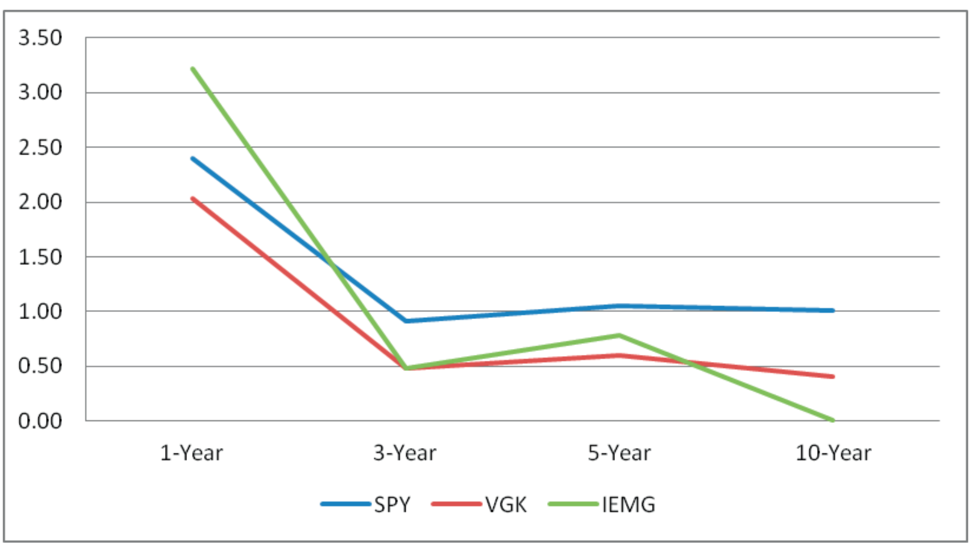


Figure 3 shows that Asians markets ETF has outperformed the other markets from a risk standpoint, given that it had a lower level of risk and higher Sharpe, especially for a shorter, i.e., 1-year time frame. This can be seen in the 1-year alpha of 16.35 as well, however, these returns were not characteristic of the overall market as the R squared value for IEMG of 59.82 indicates lower performance attribution to the tracking index.

3. THE IMPACT OF COVID-19 ON ETF INDUSTRY

The outbreak of the COVID-19 virus forced authorities and governments to take unprecedented measures that effectively shut down the business for some period of time. These measures led to a drastic reduction in economic activity. As cross border travel and public life were cut down to a minimum the impact on economies was severe.

ETFs during the crisis were however more resilient than alternative investment options. ETFs in a crisis are affected when looking at the premiums/discounts to NAV seen as the markets scramble. Discounts refer to the scenario when the security (bonds) trade at a price that is below the intrinsic/face value of the security which occurs for several reasons, including increasing interest rates or turmoil. Conversely, premiums refer to the price of the security being sold at above the price of the security for similar reasons. This characteristic was seen in several asset classes including US treasury ETFs. During the Covid pandemic discounts/premium in the fixed income category experienced these premium/discounts to a larger extent. This is a common result with fixed income (bonds) securities since they are usually less liquid than other investment classes. During March 2020, the investment grade corporate Bond ETFs were trading at an average discount of 3.36% to NAV and in some severe cases 7% (The Investment Association, 2020). At times of high volatility, which includes the first weeks of the impact of the pandemic on financial markets in March 2020, markets amplify these small differences between tradable and indicative bond prices to a much larger extent which resulted in these large gaps in the premiums and discounts to NAV. This would usually incentivize the participants in ETF's mechanism to intervene and start the arbitrage mechanism. However, no significant arbitrage occurred, resulting in the ETFs remaining at prices below the NAV for a few weeks, demonstrating heightened levels of illiquidity.

The next point of interest is to examine the liquidity and trading volume of ETFs. Historically the trading volumes of ETFs have risen in times of market stress (Kolakowski, 2019). This happens because ETFs provide markets with liquidity when underlying market trading is impaired. The early weeks of the pandemic were no exception and resulted in an enormous amount of trading that brought trading levels of ETFs to extreme highs. The ETF liquidity was much higher than that of the underlying securities. On March 12th, BlackRock's USD Corporate Bond ETF changed hands 1000 times while the underlying's only 37 times. On the most volatile trading day in 2020, secondary trading volumes of ETFs made up 34% of all cash equity trading in the European markets and a staggering 41% in the US when compared to 2019 when it was 21% and 27%, respectively (Blackrock and Bloomberg, 2020). These statistics illustrate how investors turn to ETFs when markets are stressed.

The bid/ask spread of ETFs increased just like the rest of the market. This is common in times of crisis when market makers attempt to price in risk to securities (increase the price to reflect the newfound risks in the market). All securities that trade on the secondary markets display two prices the bid price and the ask price. The bid price is the price at which the market is willing to purchase securities or ETFs from investors while the ask price is the price at which investors will buy these same securities from the market. Naturally, the bid price is lower than the ask price and the difference represents the profit that the financial institutions make from trading and is therefore known as the bid/ask spread. The narrower the spread the more liquid the shares and vice versa. Supply and demand factors impact the spread by widening the spread meaning that the difference between the two prices increases. This generally occurs in worsening economic conditions as dealers require higher compensation for the added risk on the market, and conversely, the narrowing of a spread means the two prices move closer together and are indicative of improving economic conditions. Generally, in normal market conditions, the bid/ask spread on ETFs is narrower than the spread on the underlying securities the reason being as ETFs AUM increases the volume of trading also increases naturally as multiple dealers trade the ETFs further tightening the spread (Boyde, 2021). This adds to the benefits of ETFs and their efficient nature as well as their low-cost characteristic relative to the underlying securities in the portfolio.

During the crisis, as mentioned before, the bid/ask spreads on the market widen, however, the ETF spreads tend to widen less than their underlying securities in the portfolio. This depends on the willingness of the dealers to maintain and provide two-sided quotes. During the COVID pandemic, in March specifically, the spreads on ETFs widened albeit less than the securities. The large cap equities (most liquid part of the secondary market) widened as well. As seen in figure 12, the spread on the top 5 largest ETFs tacking the S&P 500 fluctuated less than the securities in their portfolios.

4. CONCLUSION

ETFs have changed the face of investing with several benefits, proving to drive the increasing popularity of ETFs. Those benefits include, among others, low cost, transparency, tax efficiency access and liquidity. Passive investing has been proven, on average, to outperform the more actively managed funds in the past.

ETF performance of SPY, VGK and IEMG illustrated the performance of the US, European and Asian markets respectfully. Over the longer term, the SPY has performed more consistently. Recently, over the past year, the Asian market ETF experienced the best performance out of the 3 ETFs with 51.17-point increase versus the 44.3 in the VGK and 40.15 in the SPY. On a risk-adjusted bases the IEMG had strong performance in the past year with the highest Sharpe ratio of 3.22 versus the 2.03 for VGK and 2.40 for SPY possible due to the Asian market rebound to the pandemic and performance in recent years in technology and semiconductor industries. The investment world and ETF, in general, are shifting to a more Macroeconomic view of the world and the increasing popularity in factor-based investing and Thematic investing has increased and is predicted to further increase in the near future as younger investors attempt to predict and shape the future developments that could lead to a better future for us all.

The COVID-19 pandemic struck the world by surprise and had severe impacts on the global economy as a whole. As countries closed their borders and implemented lockdowns, the economy was effectively shut down in the few weeks or a month in 2020 around Feb/March. ETFs however were resilient during these troubled times relative to other asset cases and investment options. The trading volumes increased significantly, and concerns were raised about the effects these instruments would have on the economy as it was expected that APs would step away from their duties as ETF price stabilizers and liquidity providers. However, this did not occur, and primary and secondary trading volumes increased. The bid/ask spreads of ETFs did increase with the markets as expected in a time of crisis but to a lower degree than the underlying securities. Although there has been some backlash to the ETF space as some people believe the price discovery mechanism is corrupt, and that they pose a systematic risk to finance as they persuade investors into the deeper, more complex parts of the market with specific ETF offerings. What is clear is that as these investment vehicles grow, and expand further, and become more complex, so does most of our knowledge of them. ETFs need to be used appropriately and thorough education and understanding of them are paramount.

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UNDERSTANDING THE BEHAVIOURAL INTENTION TO ADOPT INTERNET BANKING: AN INDIAN PERSPECTIVE

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Abstract:

Internet banking gives banks colossal advantages as far as cost reserve funds, better client connections, and separate contributions from the opposition. This study expects to recognize the components that essentially influence the intention of bank clients to utilize Internet banking administrations in India. The examination proposed a complete model called Internet Banking Adoption in India, which was an implicit part based on the "Brought together Theory of Acceptance and Use of Technology" (UTAUT) and three extra factors that were recognized as setting delicate. A self-made survey with 100 samples on the impact of behavioural intention to adopt Internet Banking was conducted using surveys available on the Internet. For further analysis, a statistical tool like Chi-Square, correlation and regression were performed on SPSS software. According to the TAM Model, perceived trust, perceived risk and perceived ease of use was taken into consideration to rate the behavioural intention for adopting Internet Banking in day-to-day life.

Keywords:

internet banking, behavioural factors, adoption, India.

1. INTRODUCTION

One of the business areas that has been fundamentally affected by the advancement of the Internet is banking. With web-based banking, banks can understand clear advantages, for example, lower working costs, fast market development, compelling client relationships with the board, and better help. Internet banking has been demonstrated to be valuable for banking clients as far as cost reserve funds, time investment funds, brisk grievance goal, and better banking administrations, accordingly expanding their banking efficiency. The reasoning behind the innovative turn of events and upset in banking in India is that in the course of many recent years, banking as help has developed from gracefully headed to request driven. Banks in India have acknowledged in the post-advancement time that to remain serious and furnish their customers with the best administrations, they have to utilize the most recent innovation. Generally, banks have extended their customary branches to increase a more prominent piece of the overall industry. Along these lines, the new movement of mechanical advancement gave banks progressive occasions to give their banking administrations, for example, ATMs, Internet banking, versatile banking etc. A portion of these advancements has been broadly embraced by all client fragments of the bank. Paces of the utilization of different channels were low, particularly in non-industrial nations like India, where the Internet entrance is developing quickly.

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2. BEHAVIOURAL INTENTION AND DETERMINANTS OF ADOPTION

The "Technology Acceptance Model (TAM), Reasoned Action Theory (TRA), Planned Behaviour Theory (TPB), and Diffusion Theory of Innovation (DOI) are all models and theories that are used in information systems to study technology adoption. This study's postulates are based on TPB (Theory of Perceived Behaviour) and diffusion, according to the theory of innovation (DOI), state that a person's intention to use Internet banking is determined by three factors: attitude, control of perceived behaviour and subjective norms. Attitude is explained by sub-constructions of perceived utility, perceived ease of use, and perceived safety risk, perceived behavioural control" is analysed by sub-constructions of self-efficacy and enabling environment, and finally, subjective norms are explained by sub-constructions of social influence.

In TAM and its variants, attitudes towards the use of technology are seen as an important precursor of behavioural intention, while social variables are explicitly neglected and people are expected to keep them in mind. Perceived ease of use is a cognitive belief that can be defined as the degree of confidence that the use of a particular structure will be stress-free.

Concerns about trust and security have been identified as the main obstacles to the adoption of Internet banking. The introduction of technological innovations such as mobile banking and Internet banking means that financial institutions will need to think about how to mitigate operational risks. Another issue with Internet banking is the issue of trust in web-based banking. Morgan and Hunt (1994) depicted trust as the establishment, everything being equal. Trust is the readiness to get powerless against others (Rousseau et al. 1998). This weakness has gotten more hazardous and questionable, particularly with regards to cash (McKnight and Chervany, 2001). The absence of trust influences the ability of clients to purchase items and administrations over the Internet (Friedman et al., 2000), particularly in the Middle East (Alkailani and Kumar, 2012; Alkailani, et. Al, 2013). Trust has been one of the obstructions that keep individuals from utilizing innovation (Nor and Pearson, 2007) due to the hacking of classified private data and wholesale fraud. This further affected the degree of customer trust in Internet banking (Kramer, 1999). More prominent dependence on Internet banking will lessen follow-up and case costs (Fortin et al., 2004). Trust altogether impacts the eagerness or aim of buyers to utilize Internet banking. (Suh et al., 2007). In view of the conversation over, the analyst predicts that there is a factual connection between purchaser certainty and Internet banking

As financial banking administrations move away from banking specialist organizations and banks become more virtualized, distant access innovations and Internet foundation have driven clients to lose direct association with bank representatives, subsequently, that has constrained them to virtualize the new assistance (Bauer and Hein, 2006). This new experience and the new financial exchange preparing climate will make dread and vulnerability among clients.

One of the theories of technology adoption used to define self-efficacy is the theory of planned behavior. "Self-efficacy" refers to people's beliefs in their ability to perform certain actions. The Theory of Planned Behaviour, which is an extension of TRA, removes the weakness of the control mechanics. TPB extends TRA (Theory of Intelligent Action and emphasis on the control aspect of behaviour. According to the TPB, human actions are guided by three types of considerations: (a) behavioural beliefs about the likely outcomes of the behavior and the evaluation of those outcomes; (b) normative perceptions about the normative expectations of others and the motivation to satisfy those expectations; and (c) control perceptions about the resources and capabilities that the individual has (or does not have), as well as anticipated barriers or impediments to the performance of the target behavior."

3. LITERATURE REVIEW

The explanations behind the protection from electronic banking featured that "trouble of utilization", "pointless use" and "security concerns" are key variables. (Mahmud, 2016). This investigation looks at how clients see and use Internet banking (IB) in Jordan. An all-encompassing model dependent on the Technology Adoption Model (TAM) was created and three additional builds were added to the model; to be specific Presumed Risk (PR), Perceived Confidence (PT), and Bank Strength (BC). This investigation experimentally tests the capacity of the model to anticipate client goals to acknowledge and utilize Internet banking. The outcomes that uphold the all-inclusive TAM show and affirm its vigour in foreseeing the client's aim to acknowledge and utilize Internet banking. (Saibaba S., 2014) inspected the components affecting the acknowledgment of Internet banking administrations by banking clients in Hyderabad. Exploration has indicated that clients' inspirational mentalities towards Internet banking innovation can impact their goals to utilize it. This examination additionally found that Indian bank advertisers need to convey the advantages of web-based banking through different promotion crusades, making banking sites straightforward, advantageous, and sufficiently secure to urge their customers to do internet banking. (Singhal & Padhmanabhan, 2008) inspected the principle factors that drive Indian bank clients to utilize Internet banking dependent on their view of different Internet-related applications. They found that utility solicitations, security, reserves move, utility transactions, and ticket reservations were the top components, with over half of respondents concurring that web-based banking is advantageous, adaptable, and gives transaction-related advantages. Khare et al (2010) analyzed the function of character qualities in Internet banking appropriation in India. It is accounted for that singular contrasts between banking clients will impact their view of the properties of web-based banking and its advantages. The suggestion is that Indian banks need to consider singular contrasts when planning and improving web-based banking destinations as this will encourage dynamic. (Shah, 2011) directed an examination to decide the components that impact the spread of Internet banking in Gujarat, India. The outcomes demonstrated that banking needs, seen danger, security, and cost investment funds were the primary elements driving clients to utilize Internet banking. Moreover, the examination found that Indian banks need to instruct their clients about Internet banking administrations and their advantages so they are better acknowledged by clients. Another significant finding of this examination was the effect of the information on Internet banking administrations and its advantages in its selection. (Ramayah & Rouibah, 2009) analyzed the elements impacting an individual's expectation to utilize Internet banking in Penang utilizing TAM utilizing extra factors including related knowledge, transaction volume, earlier framework preparing, and outside weights. Exploration has demonstrated that apparent value and saw convenience significantly affect the client's aim to utilize internet banking.

Current Internet banking clients have discovered this new banking channel to be a more advantageous type of banking administrations than non-clients. Different boundaries that were seen as essentially unique in the two gatherings were similarity - PC capability and multifaceted nature. The issues of openness, security, and seen monetary advantages of Internet banking didn't contrast among clients and non-clients. (Tan & Teo, 2000) applied the Decomposition Theory of Planned Behaviour (DTPB) model to comprehend the significant variables that decide how clients mean to utilize Internet banking in Singapore. With regards to the examination, the free factors were recognized: demeanour, abstract standards, and saw conduct control, which influence the reliant variable, that is, the expectations to utilize Internet banking administrations. This investigation found that disposition conviction and saw social control factors altogether impacted clients' goals to utilize internet banking. Among the relationship factors, unpredictability alone didn't significantly affect business insight.

On account of apparent social control, mechanical help was not a critical factor. A significant finding of this study is that the impact of companions, family, or associates on the reception of Internet banking administrations, that is, abstract standards, on the expectations to utilize Internet banking administrations was not critical.

4. METHODOLOGY AND ANALYSIS

This empirical research evaluates the importance of behavioural aspect to adopt the internet banking. In this competitive and digital era banks are also focusing on attracting as well as retaining their customers for longer periods of time. To save the customer time and money banks introduce e-banking which consists of internet banking and mobile banking and ATM. This study basically highlights the factors that influence the adoption of internet banking in different settings. These identified factors provide the edge over the others on the basis that banks can develop their strategy to attract their customers. Since the main objective of the project is to study the impact of behavioural intention to adopt internet banking, the exploration procedure embraced is basically founded on essential 27 information, with which you can gather the latest and exact direct data. Secondary information data was utilized to help essential information when necessary. For the purposes of this study, an appropriate random population sample (100 respondents) was selected based on convenience. Some data was also obtained through online surveys using Google Docs and forms.

A survey method is used to collect the responses from Northern Capital Region (NCR) India. The random sampling method is used to select the 100 respondents. SPSS statistical software is used for the further analysis accordingly to the objectives of the research. The questionnaire consists of two parts. The first part of the questionnaire having questions related to the demographic and behavioural characteristics of the respondents and second part of the questionnaire consists of statements related the adoption of internet banking.

Table 1: Reliability Test

“Cronbach's Alpha	N of Items”
.823	15

Source: Authors' calculation

Cronbach's Alpha reliability test is done to determine that the variables are internally consistent. As Cronbach's Alpha is .823, which is greater than .7, it signifies that the data collected is reliable and can be used for further analysis (Table 1).

To study the association between analysis for Gender and Factors for adoption behaviour towards Internet Banking, the result showed the value for Chi-square of analysis for Gender and Factors for adoption behaviour towards Internet Banking is significant at 0.01 level, (χ^2= 8.049, p= 0.03).

Table 2. Chi-Square Analysis

	Value	**df**	**Asymptotic Significance (2-sided)**
"Pearson Chi-Square	8.049[a]	8	.429
Likelihood Ratio	8.955	8	.346
Linear-by-Linear Association	.000	1	.997
N of Valid Cases"	100		

Source: Authors' calculation

The value for Chi-square of analysis for Gender and Factors for adoption behavior towards Internet Banking is significant at 0.01 level, (χ^2= 8.049, p= 0.03).

Table 3. Regression between behavioral intentions towards Internet Banking and Perceived trust, Perceived risk and Perceived Ease of Use

Model Summary				
"Model	R	R Square	Adjusted R Square	Std. Error of the Estimate"
1	.871[a]	.759	.732	.71698
a. Predictors: (Constant), PEO3, PT1, PR1, PT2, PT4, PR3, PT3, PR2, PEO1, PEO2				

Source: Authors' calculation

The regression analysis is used for the analysis of impact between behavior intentions towards Internet Banking and Perceived trust, Perceived Risk and Perceived Ease of Use. The values of R square (.759) and adjusted R square (.732) are close, which signifies that data collected is adequate.

Table 4. Anova Table

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	143.831	10	14.383	27.979	.000[b]
	Residual	45.751	89	.514		
	Total	189.582	99			
a. Predictors: (Constant), PEO3, PT1, PR1, PT2, PT4, PR3, PT3, PR2, PEO1, PEO2						
b. Predictors: (Constant), PEO3, PT1, PR1, PT2, PT4, PR3, PT3, PR2, PEO1, PEO2						

Source: Authors' calculation

The regression value between behavior intentions to adopt Internet Banking and Perceived trust, Perceived Risk and Perceived Ease of Use is 143.831 at 0.01 level with Factors for adoption behavior towards Internet Banking as a dependent variable and Factors for adoption behavior towards Internet Banking and Perceived trust, Perceived Risk and Perceived Ease as Independent variables. As the p-value or significance value is <0.05 i.e. .000 it signifies that behavior intentions towards Internet Banking have positive effect on Perceived trust (PT), Perceived Risk (PR) and Perceived Ease of use (PEO).

The result showed that the regression value between behaviour intentions to adopt Internet Banking and PT PR and PEO is 143.831 at 0.01 level with Factors for adoption behaviour towards Internet Banking as a dependent variable and Factors for adoption behaviour towards

Internet Banking and Perceived trust, Perceived Risk and Perceived Ease as Independent variables. As the p-value or significance value is <0.05 i.e. .000 it signifies that behaviour intentions towards Internet Banking has positive effect on Perceived trust(PT), Perceived Risk(PR) and Perceived Ease of use(PEO)

5. CONCLUSION

A self-made survey with 100 sample on the impact of behavioral intention to adopt Internet Banking was conveyed using surveys available on the web. A descriptive analysis based on demographic data was performed. Key demographic data included their age, gender, marital status, and, occupation. For an in-depth analysis, all the important factors related to the topic were rated on the Likert scale from 1 to 5 with the point categorically from strongly disagree to strongly agree on the scale. For further analysis, a statistical tool like Chi-Square, correlation and regression was performed on SPSS software. The outcomes revealed that the participants for the study were under 25 years of age, i.e., the youths, out of which mostly were males. There was an equivalent number of single people and married couples who took part in this study and the maximum were students by occupation. In terms of preference behavior towards Internet banking, maximum respondents voted for a Yes option, and maximum respondents were found using Internet Banking on a daily basis. It is depicted that on average, people have been able to successfully and willingly adopt internet banking in day-to-day life. According to the TAM Model, PT, PR, POE were taken into consideration to rate the behavioral intention for adopting Internet Banking in day-to-day life. On average, people were actually willing to adopt the modern behavior of Internet Banking and can rely on it; they find it easy to use and can also take the minimal amount of risk in terms of adoption of internet banking.

Knowledge of Internet banking services is very important for customers to switch to Internet banking. To attract more potential customers, bank clerks at branches should provide information about Internet banking. The information should include time savings, convenience, anywhere, anytime, at low cost. The Internet banking framework must be underlying in such a way that clients can confide in it. Your internet banking framework ought not to be dependent upon startling personal time or regular dissents of administration. Furthermore, banks ought to give their clients complete help when confronted with the issue of internet banking. Banks should regularly conduct online banking customer surveys and opinions to attract more Internet banking customers. Banks must implement a high-quality Internet infrastructure to attract more potential customers.

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Međunarodna naučna konferencija Univerziteta Singidunum

PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE

PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE

There are 13 papers related to the thematic areas of the conference. Authors' research interests were related to Corporate Finance (1), Business Finance (1), Banking (2), Insurance (1), Forensics (1), Marketing and Management (4) and Human Resources (3).

Paper in the field of CORPORATE FINANCE evaluates the economic measures adopted by the Republic of Serbia in the action against the consequences caused by COVID-19. Specifically, the paper discusses various packages of economic policy measures to minimize the negative effects caused by COVID-19 and provide support to the economy of Serbia. The study showed that there was good communication between the economy and the Serbian Government, which was conditioned by monitoring changes in the market at the time and which led to harmonization and adoption of economic measures that could meet the real needs of the economy and citizens.

BUSINESS FINANCE section features a paper that explains the main characteristics of the traditional and the modern approaches to measuring company performance, as well as the most used measures (models) of company performance. While the traditional approach to measuring company performance places emphasis on financial parameters that are expressed quantitatively, the modern approach, in addition to financial, uses non-financial performance measures that are expressed and categorized qualitatively. The paper concludes that major changes in business resulting from the global COVID-19 pandemic impose the need to apply modern measures of company performance in the process of managing a business.

There are two papers in the BANKING field. The first one highlights that lending to small and medium-sized enterprises is significantly more difficult compared to lending to large companies. Additionally, access to funding sources represents one of the biggest barriers to SME business growth and development. The paper provides an overview of the most significant limitations in giving loans to SMEs, from the regulatory-institutional aspect, i.e., limitations that can be removed or at least mitigated by adequate regulations. The second paper analyzes competition policy in the banking sector in Serbia and compare it with EU regulations to examine whether the Serbian banking competition policy is aligned with EU standards. In this empirical research comparative analysis method has been applied. The empirical research shows that competition policy in the Serbian banking sector is moderately harmonized with EU rules.

INSURANCE section features a paper that provides an empirical analysis of the COVID-19 impacts on the life insurance development in Serbia. The paper points out the current trends in the domestic market of life insurance, and possible development directions for this type of insurance in an unpredictable and turbulent environment, based on the analysis of research results before and during the pandemic. The study clearly shows that the pandemic has positively influenced the demand for life insurance and people's awareness of their lives' priorities.

Paper in the field of FORENSICS emphasizes that creative accounting, as a practice, most often occurs in those organizations that have not formulated and implemented internal procedures and controls in their organizational system or may not consistently apply them. The results of an empirical study show that strengthening corporate culture and constant work on the loyalty and ethical aspects of decision making of employees largely prevents the emergence of creative accounting in organizations.

Four papers address current issues in the field of MARKETING AND MANAGEMENT. The first paper suggests that the company's financial performance is under direct or indirect influence of invisible assets and resources owned by a particular company, that is, intellectual capital. Since intellectual capital is the main source of superior financial performance of a knowledge company, the authors emphasize the importance of examining the impact of investing in intellectual capital on the company's book value. The paper explores existing literature of corporate strategy based on innovations, ideas and intellectual capital. The second paper highlights the importance of digital collaboration and connectivity in the COVID-19 pandemic and postpandemic period in business markets.

The paper aims to demonstrate the importance of digital product management and digital communication possibilities and solutions in business and social environments in order to set a human-centred connectivity. By analyzing the effectiveness of various communication tools for distance collaboration, the study concluded that although the increase in the use of all-things-digital was expected, the subsequent and unforeseen effects of the fast transition to digital are reshaping customers' landscape.

The following paper emphasizes that the COVID-19 pandemic has brought about a special type of business challenge which requires an even more pronounced alignment between management and employees, their full connection and understanding of necessary changes, in order to maintain business continuity in very challenging pandemic conditions. The paper focuses on the role of remote work, i.e., working from home, during the COVID-19 pandemic. The authors base their theoretical framework on the relationship between technology, agile organizations and working from home during the coronavirus crisis.The fourth paper argues that modern science produced remarkable opus of knowledge in management, yet all those concepts, theories and models assumed certain characteristics of economy and business environment. COVID-19 influenced dramatic changes and disruptions in all aspects and began to question the suitability of existing business models. The paper discusses the characteristics of post-covid business environment and emphasizes the challenges that existing business models might face in the "New Normal" World.

There are three papers in the HUMAN RESOURCES field. The first paper perceives motivation as an integral part of the implementation of organization's management activities. The study demonstrates the importance of motivating employees to learn and improve skills at work and identify the best individuals who can become internal trainers and transfer their knowledge to employees. The second paper focuses on globalization and identifies its impact on corporate culture. The paper identifies positive aspects of globalization such as human rights, feminist values, environmental values, and negative aspects such as corruption, greed, and alienation. The last paper suggests that leadership is as an important tool for facing crisis such as COVID-19 pandemic. In particular, the paper reviews charismatic leadership theory and outlines verbal and nonverbal tactics of charismatic leaders. The paper outlines empirical findings that show the impact of charismatic leaders on various outcomes.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Corporate Finance & Business Finance
Review paper

ECONOMIC MEASURES OF SERBIA AGAINST THE COVID-19 PANDEMIC

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Abstract:

An explosion of a coronavirus called COVID-19 has deranged the economy around the world. Due to the pandemic, there is great uncertainty regarding economic trends. Economic policy measures adopted by states should reduce uncertainty. When we talk about economic measures, we primarily look at helping the economy, the financial sector, and the population. However, it should be borne in mind that today we are facing an atypical crisis whereas the consequence we have is a reduced supply due to the measures adopted by the states, which primarily relate to the limited movement that affects business activity. The aim of the research in this paper is the economic measures adopted by the Republic of Serbia in the action against the consequences caused by COVID-19. Specifically, the paper discusses various packages of economic policy measures to minimize the negative effects caused by COVID-19 and provide support to the economy of Serbia.

Keywords:

economic measures, economic trends, financial crisis, COVID-19.

1. INTRODUCTION

The pandemic COVID-19 triggered a health disaster that caused a global economic crisis. Measures taken by governments in all parts of the world to suppress the further transmission of the virus, have led to border closures, restrictions on movement, uncertainty in business activities, and cash flow problems in many companies, most notably in the most vulnerable industries such as tourism, transportation, hospitality, etc. In the economies of developed countries, there have been serious disturbances in the financial market due to the increasing demands imposed by the market immediately after the onset of the crisis. During the COVID-19 crisis, many companies around the world, including Serbia, were in a rush to use credit lines to provide the cash that was necessary for further business. Governments around the world and policymakers at the global level have reacted very quickly and adopted fiscal, monetary, and financial measures. The measures of the financial sector proved to be very important in combination with others because they were of great importance for supporting markets and solving the problem of financing companies.

The final consequence of the pandemic on the economy will depend on the financial sector and its ability to meet the demand of the corporate sector and avoid liquidity problems. Also, insufficient funds can lead to a reduction in business activities.

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Estimates of future economic trends and forecasts are changing daily, due to the inability to see the end of the health crisis and bringing the COVID-19 virus under control. There are different scenarios for future social and economic developments, which also depend on mitigating measures in later stages, as well as the length and severity of the pandemic and its impact on the world's leading economies. It is certain that the recession will be inevitable from today's perspective. However, its severity and recovery period are questionable.

2. ECONOMIC DEVELOPMENTS IN THE WORLD BEFORE COVID-19

Forecasts of global economic growth made at the end of 2019 indicated a possible slowdown in the global economy, as well as the economies of leading countries, during 2020 (United Nations, 2020). Factors that generated the slowdown were various uncertainties and risks related to conflict situations in the relations of leading economies in the field of trade relations (USA-China), uncertainties related to the economic policy of these countries, tensions in EU-Russia relations-imposed sanctions on Crimea annexation and the conflict in Ukraine, tensions within the EU over leaving Britain (Brexit), but also future EU perspectives, as well as standard environmental issues that have intensified over the past year.[1] A special problem was the threat of new large-scale migrations of the population from the war-affected areas to Europe and the EU, especially from refugee camps in Turkey. The migrant problem has thus become a primary political issue in the relations between Turkey and the EU, but also between Turkey and Russia, of course with a certain influence of the United States, as the most politically and economically powerful country in the world. Concerns also stemmed from the extremely strained relations between the United States and Iran, which culminated in early 2020 (OECD Interim Economic Outlook, 2020). However, the global economic outlook changed and deteriorated completely when a new deadly SARSCoV-2 virus appeared in China, in Hubei province in early January, causing a disease called COVID-19 (Praščević, 2020).

3. THE INFLUENCE OF COVID-19 ON THE ECONOMY

The pandemic caused both short-term and long-term macroeconomic consequences. Macroeconomic costs and losses caused by the pandemic refer to the loss of gross domestic product (GDP) in the countries affected by the epidemic, the growth of the unemployment rate in them, the deterioration of other macroeconomic variables - fiscal indicators and external balance indicators, which will affect their economic growth rates. In addition to the uncertainty related to the ignorance of the future course of coronavirus infection, which makes it difficult to assess future economic trends, the uncertainty also refers to the ignorance of the impact that the exogenous pandemic shock factor will have on the economy because it is unique in modern economic history. Therefore, there is no experience with the impact of earlier similar triggers of the recession, and thus the coming recession can be considered atypical. In that context, the effects of measures of states that impose social distancing and the so-called “lockdown” of states, function as triggers for starting a recession, i.e., for prolonging it. That is why it is already called the “Great lockdown recession” (Praščević, 2020).

It is now a global pandemic that does not focus on low-income countries, the world is much more integrated, interest rates are at an all-time low, and the current crisis is creating spillover effects in supply chains while collapsing supply and demand (Fernandes, 2020).

To realize the possible pessimistic economic influence of COVID-19, it is important to realize the economic transmission routes throughout whose collapses will have a negative impact on the economy. As stated by Carlsson-Szlezak, Reeves & Swartz (2020) there are three central transmission routes: (a) direct impact associated with lowered utilization of goods and services, (b) indirect impact acting through shocks in financial markets and their consequences on the actual economy and (c) supply-side disruptions.

4. ECONOMIC POLICY DURING COVID 19

An explosion of a coronavirus called COVID-19 has deranged the economy of China and continued to spread worldwide. The expansion of the infection and its economic influence is much undetermined, which makes it much more challenging for policy makers to develop a relevant strategy when it comes to macroeconomic policy.

Economic policy measures must primarily include both monetary and fiscal policy, to avoid aggregate demand being significantly affected after the aggregate supply has primarily suffered a shock. The pandemic COVID-19 will have short-term and long-term consequences. The long-term effects can certainly include the deterioration of public finances (public debt and the state budget deficit) because fiscal policy in all economies will be the backbone of economic policy in the fight against the consequences of pandemics. Therefore, it is estimated that deficits and public debt in most countries will reach levels that will exceed those from the time of the Great Global

1 Extreme temperatures in Australia, which caused fires at the end of the year, and a little earlier, a record number of fires were recorded in the Amazon rainforest, which generated an international crisis.

Recession (2007-09), from ten years ago, and which had negative economic consequences over a long period of time (sovereign debt crisis and austerity measures, the consequent recession in some economies – e.g., Greece, as well as the era of secular stagnation) (Praščević, 2017). EU countries are affected at different intensities, and the responses of countries are different, although they include fast and significant fiscal packages, with measures of the European Central Bank (ECB), as well as specific measures of national central banks. The response in the field of economic policy has, therefore, been present since the very beginning of the pandemic, both at the national levels of the members and at the level of the Union as a whole.

As part of the fiscal policy measures, it is left to national authorities to decide on, the EU has agreed to apply rule flexibility clauses that allow members to respond to significant fiscal stimulus to companies identified in the most affected economic sectors. The use of the EU budget is also envisaged, as well as its redirection and use of the Solidarity Fund budget (https://europa.eu/european-union/coronavirus-response_en).

5. MEASURES OF SERBIA'S ECONOMIC POLICY AGAINST COVID-19

Economic policy alone cannot end the crisis, but it has a key role to play: to protect livelihoods by preserving jobs and strengthening social safety nets (Marjanović & Domazet, 2018). To alleviate the influence of the crisis, the Western Balkan countries have announced significant fiscal packages, ranging from 1 to 7 percent of GDP (without guarantees), in support of their citizens and businesses (Warwick & Roshen, 2020). One of the questions is certainly, whether COVID-19 will generate a long-term modification in consumer behavior worldwide. It is already certain that the global decline in consumption and domiciliary requirements will be a huge test for the world economy (Goodell, 2020).

Until the COVID-19 crisis, Serbia had positive economic trends. Economic policy measures, economic indicators, and performance improved in the period before the pandemic, which led to a reduction in public debt to GDP, faster GDP growth, increased investment, and labor market performance. However, with the onset of the Covid crisis, everything slowed down both in Serbia and globally, and health care costs and other expenditures rose sharply.

Fiscal and monetary measures to prevent the unfavorable economic consequences of the pandemic have been introduced in 36 European countries and most countries in the world. These are: 1) tax policy measures; 2) measures of direct incentives from the budget and 3) measures for preserving liquidity (NALED Institute for Development and Innovation, 2020).

Serbia, like most countries, combined all groups of measures. The first package of measures included all three mentioned groups of assistance, while the second was a combination of the first two groups of measures, and the third included only direct benefits. The first and second packages of measures could be used by all economic entities that are not users of budget funds, while the third package was sectoral, intended for hotels and travel agencies. In Serbia, the total value of the package of measures introduced during 2020 is about 12.5% of GDP. For the most part, the measures were aimed at helping the population and the economy. The first package of measures is the "most expensive", bearing in mind that it covered the largest part of the economy and many measures, while the second can be seen as a supplement to the first. The most useful measures from the first package, according to economic entities, are direct payments in the form of payment of three minimum net salaries for all employees in micro, small and medium companies and entrepreneurs and postponement of social security contributions and payroll taxes until January 2021, after which they could be paid in 24 equal monthly installments. From the second package of measures, the most useful measure is the payment twice of 60% of the minimum net salary (NALED Institute for Development and Innovation, 2020).

The Government of Serbia has decided to introduce three packages of measures to support the economy in the fight against the crisis generated by the COVID-19 infection worth a total of 675.9 billion dinars. The first package of measures, as in most European countries, was a combination of all three groups of measures: tax policy measures, direct payments, and measures to maintain the liquidness of companies. This package of measures was of the highest value (608.3 billion dinars). The second package of measures was, again, a combination of measures, but this time a combination of two measures. It included tax policy measures and direct payments. This package of measures was significantly smaller than the first one (66 billion dinars). The third package of measures is the sector package, more precisely, it was focused only on companies that operate in the field of tourism, i.e., hotels and travel agencies. This package of measures is the smallest in size (1.6 billion dinars).

5.1. STATE ECONOMIC MEASURES PACKAGE TO REDUCE THE NEGATIVE CONSEQUENCES GENERATED BY THE COVID-19 PANDEMIC

The Government of the Republic of Serbia has approved the following set of measures (Ministry of Finance of the Republic of Serbia, 2020):

FIRST SET OF MEASURES:

It assumes for the most part a delay in the disbursement of expected tax liabilities, with subsequent reimbursement in installments, starting in 2021:

- Postponement of payment of taxes and contributions on earnings is accomplished to maintain liquidity and employment rate.

All employers who choose to use this measure can use the deferral of payment of tax expenses and contributions to wages until the beginning of 2021, and after that, there is the possibility of further deferral of payment of these costs for up to 24 months without interest at the request of the taxpayer. The basic conditions for the application of this measure are identical for all employers, regardless of their economic strength.

- Delayed payment of advance income tax in the second quarter.

This measure intends to extend the liquidity of taxpayers by delaying the payment of advance income tax payments for 2020 that mature in the second quarter of 2020. The basic conditions for the application of this measure are identical for all corporate taxpayers, regardless of their economic strength.

- Donors are excepted from the commitment to pay VAT.

The aim of this measure is to release from VAT those donors who contribute with their commodity, to organizations that are precisely participating in actions intended at avoiding the transmit and handling citizens from COVID-19 infection.

As part of measures to preserve liquidity, a program of financial support to the economy has been established with the Development Fund in the amount of 24 billion dinars, and guarantee schemes for supporting the economy have been introduced. The program enables the granting of loans to economic entities to preserve liquidity and, consequently, the stability of the finances and economy of the Republic. The deadline for applications was until the reserved funds were distributed or no later than December 10, 2020. The repayment period of loans granted for these purposes is prescribed at a maximum of 36 months, of which 12 months is the grace period and 24 months of repayment, while the annual interest rate on the loan is 1%.

The maximum loan amount is one million dinars for affiliated companies and 200,000 dinars for entrepreneurs, business entities and cooperatives. Micro, small and medium-sized enterprises that are privately owned, entrepreneurs and cooperatives that operate in the activities of production, provision of services, trade, or agriculture had the right to use these funds. Business entities operating in the field of games of chance, production or refining of oil and its derivatives did not have the right to apply to the Development Fund for this type of support. The conditions for obtaining the loan were that the company was not in bankruptcy proceedings, that it did not implement a reorganization plan prepared in advance, liquidation proceedings or financial restructuring. In addition, the business entity or company that applied for the loan was not allowed to lay off more than 10% of employees in relation to the number of employees in the period from March 15 to the expiration of three months from the release of credit funds for use. In addition to the stated conditions, the economic entity that has decided to use the loan may not pay dividends until the end of 2020. Loans were approved from the Development Fund in the total amount of almost nine billion dinars. According to the latest available data, loans for maintaining liquidity and working capital were approved for 1,856 business entities with over 30,000 employees, out of 2,195 registered (about 85%). Since mid-June, when special conditions for granting loans to companies operating in tourism, hospitality and passenger transport have been determined, the Fund keeps separate records on the number of legal entities and entrepreneurs from these activities that have applied for a loan and have been approved. The request for a loan was submitted by 298 business entities from the activities of tourism, hospitality, and passenger traffic, of which 253 (85%) received a loan. 18% of the total approved loans were approved to companies from tourism, hospitality, and passenger transport (NALED Institute for Development and Innovation, 2020).

SECOND SET OF MEASURES:

It refers to direct payments to companies, payment of aid in the value of the minimum salary for entrepreneurs, micro, small and medium companies, regarding subsidies of 50 percent of the minimum salary to large companies, whose employees were sent on forced absence because of reduced business volume or total work stoppage.

In this set of measures, a difference was made in the manner of application based on the economic strength of the taxpayer. In accordance with that, entrepreneurs, micro, small and medium legal entities were given economic aid in the volume of the net minimum salary for each person who has the status of an employee.

For legal entities that are classified as large, the assistance is determined in proportion to the number of persons that these employers keep in employment, although the need for their work has temporarily ceased.

The proposed measures sufficiently stimulate employers to maintain the existing level of employment, while in the case of entrepreneurs, small, micro and medium-sized legal entities, a larger scope of rights further strengthens liquidity in order to maintain business or abandon the initiation of termination proceedings.

THIRD SET OF MEASURES:

It is aimed at maintaining the liquidity of economic entities in the aspect of the economic confrontation forecasted during and after the end of the emergency caused by the COVID-19 virus. With the program of these measures, the Serbian government wants to reduce external impacts, such as falling demand and disorder of supply chains, and their effects, such as diminishing employment and illiquidity, on the Serbian economy.

The program predicts two measures:

1) Program for allocating loans for protecting liquidity and working capital for entrepreneurs, micro, small and medium business entities, agricultural farms, and cooperatives that are enrolled in the relevant registry through the Development Fund of the Republic of Serbia.
2) Guarantee programs to encourage the economy in the COVID-19 crisis for loans to protect liquidity and working capital for companies in the segment of entrepreneurs, micro, small and medium enterprises, and likewise agricultural farms throughout commercial banks operating in the Republic of Serbia.

The overall value of the programs envisaged by this measure is 264 billion dinars (about 2.2 billion euros).

FOURTH MEASURE SET:

It refers to the payment of direct aid in the amount of 100 euros in dinar equivalent to all adult citizens of Serbia.

6. CONCLUSION

We can conclude that there was good communication between the economy and the Serbian Government, which was conditioned by monitoring changes in the market at the time and which led to harmonization and adoption of economic measures that could meet the real needs of the economy and citizens, in order to overcome the economic shocks that coronavirus brought to us.

When we talk about the projection of future economic trends, it is impossible to make a good projection since economic trends in Serbia and in the world depend on the current health crisis, the impact of economic measures, restrictions imposed, but also the expectations of investors and consumers. It remains unclear whether the recession will save small and medium-sized enterprises or whether the focus will be on big capital and how to preserve banks. Some industries have suffered strong economic shocks due to limited or complete inability to move employees, capital, products and services.

There is an evident and reduced consumption on the market, which in the future can lead to a slowdown in production and construction of entire plants, because companies will have nowhere to place their products. This leads to a complete slowdown in economic turnover. The next period will show how capable and strong the states are to protect and not allow the takeover of strategically important companies, and how much they will succeed in preventing monopolistic expansion. Looking at both Serbia and other countries on a global level, it is inevitable that, as in 2020 and 2021, losses will be incurred, and will be compensated only when the market is fully stabilized. Until then, Serbia must be ready for new economic measures if there is a restriction of movement and work.

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TRADITIONAL VS MODERN APPROACHES TO MEASURING THE PERFORMANCE OF A COMPANY

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Abstract:

The process of managing the performance of a company necessarily goes through the phase of their measurement. The measures that are applied depend on the information requirements, the set goals, and the defined business strategy of the company. The traditional approach to measuring company performance places emphasis on financial parameters that are expressed quantitatively, thus creating the possibility of dynamic observation of the phenomenon in continuous time periods. In contrast to this approach, the modern approach, in addition to financial, uses non-financial performance measures that are expressed and categorized qualitatively, in accordance with the needs of key stakeholders. The focus of the traditional approach is on analyzing and improving the short-term performance of the company, while the modern approach is dominated by the pursuit of long-term company value.

Keywords:

business performance, traditional approach, modern approach.

1. INTRODUCTION

The paper will explain the basic characteristics of the two title approaches to measuring performance, as well as the most used traditional and modern measures (models) of company performance.

Traditional business performance indicators use an accounting information system as a source of data to monitor, measure and report on a company's financial performance. These indicators are the basis for making adequate business decisions and for managing the company's operations, and they are also a good tool for external financial reporting.

On the other hand, the modern approach to measuring the performance of companies seeks to overcome the one-dimensionality of the traditional approach to measuring performance. Although the financial dimension treated by the traditional approach is basic and very important, it is not the only one. For a modern company to survive in a competitive business environment, it must take into account, in addition to financial, non-financial aspects of business success. The characteristic of the modern business environment is the accelerated growth and development of companies, accelerated development and application of technological achievements, globalization and the like. For a company to achieve a comparative advantage over its competitors, it must continuously invest in knowledge, new technologies and the development of its employees. Creating a competitive advantage contributes to creating added value and raising the company's business performance to the highest possible level.

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However, for a company to operate efficiently in such extremely competitive conditions, it must create and use an adequate system for measuring the company's performance. Such a system should enable it to continuously analyze and improve performance measures in order to harmonize and adjust to the new situation in the company. (Janjić, Todorović, & amp; Jovanović, 2015).

2. TRADITIONAL PERFORMANCE MEASURES

Traditional indicators are mainly based on the concept of accounting profit, and this is their basic characteristic. In doing so, the profit is viewed as the net operating result, i.e., the difference between income and related expenses of the same accounting period. This means that traditional indicators are focused on the data and information presented in the financial statements of corporations, i.e., in the balance sheet, income statement, cash flow statement, statement of changes in equity, statement of other results, etc. Hence, these indicators are historical in nature, i.e., ex-post indicators, as they include data from the previous period and observe events that occurred in the past. This method, based on such information, analyzes everything that happened in the previous reporting period, because of which corrective measures are taken and business plans for the future period are defined.

The concept of accounting profit, on which traditional indicators are based, has its advantages: because profit as a final result is based on business transactions that were realized during the year and on the principle of historical value; because it provides adequate business decision-making and control; because, unlike economic profit, accounting profit is easily determined; because it has a wide application in the financial reporting of the largest number of economic entities in our area (Malinić, 1999).

Also, as advantages of traditional indicators based on data from financial statements, it is stated that they meet a number of performance measurement criteria such as accuracy, objectivity, comprehensibility, controllability, data availability, ability to measure in short periods of time, the ability to rely on international accounting and financial reporting standards and auditability. (Merchant, & amp; Van der Stede, 2007).

The shortcomings of traditional indicators are (Domanović, 2010) that they can lead to wrong conclusions and bad business decisions because they are based on past events, on what has already happened in the previous period, and not on what has happened, is currently happening or will happen in the coming period. In addition, a significant disadvantage lies in the fact that the data provided in the financial statements can be easily manipulated and thus provide a false picture of the success of a company. Also, these indicators may have different values in firms operating in different geographical areas due to differences in the application of legal, professional, and internal regulations.

The shortcomings of the traditional, ex-post concept based on accounting profit have led to the development of an ex-ante concept based on economic profit. This concept is determined on the basis of expectations and it contains elements of the projected future and takes into account the opportunity cost which is not shown in the income statement. According to this concept, profit forms the basis for rational behavior and making adequate business decisions. Based on the projected future, the benefits of available capital are predicted by discounting cash flows realized in different time periods and reducing them to present equivalents. (Pešalj, 2016).

Accounting and economic profit are similar, but differ in that accounting profit includes only interest costs incurred on the basis of loans, while economic profit includes the cost of total capital. According to the concept of accounting profit, equity, unlike borrowed capital, does not require cash outflows, which means that the cost of equity is not paid and has the character of opportunity costs. Thus, capital owners can invest their capital in other business activities and thus make an additional return. Therefore, the concept of economic profit or economic added value requires that equity, as well as borrowed capital, must include certain costs, and that they must be calculated and reimbursed like all other costs. (Krstić, & amp; Bonić, 2017)

In addition to the advantages and opportunities provided by traditional financial indicators, there are numerous disadvantages of these indicators that call into question the justification of their application (Krstić, & Sekulić, 2007). The disadvantages lie in the fact that the accounting information system is based on data from the past, which can lead to obsolescence of information at the time of reporting. Also, due to the short-term dimension of financial indicators, there may be an inadequate and incomplete assessment of business success, which may be the cause of undertaking activities that are not in line with the strategic goals of the company. In addition, the effort of management to achieve the highest possible profit in a certain period under the pressure of measuring the results of their personal engagement can lead to neglect or delay of necessary investments in research and development, which neglects the long-term goals of the company. Furthermore, traditional indicators are not of the same importance for all parts of the corporation, because employees at lower levels usually do not have a clear idea of the connection between their work and the value of these indicators. The disadvantage is that traditional indicators neglect the importance of other dimensions such as product quality, customer and employee satisfaction, delivery time, which can all lead to misinformation about the efficiency and profitability of the company's business.

However, despite these shortcomings, most financial and business analyses that rely on financial and management accounting are based on traditional financial indicators.

3. MODERN PERFORMANCE MEASURES

It is difficult to cover all the necessary aspects of a company's business success through a performance measurement system, but the task of the company's top management is to choose an adequate performance measurement system for their company. In making that choice, management should take into account both the financial and non-financial dimensions of the business. Non-financial performance measures do not arise from the annual financial statements, as is the case with financial measures, so they have less pressure on the time dimension of the deadline for meeting the defined performance of the company. Also, non-financial performance measures have a much better effect on the clarity of the role played by employees, managers and organizational parts of the company. According to Milosavljević and Mayer (Milosavljević, 2015; Meyer, 2002), they are ubiquitous and are a function of the firm, i.e. they represent what the firm is engaged in. Non-financial measures can be expressed in different ways because they are not in monetary form.

As critical success factors, the modern approach to performance measurement places emphasis on measuring a smaller number of variables, on the connection of performance measures with success factors and defined company strategy, on providing insight into information through all three time dimensions, i.e. information on past, present and future events, to observe all organizational parts of the company and all levels of business activity, not just the company as a whole, to observe all relevant resources of the company (Domanović, 2010).

Modern performance measurement systems include the following measures (Fitzgerlad, 2007):

- Criteria of results that indicate the success of the company after the completion of a certain process (market share, revenue, profit, etc.);

- Input and process criteria that indicate the success of the company before the end of the process, thus creating the possibility to make the necessary corrections (time, work invested, process duration, capacity utilization, etc.).

There are many advantages of modern performance measures, and the main advantages are that they eliminate the disadvantages of traditional measures. Unlike traditional measures, modern measures include both financial and non-financial measures, they are determined from both accounting and non-accounting sources, they are determined by lower organizational parts of the company and not only by the company as a whole, they are determined by product life cycle stages and alternative strategies (Dajić, & Todić, 2017), and therefore improve the allocation of resources, improve the decision-making process and the like.

There are three different directions in the development of modern financial performance (Tadić, 2015):

- Adjusted financial indicators that eliminate shortcomings and that are adjusted to the needs of a modern company (rate of return on invested capital);
- Cash flow indicators (cash return on invested capital, discounted cash flow);
- Indicators based on the concept of economic profit (market value added and economic value added).

The above-mentioned modern performance measures are based exclusively on financial information, but in order to create a complete picture of the results achieved by a company, it is necessary to use non-financial measures. According to Burch (Burch, 1994) the company should use the following measures:

- Performance measurement in relation to suppliers (quality of delivered product, delivery time);
- Performance measurement based on time (processing time, production movement time, waiting time);
- Measuring productivity performance (labor productivity, direct material yield, activity productivity);
- Measuring performance in relation to meeting the needs of consumers (sales activity, number of orders, delivery time).

3.1. THE CONCEPT OF ECONOMIC VALUE ADDED

Modern business conditions have led to the need to create and adopt a new management concept aimed at value creation (VBM - Value Based Management). Other concepts of value creation have developed from the mentioned VBM concept, and one of the most significant is EVA - Economic Value Added. This concept of added economic value is based on the concept of economic profit as the difference between net profit and cost of equity. EVA measures the company's economic profit instead of accounting profit, i.e. it measures the level at which the company's profit exceeds the rate of return on invested capital. Thus, EVA measures the company's realized profit after deducting all capital costs. Hence, it can be concluded that the company will create added value as long as the rate of return on invested capital is above the average price of invested capital, i.e. as long as EVA is positive, and vice versa, if EVA is negative, the company's value will fall because revenues are not enough to cover total capital costs.

Particular attention within the EVA concept should be paid to the factors that affect the increase in value created, namely (Stewart, 1991; Zakić, 2011; Alihodžić, 2013):

- increase in the rate of return on invested capital,
- profitable growth is achieved by those investments that bring a higher expected rate of return than the costs of the investment itself,
- sale or abandonment of those investments or organizational parts of the company that are not profitable, which leads to a decrease in invested capital and to an increase in the difference between the rate of return and the cost of equity,
- reduction of capital costs, i.e. selection of the capital structure that will lead to minimization of total capital costs,
- extension of the period of expected positive cash flows of investments.

In Serbia, the EVA concept as a modern method of measuring company performance is being applied to an increasing extent. One study conducted on this topic (Todorović, Kaličanin, & Nojković, 2015) came to the following results:

- about 83% of managers rely on absolute measures of accounting profit when assessing the performance of the company;
- in 2/3 of companies, relative measures of accounting metrics are applied, such as: rate of return on assets, rate of return on capital, rate of return on invested capital, etc .;
- modern performance measures are used much less compared to traditional measures, and in terms of the application of modern measures, the presence of Economic Value Added (EVA) and the Balanced Scorecard dominate;
- although modern measures are very poorly applied, there is significant progress in their application compared to previous research.
- EVA is constantly used in ¼ of the total number of surveyed companies;
- EVA is statistically significantly more used in large companies compared to small companies, as well as in companies with the international business compared to companies that operate exclusively in the domestic market.

3.2 BALANCED SCORECARD IN THE FUNCTION OF MEASURING THE PERFORMANCE OF THE COMPANY

The performance management concept, called the Balanced Scorecard by Robert Kaplan and David Norton, is now present in companies around the world. Due to the possibility of the practical application of the performance measurement system, this model has quickly gone from a model designed to measure the effects of applied strategies of organizational units and enterprises as a whole, to an instrument of execution and application of enterprise strategy.

The concept of the Balanced Scorecard has managed to solve the big problems faced by the managers of many, especially large companies, in connection with the imperfection of various criteria and the previous way of measuring the performance of companies. It is on the weaknesses of earlier systems that this concept has developed its advantage. The essence of the Balanced Scorecard is reflected in the definition of a grouped overview of measures that will give managers a clear and comprehensive overview of the company's operations. Traditional performance measures, such as return on capital and earnings per share, can give a completely wrong picture of the real situation in the company in the conditions of constantly present innovations and changes in the company's business. Traditional measures have been useful as measures of enterprise performance only in the period of industrialization, but their application, and especially independent application, has no purpose in companies operating in an era of increased competition and technological progress. That is why the concept of the Balanced Scorecard, in addition to financial measures, also uses non-financial measures. Non-financial measures are all those measures that indicate customer satisfaction, internal processes and activities to improve the organization. In this way, company managers have the opportunity to evaluate the success of the company from the following four perspectives (Janićijević, 2009):

- Consumer perspective that includes the performance of the company in the market and in terms of consumer satisfaction (quality of product or service, price, service, warranty, delivery time, etc.);
- Perspective of internal processes, which includes the performance of the company in terms of efficiency of internal business processes (length of the production process, percentage of scrap, the efficiency of material use, etc.);
- Perspective of innovation and learning, which includes the performance of the company in innovating and acquiring new knowledge (time of new product development, participation of the new product in total sales, number of proposed innovations by employees, etc.);

- Financial perspective that includes typical financial performance measures (return on invested capital, liquidity ratio, indebtedness ratio).

This division provides the management of the company with the necessary information from different perspectives, without the application of this concept in particular, the company does not have to include all four of these perspectives. How much and what perspectives a company will use depends on factors such as the size of the company, the activity of the company, the location where it is located, and the like. In some companies, preference will be given to only one in relation to other perspectives, and in another company, observing only one perspective will be enough to make appropriate conclusions about business success.

It is important that the list of performance measures is not too wide so that the company's management can focus and monitor the movement of selected performance. On the other hand, the number of measures should not be too small, because the use of only two or three measures within one perspective cannot adequately describe the strategy, as well as the relationship between performance and their bearers.

There is no single set of selected performance measures. Each set will show its usefulness only in the context of individual goals and strategies. Most companies that use this concept, regardless of their size, apply a small number of measures, usually from 20 to 30. The essence is that managers should focus on key strategic drivers of performance, or several variables that mostly affect the success of their company.

The following table will show some of the measures that managers could use in the process of measuring performance through the Balanced Scorecard, which is categorized according to the stated perspectives.

Table 1. Basic performance measures presented according to the perspectives of the Balanced Scorecard

Financial perspective	Customer perspective	Perspective of internal processes	Perspective of innovation and learning
- earnings per share	- probability of recommendation	- average transaction costs	- average work experience
- total assets per employee	- loyalty and customer satisfaction	- delivery on time	- turnover ratio
- % profit from total active	- market participation	- inventory turnover	- absenteeism
- ROA	- customer complaints	- average duration of the patent	- satisfaction of employees
- income per employee	- resolved appeals in the first procedure	- lack of stock	- added value per employee
- ROE	- retained or lost customers	- labor utilization rate	- motivation index
- EVA	- annual sales per customer	- defect percentage	- number of applications for employment
- MVA	- spent time with customers	- market segmentation	- employment index
- ROI	- sales by channels	- guarantee confirmation	- quality of the working environment
- added value per employee	- frequency	- waste reduction	- health promotion
- market value		- planning accuracy	
- share price		- reputation index	
- debt / capital			

Source: Niven, 2002

The application of the Balanced Scorecard concept is a complicated process that requires a lot of time and effort to adapt the management systems to its application. Many companies have a problem when implementing this system because they do not have a strategic plan, or do not have an official document confirming the existence of a particular strategy.

Even if they have a strategic plan, there is often a problem of not understanding the concept of strategy, especially from employees at lower organizational levels.

4. COMPARATIVE PRESENTATION OF MODERN AND TRADITIONAL APPROACHES

The basic characteristics of modern approaches to measuring the performance of companies can best be explained by their comparison with the traditional approach to measuring performance (Table 2).

Table 2. Comparative overview of traditional and modern approaches to performance measurement companies

Changes to	Traditional Measurement	Balanced Measurement	Performance Management
FOCUS	Internal	Internal and external	Needs of relevant internal groups
DIMENSIONS	Single	Multiple	Less focus on dimensions and more on the relationships between dimensions
DRIVERS	Cost	Innovation and learning	Improving process capability through resource development
TARGETS	Financial	Financial and non-financial	Comparative-external and anti-competition
DESIRED BENEFITS	Cost control	Strategic direction communication	Improving sustainable performance through improving business processes

Source: Bourne, Franco, & Vilkes, 2003

Calculated indicators should be compared with standard values such as: expected (planned) indicators, indicators of the same company from the previous period, indicators calculated in other companies of the same activity, etc.

5. CONCLUSION

Unlike developed countries, where the application of this concept is considered a regular practice in the process of measuring the performance of companies in the Republic of Serbia, this system is still not so developed, and it is used by about 1/5 of companies, mainly large companies, international companies and companies whose shares are listed on the stock exchange. The application is dominated by the concept of economic value added (EVA) and the concept of Balanced Scorecard. The reasons for less usage of modern performance measures (Todorović, Kaličanin, & Nojković, 2015) in the Republic of Serbia lie in the insufficient information of managers about these measures, in the complexity of use, time and costs required to implement these measures.

Major changes in business resulting from the global COVID-19 pandemic impose the need to apply modern measures of company performance in the process of managing a business in a constantly changing business, social and cultural environment. Improving and expanding modern enterprise performance measures fits into the current ContinuousNext® approach so that every company can adapt to rapid changes in technology, competition, and business.

In future research, it would be desirable to compare data on the application of modern enterprise performance in the years before and after the global pandemic, and general changes in the environment.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
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Review paper

REGULATORY AND INSTITUTIONAL RESTRICTIONS ON SMALL BUSINESS LOANS IN SERBIA

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Abstract:

Lending to small and medium-sized enterprises is significantly more difficult compared to lending to large companies. In many studies, SMEs cite access to funding sources as one of the biggest barriers to business growth and development. In Serbia, bank lending is the main external source of financing for SMEs. However, in addition to the restrictions from the aspect of banks and the restrictions from the aspect of these enterprises, the restrictions on difficult lending to SMEs also come from the institutional and regulatory support of our country. EU regulations and strategic documents of our country are increasingly emphasizing the provision of adequate financing and lending conditions for SMEs, given that these companies are the backbone of each country's economy. It is especially important to preserve this sector in the period of the current crisis, by choosing adequate measures, subsidies and state guarantees. This paper aims to present the most significant limitations in giving loans to SMEs, from the regulatory-institutional aspect, i.e. limitations that can be removed or at least mitigated by adequate regulations.

Keywords:

lending restrictions, small business lending, regulatory lending factors.

1. INTRODUCTION

Financing is one of the most prominent obstacles in the development and survival of small businesses. The consequences of this situation are poor market and legal conditions regarding the financing of companies, a low level of entrepreneurial spirit and initiative, as well as an insufficient level of knowledge in the field of finance, especially for small companies in Serbia. All of these constraints pose serious challenges for all policy, market and lawmakers aiming their activities at sustainable recovery and long-term economic growth. It is necessary to invest the highest possible efforts on constituting regulatory and market conditions in order to create better conditions for financing small businesses (Đekić et al, 2019).

Financing for small companies is significantly more difficult than for large companies. However, the existence of a "financial gap" for small businesses, which means that a large percentage of them would use funds effectively and efficiently if available, imposes the need for a deeper study of the problem and finding solutions to facilitate the financing of small businesses.

Due to the underdevelopment of the domestic financial market, bank loans have been the dominant source of financing for small and medium enterprises for many years. Banks in Serbia account for over 90% of the total available sources of financing for small and medium enterprises, with a very small share of other financial institutions. Small businesses in particular face the problem of obtaining investment loans, most often as a consequence of the lack of adequate collateral, insufficient current financial capacity and the lack of credit history.

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Conditions for small business lending by banks have become significantly tighter during and immediately after the financial crisis, but have become less rigorous since 2010 (Board of Governors of the Federal Reserve System, 2012). Different economies have tried to solve this problem in different ways, and in developed countries, logically, small and medium enterprises have had greater support from institutions and the state than is the case in transition or underdeveloped economies.

However, regardless of the level of development of the country, certain sources of financing are less available to small and medium enterprises compared to large companies due to the fact that creditors and lenders perceive these enterprises as a risk group (Kokorović Jukan et al, 2019). Improving lending conditions for small businesses requires systematic efforts in several key areas of activity. For thirty years, governments of more developed countries and international organizations have been actively working to improve the conditions for financing small and medium enterprises.

This paper will, through an overview of the institutional framework in the EU, analyze the loan constraints that the SME sector in Serbia encounters and the regulatory barriers to lending.

2. THE ROLE AND IMPORTANCE OF THE INSTITUTIONAL AND REGULATORY FRAMEWORK FOR BUSINESS LOANS

Back in 2000, the Lisbon Strategy set the goal of strengthening competitiveness based on economic, social and environmental segments, with the creation of a favorable business environment for starting and developing innovative companies by simplifying the regulatory environment, especially in terms of SMEs and entrepreneurship, as one of the directions towards achieving this goal (European Council, 2000). Also, in the same year, the European Council in Feira (Portugal) adopted the European Charter for Small Enterprises. The Charter sets out the principles by which Member States commit themselves to: strengthening the innovative and entrepreneurial spirit in the EU; creating a regulatory, fiscal and administrative framework conducive to entrepreneurship and improving entrepreneurial status; ensuring market access with the least burdensome requirements; and, in line with the main goals of the public policy, facilitating access to the highest quality research and technology; improving access to sources of funding throughout the life cycle of enterprises; continually trying to improve the environment for small businesses, as well as providing superior support to small businesses (European Commission, 2002).

Serbia joined the European Charter for Small Enterprises in 2003. This charter provides basic guidelines and recommendations for the development of the SME sector. Recognizing the importance of the SME sector, in 2005 the European Union included the issue of improving this sector in the priorities of the Lisbon Strategy for Growth and Employment. The concretization of recommendations and activities from the European Charter, i.e. the directions of actions on specific targeted activities are presented in the document "Act on Small Enterprises for Europe", which was adopted in 2008. The Government of the Republic of Serbia has adopted several strategic documents related to the SME sector, and the Strategy for the Development of Competitive and Innovative Small and Medium-Sized Enterprises for the period from 2008 to 2013, through the annual action plan, for the first time binds budget targets. This Strategy is in line with the European Charter for Small Enterprises and the Small Business Act (Kostadinović et al, 2015). Also, the Government of Serbia adopted a new Strategy to support the development of small and medium enterprises, entrepreneurship and competitiveness for the period from 2015 to 2020, with an Action Plan, which follows the policy of the European Union. The goal of the Strategy is to improve the situation in key areas for entrepreneurship development, and the measures of the Strategy focus primarily on improving the business environment and access to finance, on continuous development of human resources and on strengthening the sustainability and competitiveness of SMEs.

The regulatory and institutional framework plays a major role in supporting or hindering individuals and businesses' access to finance. What the financial sector of each country will be depends greatly on the institutional and regulatory factors. Research has shown that a well-developed financial sector is positively correlated with economic growth (King & Levine, 1993; Roubini & Sala-i-Marin, 1995). An orderly and functioning financial system efficiently directs financial resources to economically justified projects and companies with promising and productive activities, stimulates savings and investments, and contributes to minimizing transaction costs. According to Hasan et al. (2017), the existence and strengthening of local banks in developing countries affects easier access to bank loans, reduction of financial costs, stimulation of investments and stimulation of SME growth. Regions in developing countries where local banks have a strong influence are characterized by faster development of newer firms. The opposite is the case in regions dominated by foreign-owned banks. Countries that pursue their policies in the direction of strengthening SMEs, should consider this issue and all other essential aspects for the functioning and development of these enterprises.

The overall performance of the Serbian economy in terms of regulatory and institutional policy can be seen through the assessment of the following five indicators (OECD, 2016a):

1. Movable property can also be an effective form of collateral. Therefore, a reliable registration system is necessary for this form of property as well. In order to reduce information asymmetry, it is necessary to strengthen the legislative framework regarding insolvency and collateral requirements, which would also help in the protection of financial intermediaries;
2. Insolvency proceedings shall be followed in situations when borrowers are not able to meet their monetary obligations. The absence or poor enforcement of laws governing this area restricts lenders from granting loans, because legally speaking, there is a higher risk that they will not be able to collect debts when borrowers fail to repay the loan;
3. Financial institutions often make collateral claims based on the borrower's assets and creditworthiness. So, this is an independent assessment by a financial institution. In order to facilitate borrowers' access to finance, it is necessary to define acceptable forms and amounts of collateral.

Lack of reliable information, i.e. the presence of information asymmetry, leads to comparatively high interest rates, even in the case of a long-term relationship between a bank and a company (Baas & Schrooten, 2006). Credit risk assessment information infrastructures, such as credit bureaus, registries or loan data warehouses, can reduce risk for the investor when deciding on small business financing and help identify investment opportunities. This could also reduce financing costs for small businesses, which are generally higher than the costs of large companies (OECD, 2015). Loan and collateral information systems would reduce the information asymmetry between borrowers and lenders. Registers in which data on assets and loans of potential borrowers would be stored would be of great use to banks in assessing client risk.

3. REGULATORY BARRIERS TO BANK LENDING IN SERBIA

A weak regulatory system cannot adequately protect creditors and investors, and may be ineffective, especially in the area of debt collection and bankruptcy, which further jeopardizes bank lending. In this sense, the tax and regulatory system can discourage the operation of SMEs in a formal framework, i.e. they can increase their activity in the informal economy, which reduces their contribution to economic growth, development and employment. This is all due to the impossibility or difficulty of accessing formal loans.

In countries facing weak legislation and higher levels of corruption, SMEs operating in the formal economy are often more likely to be loan constained, due to the high level of enterprise representation in the informal economy (Distinguin et al, 2016). Serbia has adopted several measures to reduce the informal economy, facilitate tax payments and register businesses. Tax collection is one of the most significant revenues for the state (Galečić & Barjaktaktarović, 2020). Also, a coordinating body for direct activities in the fight against the gray economy has been established.

Scores on various indicators of the regulatory and institutional framework regarding access to financial resources are shown in Table 10. The range of scores is from zero to five, and their explanation is as follows (OECD, 2018, p. 33):

- Level 0 – there is no framework;
- Level 1 – there is a draft framework and signs of government activity in this area;
- Level 2 – there is a framework related to a specific area that is firmly established. It has been adopted by the government or parliament;
- Level 3 – level 2 plus specific indications that the policy framework has been effectively implemented;
- Level 4 – level 3 plus proof that the framework has been controlled, and if necessary, adjusted;
- Level 5 – level 4 plus continuous corrective control of the framework and independent impact assessment, which is a part of a systematic policy adjustment practice to meet the best international practice standards. Level 5 is the closest to good practice defined by OECD standards.

Table 1. Regulatory and institutional framework – evaluation by indicators

Indicators	Serbia
Loan information services	4
Property registers	4,0
Collateral requirements	3,0
Personal and corporate bankruptcy proceedings	2,0

Source: Adapted according to (OECD, 2018, p. 164)

In terms of credit information services, Serbia improved its score, given that in 2016 it reached level 2.5. In previous reports, property registers were observed separately, so in terms of the movable property register system, Serbia was at level 3.0, while in terms of cadastre, Serbia reached level 2.0. In terms of collateral requirements, it had level 1, in terms of personal and corporate bankruptcy proceedings, Serbia remained at the same level.

Business reports provide an assessment of a large number of countries in terms of efficiency and transparency of enterprise operations. For this purpose, ten regulatory aspects that affect the ease of doing business in a certain economy and which, among other things, relate to business loans, are hereby analyzed. For comparison, in the 2016 report, Serbia was ranked 59th out of a total of 189 observed countries, 65th in terms of ease of starting a business, and 59th in terms of obtaining loans (World Bank, 2016). For 2018, these aspects of the economy and business are better rated, so, in terms of ease of starting a business, Serbia improved its rank to 32nd, and in terms of obtaining loans, it was ranked 55th (World Bank, 2018). Unfortunately, the data for 2020 are not encouraging, so Serbia is in the 73rd place in terms of ease of starting a business and on the 67th place in terms of obtaining a loan (World Bank, 2019).

Government regulation has a high impact on small businesses' access to bank loans. Very often, in order to protect themselves from excessive imports and macroeconomic instabilities that accompany low exports and high imports, countries support export-oriented companies and their industrialization, which leaves SMEs somewhat neglected or put in the background compared to large companies. However, small business is the backbone of most economies in the world, so many governments try to channel funds to these companies in various ways, such as: defining a minimum quota of loans that banks must direct to SMEs, subsidizing interest rates for these companies, establishing institutions for financial and non-financial support to these companies, providing loan guarantees and more. It is important to establish a system in which there is risk sharing during small business lending and the introduction of a best practice approach in lending. Improving access to loans for these companies should include more efficient loan bureaus, better regulation in the area of collateral and in the area of business insolvency. The Law on Capital Market, which was established in 2012 and 2013, improved the area of legislation in order to reduce market manipulation, protect investors and tighten reporting requirements (National Bank of Serbia, 2013).

However, SME lending is exempt from several regulations. Levels of euroisation remain high, which may adversely affect companies that do not have sufficient strength to continue their normal operations if affected by foreign exchange risk. In order to support the dinarization process, the National Bank of Serbia and the Government of the Republic of Serbia signed a Memorandum on the dinarization strategy of the financial system of Serbia almost ten years ago, in April 2012.

Adequate macroeconomic policies and an efficient regulatory and institutional environment can contribute to a sound basis for the growth and development of the entire private sector, not just SMEs. (Beck et al, 2006). A survey published in Oxford Economics conducted on a sample of 3,200 SME representatives in 15 countries and 16 industries found that as many as 37% of companies cite economic uncertainty as their biggest concern, while 15% cite political uncertainty (Oxford Economics, 2017).

Economic growth, stability and market competitiveness encourage banks to lend more to small and medium-sized enterprises, but high inflation and government borrowing limit them. High GDP growth rates and increased competition in the banking sector, especially in the fast-growing developing countries, have contributed to an increase in the volume of banking sector loans granted to small and medium-sized enterprises. World Bank studies and research have shown that in markets characterized by economic stability, high economic growth and a high level of competition in the field of business loans, banks have greater preferences and orientation towards lending to small and medium enterprises (Jenkins & Hossain, 2017). For these reasons, the role of the state in promoting small and medium-sized businesses is important, and in this context, the policy of public deficit control, sustainability and stability of the economy and promoting the competitiveness of business loans are important too.

The COVID-19 pandemic has had a significant impact on the Serbian economy. The crisis has hit the service and manufacturing sectors hardest. Retail and wholesale trade, transport, tourism and catering have been most affected (OECD, 2021).

Serbia has implemented the largest fiscal support package in the region to counter the impact of the crisis, and this has helped reduce the negative effects on many segments of the economy. The package included a wide range of measures to support businesses, including deferral of labor taxes and contributions, as well as corporate income taxes, wage subsidies and a moratorium on enforcement and interest on tax debt. Serbia has also introduced a state guarantee scheme for bank lending to small and medium-sized enterprises to support their liquidity. As in the rest of the region, the main instruments for providing additional business liquidity during the crisis have come from government support through subsidized lending or loan guarantees. Nevertheless, the financial sector, which can provide adequate lending and financing to SMEs, as well as adequate regulatory and institutional support, is a very important factor in crisis recovery for the economy as a whole, and for SMEs in particular.

4. CONCLUSION

Securing stable sources of business financing is one of the biggest challenges facing entrepreneurs and SMEs in Serbia. In developed market economies with developed financial markets, the range of financial instruments (sources of financing) available to enterprises is significantly higher compared to countries in transition and developing countries. In order to improve the relationship between the SME sector and the financial system, it is necessary to systematically approach the construction of a banking system that supports SMEs, which would create and highlight differences in banks' approach to SMEs in relation to other customer segments.

Adequate lending to SMEs requires a higher level of regulatory and institutional support that depends on the state and state institutions. Improvements need to be made in the area of credit information services, movable and immovable property registers, personal and corporate bankruptcy procedures, and more efforts are needed to reduce discrimination against SMEs in the context of lending, so that these companies are as attractive clients to banks as are big companies.

Holders and creators of the business environment and economic policy in our country should more efficiently direct efforts and funds to priority sectors, in order to provide investments that will increase the value in the private sector. Delaying the improvement of institutional and regulatory aspects in the area of the financial system and market increases the problems of business owners and prolongs the effects expected from a functioning economy. Legislation and the regulatory framework have somewhat improved. Sustainable economic development and financial stability must be based on a real economy and a strong private sector geared towards exports and innovation. A stable and strong economy rests on the representatives of small and medium businesses, as the main promoters of entrepreneurship, capable of surviving and developing in modern market conditions.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Banking & Insurance
Review paper

HARMONIZATION OF SERBIAN COMPETITION POLICY IN BANKING SECTOR WITH EU REGULATIONS

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Abstract:

The existence of a legal framework for the protection of competition is "condicione sine qua non" for the modern market economy and fair market game in every industry. The purpose of this research is to analyze competition policy in the banking sector in Serbia and compare it with EU regulations to find out if the Serbian banking competition policy is aligned with EU standards. In this empirical research comparative analysis method has been applied. On the ground of received results, the empirical research shows that competition policy in the Serbian banking sector is moderately harmonized with EU rules.

Keywords:

competition, banking sector, Serbia, EU, concentration.

1. INTRODUCTION

Economic sanctions (1992-1996 and again in 1998), together with the NATO bombing in 1999, were the main reasons why the transition to market economy in Serbia lasted longer than in other Central Eastern European countries. Successful implementation of the transition process has required designing of legal provisions adequate for the operating of a market economy. One of the most significant steps in that process has been the introduction of market competition, including the demonopolization of highly concentrated economies and expansion of the private sector in the economic activity.

The first law to regulate the behavior of market participants was the Federal Anti-monopolistic Law adopted in 1996 (Protić & Lazarević, 2017). Although this Law prohibited the abuse of a dominant and monopolistic position, it lacked the definition of concentrations and did not recognize the category of entry and exit impediments and the difference between real and potential competition. Besides, the Anti-monopoly Commission was set up as an administrative body within the Federal Ministry of Economy and Internal Trade. Having in mind all these shortcomings, the new Law on Protection of Competition was adopted in 2005, while the Commission for the Protection of Competition was set up as an independent and autonomous organization body (Penev & Filipović, 2008). As a result of further harmonization with the EU regulations, the currently in force Law on the protection of competition (Official Herald of the Republic of Serbia, No. 51/2009 and 95/2013) was adopted in 2009. On the other hand, harmonization with the EU legislation and the reform of the Serbian banking sector began in 2001 with the adoption of the Bank Restructuring strategy followed by the Bank Privatization Strategy, as well as the accompanying Laws (Filipović, 2003).

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The purpose of this research is to analyze the competition policy in the banking sector in Serbia and compare it with EU regulations to examine whether it is harmonized with EU standards.

2. LITERATURE REVIEW

Competition policy in banking and the effects that it causes are the subject of many research studies. Gelos and Roldos (2002) investigated the evolution of market structure in emerging market banking systems during the 1990s on a sample of 8 European and Latin American countries and proved that the reduction in the number of banks in observed countries has not been systematically associated with the increased concentration as measured by standard indices and that banking markets have not become less competitive.

Claessens and Laeven (2003) performed a research of banks in 50 countries and found that competition increased with restrictions on (foreign) bank's entry on the market and that there is no evidence that competitiveness was measured negatively related to the banking system concentration.

Casu and Girardone (2009) measured the level of competition in the biggest five EU banking markets (Germany, Italy, France, Spain, and the UK) in the period from 2000-2005 applying structural (concentration ratios and Herfindahl-Hirshman Indices) and non-structural (H-statistics and Lerner Index) approach. The outcome showed a steady increase in concentration degree, which is not connected to the level of competition.

Maudos and Vives (2019) investigated the development of competition in the EU banking sector and found that competition decreased after the adoption of the euro as a common currency and digitalization, but keeping competitiveness intensive can increase it in the future.

Beck et. al. (2004) investigated the influence of bank concentration on banking system fragility on the cross-country data in 69 countries and 47 crisis episodes. The research confirmed that concentration and competitiveness of the banking sector are connected with banking stability. The same year, Berger et. al. (2004) proved on an example of 14,000 banks in 72 countries that legal impediments to bank competition are connected with a lower demand for loans, less acceptable prices and instability of the financial system. Generally, proceedings that restrict bank competition provisions, impediments to foreign bank operations, and direct state control of banking resources, negatively influence economic activity.

As a result of research of sixty reports and a series of tables on concentration trends in a number of industries and market structures in member countries of the Commission of the European communities (today’s EU), we can conclude that causes and effects of concentration are to be found in the structure, performance and competitive strategy of the individual firm (Linda, 1976).

Banking competition policy in Serbia, development and harmonization with EU legislation were also the subject of scientific papers. Barjaktarović (2010) considered that competitiveness in the banking sector should be reached by improvement of service quality, permanent competence development, adequate motivation system of employees, innovation, improvement of leadership and management skills, flexible organizational structure and modern technology. The research of Barjaktarović et. al (2014) shows that implemented legislative framework influenced both the capital level and capital adequacy level beyond the level proposed by the Basel framework (19.87% in Serbia, 8–12% in EU) and reveals that the growing number of banks are investing in IT and staff training with the aim of efficient implementation of Basel standards and better risk management.

3. EU ACQUIS COMMUNAUTAIRE AND COMPETITION POLICY

The borders of the EU limit the territorial scope of application of the EU legislation, but in exceptional cases, the “acquis” can be applied outside the EU, which is most often the case with the competition law.

Competition in the European banking sector has evolved from 1992 till nowadays with the banking regulations, the implementation of the euro in 1999, and the recession. The most important regulations are: the Second Banking Directive, the Financial Services Action Plan (1999-2005) and the Basel agreements, international one risk-based capital standard, as a capital adequacy ratio which shows the ratio of capital and risk weighted assets. Basel I was fully implemented in 1993 with amendments in January 1996. Basel II, was adopted in 2004 and entered into force in 2007. In 2010 Basel III was adopted, to improve the ability of banks to absorb shocks arising from the environment, increase the transparency of banks and establish adequate regulatory frameworks (Todorović &Tomić, 2020). The European Banking Authority (EBA) is responsible for the implementation of competition rules, together with the Capital Requirements Regulation (CRR) and Directive (CRD) (European Banking Authority, 2021). After the Basel agreements, the Single Supervisory Mechanism and the Single Resolution Mechanism were added to the list of EU competition regulations in 2014 and 2015, respectively.

The European Commission (EC) is the EU authority responsible for the competition policy and application of rules to provide fair market game among all market participants.

The Directorate-General for Competition (DG COMP) implements the EU competition rules under the EU Treaties. The EC did not use Articles 85 and 86 of the Rome Treaty (which are currently Articles 101 and 102 of the Treaty) for the banking sector until 1981 when the European Court of Justice (ECJ) decided that competition policy is applicable to credit institutions.

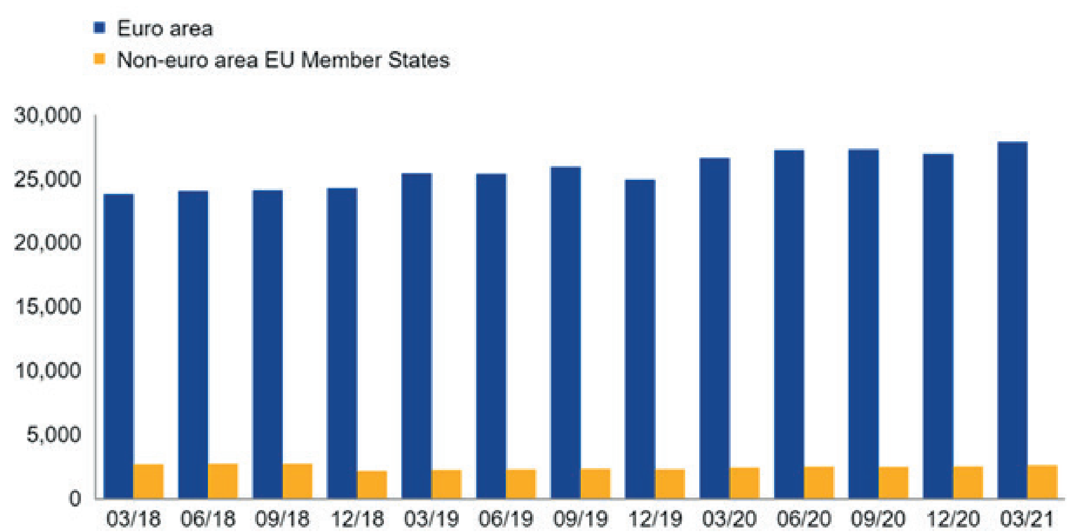
Competition Policy instruments are antitrust, cartels, mergers, and state aid regulations. Antitrust is regulated by Articles 101 and 102 of the Treaty that forbid agreements that limit competition and the abuse of dominance on an observed market. Cartels are also prohibited agreements of a group of autonomous legal entities, which unite to adjust prices and production and divide among themselves the market and customers. Their nature is secret, so it is very difficult to detect them and prove them, which caused the creation of a very effective weapon against them - leniency program. This legal solution implies immunity from penalties for companies that share significant information about other members of the cartel they are involved in (European Commission, 2021).

Some mergers can jeopardize competition and announced acquisitions have to be investigated to avoid negative impact on competition.

Beside the EC, according to the European Merger Regulation (Article 21), member States can prohibit a merger to save financial stability in the domestic market. When it comes to state aid, it is generally prohibited unless it is in line with the EU regulations and if it is significant for economic development, because it puts the company in a privileged position.

The European Central Bank (ECB) has published the annual report valid for 2020, for the banking sector in the EU, which includes staff and branches statistics as well as data on the level of concentration of the banking sector for every country, and data on foreign-controlled institutions in each Member state. The decline of -2.28% to -30.66% in the number of bank branches in the EU, in 24 from 27 countries, was observed (the total number was 143,158); as well as in the number of employees of credit institutions in 22 member countries with an average drop of 1.55%. The average concentration level in the banking sector measured by the share of assets held by the five biggest banks in every member country was 67.25% at the end of 2020 (European Central Bank, 2021). Figure 1 represents the total assets of credit institutions headquartered in the EU in billions EUR at the end of March 2021.

Figure 1. Total assets of credit institutions headquartered in the EU



*Source:*ECB

4. HARMONISATION OF SERBIAN COMPETITION REGULATORY FRAMEWORK WITH EU REQUIREMENTS

The Serbian Law on the Protection of Competition adopted in 2009, with bylaws (adopted in 2009 and 2010) and amendments (2013) has been aligned with the Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty.

The legal aim of this document is the application of competition regulations in order to further harmonize this area with the EU`s and domestic regulations and it is fully compliant with the following legislation:

- Council Regulation (EC) 139/2004 on the control of concentrations between entrepreneurs
- Commission Regulation (EU) 330/2010 on the application of Article 101 paragraph three of the Treaty on the Functioning of the European Union into categories of vertical agreements and harmonized practices;

- Commission Regulation (EC) 773/2004 laying down procedures for The Commission conducts on the basis of Articles 81 and 82 of the EC Treaty;
- Commission Regulation (EC) No 802/2004 implementing the Regulation Council (EC) 139/2004 on the control of concentrations between undertakings;
- Commission Regulation (EU) 1217/2010 and 1218/2010 on the application of Article 101 paragraph 3 of the Treaty on the Functioning of the European Union into certain categories research and development agreements and certain categories of specialization agreement;
- Commission Notice on the definition of the relevant market for legal purposes Competition Communities (97 / C 327/03); Commission Notice on Immunity from Punishment and Reduction of Fines in cartel cases (OJ C 298/17);
- Instructions on how to impose penalties in accordance with Article 23 (2) (a) of the Regulation1/2003 (2006 / C 210/02);
- Notification to the Commission of agreements of minor importance which do not restrict competition significantly in accordance with Article 101 (1) of the Treaty on the functioning of the EU. (Protić & Lazarević, 2017).

This Law takes over the formulation of restrictive agreements from Article 101, paragraph 1 of the Treaty on the functioning of the EU (TFEU), as it is written in Article 10 of the Law. Abuse of dominant position is prohibited by this Law and regulated in Article 16, which takes over the provision of Article 102 TFEU. Investigation of concentration ex officio is defined in Article 62 saying that upon learning of implemented concentration, the Commission may investigate the concentration if it finds that the market share of legal entities who are taking part in the concentration is 40% or more and if the conditions from Article 19 regarding permissibility are not met. If the Commission determines the competition infringement or other law injury, it shall impose a measure for the protection of competition, measure to eliminate competition infringement or other administrative measure prescribed by the Law. In 2016, one of the amendments to the Criminal Code reforms the provisions on the criminalization of cartels. Pursuant to Article 229, in case of conclusion of a restrictive agreement, the court may impose a sentence of imprisonment from 6 months to 5 years and a fine. (Criminal Code, Official Herald of the Republic of Serbia No. 85/2005, 88/2005, 107/2005, 72/2009, 111/2009, 121/2012, 104/2013, 108/2014, 94/2016 and 35/2019).

Analyzing the legal framework for the protection of competition in the banking sector, it is important to highlight the Law on the National Bank of Serbia (NBS). Article 7 of this Law sets forth that the law on the protection of competition should apply to the competition on the banking market. According to this Law, Article 133, paragraph 3, along with the application specified in paragraph 1 thereof, there is a list of documents that the bank that initiated the takeover is obligated to deliver to the NBS (The Law on the National bank of Serbia, Official Herald of the Republic of Serbia, No 72/2003, 55/2004, 85/2005, 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 – constitutional court decision, and 44/2018).

The EC's annual report on the accession of the Republic of Serbia to the EU for 2020 states for Chapter 8 (Competition policy) and Chapter 9 (Financial services) that the good level of progress is achieved and it can be said that Serbian regulations are moderately harmonized with the European competition policy. The adoption of the new Law on State Aid Control in 2019 has established a wider operational scope of activities and more autonomy to the Commission for Protection of Competition. When it comes to antitrust and mergers, the legislation is compliant with the provisions of the Stabilisation and Association Agreement (SAA). The Commission for Protection of Competition as the main authority had a lot of antitrust cases, but did not forbid any merger, although it imposed two sentences. In 2016, the new Regulation on the content and manner of filing a notification of a concentration was adopted (Regulation on notification of a concentration). In December 2020, the Law on the Digital Property was adopted, which, for the first time in our country, regulates business related to virtual currencies. On the other hand, improvements of the Law on multilateral interchange fees and special operating rules for card-based payment transactions are still missing (European Commission, 2021).

When it comes to Chapter 9 - Financial services, there were a lot of activities in adjusting the legal framework:

- The Law on open-end investment funds with a public offering and the law on alternative investment funds have been adopted (bylaws are yet to be adopted);
- Adoption of the plan for implementing the directive on insurance distribution (April and December 2019) and amendments to the law on pension and disability insurance;
- Moratorium on all repayments under bank loans and financial leasing agreements as the NBS measure to preserve financial stability caused by the coronavirus crisis;
- Successful implementation of the International Financial Reporting Standards (IFRS) 9;

- Adoption of the amendments to the Law on deposit insurance in 2019, with a significant change in the coverage level from EUR 50 000 to EUR 100 000 per depositor per bank(European Commission, 2021).

There is a need for the establishment of regulations in the field of compulsory traffic insurance and harmonization of the rules with the Solvency II directive. Also, there is no progress in developing financial infrastructure. Harmonization of domestic regulations with the new version of the EU Bank Recovery and Resolution Directive and with the Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision in the fields of cross-border operations and investment and technical provisions regulation is not finished. The planned adoption of amendments to align the capital market law with the Markets in Financial Instruments Directive (MiFID II) and the Directive on Settlement Finality in Payment and Securities Settlement Systems (SFD), are delayed for the third quarter of 2021(European Commission, 2021).

Among the last activities on the alignment with EU standards is the project “Further Development of Protection of Competition in Serbia” which was realized under the Twinning initiative launched by the EC to assist candidate countries in their efforts to strengthen their administrative and judicial capacity for the implementation of EU regulations (www.kzk.gov.rs, 2021)

At the end of the fourth quarter of 2020, 26 banks mostly with foreign private capital were operating in the Serbian market. The biggest market share belongs to Banca Intesa ad (15%), Unicredit bank ad (12%) and Komercijalna Banka ad (10%). Table 1 shows the shares of leading banks in the assets, loans and deposits of the Serbian banking sector (in %) at the end of 2019 and 2020.

Table 1. Shares of leading banks in the assets, loans and deposits of the Serbian banking sector (in%)

	31st December 2019	**31st December 2020**
Participation in assets in total		
First Bank	16.0	15.6
First five banks	53.4	52.5
First ten banks	79.7	79.6
Participation in gross loans		
First Bank	15.7	15.7
First five banks	52.0	51.0
First ten banks	78.8	77.9
Participation in deposit potential		
First Bank	17.2	16.3
First five banks	54.9	53.1
First ten banks	81.2	80.4

Source: NBS – annual report

As shown in table 2, according to the NBS data, the Serbian banking market in 2019 and in 2020 has a low degree of concentration and there is no threat to healthy competition.

Table 2. Degree of concentration (HHI)

	Assets	**Gross loans**	**Deposit potential**
31st December 2019	800	789	840
31st December 2020	786	783	809

Source: NBS – annual report

5. CONCLUSIONS

The aim of this research is to determine whether the Serbian competition policy in the banking sector is in line with EU regulations, comparing the Serbian legal framework with EU requirements. In the annual report for 2020, the EC rated the implementation of EU regulations for Chapter 8 and Chapter 9 as moderate, declaring that in the field of protection of competition and financial services Serbia had made good progress, and gave some recommendations for further actions in the process of alignment with EU legislation.

It can be concluded that in the state of strong competition in Serbia, the legal framework and banking policy are moderately harmonized with EU regulations, but for further improvement, some preconditions must be met.

First, the political-legal framework has to be adjusted to resolve the problem of the application of competition rules, implementation of adopted procedures and eradicate corruption. There is also a necessity for the more precise separation of judicial and executive power in general. Furthermore, for the stimulation of economic activity that can increase competition, additional tax reliefs for domestic investors and simplifying market entry for foreign investors, have to be considered. The adoption of the new Law on Protection of the Competition with bylaws is also very important, as well as the inclusion of the Commission for Protection of Competition in legislative activity in this area.

After creating a favorable political and legal environment, the most important is the policy of human resources: careful selection, development, education and training of the staff involved in the processes, especially in the Commission for Protection of Competition and in other institutions. Human capital is a key ingredient for full harmonization of competition policy in the Serbian banking sector, together with the promotion of the importance of competition policy, culture and raising understanding of it.

Further research should focus on the impact of the implementation of EU regulations on the development of competition in Serbia applying competition measures, as well as on the investigation of the interaction between the consolidation of banks and competition.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
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IMPACT OF COVID-19 ON THE LIFE INSURANCE DEVELOPMENT IN SERBIA

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Abstract:
The COVID-19 pandemic has significantly influenced changes in the living conditions and business environment, both internationally and nationally. This global risk has affected many individuals, organizations, and economic sectors, causing recession, fear of losing one's life and the lives of close ones, losing jobs, business bankruptcy. Due to the pandemic, people's behaviour and life priorities have changed, influencing the development of awareness of the needs for life insurance. Furthermore, changes have affected the functioning of insurance companies, their needs to adapt to the changed environment, and finding ways to remain sustainable. The subject of this paper is an empirical analysis of the COVID-19 impacts on the life insurance development in Serbia. The aim of this paper is to point out the current trends in the domestic market of life insurance, and possible development directions for this type of insurance in an unpredictable and turbulent environment, based on the analysis of research results before and during the pandemic.

Keywords:
COVID-19, life insurance, insurance premium, insurance companies, Serbia.

1. INTRODUCTION

COVID-19 was first identified in China at the end of 2019, and it rapidly spread to the rest of the world, reaching the scale of a pandemic. The introduction of the state of emergency, the physical isolation of people, the endangerment of lives and the health of people, as well as the difficult functioning of the economy have negatively affected not only individuals, but also the economy and society as a whole. People were forced to significantly change their everyday behaviour –"better handwashing, staying home more, and wearing facemasks or social distancing when outside the home" (Harris et al., 2020, p. 2). People had to pay more attention to protecting their health (Čolović & Mitić, 2021, p. 89), and the health of their loved ones when making various decisions. Demand decreased due to limited movement during the pandemic, which affected the production of certain products and led to the shutdown or closing of small-scale enterprises. The pandemic also affected the reduced supply to a certain extent, due to the difficult supply of raw materials and workforce (World Bank Group, 2020, pp. 1-4). Moreover, an increasing number of processes we encounter daily have been digitized (Kaličanin et al., 2021, p. 111) and performed from home, and new safety and occupational safety measures have been introduced. The fear for health and life, job insecurity, social distancing, and changes in people's behaviour in their private lives and at work have negatively affected the whole society. It has become apparent that the negative economic, social and health consequences of the pandemic are far-reaching and still unpredictable.

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The COVID-19 pandemic outbreak has shown that safety and protection from numerous risks are necessary for both individuals and the economy. Life insurance is a "long-term insurance providing a significant social security, protecting individuals and families from various life adversities" (Žarković, 2008, p. 24), and is especially important under these circumstances. It helps individuals save throughout their working lives, and provide themselves with material protection against the risk of loss or decreased capacity for work, i.e., material protection for their family members (or other persons designated as beneficiaries) in the event of premature death. The development of people's awareness of the need to protect themselves and their families from the risk of loss or reduction of the ability to work and death is particularly important during the pandemic when their health and their lives are threatened. By purchasing a life insurance policy, individuals are ensuring their safety and the safety of their family. In addition, the development of the life insurance market is encouraged, and long-term savings are made, which stimulates economic growth and development.

Actualization of life insurance, as the best way of protecting people's lives, those of their families, and the standard of living in their old age are of great importance in countries where people's awareness of the need to secure against these risks is extremely low. This is exactly the case in Serbia, where people's awareness of the need to secure against all risks, especially against the risk of death, is insufficiently developed. With this in mind, the existing trends in the market of life insurance in Serbia in the period before the pandemic (regular conditions) and the period of COVID-19 pandemic are analyzed in this paper. The aim of this analysis is to determine the effect of the pandemic on the amount of a life insurance premium in the Republic of Serbia in order to stimulate the demand for insurance by educating and informing people, in order to develop a culture of saving and awareness of the need to protect against risk. That would contribute to further development of the insurance market in Serbia, and it would enable the acceleration of its financial market and economic development.

The paper covers several sections. After the introduction, the first section provides a brief literature review and recent research about the characteristics and significance of life insurance, as well as its significance in the conditions of the current COVID-19 pandemic. Methodology of empirical research of the life insurance market in Serbia is presented in the following section. Given that the trend of life insurance premium in the Republic of Serbia was analyzed in different periods (in the period before and after the crisis), the comparative method was used for comparative analysis. Descriptive statistics were applied for grouping, systematizing, calculating, for tabular and graphic presentation of the obtained data and results.

The next section presents and analyzes research results along with determining the fulfilment of the initial hypotheses. The final section of the paper summarizes conclusions of the performed analysis and empirical research, and the possibility of developing this type of insurance in the future is pointed out.

2. LITERATURE REVIEW

The beginnings of life insurance as a branch of insurance can be witnessed as early as the end of the 16th century in England. In Serbia, life insurance affairs started to develop at the end of the 19th century, when they were performed through branch offices of foreign insurance companies from England, Austro-Hungary, France, Italy, and other countries (Šulejić et al., 2009, pp. 13-14). After the end of the Second World War, all pre-war insurance companies were abolished, and their property was nationalized (Šulejić et al., 2009, p. 15). Further development of this type of insurance was influenced by the development of the social insurance system, i.e., the pension system and the promotion of a "state of welfare". It is a system in which, through the pension and disability insurance fund, "funds are collected from payment of contributions of the insured for a longer time period, in order to ensure their existence after the end of their working lives (through old-age or disability pension), i.e., the existence of their families in case of death of the insured (through survivor pension)" (Nikolić, 2018, p. 8). A pension system designed in this way functions as intergeneration solidarity, where the payment of pensions to pensioners, i.e., to members of their family, is made up from the contributions of employees who are employed at the time when pensioners receive those pensions (Rakić & Nikolić, 2012, pp. 133-134). In the second half of the 20th century, during the promotion of the "state of welfare" and the liberalization of retirement conditions, Serbian residents retired early and received larger pensions, so there was no need for additional savings through life insurance. However, as pension systems based on the principle of intergeneration solidarity largely depend on demographic and economic trends, which are unfavourable in most European countries and in the Republic of Serbia (Nikolić, 2018, pp. 36-56), their long-term unsustainability at the end of the 20th century became apparent. Afterwards, numerous reforms of the pension system were initiated in many European countries, as well as in the Republic of Serbia, which caused significant reductions in the pension amount received from these pension systems, and an increase in the retirement age (Nikolić, 2018). It has become clear that the safety of the elderly is uncertain. These facts created the need for additional savings for the "third age" (retirement), in order to ensure the safety of people and an adequate standard of living after the end of the working life.

One of the best ways to save money for the "third age" is long-term special-purpose savings, achieved by purchasing a life insurance policy.

Life insurance refers to "all insurances in which the termination or duration of lives of one or more persons (the insured persons) leads to the payment of the sum insured by the insurer" (Kočović & Šulejić, 2006, p. 350). It is an insurance based on a "contract by which the insurer, in contrast to the premiums paid, obliges to pay to the insured person or the designated person a certain amount or annuity in case of death of the insured person, or in case of his surviving to a certain time" (Kočović & Šulejić, 2006, p. 339). In addition to life insurance, as the basic insurance, the same contract usually includes protection against additional risks (accidents, diseases), as supplementary insurance against the consequences of an accident or supplementary health insurance (Pjanić et al., 2016, p.149).

Life insurance is the most widespread form of insurance in the world because insurance and savings are realized through it simultaneously (Olević, 2016, p. 66). This is a matter of multiple significant financial activities both for individuals (insured persons) and for the economy, and society as a whole. It is important for individuals because material protection for themselves and their loved ones is provided through this type of insurance (Olević, 2016, p. 66). Individuals (insured persons) ensure their survival, maintenance, or improvement of their standard of living during their "third age" by supplementing their retirement income, i.e., the material security for their family members or other close people in the event of death. According to a survey conducted in April 2012 by the reinsurance company Swiss Re, most insured persons cited the possibility of serious illness, inability to pay for long-term care, as well as the inability to maintain their standard of living after retirement, as the main reasons for purchasing a life insurance policy (Munitlak-Ivanović et al., 2014, p. 63). In addition, a life insurance policy is a security (Munitlak-Ivanović et al., 2014, p. 62), so that, when saving, individuals may use it as a guarantee for obtaining a loan by encumbrance in favour of the bank. This is especially significant for consumer loans and mortgages (Olević, 2016, p. 65). The significance of life insurance for the economy and society is reflected in the fact that it is a matter of long-term special-purpose savings. Long-term accumulation of a significant amount of financial resources available in the long run for lending and investing contributes to the development of the financial market and, thus, stimulates the economic development of the country. At the same time, when individuals save for their "third age" and provide themselves with additional income sources in old age, in addition to the state pension, the social problems that the state will encounter in the future are reduced. Having this in mind, it is clear that "being uninsured is, in the long-term, the most costly option – to an individual, to an economy, to a society" (Liedtke, 2007, p. 220).

In developed countries in the world and in Europe, the importance of life insurance is obvious. The share of premium for this type of insurance in the total insurance premium is higher that the share of non-life insurance premium in the total insurance premium, and it is more than 60% (Žarković, 2008, p. 23). At the OECD-level group of countries, the share of life insurance premiums in the total insurance premium in 2019 was 49.9% (OECD, 2021). The largest share of life insurance premiums in the total insurance premium in this group of countries was noted in Finland (100%), Luxembourg (90%), Sweden, Italy, Japan, Ireland, and the United Kingdom (more than 70%) (OECD, 2021). At the end of 2019, the share of life insurance premiums in the total insurance premiums in Serbia was 21% (NBS, 2019d), which is at the level of Turkey (20.1%) and Slovenia (20.8%), which are ranked most unfavourably according to this indicator in OECD group of countries. The data indicates that life insurance in Serbia is in the initial phase of development, and that people`s awareness of the need for and importance of life insurance, as well as the characteristics of this type of savings, is insufficiently developed. Poor information and lack of education of the population about life insurance in Serbia contributes to the fact that most of the population in Serbia does not have knowledge of this type of insurance (Munitlak-Ivanović et al., 2014, p. 63), and that they consider life insurance an unnecessary expense (Liedtke, 2007, p. 220).

3. DATA AND METHODOLOGY

Empirical analysis of the development of life insurance in the Republic of Serbia was performed based on annual data on the amount of life insurance premiums in the period from 2005 until 2020. Analysis of the impact of the COVID-19 pandemic on life insurance in the Republic of Serbia was performed using quarterly data on life insurance premiums in the period before the outbreak of the COVID-19 pandemic (regular conditions) and during this pandemic. Considering that the COVID-19 pandemic in the Republic of Serbia manifested itself only at the end of March 2020, the period before the pandemic outbreak in this analysis includes five quarters (four quarters in 2019 and the first quarter in 2020), whereas the period of the pandemic covers the same number of quarters (three quarters in 2019 and two quarters in 2021). Secondary data from the National Bank of Serbia, the institution responsible for insurance supervision in the Republic of Serbia, was used in this analysis.

To determine the current trends in the domestic insurance market, and possible development directions for this type of insurance in an unpredictable and turbulent environment, as well as the pandemic, the following hypotheses are tested:

H1: The COVID-19 pandemic has influenced the increase in the demand for life insurance in the Republic of Serbia,

H2: People's awareness of the need to protect themselves from the risk of death is higher during the pandemic.

The hypotheses were tested using descriptive statistics methods and comparison methods. The Microsoft Excel and statistical package SPSS were used for the data analyses.

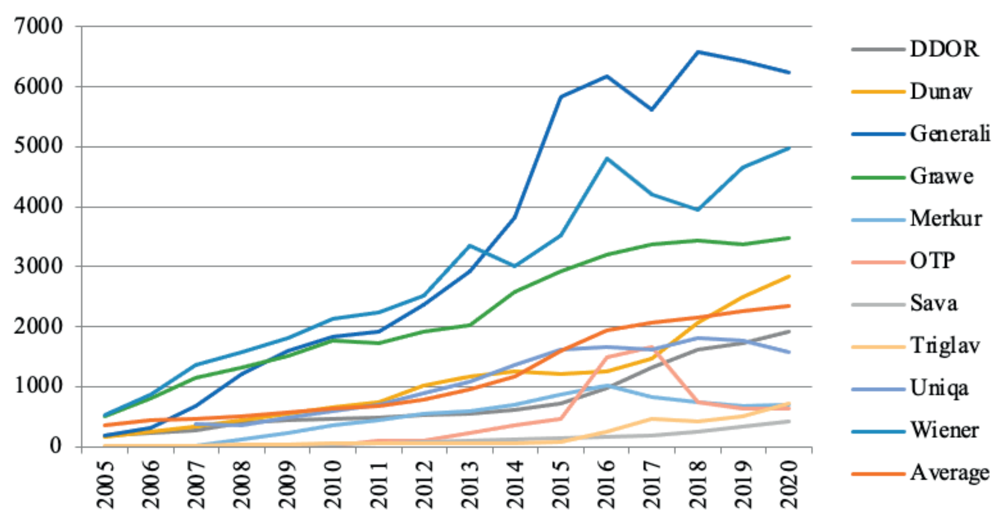
4. RESULTS AND DISCUSSION

Considering the amount of life insurance premium, as one of the most frequently used indicators for analysing life insurance development, the life insurance premium amount was continuously increasing in the period from 2005 until 2020 in the Republic of Serbia. 2017 was the only exception, when the life insurance premium was slightly decreased (Figure 1).

It was increased from RSD 2,537.45 million in 2005 to RSD 23,481.71 million in 2020. The leading insurance companies in this period were Wiener Städtische Insurance, Grawe Insurance, and Delta (later Generali Insurance). In first place for life insurance market of the Republic of Serbia in the initial period was held by Wiener Städtische Insurance, ceding to Generali Insurance in 2014. Grawe Insurance held second place until 2009, and after that dropped to third.

The number of insurance companies in the life insurance sector changed in the analysed period. The average value of this insurance premium changed in accordance with that, as well as the increase of life insurance premium. It continuously increased from RSD 362,49 million in the initial period, and in 2020 it reached RSD 2,348.17 million. Wiener Städtische Insurance and Grawe Insurance are insurance companies with a higher insurance premium annually than the average annual value of life insurance premium when followed from the beginning of the analysed period.

Figure 1. Life insurance premium in the Republic of Serbia (RSD millions)



Source: Authors' presentation based on the data from NBS (2005-2020).

The trend of the life insurance premium amount was monitored in the period before the pandemic outbreak and during the pandemic with the aim of considering the impact of the COVID-19 pandemic on the increased demand for life insurance in the Republic of Serbia, (Table 1).

Total life insurance premium of all insurance companies in the period of the COVID-19 pandemic is higher for RSD 1,452.08 million in comparison to the period before the pandemic outbreak, so the noted increase of the life insurance premium was at a rate of 5.15%.

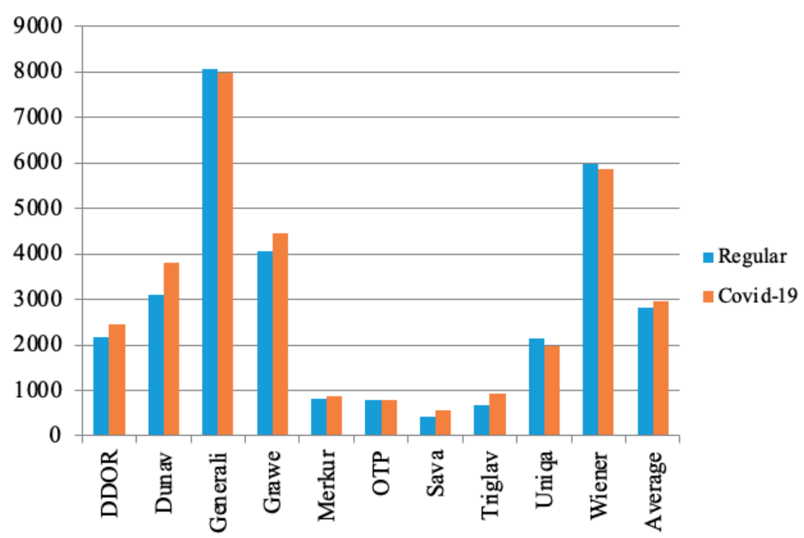
Table 1. Life insurance premium before (regular) and during the COVID-19 pandemic (RSD millions, %)

Insurance company	Regular	COVID-19	Difference	Change rate
DDOR	2167.10	2439.91	272.81	12.59
Dunav	3096.21	3810.12	713.91	23.06
Generali	8070.08	7971.93	-98.15	-1.22
Grawe	4049.72	4453.81	404.09	9.98
Merkur	810.36	885.13	74.77	9.23
OTP	790.75	778.71	-12.05	-1.52
Sava	427.68	568.39	140.70	32.90
Triglav	669.49	935.00	265.51	39.66
Uniqa	2149.77	1961.44	-188.33	-8.76
Wiener	5969.46	5848.27	-121.19	-2.03
Total	28200.63	29652.71	1452.08	5.15
Average	2820.06	2965.27	-	-
Maximum	1715.39	1863.50	-	-
Minimum	72.824	105.100	-	-

Source: Authors' calculation based on the data from NBS (2019-2021)

By observing individual insurance companies, the increase in the life insurance premium in the period of the COVID-19 pandemic is present in most – DDOR Novi Sad, Dunav Insurance, Grawe Insurance, Merkur Insurance, Sava Life Insurance and Triglav Insurance (Figure 2). The greatest increase is seen in Triglav Insurance (39.66%) and Sava Life Insurance (32.90%). However, despite a significant increase of the premium, these insurance companies according to the premium amount are still significantly lagging behind other insurance companies. The reduction of life insurance premium is present in Uniqa Life Insurance (-8.76%), Wiener Städtische Insurance (-2.03), OTP Insurance (-1.52%) and Generali Insurance (-1.22%). The maximum value of life insurance premium in the period before the COVID-19 pandemic and during this pandemic is noted in Generali Insurance, and the minimum value in Sava Life Insurance.

Figure 2. Life insurance premium in insurance companies before (regular) and during COVID-19 (RSD millions)



Source: Authors' presentation based on data from the NBS (2019-2021).

A favourable growth trend in the life insurance premium during the COVID-19 pandemic can be noted when an average value of the premium for this type of insurance is observed. Namely, during the pandemic, the average value of the total life insurance premium has increased from RSD 2,820.06 to 2,965.27 million. Insurance companies in which life insurance premiums have been noted to be above average values in regular conditions and during COVID-19 are Generali Insurance, Wiener Städtische Insurance, Grawe Insurance and Dunav Insurance.

The analysis of data on total and average life insurance premiums in the Republic of Serbia in the period before and during the COVID-19 pandemic has clearly shown that insurance premium payments have increased during the pandemic, which unequivocally confirms the hypothesis that the pandemic has led to an increase in the demand for life insurance, raising people`s awareness of the need to protect themselves from the risk of old age and death.

5. CONCLUSION

Theoretical consideration in this paper clearly shows that the significance of life insurance is great, multiple, and far-reaching for an individual, economy, and society as a whole. Although the Republic of Serbia significantly lags behind developed countries, in which the culture of saving is at a much more developed, as well as the awareness of the significance of additional savings for old age and protection against risk of death, empirical analysis has shown that life insurance premiums increased during the COVID-19 pandemic in comparison with the period prior to the pandemic. In addition to the total premium in the life insurance sector, the amount of the premium for this type of insurance has increased in most insurance companies. This data clearly shows that the pandemic has positively influenced the demand for life insurance and people’s awareness of their lives’ priorities, whereby the established hypotheses have been confirmed. Given that insurance companies succeeded in adapting to the new circumstances caused by the COVID-19 pandemic, it can be expected that the trend of increase of the life insurance premium in the Republic of Serbia will continue in the future. Therefore, it is necessary to intensify the started endeavours in educating and informing people about the characteristics and advantages of this type of insurance and the actual state in the pension system of the Republic of Serbia, so that we can understand that life insurance policies are not a luxury, but a realistic human need. A positive effect on the development of human awareness about the need for this type of savings will be on friends and relatives who have already saved up for it. Finally, the possibilities for further development of life insurance in the Republic of Serbia will depend on economic development and the development of the financial market, as well as on employment, earnings and introducing tax exemptions from paying personal income taxes and contributions for mandatory social insurance for employers who pay a life insurance premium on their employees.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Forensics
Scientific - original paper

THE EMERGENCE OF CREATIVE ACCOUNTING IN INSUFFICIENTLY REGULATED BUSINESS SYSTEMS

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Abstract:
Creative Accounting is a concept whose increasing market fluctuations, uncertainties and pressures are coming to the forefront. The aim of this research is to prove that creative accounting, as a practice, most often occurs in those organizations that have not formulated and implemented internal procedures and controls in their organizational system or may not consistently apply them. Furthermore, strengthening corporate culture and constant work on the loyalty and ethical aspects of decision making of employees largely prevents the emergence of creative accounting in that organization. To find the evidence to support our research questions, a survey was conducted in the form of a questionnaire, while respondents were employees from the sectors of Accounting, Finance, Auditing, as well as graduate students in the fields of Accounting, Auditing and Management in major cities in the Republic of Serbia.

Keywords:
creative accounting, financial statement, internal procedures, loyalty.

1. INTRODUCTION

Under the conditions of increasing market uncertainties, which are further intensified by the current pandemic in the world, the challenges for business survival are stronger and more pronounced. Financial indicators are especially sensitive to these circumstances, which are under the scrutiny of both internal and external users. Regulating the business system in the form of financial information flow and allowing a certain degree of responsibility requires a control and risk management system which timely and accurately detects any possible deviation from both legally defined norms and internal procedures, one of the main preconditions for financial statements to realistically reflect the situation.

When the term "Creative Accounting" is mentioned, most people react as if it is something illegal and that is apriori bad. Under the conditions in which business is currently conducted in the Republic of Serbia, which has been in transition for a long time, individuals believe that creative accounting techniques are a powerful weapon in the hands of accountants and people employed in the financial sector, thanks to which they survive in the market and achieve business goals.

Global experiences (Enron, Xerox, Parmalat, WorldCom), on the other hand, have demonstrated to us that the inappropriate use of creative accounting in compiling and presenting financial statements has led to the downfall of the companies themselves. Parmalat as an example of one of the largest financial frauds in Europe from the late 20th and early 21st century, and its equivalent in the US - Enron severely shook confidence in the information presented in the financial statements. All this contributed to the additional destabilization of the capital market, which was already vulnerable during the recession.

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The Sarbanes-Oxley Act (SOX) was passed in 2002 as one way to put an end to the practice of false financial reporting. The intention of the Congress was to restore public confidence in the true and fair view of financial statements in the US. This law prescribes to corporate accountants the following: the high standards that apply to your profession will be strengthened without exception; auditors will be revised; accountants will be held accountable (Hoopwood, et al 2014).

However, despite all the efforts of the government and international financial reporting standards, creative accounting has become an increasingly common practice and it is extremely difficult to establish that fine line between creative accounting and falsifying business changes.

This topic will be discussed using the following pattern: the first part is dedicated to defining the concept of creative accounting, the second part deals with the similarities and differences between creative and conventional accounting, the third part states the shortcomings in the control procedures of a system that lead to the emergence and abuse of creative accounting and the last part analyzes data obtained from respondents through the questionnaire, as well as provide answers to research questions.

2.WHAT IS CREATIVE ACCOUNTING?

Creative Accounting involves the use or misuse of accounting techniques and principles to present financial results that intentionally deviate from fair and true presentation (O’Regan, 2006). The terms "*cosmetic*" accounting, "*tuning*" of profits appears as synonyms (Knežević, et al 2013), as well as “*manipulative*” accounting (Belak, 2011). Creative accounting is the transformation of financial accounting figures from what they actually are to what a preparer desires them to represent by taking advantage of the existing rules and/or ignoring some of all of them (Naser, 1993).

The Anglo-Saxon model of financial reporting (which is also applied in the Republic of Serbia through the usage of International Financial Reporting Standards - IFRS) is characterized by a broad range of reporting methods and compared to the Continental Reporting System has weaker legal regulations. Because of that, the Anglo-Saxon model provides experienced accountants a wide range of creative accounting techniques.

Table 1. Common Labels for the Financial Numbers Game

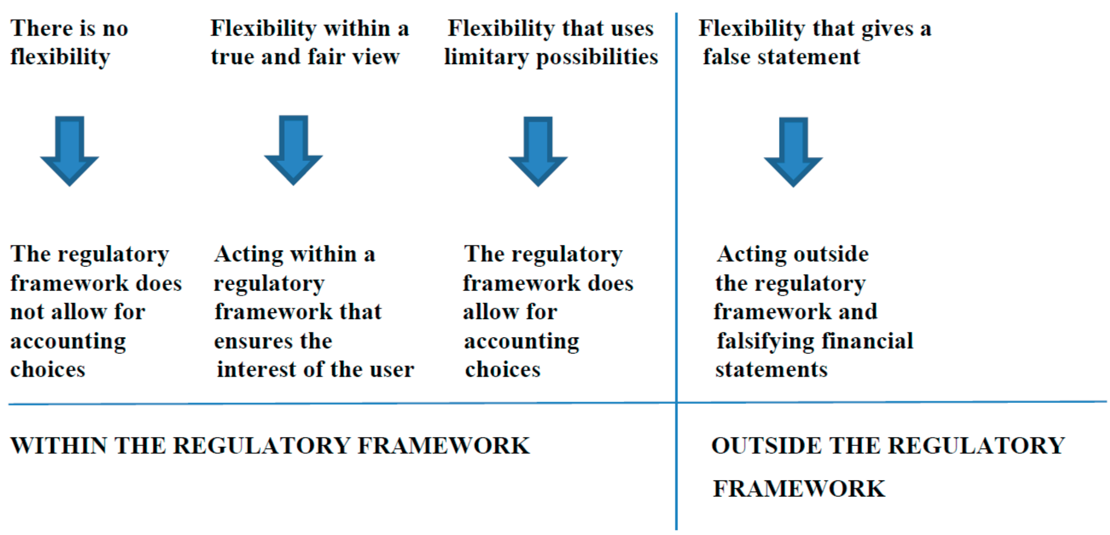
Aggressive accounting	A forceful and intentional choice and application of accounting principles done in an effort to achieve desired results, typically higher current earnings, whether the practices followed are in accordance with GAAP or not.
Earnings management	The active manipulation of earnings toward a predetermined target, which may be set by management, a forecast made by analysts, or an amount that is consistent with a smoother, more sustainable earning stream.
Income smoothing	A form of earnings management designed to remove peaks and valleys from a normal earnings series, including steps to reduce and “store” profits during good years for use during slower years.
Fraudulent financial reporting	Intentional misstatements or omissions of amounts disclosures in financial statements, done to deceive financial statement users, that are determined to be fraudulent by an administrative, civil, or criminal proceeding.
Creative accounting practices	Any and all steps used to play the financial numbers game, including aggressive choice and application of accounting principles, fraudulent financial reporting and any steps taken toward earnings management or income smoothing.

Source: Mulford, C.W., Comiskey, E.E., (2002), The Financial Number Game (Detecting Creative Accounting Practices), John Willey & Sons, Inc.

Observing the above-mentioned definitions and interpretations of creative accounting, one can get the impression that its application always leads to the occurrence of criminal acts, but this is not always the case. Considering that the IFRS accounting standards of financial reporting, which are in use in the Republic of Serbia, allow a certain amount of flexibility in valuing balance sheet items at fair value, organisation has the possibility of applying a different valuation method.

Selecting the appropriate method greatly affects the recognition and valuation of assets, as well as the result of operations and financial position of a business system. The creativity and objectivity of accounting is based on the level of rationality and objectivity of persons who interpret rules (Gerboth, 1987).

Picture 1. Defining the scope of creative accounting according to the flexibility of the financial reporting framework



Source: Belak, V., (2011), Poslovna forenzika i forenzičko računovodstvo, Belak Excellens..

3. CONVENTIONAL VS CREATIVE ACCOUNTING

The main goal of financial reporting, and thus accounting, *which as a final result of its work compiles and presents financial statements*, is to make transparent all transactions arising in the business of the company and to clearly state their consequences for property, financial and yield position of the company in the financial statements (Škarić-Jovanović, 2006).

Conventional Accounting is based on IFRS standards. In the Republic of Serbia, according to the current Accounting Act, depending on the size of the business entity, a set of financial forms may contain - a *Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, the Report on the Other Result* as well as the *Notes to the Financial Statement*. One of the main functions of financial statements is to create a business decision based on the data presented in them. The information used from the financial statements depends on the nature of the business decision that is made - investment, credit, tax, and, ultimately, the public, which is very interested in future trends, and perhaps some local companies as well.

All measures and actions that are adopted and implemented with the aim of compiling financial statements that do not show the results of operations and the financial position of the business entity itself are classified as *Creative Accounting*. As a result, legal and regulatory rules may or may not be violated. If, however, there is a violation of legal and professional regulations, then we can say that creative accounting grows into false financial reporting (Kaparavlović, 2011). Whether it is creative accounting that violates or does not violate legal and professional regulations - creative financial reporting seriously derogates from the use value of financial statements, either in terms of direct use of information contained in them, or as an information basis for a serious analysis of company performance (Malinić, 2009).

4. LACK OF CONTROL PROCEDURES

In the absence of clear and precise internal procedures and controls in a business system, there is an abuse of authority by individual employees, as well as abuse of information available to them. The deficiencies in control procedures that mostly lead to fraud in a business system include: an inaccurately defined accountability policy for each level of management, the non-existence or poorly defined accounting policies, an inadequate system of punishing and rewarding employees, the unregulated flow of documentation starting from the entry of documentation into the organization until it is registered and postponed, the impossibility of measuring the performance of each employee, the absence of the internal control sector, the compliance sector, and the absence of an external auditor. The list is certainly even longer depending on the nature of each business system.

Because of all these shortcomings, there is disloyalty among employees and a feeling of their absence of belonging to the organization which employs them. Under these circumstances, the reactions of employees are quite unpredictable. Reactions can range from complete disinterest to immeasurable greed, as they are aware that the business system in which they are employed will find it difficult to recognize irregularity in the absence of control procedures or ultimately will not recognize it at all.

The current situation in the Republic of Serbia is such that most micro, small and even medium-sized companies rarely have clearly defined control rules and procedures.

For the most part, large business systems that are under the influence of foreign investors, such as banks, insurance companies, various investment funds, representative offices of foreign companies in the Republic of Serbia are aware of the transparency that must exist in their operations. As one of the main preconditions for this transparency are clearly defined rules within organizations. Special attention is paid to the sector of internal audit, compliance, as well as continuous trainings of all employees in accordance with their job description. Seminars and trainings exist on the topic of code of ethics and building a corporate culture, specifically in the accounting sector, so that employees know how to behave in specific situations, which can be even risky, if ignorance of the code of ethics and sanctions within the business system is present among employees.

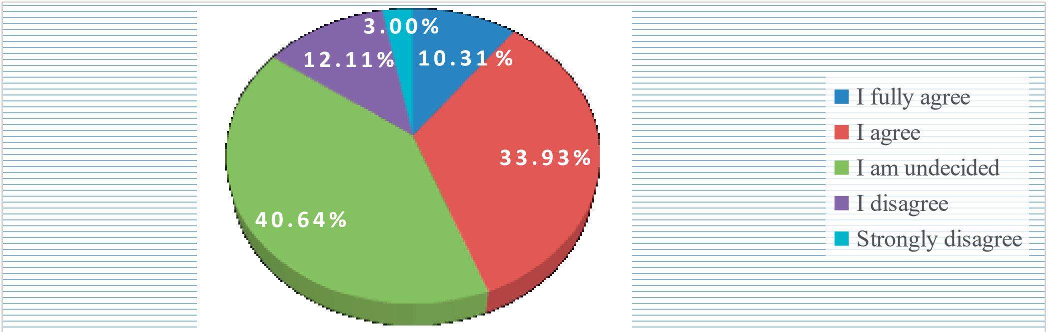
The analysis of the collected data will be presented through the answers to two research questions – Research Question No. 1: *Only consistent application of both legislation and internal procedures in the business system can lay the foundation for realistic reporting*; and Research Question No. 2: *Strong corporate culture in an organization and constant work on mutual trust between employees and between managers and employees are a very important factor in preventing the onset of creative accounting in a business system.*

5. RESEARCH METHODOLOGY AND RESULTS

An anonymous questionnaire was chosen as the basis method of data collection. All data were collected in April 2021. The focus of the research is on employees in the sector of Accounting, Finance, Auditing, as well as graduate students in the fields of Accounting, Auditing and Management. Questionnaires from the above areas were sent to employees at different levels of management in order to get a more realistic picture of the current situation in the Republic of Serbia. Special attention was also paid to the opinion of graduate students, because they are expected to be creators and participants in the complex business processes in the future. Respondents were asked to provide honest answers to the questions asked. A total of 198 questionnaires were sent, of which 169 completed questionnaires were received. Of the number of questionnaires received, 32 questionnaires were not included in the analysis, because the respondents did not give complete answers to the questions, hence their answers were not deemed relevant to the survey, meaning that the subject of the survey included 137 complete questionnaires, which makes the answer rate 69.2 % of the total sample. We consider this rate to be relevant for drawing specific conclusions; however, the size of the sample certainly does not allow us to take a stand in the form of rules, but rather provide guidelines for which direction we should pay additional attention. It is encouraging that a large number of respondents wanted to answer the questions asked. Some even gave comments in the form of suggestions and their personal views, which certainly contributes to the relevance of the research. The respondents are mostly from larger cities in the Republic of Serbia - Belgrade, Novi Sad, Subotica, Kragujevac, and Zrenjanin, where economic flows are dynamic and which face almost daily dilemmas that this research seeks to cover. Some of them are also owners of the companies in which they work.

At the beginning, we were interested in the extent to which the respondents were familiar with the term *Creative Accounting*, as well as the way in which they would define it. Opinions are divided in the sense that 51.8% of the respondents answered that they were familiar with the term *Creative Accounting*, while 48.2% said that they were not familiar with the term, and that they have not encountered it in everyday life. When asked to define the concept of creative accounting, as many as 64.8% agreed that it is *an accounting practice that deviates from the prescribed standards*. We were also interested in how respondents would classify engaging in creative accounting - almost half, 43.7% of them did not want to declare themselves, 31.1% believe that this should not be a practice, while 25.1%, a quarter of the total respondents, believe that creative accounting is a necessity. There is always a dilemma, which side would be taken by the respondents who did not want to declare themselves, but that certainly speaks in favor of the fact that creative accounting is a delicate matter, and for many of them this is still something they do not want to declare publicly. The intention was to find out for what purpose the respondents most often *use financial statements*, as well as what they think *potential "targets"* of creative accounting are - as many as 41.9% of respondents answered that they most often use financial statements to make *management decisions*. The most common "*targets*" are *taxes, supplies, revenues and net cash flow*. These two questions and the answers to them show us how important it is for the financial statements to present the situation in the business system in a credible and realistic way, because the financial data from them are used for making extremely important business decisions. The answers to the question regarding the currently valid legal regulations in the Republic of Serbia can be seen in *Figure 1*:

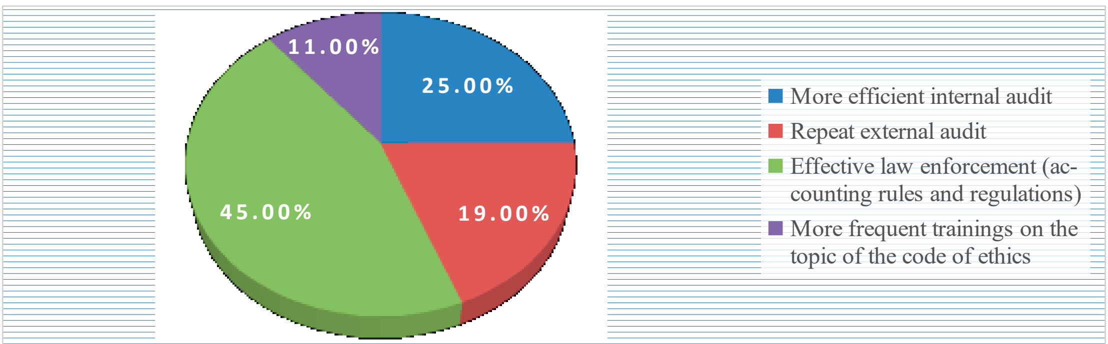
Figure 1. Legal regulations in the Republic of Serbia are those whose interpretation provides the possibility for the application of creative accounting (value adjustment of trade receivables, the method of valuation and depreciation of fixed assets, recognition of revenues and costs, etc.)



The figure shows that if we collect respondents who fully agree and who agree with the above question, we come to the conclusion that as many as 44% of respondents believe that the emergence of creative accounting is not only caused by insufficiently regulated business system, but even more insufficiently precise and consistent applicable legislation, specifically in the territory of the Republic of Serbia.

In accordance with the *Research Question No. 1 - that insufficiently regulated business systems lead to the emergence of creative accounting, Figure 2* shows the opinions of respondents on this topic:

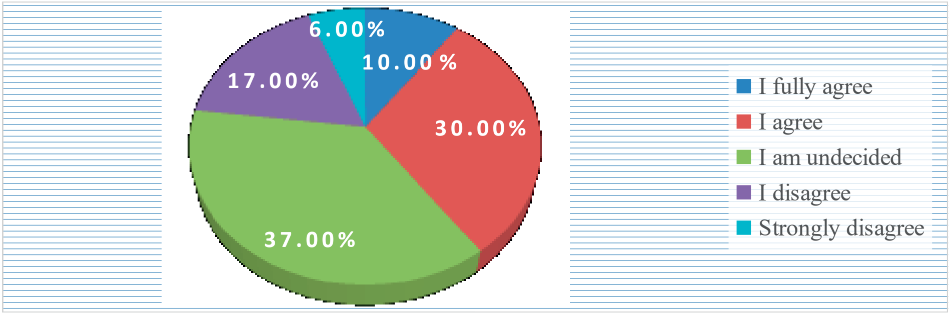
Figure 2. What is in your opinion the best way to detect and suppress creative accounting?



It is interesting to note that as many as one half of the respondents believe that the consistent application of legal regulations in the business system is the best way to recognize and suppress creative accounting. One quarter of respondents believe that conducting an effective internal audit is the best way to detect any indications of creative accounting, *which gives us the answer to First Research Question and confirm it - that only consistent application of both legislation and internal procedures in the business system can lay the foundation for realistic reporting.*

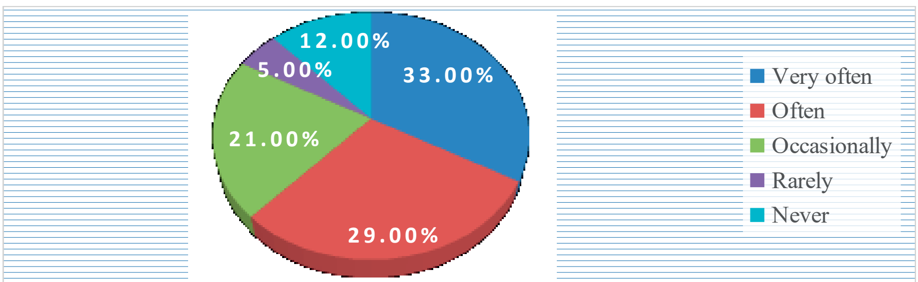
In Figure 3, we can see that as many as one third of the respondents believe that accounting policies, internal control systems and procedures in their organizations are designed so that there is no way for the emergence of creative accounting:

Figure 3. In an organization where you are employed, accounting system (internal control system) is so organized that there is no way to manipulate the financial statements or on some of the balance sheet items



To get an answer on *Research Question No. 2 - a strong corporate culture in an organization and constant work on mutual trust between employees and between managers and employees are a very important factor in preventing the onset of creative accounting in a business system*, respondents were asked the question in which way they solve the observed irregularities in the work itself:

Figure 4. You are doing your job and you notice that certain financial items in gross balance are illogical, you contact your superior and present him the observed irregularity



More than half of respondents agree that they would almost always notify their supervisor when they would notice certain irregularities in their work, which is encouraging, and *we can conclude that the answers of the respondents to a greater extent confirmed our Second Research Question in the survey.*

6. CONCLUSION

True and reliable financial reporting is essential for any organization that desires to operate for many years and enjoy public confidence. Creative accounting as an instrument for "correcting" certain data in financial statements often casts a shadow on the reputation of the organization that implements it, as well as on the individual employee who is the direct implementer. The topic is complex and delicate precisely because many different factors are involved in implementing a practice of creative accounting. Because of this complexity, it is a real challenge to take adequate control procedures to prevent such practices. The results of the survey set by *Research Question No. 1* proved to us that when internal controls are in an organizational system, with constant monitoring of the implementation of legal and accounting standards, the emergence of creative accounting is significantly reduced.

Corporate culture as something that organizations build over the years and which largely depends on the rules of conduct and the profile of their employees, also affects the emergence of creative accounting. Healthy and collegial relationships between employees, as well as between employees and their superiors, contribute to loyalty to the organization in which they work. Loyalty to the organization, combined with a properly and fairly established system of reward and punishment, is certainly something that prevents the emergence of creative accounting in the organization. This is to a greater extent proven by the survey in *Research Question No. 2.* because loyalty is something that cannot be accurately measured and which certainly interferes with the morality and code of ethics of each employee.This will certainly be given more attention in future research.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Marketing and Management
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BUSINESS MODELS IN PERSPECTIVE OF "NEW NORMAL" BUSINESS ENVIRONMENT

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Abstract:
Modern science produced remarkable opus of knowledge in management. However, all concepts, theories and models assumed certain characteristics of economy and business environment. COVID-19 influenced dramatic changes and disruptions in all aspects known to us imposing questions of existing business models suitability. Paper discusses the characteristics of post-covid business environment and stresses the challenges that existing business models might face in the "New Normal" World.

Keywords:
post-Covid environment, business models, unemployment, purchasing power.

1. INTRODUCTION

Science holds a wide opus of different business models for maximizing the company's performance. Each of those models tend to assure company's continual success at the market (Magretta, 2002) and the maximization of its profit (Khan, 2017), but also most of these models tend to make companies ready for the changes in the environment (Schneider & Spieth, 2014).

Most of the papers characterize business reality of 21st century as "turbulent" referring predominantly to two aspects. First, changes are constant and inevitable part of business environment. These changes relate to technological development, which offers new opportunity for companies' processes performance, as well to the constant changes at the market that originate from constant appearance of new needs and requirements of customers. Second, there is high uncertainty of directions and effects of changes, which means that there is high incapability to forecast the nature of the future changes. The technological development rate is extremely high and it constantly exponentially increases, resulting in, sometimes, opposite estimations about the available technology in the future, about the timings and about the nature of the needs on the market influenced by technological development. All business models tend to ensure companies' existence and growth in such circumstances and most of them have been proven to be suitable for such environment until pandemic appeared.

The beginning of early 2019 brought shocking change to the World. Globalization and technological development caused spreading of the disease in every part of the World. Environment we knew before the COVID-19 outbreak suddenly became the past.

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Most of research studies (conducted since the beginning of pandemic) testify that COVID-19 brought major disruptions to all segments of reality – affecting dramatically individuals, families, companies, industries and countries. This kind of economy disruption have not been seen in the history of civilization, since the whole World was affected at the same time going into mass lockdowns or decreasing life activities to a minimum.

We may witness now, 20 months since the beginning of the pandemic, that some companies did not survive while some are still struggling to cover the loses. The shape of the World economy changed as well, since some countries changed their policies, strategies and the course of economic growth.

Still, the end of pandemic is not near and the world is trying to cope with it. The two questions are: What are characteristics of the current economic environment and how it will be shaped once the pandemic is over? These two questions are closely connected to everything we knew so far because if the World is going to be changed completely, than all we learned and invented might not be suitable anymore.

2. BACKGROUNDS

The term "business model" firstly appeared in Bellman et al. (1957) (Wirtz et al, 2016) as a name for the set of mathematical equations which should be used to describe model of business situation (see: Bellman et al., 1957). Today, business models assume wide range of different representations of a company's structure (Al-Debei et al, 2008)), but also they refer to theoretical concepts, which are defined and broken down into its components (Wirtz et al, 2016). A variety of business models imposed the need for their classification, therefore different proposals and approaches to business models classifications can also be found in the literature while none of proposed classifications stood out as a general validity (Nisa & Ravichandran, 2013). However, common to all business models is that each model (Adrodegari et al., 2016; Klueber, 2005):

- Structures the business system through stressing important elements which create the value
- Links a company to its market
- Links a company to its network of suppliers

The structure of business system assumes that core processes use employees' knowledge and skills to result in value for the customer. Additionally, feedback plays a crucial role to decision makers who use the information obtained from different parts of business system, as well as from the market, in order to direct adjustments to changes in the environment. Although not particularly mentioned in each model, knowledgeable and skilled human resources are indispensable part of each business model and company itself (see: Kim, 2015). Another desirable characteristic of business structure – the flexibility of processes relies on knowledge and skills of employees (Bellinger, 2014).

The market consists of customers (individuals or companies) who define the value (Kuzieva, 2020) and who are capable and willing to pay for products and services (Kreuzer et al., 2020) a company produces. Therefore, they are the source of company's profit. Each business model assumes that customers have certain needs which the company should satisfy with a particular set of service and product features which the company offers on the market with acceptable price. Customers' needs are assumed to be changing over time, but the needs for products and services which the company offers is constant. The changes in needs refer to the features of products and services. The changes of needs are assumed to be learnable for the company, otherwise the market niche would not be satisfied. Therefore, all business models assume purchasing power and the needs for products and services.

A network of suppliers consist of companies which are capable to deliver goods or services to the company in time and quality necessary for further value creation. Delivering material in a timely manner and of desirable quality is imperative for smoothness in production flow as well as for cost optimization. When supply uncertainty increases, than the company tends to find ways to assure availability of the necessary supply (Zhang, 2013). The availability of supply and the level of supply uncertainty depend on the reliability of supply distribution, among the other factors (Pan & So, 2016). Furthermore, the distribution of supplies uses transport modes to make material available at a needed location, at a needed time and of needed quality. The availability of transport, as well as the existence of necessary material is considered to be the assumption of all business models. And here we come to the fundamental question:

Are there markets with purchasing power and availability of supplies and resources for companies in post covid environment?

3. POST-COVID-19 BUSINESS ENVIRONMENT FRAME

The World Health Organization (WHO) declared a Public Health Emergency of International Concern on 30 January 2020, and a pandemic on 11 March 2020 (Peden & Kobusingye, 2019). By April 2020, about half of the world's population was under some form of lockdown, with more than 3.9 billion people in more than 90 countries or territories having been asked or ordered to stay at home by their governments (Sandford, 2020).

The majority of companies in lockdown countries were forced to stop all activities while the companies in the countries which avoided imposing the lockdown, suffered consequences of insufficient resources, delays in supplies and difficulties in delivering products and services to the market. Economic activities declined (Onyele & Nwadike, 2020) all around the World which resulted in remarkable financial losses for majority of companies (Jaina & Vermab, 2020; Zahariev et al., 2020; Ahsany et al., 2020). About 1.9 million small businesses got in immediate risks of getting closed (Kyung & Whitney, 2020). More than 22 million employees filed for unemployment (Kyung & Whitney, 2020) which directly influenced decrease in purchasing power on the market.

While hospitality, aviation and events industries become the main losers during pandemic, the business areas necessary to facilitate remote working, online education and supply of essential goods and services recorded explosive growth (Anker, 2021). Pandemic affected some industries for the foreseeable future and changed the meaning of work, business, leadership, entrepreneurship and consumption (Anker, 2021).

An observation published by Deloitte (Bachman, 2020) argues that COVID-19 could affect the global economy in three main ways:

- directly affecting production,
- creating supply chain and market disruption and
- affecting companies and markets financially causing major shifts in demand i.e. resulting in unprecedented changes in consumer behavior as well as in their purchasing power .

Anker (2021) argues that pandemic brought fundamental changes in three different areas: consumer behavior, supply chain management, and political CSR stressing the need to review what it means to do business in ‘the new normal’.

4. DISCUSSION

All companies need supplies, resources and markets to operate. Supplies became an issue during the pandemic since some of suppliers either closed down or were not able to export their goods using old traffic modes and routes. Companies naturally turned to suppliers near them if those existed. This turned global orientation of business back to local again causing that supply chains restructure overnight. One more fact became clear: uncertainty of supplies is high all around the world. Therefore, only business models which assume high level of uncertainty at suppliers markets may bring benefits to companies.

Companies which were able to work remotely saw that this way of functioning cuts costs drastically (Saludin et al., 2020). Also, most of the companies decreased a large number of employees making those who stayed work much longer hours while their job entailed additional activities and responsibilities. However, their salaries stayed the same or decreased because company needed to cut the costs. Purchasing power at the market decreased drastically since those who had incomes before the pandemic lost them during the pandemic and those who stayed employed in most of the cases received lower salaries. The feeling employment uncertainty influenced those with income to save rather than spend their money. Therefore, the current market consists of less customers with buying power who are not willing to buy in the same extent and frequency as before. The unemployment rate will continue to increase (Lai, 2021; Ahmad, 2021; Chen, 2021) as a consequence of further decline in the number of vital companies at the market and as a consequence of replacing employees with technology. If this loop continues, companies might lose the purpose to exist. This imposes the need for a new economic model, which would allow all people to have basic income resulting not from their work or ownership, but from the fact that they are alive. If this does not happen and companies lose purpose to produce, this could be the end of civilization we know. However, if new economic model is invented and applied, then new or improved business models have to acknowledge the link between governments and companies and make them manageable.

The trend in relying on automation and technology to do the job may result in increased number of companies with fully automated processes and no human beings in them. This would jeopardize the flexibility of companies to adjust and change, making them vulnerable to turbulent environments. This imposes the need for the new or improved business model, which would find a way to assure flexibility in employee free companies and make them able not only to improve features of their products or services but also to introduce new products and new processes.

5. CONCLUSION

To state that the world has been changed by the COVID-19 pandemic is so obvious, however some of researchers claim that there will be no return to the pre-COVID-19 state, and that serious thought should be given to the new world (Jones, 2021). The new world with new characteristics of business environment sets the challenge before the scientists, practitioners and experts to research economic models which would assure existence of purchasing power at the market, as well as the business models which would manage to assure flexibility of employee free companies.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
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THE LINK BETWEEN CORPORATE STRATEGY AND INTELLECTUAL CAPITAL: THEORETHICAL OVERVIEW

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Abstract:

Company's value maximization is generally considered to be one the most important objectives of every company. In the knowledge economy, the financial performance of a company is always under first observation, not only by internal users of financial information, but by external users as well. The company's financial performance is under direct or indirect influence of invisible assets and resources owned by a particular company. Those invisible assets or resources are called intellectual capital. Various empirical studies proved that intellectual capital itself directly influences financial company performance. Since intellectual capital is the main source of superior financial performance of a knowledge company, it was of high importance to examine the impact of investing in intellectual capital on the company's book value. The purpose of this study is to explore existing literature of corporate strategy based on innovations, ideas and intellectual capital.

Keywords:

corporate strategy, intellectual capital, final performance.

1. INTRODUCTION

Over more than 50 years of abundant research, generations of researchers have put their efforts into studying how corporate strategy is determined, the relationship between corporate strategy and its performance as well as the dynamic relationship of a strategy and the organizational environment (For example, see Barton, 1987; Bowman & Helfat, 2001; Caldart & Ricart, 2004; Salem Khalifa, 2008). Because of the complexity and multifaceted characteristics of corporate strategy, taking different views of theories and methodological methods may cause controversial findings among different courses of research. Yet, those debatable research questions still attract many generations of scholars.

Corporate innovation strategy gains prominences among different course of research. Scholars focus on studying how innovation strategy is processed along with its impact on the performance of firms. Indeed, innovation is the process which creates value for firms and promotes growth (Kim & Mauborgne, 2004).

The review of the literature proved that traditional performance measurements paid little attention to the importance of knowledge. Financial performance measurements were heavily criticized (Johnson and Kaplan, 1987; Kaplan, 1983; Thiel and Leeuw, 2002). In the last years, management science literature has paid attention to the role of knowledge in global competitiveness. It is recognized as a durable and more sustainable strategic resource which is necessary to obtain a competitive advantage (Barney, 1991; Drucker, 1988; Grant, 1991). Organizational capabilities are based on knowledge because knowledge is a resource that forms the foundation of a company's capabilities (Prahalad and Hamel, 1990).

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A company's final performance is a result of both individual and organizational activities. At the individual level, it includes personal knowledge and individual skills and talents, whereas at the organizational level, there is infrastructure, networking, technologies, routines, systems, trade secrets and organizational culture (Bontis et al., 1999).The capacity of a company to create value is based on knowledge and competences of its employees (Savage and Savage, 1996). Many companies try to transform themselves into learning organizations that will pursue their objectives of continuous improvement in their knowledge assets (Senge, 2006). Knowledge assets are fundamental strategic levers that manage business performance and enable continuous innovations of a company (Boisot, 1999; Marr and Schiuma, 2001; Mouritsen et al., 2002; Quinn, 1992).

This papers proposes some key points that should improve understanding of the innovation process:

- Companies' efforts with regards to intellectual capital management are possible in developed markets and in knowledge-based economies.
- Human capital is relevant only in long-term returns.
- Structural capital's factors such as strategy, innovation behaviors, company's network do not play the most important role in the value creation process.
- Relational capital's effects differ depending on an asset and a business moment. For instance, a brand generates profit at the beginning, followed by the company's website.

The rich but fragmented knowledge of corporate strategy and innovation-driven strategy has provided many interesting and potential research venues. This paper aims to explore existing literature of corporate strategy based on innovations, ideas and intellectual capital.

2. DETERMINATION OF CORPORATE STRATEGY

Corporate strategy determined the goal, objective and purpose of the firms, in which, value creation for customers and shareholders is at the center (Salem Khalifa, 2008). Corporate strategy determines identification of the firm which makes it stand out from other competitors. Corporate strategy is different from business strategy. Business strategy has to do with how a business deals with its competitors in the market while corporate strategy firms make their strategies so they can manage the set of business (Grant, 1991). Corporate strategy applies to and affects the entire organization. In short, corporate strategy refers to the relationship between the firm and a) environment, b) objectives and c) how they accomplish objectives (Ogbonna & Wilkinson, 1988).

Over 50 years of research, there have been different schools of thought in the field of corporate strategy and scholars still have to deal with a number of controversial research-related questions. The relationship of corporate strategy and competitive advantages and organizational performance is a prominent course of study. They focus is on finding how firms can sustain competitive advantage, generate profit and growth and ultimately, create value for customers and shareholders. In the 90s' study about the effect of companies, industry and corporate on performance, many scholars found that corporate affections to the profit is small (Hitt et al., 1997; Rumelt, 1991). Yet, Bowman and Helfat (2001) argue that corporate strategy matters, although it does not directly influence profitability, but with the conditions of leaderships and corporate management (Bowman & Helfat, 2001). Indeed, besides the framing strategy, how it is also important how it is conducted.

Another stream of research focuses on building competitive advantages. The point of view of competitive advantage is changing with time. Nowadays, the dynamics of the environment such as emergence of new economics, globalization and development of technology changes how strategy is framed and conducted. Competitive advantage is created by the combination of different and temporal strategic moves by mixing several factors such as brand, technology, capabilities and the product itself (Eisenhardt, 2002). This point of view is in contrast to Michael Porter's generic strategies model which focuses on the cost and differentiation of products (Porter, 1985).

The question whether diversification strategy can be used to build long term competitive advantage is also debatable (Markides & Williamson, 2007). Initially, many scholars found that diversification may create negative effects to firm's performance (Hoskisson et al., 1994; Lang & Stulz, 1994). Later studies discovered opposite findings that those negative effects can turn premium if the firm can control its endogeneity of the diversification decision (Villalonga, 2004).

Another course of research focuses on corporate culture and how it shapes corporate strategy and is re-shaped by the corporate strategy (Ogbonna & Wilkinson, 1988). The dynamics relationship of culture, structure of the firm and corporate behavior as well as corporate strategy is an important factor to frame the strategy (Foss, 1997). Other scholars take the time dimension to study a strategy. They argue that setting a short-term, medium-term and long-term strategy would need to focus on different factors such as market, product and competencies, respectively. (Ghemawat, 1991; Nanda, 1996)

In conclusion, the controversies around the question how corporate strategy is determined and how it affects the performance of firms occurred in several courses of research because of the bias on the factor of data based was used and the methodological methods chosen. It shows that the field of corporate strategy research is complex and multifaceted. Issues associated with the corporate strategy are found in literature. As an effort to clear the confusion among different courses of research, in literature review, Khalifa (2007) proposed a framework which states that firms should consider taking a bird's eye view when they making a strategy: a) the interaction between the organization and its environment, e.g., business context, culture, products, technology, capabilities; and b) its strategic orientation, e.g., short, medium or long-term strategy.

3. WHAT IS INTELLECTUAL CAPITAL?

Since the moment when intellectual capital theory was introduced, when (Ghemawat, 1991; Nanda, 1996) the term 'intellectual capital' published in an article, many different definitions have been released. Some definitions define intellectual capital as a unique combination of intangible assets that are the basis for a company's further competitive advantage (Andriessen, 2004). Intellectual capital theory is seen as one of the knowledge economy theories determined by the transformation of importance of tangible assets to the intangible ones. Intellectual capital theory has close connections with organizational innovation and challenges of strategic management (Kohl et al., 2014). This theory has been present for almost thirty years and it is not surprising that certain paradigms influence it (Užienė, 2015).

According to Lev and Schwartz (1971), all company's intangibles make up its own intellectual capital. Intellectual capital is everything known by everybody in a company, and it brings a necessary competitive advantage to the company (Serenko and Bontis, 2004; Stewart, 1991). If a company places importance on intellectual capital, then the company can survive for many years and obtain a competitive advantage and perspective performance. Company's innovative work is described as an individual work that is directed at introducing new and innovative ideas, processes and products (Mura et al., 2012). Intellectual capital is in the current center of economic reality and it is generated from knowledge and intelligence, but only when intellectual capital comes to certain financial benefits through precise valuation of intangible assets (Stewart, 2001). Intellectual capital is the difference or a gap between the total market of a company and its total book value (Edvinsson and Malone, 1997). Unlike physical capital, intellectual capital stimulates growth mainly because the initial cost of creating certain knowledge is not repeated and brings the economies of scale (Mignon and Walliser, 2015).

The competitive advantage of a company lies in the complexity of these types of intellectual capital. Success of a company depends on the strategic management of the selected components of intellectual capital (Bayburina and Golovko, 2009). Knowledge has become one of the most important strategic resources for all types of companies, from start-ups and small-medium size business, to multi-national corporations (Holsapple and Joshi, 2000).

4. THE LINK BETWEEN CORPORATE STRATEGY, INTELLECTUAL CAPITAL AND INNOVATIONS

By analyzing a sample of US firms from 1992–2012, Jia (2017) we have discovered that firms more inclined to the exploration-oriented innovation strategy will be perceived more positive and attentive by analysts, higher forecast error and dispersion. Somehow, it contrasts with the findings by Benner (2010). They found that a corporate strategy that focuses on exploitation, which means preserving and extending current technology, would receive a more positive perception from analysts. The findings are different because of the difference in sample selection, yet they all show positive perception of capital market towards firms which have innovation driven strategies. Explorative orientation strategy has a U-shape relationship with financial performance which depends on the R&D intensity of the industry (Uotila et al., 2009). Interaction between explorative and exploitative innovation strategies has positive effects on the sales growth rate after having examined 206 manufacturing firms (He & Wong, 2004).

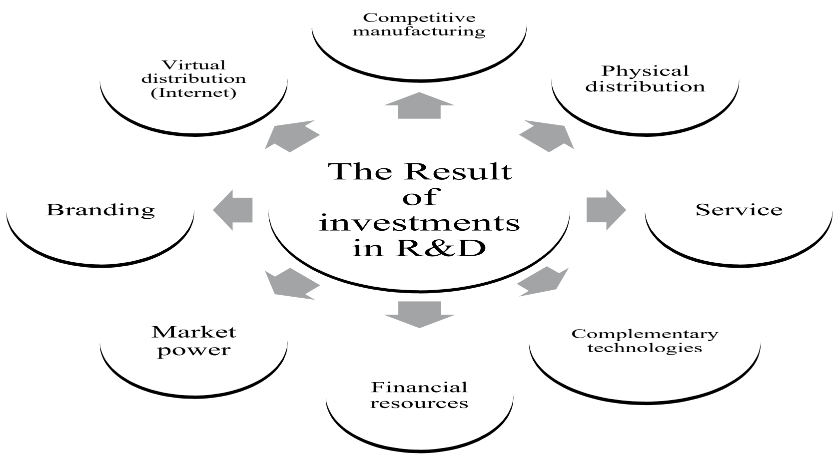
Another way for firms to boost their innovation is through M&A activities. M&A can become a means for a firm to acquire external knowledge and capabilities and boost the combining firms' cooperative work (Ahuja & Katila, 2001; Cefis, 2010). They can also attain higher speed to the market rate in comparison with the long processes to develop it internally (Desyllas & Hughes, 2010; Prabhu et al., 2005), especially in high-tech and knowledge-intensive industries (Inkpen et al., 2000; Yakob et al., 2018).

Megna and Klock (1993) stated that an investment in research and development is directly related to the number of patents, or, to be more precise, directly related to increasing a company's book value. Lev (2004) mentioned investment in research and development of the textile company DuPont in the period from 1985 to 2000. The investment has influence on two thirds of the increase in the value generated within a company.

Teece (2002) thinks that investments in R&D alone are not sufficient. To be successful, investments in R&D must produce a complementary asset that will be packed into products or services to yield value. He distinguished three types of complementary assets:

- **Generic Assets** need to be tailored according to innovation, such as generalized equipment and skills;
- **Specialized Assets** with unilateral dependence, such as marketing and distribution channels;
- **Co-Specialized Assets** with bilateral dependence, such as repair facilities and machines.

Figure 1. Possible complementary assets produced from the investments in R&D



Suorce: (Teece, 2002)

Figure 1 above presents potential and possible complementary assets that can be produced, capitalized and developed when investing in R&D. There are eight potential types of complementary assets and those are: competitive manufacturing, physical distribution, service, complementary technologies, financial resources, market power, branding and virtual distribution (adapted from Teece, 2002).

Taking into consideration all advantages and benefits of investments in R&D, we have also created a list of limitations that can be grouped as follows (European Commission, 2003):

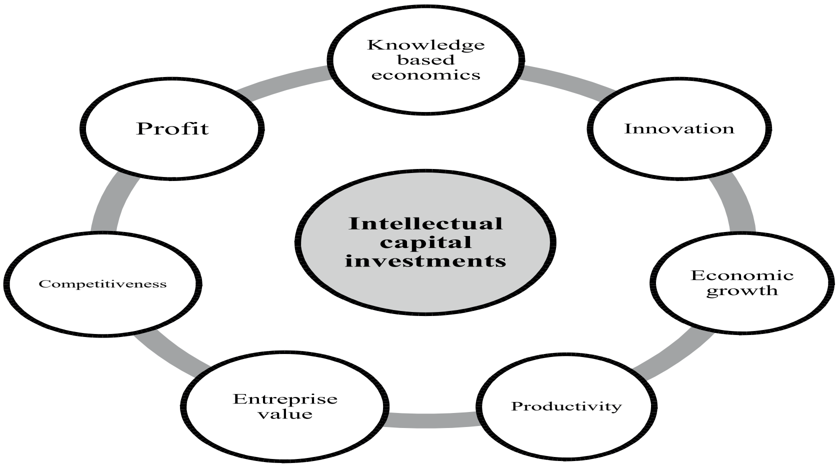
I. **Financial Resources** – There are many reasons why it is difficult to raise money from banks, financial institutions or investors to prove a suitable business proposition. This is because investments in research and development are highly risky and it is very often difficult to predict the final result. Raising money is a much more difficult task for start-up companies than it is for large corporations that will easily find a way to generate profits;

II. **Knowledge** – A combination of external and internal knowledge is necessary when introducing new innovations onto the market. In order to be innovative, it is highly important to take a broader knowledge base than the one from the past. External and internal knowledge sources must be managed properly;

III. **Human Capital** – Skilled and talented people are a very important element in the whole research and development process. Developing and managing human capital is a highly important part for successful, highly innovative companies. Michie (1999) thinks that the skill-shortage is a serious obstacle in the research process.

IV. **Management Competences** – Lack of management competences in the segment of marketing, organization and innovation is another key reason why companies do not invest more in R&D. Lack of management competences makes it difficult to plan and implement R&D in a successful manner.

Figure 2. Concepts related to the intellectual capital investments potential outputs



Suorce: (Lentjushenkova and Lapina, 2014)

Based on Figure 2 above, there are seven main intellectual capital investments potential outputs that can come from intellectual capital investments, and those are knowledge-based economics, profit, innovation, competitiveness, economic growth, enterprise value and productivity (Lentjushenkova and Lapina, 2014).

Researchers define investments in intellectual capital as different kinds of costs or expenditures, such as R&D expenditures, advertising expenditures, labor costs etc. This approach is used mainly because it is easy to collect this kind of financial information from financial statements and annual reports. (Lentjushenkova & Lapina, 2014).

5. CONCLUSION

In short, proper answers for the research question - how corporate strategy is formulated and how it affects an organization - is still debatable. Differences in theory perspectives and research methodology can lead to different findings. It shows the complex and multifaceted characteristics of corporate strategy studies. The strategy is formulated and affects not only the organization but also has a dynamic relationship with the context and environment in which businesses are run.

Based on the study developed by previous studies the following conclusions were made: Intellectual capital investments influence both financial and non-financial performance of a company; Intellectual capital investment influences a company's market value in a positive way and company's expenditures can be seen as intellectual capital investments only if they can be reflected in accountancy; Expenditures are more often used in research than investments that later influence the value or performance of a company. Finally, the most frequently used terms for intellectual capital investments are: human capital investments, R&D expenditures, IT expenditures, labor costs and training costs. Intellectual capital investments are often very risky because of an unpredictable outcome.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Marketing and Management
Scientific - original paper

DIGITAL COMMUNICATON AND CONNECTIVITY IN OVERCOMING THE WIDER EFFECT OF THE PANDEMIC CRISIS

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Abstract:
Digital collaboration and connectivity are dominant ways of coommunication in the COVID-19 pandemic and postpandemic period in business markets, but they have also proven to be a sucessful tool for sustaining human contact in everyday life as well. It has became apparent that keeping pace with the contemporary digital solutions enables companies to improve and continuously update and optimize their processes and activities in order to meet the needs of different target groups. The aim of this paper is to indicate the importance of digital product management and digital communication possibilities and solutions in business and social environments in order to set a human-centred connectivity. By analyzing the effectiveness of various communication tools for distance collaboration, the researchers came to the conclusion that although the increase in the use of all-things-digital was expected, all of the subsequent, and even some unforeseen effects of the fast transition to digital are reshaping customers’ landscape.

Keywords:
digital communication, digital connectivity, remote collaboration platforms, pandemic crisis.

1. INTRODUCTION

Before the global pandemic crisis, different studies indicated that digitalization had started being a common issue for all industries and, some which were moving faster than others. Yet, a wider consensus is that most industries were moving not nearly as fast as possible. This new digital reality has indicated who participates in the future connectivity and communication in the business and consumer markets.

Although the focus of the paper was to analyze digital collaboration aspects among selected professional environments, it is expected that the transition to a more digital and more connected workplace will also transfer over to the consumer markets.

Digital globalization enables connections between organizations, nations, industries, companies, and individuals around the world using data, information, knowledge and ideas. Various digital technologies (ICT, the Internet, cloud services, data analytics...), communication tools (Meetings, Webinars…), Time Management and Productivity tools, CRM tools and other digital platforms (e-commerce, online marketplaces, etc.), support these connections in order to make intercompany and intracompany activities faster, more flexible and efficient (Luo, 2021, Cantwell, 2009).

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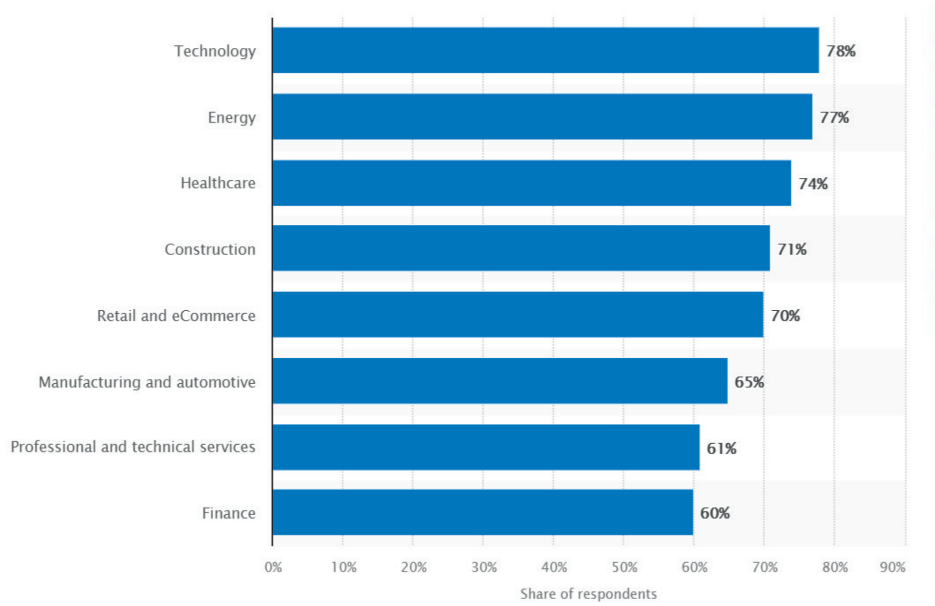
2. DIGITAL TRANSFORMATION

Digitalization is the driving force of globalization in all areas of a business in order to create new operation processes, services, technological devices, communication and collaboration tools and possibilities (Srai, et al. 2019). Improving business processes, producing and delivering competitive customer values in the digital environment require investments in processes, human resources and in technologies.

According to official data, most IT companies (78%) and energy companies (77%) are trying to meet the challenges of the COVID-19 pandemic by applying digital transformation faster than other companies (STATISTA, 2021).

Graph 1. COVID-19 pandemic and digital transformation in different companies



Suorce: (STATISTA, 2021)

Advanced analytics and artificial intelligence enable companies to transform their activities, processes digitally, meet current market trends, and customer needs. Pandemic situation and appropriate measures have challenged economies, social and cultural lives, political situations and education. The whole situation has motivated cooperation between scientists and managers in order to be creative and innovative providing alternative communication tools and collaborative solutions in business activities and in consumer buying processes. At the same time, competitive companies have to build collaborative advantages in the global business eco-system of the digital age (Luo, 2021; Duan,et al. 2019).

The emergence of the corona virus and pandemic have affected all spheres of human life. At the same time, they have also affected the consumer's relationship and behavior within consumer buying processes, access to the purchase process itself and consumer habits when purchasing (Sheth, 2020). According to McKinsey Global Survey, it was found that at least 80% of their customer connections and interactions are digital in nature (McKinsey Global Survey, 2021).

At the end of 2020, the Ernest & Young company conducted a survey on global level and in Serbia as well, and the topic was "EU index of changing consumer habits". The research in the Republic of Serbia was conducted on a sample of 1,000 respondents. The subject of the analysis was the impact of COVID–19 on different areas: on the performance of daily activities; consumption; purchase criteria; the way of doing business; the use of banking services; the use of transport and the modes of travelling; on eating outside the home; on food purchase and preparation; on exercise and on the changes in habits and lifestyle (EY, 2021, Sheth, 2020).

Analyzing the impact of the COVID-19 pandemic, the most important data about the way of doing business, the representatives of the auditing and consulting company EY found that 34% of the respondents believed that they would work from home more often, 26% that they would have a more flexible job, 24% that they would use video conferencing more often, 23% that they would attend online lectures, while 23% believed they would be less willing to work in a shared space (EY, 2021).

3. DIGITAL ADAPTATION

New digital environment implies different kinds of digital forces that enable digital global collaboration. According to Luo, important digital forces are: intangible flows of knowledge and data, quickened access to and diffusion of knowledge, central role of digital infrastructure, fortified consumer power in shaping global business and a remarkable rise of a large number of small Multinational Enterprises (Luo, 2021; Castagna, et al. 2020).

Internally, contemporary organizations should develop cross-collaboration and try to diffuse knowledge within the organization. Also, digital connectivity and integration demands sharpened organizational abilities, architecture, and structure to perform global resource mobilization (Luo, 2021).

4. SURVEY METHODOLOGY AND SAMPLE DEFINITION

The sample included 40 companies in various industries working primarily in Serbia, although most of them had different levels of presence in the Adriatic region. The sampled companies included both companies founded by the state, as well as privately held entities. Due to the constraints by the GDPR and contractual agreements with companies, the particular company names as well as fine, pinpointed statistics were intentionally generalized, in order to protect companies' privacy but at the same time retain the intended research outcomes. Also, all the statistical results of the survey are presented as screenshots from the Power BI analytical tool that gathered and visualized the analyzed data sources.

5. THE ROADMAP FOR DIGITAL BUSINESS TRANSFORMATION

In terms of the workforce size, the smallest company employed about 200 employees, whilst the largest system employed over 3,000 employees.

The assessed sample used Microsoft licensed communication tools, namely: MS Teams, MS Meetings, MS Teams Phone System, MIP, MS Exchange, MS Yammer, MS 365 Apps and MS Outlook mobile.

The key parameter for the usage of analytics was the number of active monthly users, as well as the usage of Microsoft cloud services and applications hosted on Microsoft cloud (Microsoft Azure).

Such a broad and fairly undifferentiated sample was justified through the fact that the core of the research focuses on global communication challenges caused by the health crisis, that wouldn't vary much across different industries, companies' sizes, etc.

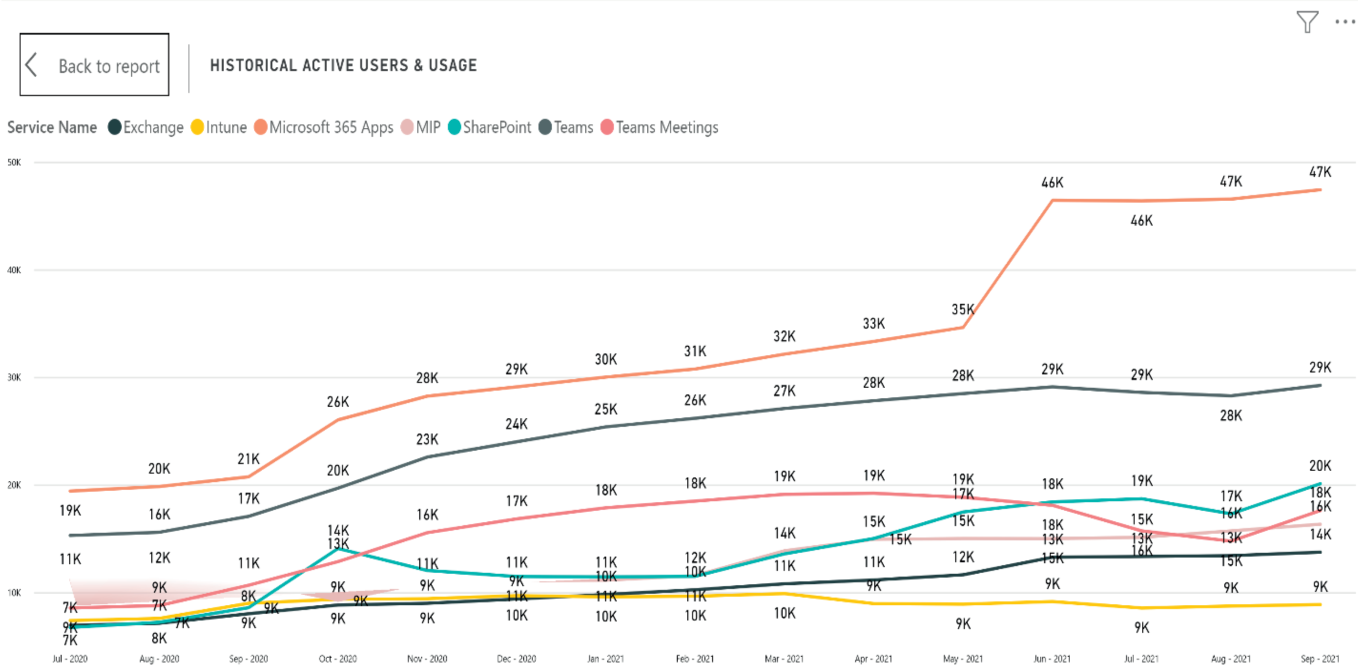
In order to assess how the COVID crisis had affected the communication within the companies, the starting hypothesis assumed that the companies had engaged more heavily in the use of communication tools that had enhanced their communication capacities. For this purpose, the sample included companies that had an increased usage of the mentioned communication software tools, or had just started using the mentioned tools.

The usage data analyzed the time period from roughly Q2 of the fiscal 2020. until Q3 of the fiscal 2021. Prior periods were not taken into consideration for this particular research due to a narrow research focus and technical sample data constraints. However, the conclusions of this paper can and should be used to trace out future research efforts that would encompass a longer time window.

6. RESULTS AND DISCUSSION

The initial hypothesis that established the expectations that the use of communication tools would increase with the new circumstances imposed by the health crisis has been positively confirmed by the sampled companies' usage statistics.

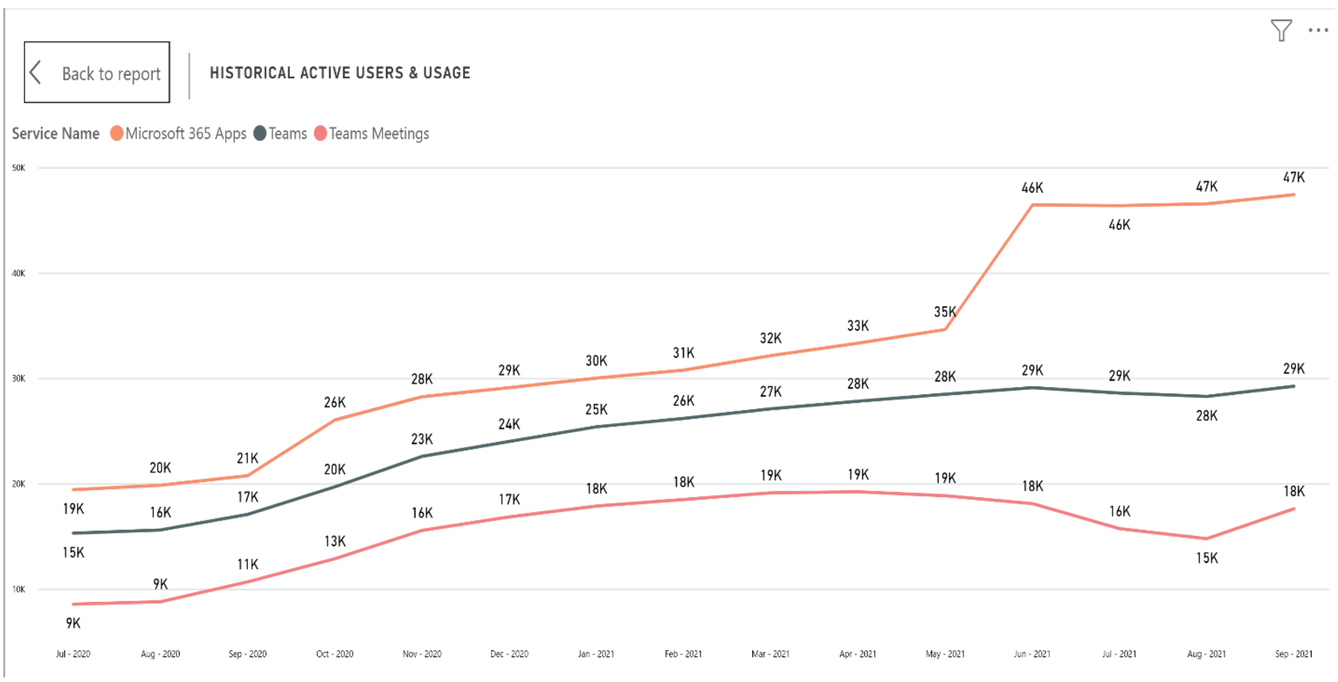
Graph 2. Usage trends by the distance collaboration tools among the entire sample size, for the period June 2020 – September 2021



Naturally, the Office 365 usage is leading a steady growth in terms of the total volume of usage, due to its use-case scenarios that overpass collaboration tools only; Office 365 contains productivity tools that are widely used regardless of the work environment. Interestingly though, the use of Teams Meetings has been constantly growing even beyond the ease down of the COVID-related measures that allowed companies to start getting back into the office environment steadily. This particular trend communicates the widely-accepted change in corporate culture and behavior, as communication is now obviously shifting towards more digitally-oriented channels, rather than the traditional ways colleagues use to meet and communicate in person.

Furthermore, by more narrowly analyzing the tools that are aimed at distance collaboration, we can see the obvious positive gap in the usage of Teams Meetings compared to some other tools, in terms of the growing number of active monthly users.

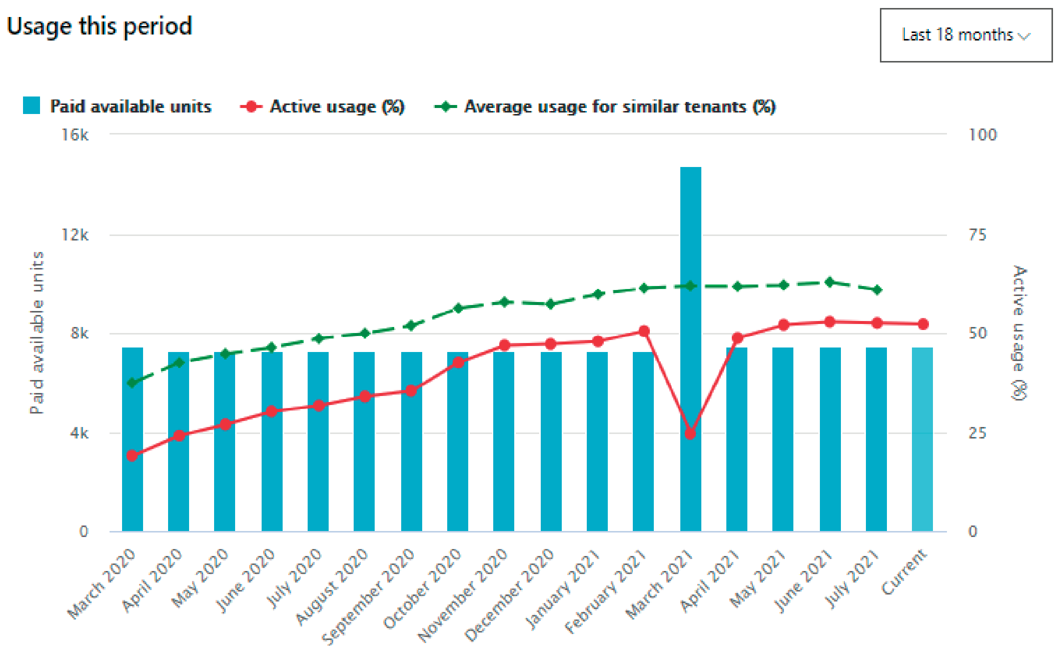
Graph 3. Usage trends by the select collaboration-focused tools and applications for the period June 2020 – September 2021



Interestingly, we can see the Teams’ slope was heading to a slight decline past May 2021, while the Teams Meeting had a continuous, although not steady, growth throughout the observed period. This insight is of a particular value to marketers, as it reflects a change in the way people in the corporate environment now communicate. This is especially applicable in the way marketers should address and streamline B2B communication via digital channels, as the change in behavior seems to be permanent or long-term, at the very least.

In order to address the assumption that the sample methodology might be biased in a way that privately held companies would be faster to adjust to the technological trend of communicating faster through new, digital collaboration tools, below is the representation of usage statistics for a large enterprise system majorly owned by the State, and employing several thousand employees.

Graph 4. Usage statistic for the last 18 months within a large, primarily state-owned enterprise system

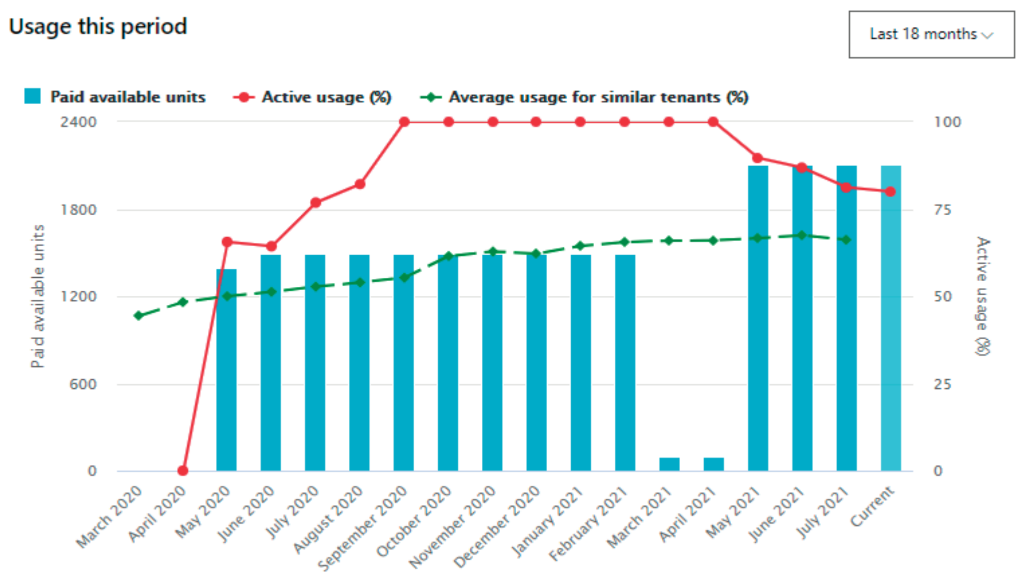


We can see how the number of used software licenses is somewhat lower than the total number of the available licenses. This is a completely common case, and companies – especially large enterprise systems – often need time to utilize all the possibilities of the bundled software their organization is subscribed to. Nonetheless, the increasing number of users is a trend that undoubtedly communicates the shift in the organizational behavior of this system. The big spike in the number of paid units in March 2021 (and a consequential dip in the number of active users), could probably be explained by the license renewal, or migration to another domain, and could very well simply be ignored by marketers as irrelevant.

What is important is that this graph supports the argument that the recent health crisis is driving even the not-so-agile organizations towards an increased organizational effectiveness, as well as a permanent change in the way they communicate.

In parallel, we can see that although the sheer volume of usage is significantly different, at a privately owned enterprise (a fairly large bank in Serbia), the trend of increased number of users had been growing until it stabilized at about 80% of the usage in the organization.

Graph 5. Usage statistic for the last 18 months within a large, privately owned enterprise system



Finally, a cumulative overview of the market for distance collaboration tools growth is confirming the hypothesis that the COVID crisis has pushed organizations to shift their communication focus towards a more digital channel utilization. The overview of the total number of Azure cloud consumers, reflected through generated revenues, is undoubtedly showing the significant growth in one parameter that reflects an increased online communication.

Although this data itself is not by any means sufficient to draw any definite conclusions in analyzing whether there is a meaningful definition in how organizations communicate based on their ownership structure, it certainly establishes a frame of questions to be addressed in the future, a more narrowed down research.

7. CONCLUSION

It is safe to conclude that the COVID based crisis has shifted the paradigm to all-things-digital and put it on a fast track. This change is most obviously reflected through the fast pace of technological adoption: this research has confirmed that the utilization of the already purchased software for collaboration was exceptionally fast, regardless of whether we are analyzing the privately held or State-run organizations. This has definitely confirmed that Digital collaboration and connectivity are now definitely dominant ways of coommunication in the (post) COVID-19 pandemic period, especially in the business markets, but in consumers' one as well (Sheth, 2020). Therefore, digitalization was trying to meet different kinds of requirments for companies and customers as well, during the pandemic. According to different kinds of surveys, spending on digital transformation is predicted to be 1.78 trillion dollars (STATISTA, 2021).

According to Luo, digital communication and connectivity enable more opportunities for those companies that are completely prepared digitally and strategically (Luo, 2021).

8. LITERATURE

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
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THE IMPACT OF COVID-19 PANDEMIC ON WORK ORGANISATION

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Abstract:
In today's fast-moving environment, business organisations are faced with the need for frequent changes in order to overcome everyday challenges and improve their performance. Organisation of work is one of the key elements in the adjustment to the market changes, and the basis of enterprise transformation. Apart from continuous market competition, the COVID-19 pandemic and its consequences have brought about a special type of business challenge. The new circumstances require an even more pronounced alignment between management and employees, their full connection and understanding of necessary changes, in order to maintain business continuity in very challenging pandemic conditions. Emergencies and numerous changes in response to a challenging situation can very often disrupt normal arrangement or functioning of business. This study focuses on the role of remote work (working from home) during the COVID-19 pandemic. The theoretical framework of this paper is based on the relationship between technology, agile organisations and working from home during the coronavirus crisis.

Keywords:
work organization, organizational change, agile organisations, working from home, COVID-19 crisis.

1. INTRODUCTION

The COVID-19 pandemic is the most significant public health crisis in the last hundred years, which has also generated a multidimensional crisis. In only a few months' time the new circumstances have had a ruinous impact on almost every system and organization across the globe.

The need for change in crisis situations is paramount; otherwise, there can be long-term consequences. The continuity of many companies during the pandemic has considerably relied upon the readiness and capability of organizations to quickly shift to and accept practices that best match the new reality.

The first and most evident effects of the COVID-19 pandemic immediately produced a threat to every company's operating and business model. Everything became questionable: how and where employees worked, how they interacted with the customers, how to fulfil all the customer needs, which products and services were most advanced, and which could be quickly adapted. Besides, additional problems appeared due to every government's specific measures such as office closures, movement and traffic restrictions affecting supply chain and more.

In this article, we focus on some key points that are now fully incorporated into the new operating models of many companies. We also analyse some successfully implemented processes, which could be of use after the pandemic, and which could be a part of some future operating model.

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One of the most prominent effects of the pandemic has been finding a way of maintaining business continuity and, at the same time, keeping employees safe-by working from home.

2. ORGANISATION OF WORK DURING CRISIS

Historically, stability has always been identified as a success factor. Unfortunately, the continual change of contemporary life, the increased use of ICT technologies, economic fluctuations and even the global pandemic do not provide a good starting point any longer. More and more organisations are trying to remodel their operations towards agility, which will enable them to adjust quickly to emerging trends in their industries (Consultancy.uk, 2021).

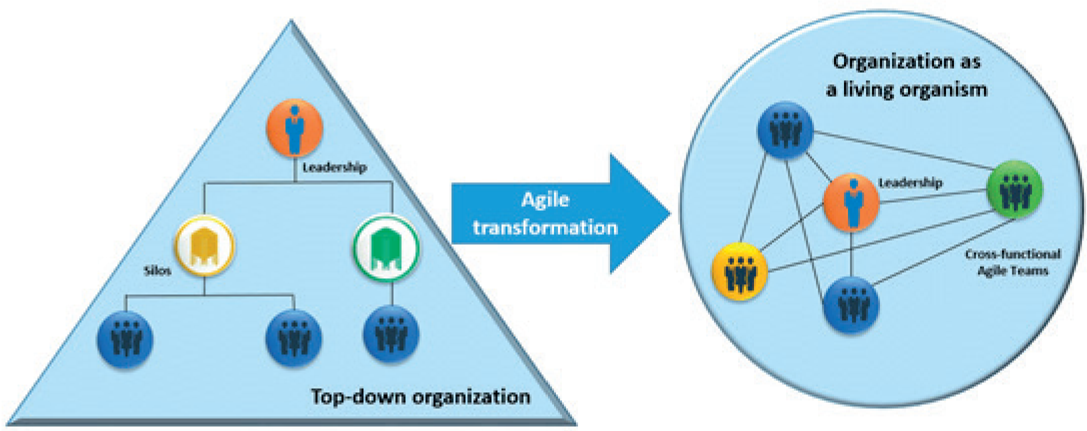
In the time when everything is disrupted, companies that are uncapable of changing fast are at risk of being outperformed by those that do know why giving up the traditional processes could be a winning strategy. With the aim to cope with the actual situation, many companies turned to using agile practices, hoping to adapt faster to changing circumstances. Agile organizations are meant to be fast, resilient, and flexible. Companies with agile practices should be fully equipped to react to crises such as the COVID-19 pandemic.

A study by McKinsey Company showed that companies which were more agile before the pandemic, i.e. the companies which carried out major changes and had these practices deeply rooted across the whole organization prior to the pandemic, have been much more successful in managing the impact of COVID-19 crisis. These very agile enterprises secured business continuity and even improved their financial performance (McKinsey & Company, 2020).

During the crisis, agile leaders have avoided conventional organisational hierarchies and deployed cross-functional teams created to deal with specific projects (Figure1). These teams are established to focus on specific outcomes, especially operational challenges caused by the pandemic. Furthermore, the necessity for rapid adaptation leads to the decentralization of decision making, extending it to the teams themselves, which means that leaders should enable teams to make more decisions. Quicker decision-making calls for the team's increased empowerment.

Although agile operating models are something completely new for some businesses, the pandemic has caused many organizations to realize their significance and how they can deliver measurable business gains.

Figure 1. Traditional organization vs. agile organization

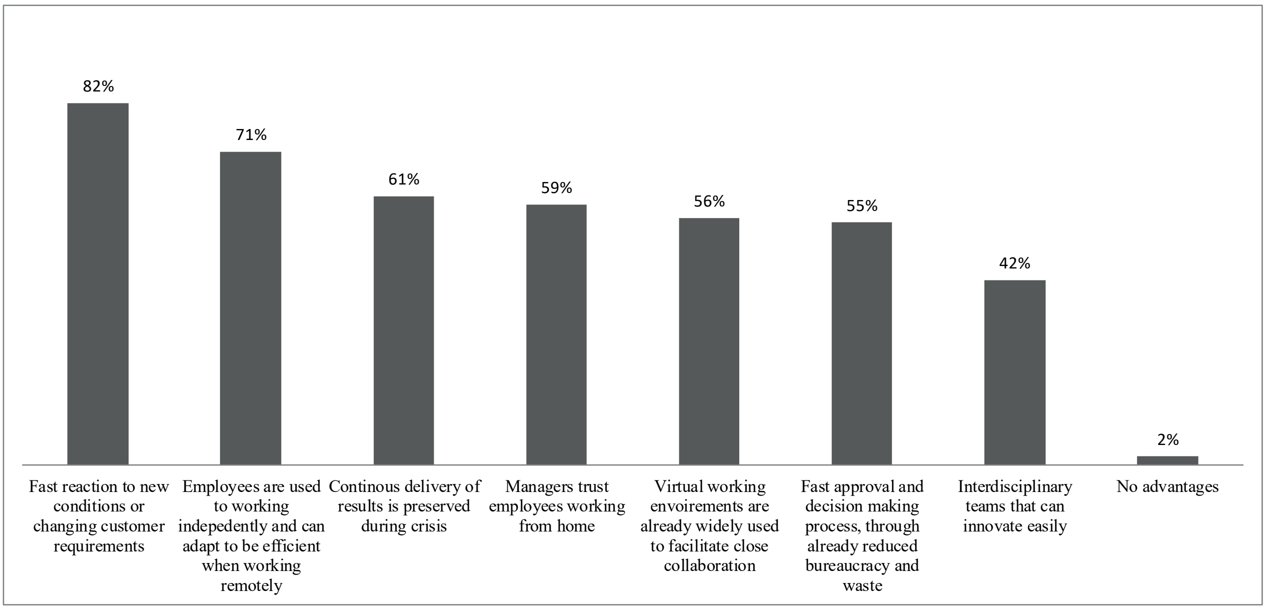


Source: Pereira et al. (2020, p.4)

How agile work helps organisations adjust to the pandemic is best illustrated in the study by Bearing Point consultancy (Consultancy.uk, 2021) (Figure 2). Seven out of ten businesses said that agile organizational practices helped them to adapt faster to the chaotic business environment of the pandemic period.

This allowed more than 60% of agile firms to maintain their pre-crisis performance during the 2020. Still, some companies were not able to reap the benefits of agile working practices, especially if they kept some traditional structures.

Figure 2. The advantages of agile organizations in times of crisis and beyond



Source: Consultancy.uk (2021)

3. TECHNOLOGY AS ENABLER

To improve profitability and gain competitive advantage became the number one strategic goal of modern business. Strategies for continuous improvement include reducing costs, improving quality, and trying to identify and respond to customer needs in the fastest way (Deloitte, n.d.). Accordingly, companies today are striving to align their business management strategies with technological resources.

Fast advances in technology have dramatically transformed business management processes over the last several years. Due to technology, remote work has become more effective, and many companies have encouraged their employees to work from home to avoid personal contact with other team members.

Technology in this context is the key component to connect people worldwide. Starting from a simple phone call, back in 19th century, to the present day and many applications for video conferences (e.g. Zoom, Webex, MS Teams, etc.), many boundaries have been removed. People can be at different places and still stay connected and be efficient. Technologies are also used to develop many advanced tools that are improving processes, reducing manual work, increasing automation and apply analytics in daily work. These two features had a fundamental role in maintaining activities without interruption.

Finally, consumer behaviour during the pandemic period has been a driving force behind technology's increasing presence. Under lockdown, customers turn to digital channels, from food shopping to financial transactions, so the only access point to consumers shifts online. As consumers warmed to the idea of using e-commerce, organisations have made their best effort to adopt to changing demands.

Consequently, in several months of 2020, increase in digital product and/or service offerings has soared by an average of seven years (Consultancy.uk, 2020).

4.WORKING FROM HOME

Under the immense pressure to ensure business continuity and safety of employees, many companies have resorted to remote working as a method to lower the risk of COVID-19 infection.

Working from home is a "working arrangement in which an employee fulfils the essential responsibilities of his/her job while remaining at home, using information and communications technology (ICT)" (Ilo, 2020).

Working from home itself is just the tip of the iceberg. In the COVID-19 crisis, it refers to a home-based alternative working arrangement, which implies sharing accountability and duties by employers and employees to preserve business continuity and people's jobs (Ilo, 2020).

Before the pandemic, the idea of working from home was not considered practical for many people, because it asks for a calm and quiet space and appropriate digital infrastructure.

Initially, companies have implemented working from home in response to anti-Covid government measures, in order to restrict face to face contact. Once in place however, working from home has changed the perspective of the traditional mode of working, thus becoming a new norm for future operating models. These circumstances proved that people skills and readiness to work independently are more important than some formal processes, like working from office during strict business hours.

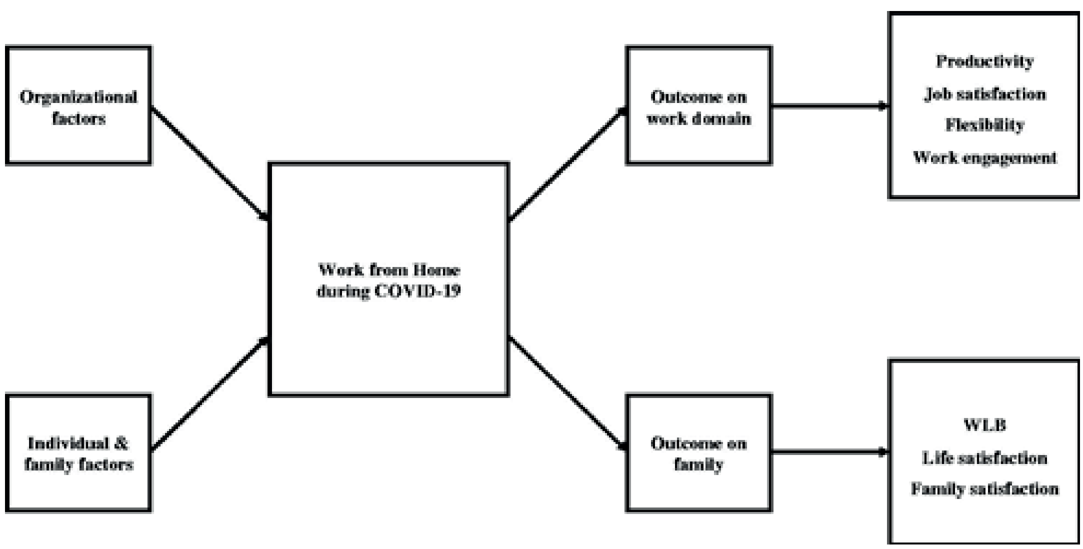
Companies and their business functions are being affected by digitalization and the constant need to transform. This has especially accelerated during the COVID-19 pandemic, with companies having to improve their digital infrastructure and provide facilities for their employees to work from home. Companies with higher level of digitalization were much faster in this imposed transformation and they secured higher level of business continuity (Nishant, 2021).

In addition to required digitalization level, as a main prerequisite to accommodate working from home, there is another crucial aspect. Organizational trust and trust by managers are important factors that have direct correlation with the working from home outcome. Together with digitalization, organizational trust is a key element to set-up working from home policy as the main drive to ensure business continuity, productivity, and job preservation.

Many companies abandoned traditional processes in order to quickly set up new organization model and permit thousands of employees to work from home. From a functional perspective, agile organizations are those that provide a way of working with maximum flexibility and minimum constraints, which allows their employees to work where, when, and how they prefer (McKinsey & Company, 2020).

Although organizational factors play a crucial role in organizing work from home, the individual and family factors should not be neglected (Baker, Avery, and Crawford 2007). Among individual factors, self-discipline, self-motivation, ability to work independently, tenacity, self-organization, self-confidence, time management skills, and computer literacy stand out (Baruch 2000). In addition, family factors, such as the size of the living area, the number of family members living together and the number and age of children, influence working from home (Baker, Avery, and Crawford, 2007). Pets have become an important factor as well.

Figure 3. Working from home



Source: Vyas Lina and Butakhieo Nantapong (2020)

There are two main outcomes stemming from working from home (Figure 3): "work domain outcome" and "life domain outcome". Working from home has a positive impact on work domain, providing flexibility, productivity, and job satisfaction thanks to flexible time to complete employees' tasks (Vyas and Butakhieo, 2020).

The outcome on life domain is both positive and negative. Working from home affects work-life balance, life satisfaction and family satisfaction. For example, it is difficult for many people to make a clear differentiation between working and non-working hours, usually causing burnout (Vyas and Butakhieo, 2020).

Considering all the above, working from home has both positive and negative sides, and more accurate assessment will become possible after the pandemic, when working from home is no longer mandatory.

In a survey of almost a thousand top managers carried out last year, about three quarters (74%) said they would maintain increased homeworking in place after the pandemic (Iod, 2020).

5. CONCLUSION

It is obvious that the world will never be the same after coronavirus pandemic. COVID-19 brought abrupt changes to people's lives, organisations and societies in many different ways. COVID-19 has accelerated working model transformation. Companies that were more conservative, in terms of change and IT transition, found it much more challenging to adapt to new circumstances. On the other hand, companies that were agile and advanced in technological infrastructure quickly adopted the practices that best suit the new reality. The spread of the coronavirus has forced all employers to provide alternative working methods that will not endanger the health of employees and at the same time ensure business continuity by practicing social distancing at workplace or implementing working from home. Working from home has modified the traditional way of working and created new long-term practices. It is believed that the changes that companies have made during the crisis period can give them confidence to launch broader transformations after the crisis.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
Human Resource Management
Review paper

LEADING IN THE TIME OF CRISIS: CHARISMATIC LEADERSHIP

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Abstract:
The global economy, as well as our health and social behaviour seem to be significantly affected by the COVID-19 pandemic. Considering the influence that leaders have on followers, distribution of resources and policies, the study of leadership seems to be an important tool for facing crisis situations. This paper reviews charismatic leadership theory and in particular outlines verbal and nonverbal tactics of charismatic leadership. The paper outlines empirical findings that show the impact of charismatic leaders on various outcomes.

Keywords:
charismatic leadership, crisis.

1. INTRODUCTION

Leadership is viewed as one of the most important and complex phenomena in social sciences. It is commonly defined as a process through which leaders aim to influence their followers in order to achieve a common purpose (Stogdill, 1974). The outbreak of COVID-19 pandemic during 2020 had a tremendous impact on our lives, our social interactions, and the global economy. During pandemic, the importance of a leader's influence became pronounced, especially the impact that political leaders may have on citizens' adoption of precautionary measures (Antonakis, 2021). Indeed, leaders control resources and create policies that affect the manner in which society functions (Abrams, Lalot, & Hogg, 2021). Through their communication, leaders are able to coordinate the efforts of individuals and help resolve public crisis situations, alongside scientists' efforts (Antonakis, 2021). One of the theories that was highly researched in order to explain the leader effectiveness is charismatic leadership (Murphy & Ensher, 2008). Leaders could have a large effect on individuals either directly (Antonakis, d'Adda, Weber, & Zehnder, 2014) or via social media (Tur, Harstad, & Antonakis, 2021). The aim of this paper is to provide an overview of charismatic leadership theory and in particular to focus on charismatic leadership tactics (Antonakis, Bastardoz, Jacquart, & Shamir, 2016; Antonakis, Fenley, & Liechti, 2011). The paper outlines empirical findings that demonstrate the impact of charismatic leaders on various outcomes. In particular, the paper highlights the findings of a recent study which showed that the extent to which the speeches of the US Governors during COVID crisis were perceived to be charismatic had an influence on citizens' behaviours that save lives, namely social distancing (Jensen et al., 2021).

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2. CHARISMATIC LEADERSHIP

Initially, charismatic leadership was employed to explain the features of political or religious leaders. Later it became a component of transformational leadership (e.g., Bass, 1998). This and other theoretical frameworks suggest that charismatic leadership positively impacts group and organizational performance, subordinate efforts, satisfaction with job and motivation. Charismatic leadership is not only reserved for managers at the highest organizational levels but could be found at different organizational levels. Initially, the word charisma was used to portray an individual's ability to do exceptional things. Weber (1947) viewed charisma as someone's extraordinary power, almost of divine origin, that make this individual be treated and accepted as a leader. Over the years several authors have offered their conceptualizations of charismatic leadership.

House (1977) identified personality characteristics and behaviours that have charismatic impact on their followers. In his view, charismatic leaders are dominant and willing to influence others, have strong moral values and are highly self-confident. Regarding their behaviours, charismatic leaders are strong role model for their followers. For instance, Gandhi was the epitome of civil insurgence through his advocacy of nonviolence. Furthermore, charismatic leaders demonstrate competence to their subordinates. Moreover, charismatic leaders communicate strong moral goals for their followers, such as the ones expressed in Martin Luther King Jr.'s "I Have a Dream" speech. Additionally, they set high expectations and reassure their followers that they are competent to achieve them. Also, charismatic leaders motivate followers by triggering their esteem, affiliation or power, as did John F. Kennedy in his famous utterance that every American should identify what they can do for their country and not vice versa.

House (1977) also argued that charismatic leadership directly affects followers' trust in the leader, followers' approval of the leader and the overlap between the followers' and the leader's principles. Other effects include compliance, devotion to the leader, identification with the leader, emotional involvement in leader's vision, and belief that they possess the ability to achieve it. These effects tend to occur in critical situations because the leaders enable followers to overcome various struggles and removes the threats.

In their model, Conger and Kanungo (1994) conceptualize leaders in an organisational context and suggest that charismatic leaders engage in six behaviours. These behaviours include: developing strategic vision, communicating, considering the environment, demonstrating unconventional behaviours, taking personal risk, being sensitive to the needs of organisational members, and challenging the status quo. With these behaviours, charismatic leaders facilitate change in their organisations. Namely, leaders examine the environment of their organisations in order to identify potential obstacles and opportunities. This enables them to devise a vision for their organisation and convey it to the organisational members. Frequently, this vision will deviate from the current organisational practices (i.e., the status quo) and may involve taking personal risks. Behaviours that the charismatic leader engage in are often viewed as eccentric, such as quirky speech. Nevertheless, when leading their organisations, charismatic leaders consider the needs of their subordinates (Conger & Kanungo, 1994).

Shamir, House, and Arthur (1993) offered a distinct conceptualization of the charismatic leadership theory. In their view, charismatic leaders alter subordinates' self-concepts and in doing so subordinates' identity becomes linked to the organisation's collective identity. Charismatic leaders achieve this by placing an emphasis on intrinsic rewards and by reducing the importance of extrinsic rewards. Furthermore, charismatic leaders convey high expectations to their subordinates, allow them to express themselves through work, and enhance their self-efficacy. In doing so, charismatic leaders link subordinates' self-concepts to the organisational identity.

3. TACTICS OF CHARISMATIC LEADERSHIP

Neocharismatic theorists perceive charisma as something that can be examined across various organisational contexts (Antonakis & House, 2013), and focus on its immediate rather than distant expressions. In particular, they focus on charismatic leaders in organisations who use symbolic power and ideological values to influence their followers. According to the neocharismatic scholars (e.g., Antonakis et al., 2011), leaders are perceived to be charismatic if they can communicate passionately and powerfully and unite followers to act upon a vision. Charismatic leaders use influencing tactics that involve both the verbal content but also their nonverbal delivery. In doing so, they are able to impact both subordinates' emotions and cognition.

Antonakis and Atwater (2002) proposed that charismatic leaders use nine verbal and three nonverbal strategies. One of the verbal tactics involves the use of metaphors through which leaders influence how subordinates comprehend and frame the content of the message. Indeed, metaphorical meanings simplify the point, trigger emotions, and facilitate recollection (Mio, Riggio, Levin, & Reese, 2005). Charismatic leaders often relay on stories to simplify the message, make it memorable and facilitate identification with the protagonists.

Furthermore, charismatic leaders state their moral beliefs and understand the feelings of the group which enables them to be viewed as a group representative (Hogg, 2001). Moreover, they devise superior expectations for their subordinates and express confidence that those could be achieved (House, 1977). Consequently, these tactics enhance subordinates' motivation and self-efficacy beliefs. Lastly, charismatic leaders use several techniques to focus subordinates' attention on their narrative. In particular, they use contrasts to frame and emphasise the message. Additionally, charismatic leaders use lists to convey the sense of wholeness. Finally, charismatic leaders pose rhetorical questions to their followers to create puzzles that need to be resolved (Antonakis et al., 2011).

Regarding nonverbal tactics, charismatic leaders effectively communicate their positive and negative emotions to express their passion and gain support for their messages (Bono & Ilies, 2006). Another nonverbal tactic involves the use of body movements and facial expressions and modulations in their voice tone. The application of both verbal and nonverbal tactics makes the leader's point more memorable (Antonakis & Atwater, 2002).

4.OUTCOMES OF CHARISMATIC LEADERSHIP TACTICS

Empirical studies have shown that followers are motivated by charisma. Antonakis et al. (2014) conducted a field study and a set of laboratory experiments to examine whether leader's charisma, manifested as a motivational speech, can trigger individuals to engage in socially beneficial activities. The field experiment showed that the subordinates who were exposed to charismatic speech increase their output by 17% compared to the subordinates who were exposed to a regular speech. These results were replicated in laboratory experiments in which participants were exposed to motivational speeches before playing game of public goods. Indeed, the presence of charismatic elements in the leader' speech resulted in 19% increase in participant contributions. The effects of charisma on individual performance were recently replicated in a field experiment (Meslec, Curseu, Fodor, & Kenda, 2020). Namely, it was found that the effect of charisma was manifested via vision dimension of leadership.

Antonakis et al. (2011) used experimental studies to show that charisma could be taught. Namely, results demonstrate that the training had significant impact on evaluations of leader charisma, and that charisma, in turn, had significant impact on evaluations of leader emergence and prototypicality. The authors argue that the organisations should consult evidence-based research before designing training and development programmes (Antonakis et al., 2011).

A recent study used data collected on social media to examine the impact of charisma for informal leaders, the individuals who communicate their beliefs and preferences to others but have no formal power over them (Tur et al., 2021). The authors evaluated the sample of TED presentations and tweets and highlighted the objective indicators of charisma. The results showed that the individuals who used more verbal charismatic tactics had higher views of their TED talks which were also found to be more uplifting, beyond nonverbal cues and attractiveness. These individuals also had more retweets (Tur et al., 2021).

5. CHARISMATIC LEADERSHIP IN THE TIME OF CRISIS

Even though a number of empirical studies have shown the positive effects on individual and group outcomes in organisations, a recent study examined the extent to which charisma of political leaders could influence individual behaviour during a pandemic, and thus save lives of the citizens. Jensen et al. (2021) conducted a study using anonymised mobility data of the US citizens. Charisma was objectively evaluated in COVID speeches given by the US Governors. Interestingly, the extent to which the leader was perceived to be charismatic was linked to the decline of citizens' geographical mobility which is believed to contribute to the spreading of SARS-CoV-2.

The first study used 350 press briefing addresses regarding COVID given by all 50 US Governors and combined that data with the social distancing behaviour of citizens collected anonymously via their smart phones. The results imply that conservative citizens may be responsive to charismatic communication, in particular (Jensen et al., 2021). Even though this study was conducted in the context of political leadership, the results correspond to the findings of organisational studies which showed the effects of charismatic communication tactics on individuals (e.g., Meslec et al., 2020).

The second study was designed as a laboratory experiment that involved 661 US participants in which Governor charisma was manipulated in a vignette. The study aimed to examine factors regarding an individual's decision to engage in physical distancing behaviour (Jensen et al., 2021). The results showed that conservatives tend to respond more to Governors' charismatic features. This influences their beliefs whether their countrymen will engage in physical distancing which seems to affect their behaviour, as well. Liberals, on the other hand, were not influenced by charisma, since they were willing to engage in physical distancing behaviours irrespective of the tactics directed at them. The authors emphasize that leaders can learn how to be more charismatic or improve their charismatic tendencies which enables them to have more impact on the followers, especially when some individuals need additional motivation to engage in particular behaviours. Therefore, charismatic communication style of political leaders could have a direct impact on the number of saved lives during a pandemic (Jensen et al., 2021).

6. CONCLUSION

Crisis situations such as the outbreak of COVID-19 pandemic provide a favourable milieux for the emergence of charismatic leadership. Leaders do have a significant impact on followers' beliefs, values, and behaviour. This paper outlined some of the most recent findings regarding the effects that charismatic leaders may have on subordinates, especially in the political context during pandemic. In order to be effective the leaders need to be charismatic and good communicators and these skills can be acquired and improved over time (Antonakis et al., 2011; Antonakis, Fenley, & Liechti, 2012). Therefore, charismatic leadership seems to be an important tool for facing crises.

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PAPERS FROM THE THEMATIC AREAS OF THE CONFERENCE
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THE IMPACT OF GLOBALIZATION ON CORPORATE CULTURE IN THE TIME OF COVID-19

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Abstract:

Globalization is very important for companies that want to compete in the global arena. Corporate culture is crucial for the success of companies, and accordingly, globalization is important because it affects corporate values and norms. It creates a global arena where values and norms are being intertwined. There are positive values from globalization, which are human rights, feminist values, environmental values, and negative values, which are corruption, greed, alienation and etc. Opportunities for companies, regarding globalization, is creating cooperation and long-lasting bond with companies abroad and increasing their target market. Globalization, like any other trend in history, can be used by companies as an opportunity or it can be a missed chance.

Keywords:

global arena, values and norms, pandemic, global trends, corporate opportunity.

1. INTRODUCTION

The concept of *globalization* is being used when we describe countries that change their culture, society, and economy as a result of international cooperation. The analysis of global trends is very important because it has a tremendous effect on corporate culture. The aim of globalization is to create a global society that is being linked through modern technology. Nevertheless, the outcome of globalization is the global system with a conflict of interest. Furthermore, there are interest groups, countries, and corporations that fight for power and influence. It is further defined as the intensification of relations on the global level where local events can easily become globally recognized. In its simplest term, it represents a conglomeration of culture, values, ideas and etc.

The global environment, above all, increases cultural diversity, which leads to the elimination of artificial barriers and allows countries, companies, and individuals to connect in a comprehensive way. There are optimists that see the concept of the state as irrelevant and argue that freedom, coming with globalization, will create economic cooperation without barriers. There are pessimists that argue that globalization increases the power and wealth of certain individuals, countries, and international institutions. Lastly, there are those that are neither pro nor against globalization, rather they argue that globalization is a fact and there is a need for adaptation. It is yet to be seen how a situation with pandemic will affect corporate culture. The increasingly important argument is that the digitalization of business processes will increase hierarchical processes of doing business, which will, eventually, increase cultural biases (Delios, Perchthold & Capri, 2020, 5).

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This research paper analyzes the importance of the effects of globalization on corporate culture in the time of COVID-19. Firstly, it will focus on the impact of globalization on corporate culture. Secondly, it will evaluate the effects of the global pandemic on corporate culture. Thirdly, it will analyze the effect of the global pandemic on individuals in the corporation.

2. THE IMPACT OF GLOBALIZATION ON CORPORATE CULTURE

Globalization creates environment where corporation in one country can have influence on corporation in another country. There is mutual influence where company in one country is changing its corporate culture as a result of cooperation. Problem exists because there is overall impression that more powerful companies are affecting smaller companies. For example, people that work in company in Serbia, think that their company should adjust its corporate culture in accordance with German companies because they are more successful. Sometime, it is very difficult to find a perfect balance between accepting what is good from other companies, but keeping the existing values that are necessary. Serbian companies strive toward German model, but German identity and values are different from those of Serbian. Globalization is changing the world economy and companies need to satisfy customers from different background (Zaitseva et al. 2016, 7182) and that means that no matter how powerful one company is, it has to change its corporate culture in order to be more successful.

Globalization leads to a situation where one company is trying to impose values on the other company. Problem arises when values and norms in one company are completely consolidated. Changing values within the company is challenging, changing values from outside is very difficult! Values and norms are altered, only when company sees goals and interest. Direct communication and practical cooperation can lead to the change in values and norms. Success of one company can, definitely, have impact of other company accepting the values. Globalization has its own ways of altering corporate values in a more subtle way. Since the opening of the world is one the values of globalization, people go abroad and work in different companies. When they come back home, they bring new corporate values with them, which they spread further in the company they work in. Interest is what makes people and companies accept new values and compared to political values, economic values are much easier to spread (Seita 1997, 448).

Changing the structure of company and methodology of doing business is another outcome of globalization, where employees are forced to accept new values if they want to stay employed. Global trends that, eventually becomes values, can spread to different companies around the world. For example, awareness of global warming can lead to values of companies being environmentally friendly or feminist values that argue for better treatment of women in companies. Imposing values is another aspect where company in one country will not cooperate with company in another country if human rights are not being respected. Undoubtedly, globalization has brought both positive and negative aspects. Nevertheless, it is a fact, that is not going away and situation with pandemic brought new values on global arena, which are affecting companies around the world. Digitalization of all business operations will be future that all companies need to take advantage of.

2. THE EFFECTS OF THE GLOBAL PANDEMIC ON CORPORATE CULTURE

Global events affect corporations and corporate values around the world. For example, political changes, such as free trade agreements and the eurozone affect the everyday businesses of corporations and, most importantly, their values. The ability for offshore operations allows companies to move abroad and avoid paying taxes, which is considered unethical in some parts of the world. Furthermore, technological trends brought a complete digitalization of business operation, which brought values such as working online, the lack of face-to-face communication, etc. The increase of competition brought values that require companies to be successful at any cost, sometimes at the cost of human dignity.

COVID-19 brought challenging tasks for companies and it had an effect on corporate values. If there are strong cultural norms in a company, its executives will make long-term plans, if there are weak and immoral cultural norms, companies will make short-term plans (Li et al. 2021, 8). In other words, if there is a strong sense of integrity in companies, their workers will collectively try to organize business that will bring benefits in long term. If there are weak cultural values, such as corruption and greed, companies will be oriented toward a short-term profit. Furthermore, the pandemic created such a situation where companies have to reevaluate their perspectives on human health and human life. COVID-19 created the interconnection between health, social welfare, and economy (Lorenzo & Sibillo 2020, 4). The company by its nature cares for profit, achievement, and long-term goals. It is expected of workers to contribute as much as they can. They are unable to do that if their health is not good.

The new corporate culture in the time of the pandemic will require investing more in workers' health and well-being. Interestingly enough, the pandemic will reassess values, more in individualist countries than in collectivistic countries (Kaczmarek et al. 2021, 2). In individualist countries, people care more about themselves, they value freedom, while in collectivistic countries, people care more for collective harmony. COVID-19 will alter values in companies with individualistic values in a way that workers will have to develop more ethical standards regarding the care and the well-being of others.

The pandemic brought uncertainty and companies will have to adjust very fast to new threats and opportunities, which means that cultural values will change in a way that it will be expected from workers to be even more flexible and adjustable to changes and challenges. Furthermore, employees will have to be more innovative when it comes to finding better ways of dealing with problems and challenges. There is a chance that the pandemic will increase sympathy and create an environment where corporate values will be respected, and care for each other present (Dhaliwal, 2020). As with any other global trend, the pandemic crisis can provide companies with the opportunity to create values that are humane and values that will care for human dignity.

3. THE EFFECT OF THE GLOBAL PANDEMIC ON AN INDIVIDUAL IN A CORPORATION

A global pandemic will affect communication between employees. Management will have a challenging task to create an environment where employees can effectively communicate. There will be digitalization in communication, which means there will be fewer emotions involved. This can lead to a lack of understanding and empathy when it comes to communication between employees. The new corporate values will include remote-working hours, where employees expect their employers to allow them to organize their time in completing the tasks. Employees' awareness regarding health will rise and the employees will expect their employers to create a safe working environment for them. The pandemic created fear in employees of losing the job. The new norm within organizations will be a tendency to comprehend the psychology of fear, caused by the pandemic. The digitalization of business operations will further increase the awareness of rules and norms. If employees work from home and there is a complete digitalization of business processes, more rules and norms will be necessary in order for businesses to operate more efficiently. Since employees are the most important assets of the company, the management will have to carefully plan its business operations.

Socioeconomic risks caused by the pandemic crisis can include unemployment and unpredictable financial situations. Furthermore, there can be a sense of loneliness and psychological issues as a result of the loss of loved ones (Garcia-Sanchez & Garcia-Sanchez 2020, 3). Financial instability creates tension in people and the tension reduces productivity and innovation. Companies will have to take into consideration, very seriously, how they treat their workers and in which way they will help them overcome those problems. Every company is money-oriented, but the tension with the pandemic will create uncertainty and fear among people, which can negatively affect production, and by that, the financial situation. There will be an increase in conservation values among workers in a company (Daniel et al. 2021, 2). Those values are the ones that are necessary for survival. This means that other values can suffer, such as human rights values, feminist values, and other liberal and modern values. An individual in a company will be affected as a result of the pandemic crisis, in a way that he will have to find ways to cooperate with a stressful and unpredictable environment.

4. CONCLUSION

Every global trend radically transforms businesses and their corporate values, which have to be adjusted in order to deal with new challenges. In the short-term and medium-term periods, companies would have to adjust to trends of a global pandemic in order to be successful. In the long term, companies should adjust their corporate values in a way to embrace digital trends that became more relevant in the time of the pandemic. COVID-19 created an opportunity for companies to impose values of internationalization through digitalization on their employees. It will impact companies in a way that they will have to embrace human values such as caring for the health and well-being of their workers. Furthermore, corporate values will be changed in a way that companies will have to allow workers to do their job from home and to believe that they will responsibly finish their work. In regard to individual values, employees will be more afraid for their health, well-being, and financial situation as a result of the unpredictable future cause by the pandemic, which can reduce the productivity and efficiency of workers. In order for a business to function successfully, there will be a necessity for companies and their employees to nurture values such as understanding, empathy, and tolerance so that the business can be more successful.

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EMPLOYEES MOTIVATION AND MANAGERIAL COACHING DURING THE COVID-19 PANDEMIC

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Abstract:

Company survival depends on its ability to adapt to the changes that have their own pace and dynamics of development. It is the transition from the present to the future, a state which is often desired. Without motivation, the organization's management activities will lose its relevance and cannot be successfully implemented. Employee motivation factors for work, advancement and organizational change are numerous, but the most important is the communication between employees and management. As this communication is closely related to management coaching, manager's coaching skills become crucial for motivation and ultimate success of the organization. This research aims to show the importance of motivating employees to learn and improve skills at work, and identify the best individuals who can become internal trainers who will transfer their knowledge to employees.

Keywords:

employee motivation, employee and management communication, managerial coaching, coaching skills.

1. INTRODUCTION

As the management deals with the integration of employees in a joint venture process, we can consider it as a part of our culture. There are many definitions of management, starting from management, leadership, up to organization. Etymologically, the word management comes from the Italian word manege-iare, which is derived from the Latin word hand (manus), hence the word *leadership*. The word management derives from the base of English words man and age, which associates us with the management of an experienced man. Management is described differently in many textbooks, as a process, function, coordination, skill, shaping. The success of any organization depends on numerous factors. This is where we come to the relationship between management and employees. Good management has a positive effect on employee motivation, which depends on communication between them. Good mutual communication is one of the ways to create a motivating work environment. In order to achieve better communication between management and employees, managers must have special coaching skills and based on them to conduct a specific managerial coaching process. After a brief review of employee motivation in general and its dependence on communication within the organization, this paper specifically addresses the topics of managerial coaching and coaching skills of managers and their impact on employee motivation. The processing was performed on the basis of reviewed cited literature as well as based on practical research on this topic.

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2. EMPLOYEE MOTIVATION AND COMMUNICATION

Motivation in general, represents strength within one personality that conditions certain instrumental actions to achieve set goals. It is directly dependent on communication between management and employees. Most of the authors see motivation as a process of meeting personal needs including these steps:

- Unmet needs
- Activity
- Searching for solutions
- Meeting needs
- Easing of tension

It is easy to conclude, on the basis of cited steps, that employees are doing their best to ease the tension and continue with the progress (Cvetković, 2014). The motivation of management and individual leaders is important as well as the motivation of all members of the organization. Motivation is needed to perform any job, in addition to knowledge, abilities or skills. Regardless of what theories may propound, motivated people will invest more effort in their work than those unmotivated (Radojević, Stanković, Rajin, 2020). Motivation is a generally accepted term for all factors that affect the organization and management of people and their habits. It is desirable to create conditions in which the qualities of employees will become recognizable, to look for chances to extract potential from people. Motivation is the willingness of a person to meet the goal while fulfilling personal needs (Ferjan, 1998). Today, most of the theories of motivation have been developed in the USA. However, all theories do not apply to all cultures. In some cultures, the priority is a secure job and lifelong employment, ahead of challenges, career and social needs. Therefore, the factors that motivate employees in USA will not motivate employees in other countries likewise (Adler and Gunderson, 2007).

There is no unique solution how to motivate employees. We will cite a famous quote from a founder of china's social media, Jack Ma: “Opportunities lie in the place where the complaints are”, implying that solutions and opportunities should not be sought, because they exist, the market should only be listened to. Even in a hopeless situation, new opportunities for success can be created, and the outcome is a motivated employee who is ready to seize these circumstances. Employee motivation is influenced by many internal factors (the character of an individual, work habits) and external factors (living standard, moral and values system, socio-economic development) (Rahimić, Resić, Kožo, 2012). Productive communication as an essential task of managers implies informing employees about the success of colleagues, the course and progress of changes in the company and reducing feelings of uncertainty and insecurity. Communication as the exchange of information must be planned and well organized by top management, teams, and services. To motivate employees during any communication, managers should use channels or different media of communication like internal newspapers, emails, bulletin boards, meetings, face-to-face conversations, or persuasion techniques, and not employees' emotions (Janićijević, 2014). While motivating employees, we must not forget that internal communication is a vital factor. If this requirement is not met, there are no good relations between employees and management. In that case, we say that there is no two-way communication. Then the human potential leaves the organization, so it remains without support for the planned organizational changes. We will agree that, without good communication, it is difficult to influence the motivation of employees. That is why a good balance of these two factors is an imperative.

As the relationship of communication between employees and management is closely related to management coaching, for management coaching to be successful, a manager must have good coaching skills that are important to motivate employees and succeed together with them.

3. MANAGERIAL COACHING AND MANAGER COACHING SKILLS

3.1. MANAGERIAL COACHING

Most definitions of managerial coaching emphasize the role of leaders in facilitating the development of their employees. Coaching is a long-lasting process and certainly is not a process of fixing or repairing something. Understanding the needs or business perspectives is all about the coaching. When applying coaching techniques, the motivation of workers develops, fluctuation decreases because the trained workers become attached to their job. The goal of coaching is to get a motivated employee ready to meet personal and organizational needs. Coaching brings out the best in people and directs them to future business trends. Investing in coaching is an expensive, but profitable discipline. There is another side of coaching that prepares an employee for multiple career changes, because a diploma and a steady job are sometimes not enough for a lifetime, so they are looking for a better job. The most engaged are those who have an extensive education and skills that could be used in different situations.

From all the above-mentioned, we can conclude that managerial coaching presents the encouragement and release of human potential which is used to increase the performance of an individual or team.

Managerial coaching has a direct impact on improving the life and role of employees, work performance, job satisfaction, and commitment to career.

3.2. MANAGERS COACHING SKILLS

Job satisfaction is an important indicator of work motivation, but employees are a vital factor in the success of a modern organization, that is why it is crucial to manage and coach them carefully. For an organization to successfully manage staff, it needs a good leader who possesses coaching skills that the employees will adopt. The diverse and portable skills of managers are the basis of good management. Four skills that appear to present a particular challenge to the managerial coach are the following (Lawrence, 2017):

- Good relationship among employees
- Communication skills
- Mentoring skills
- Negotiation skills

For managers to be good internal or external coaches, they need to have empathy, willingness, and motivation for helping others to solve problems and improve current circumstances. Using coaching skills, a coach teaches employees and managers how to gain necessary knowledge. Both, external or internal coach, support leaders and managers to manage and operate their business and employee challenges.

An external coach is hired by the organization to meet its expectations within the predicted time frame. They accredit training methods and expertise in skills that meet the needs of the client. Hiring them is expensive, but error correction is even more expensive and the investment in coaching will generate the return. Besides rigidity, the main disadvantage of external coach is unfamiliarity with the culture or ethics within the organization.

On the other hand, there is an internal coach. They are trained within the organization, they are cost-effective and popular, familiar with the employees, organizational needs, and know each other on a personal level.

No matter how great the necessity for a coach is, managers can still be suspicious and unprepared if they are not trained (Ladyshewsky 2010). However, if managers have had a positive experience of being coached, they are more likely to want their coworkers to undergo coaching and to expand their coaching skills. Coaching skill training is an appropriate first step, but it is not enough. Organizations need to create a coaching supportive culture to ensure the continuous application and modeling coaching skills patterns (McCarthy and Milner, 2013). We can summarize that the skills of a successful coach are:

- Distinctive ability to communicate
- Precise judgment
- Ability to take appropriate actions
- Not invading the privacy of others
- Incentive spread of tacit knowledge

In addition to the above-mentioned skills, it is necessary for the coach to be trusted, to take responsibility for his actions, to maintain dignity and calmness, to possess good manners. When using communication and motivation skills, a manager can positively or negatively influence employees. It largely depends on the level of his motivation. The positive influence of the coach in this context can trigger positive organizational changes and successful management of these changes, but also vice versa.

4. MANAGERIAL COACHING IN MINING AND METALLURGY INSTITUTE BOR (MMI)

Practical research conducted in MMI within this paper was performed by applying methods of data collection through survey and observations, as well as analysis of the content of relevant sites, legal regulations and reports. Among 250 employees, MMI has 48 doctoral students and 25 PhD's, it is well equipped with services that have managed to secure a place among the best institutes in the region (https://irmbor.co.rs/en/about-us/employees/). As an institute that invests a lot in development, training, education of their staff, doctoral studies etc., it can be considered a learning organization. A large number of doctoral students and Doctors of Science, a large number of experienced engineers, ranks this institute among the best ones. It can be learned from MMI how to move through different economic situations that are conditioned by various factors, including the impact of the pandemic. Within its activity MMI performs the development of the scientific-research projects in the fields of geology, mining, metallurgy, technology, expertises, studies and projects of interdisciplinary character providing the technological infrastructure development of the interest of the Republic of Serbia (Stanković, 2020).

The growth of economic activities in Bor district, primarily in Bor and Majdanpek, is conditioned by the arrival of a strategic partner and a huge investment in capacity building in mining. It caused the engagement of all employees in a large company that bought the former RTB Bor, but it also conditioned that its partners and suppliers of materials and services work with increased capacity. In order to put into operation as quickly and efficiently as possible every plant in Bor and Majdanpek, the Chinese partner invested huge funds, which required MMI engagement to a far greater extent compared to the situation before the arrival of a strategic partner.

The specific conditions reflected on increased intellectual services that brought good earnings, liquidity, performance, and GDP to MMI. Here it comes to the impact of the COVID-19 pandemic in MMI. With all the security measures recommended during the impact of the pandemic, wearing masks, keeping distance, reduced travels, online meetings etc. came up with the idea of organizing internal training named „Teach the teacher" so that external experts could transfer their knowledge to mid-level management who will pass that knowledge to the groups of employees. The goal of the coaching was to spread knowledge of English, computer skills, ethics during communication with other cultures, designing and field sampling. The employees were responsible to themselves and their colleagues, with the motto „safety first". Training has become a standard method of work during which the active participation of all employees was taken through panel discussions, group work, case study analysis. An electronic attendance record was kept at all times, which was later used for motivation through rewards such as paid leave, better pay, employment of an educated family member, paid schooling. All these procedures of MMI management have been designed to increase productivity during pandemics and better understanding with a strategic partner.

5. SURVEY ON EMPLOYEES' ATTITUDES TOWARDS MOTIVATION AND COACHING IN MMI BOR

Practical research of the employee's attitudes on the motivation for engaging in MMI in relation to coaching was based on the case study analysis of the conducted trainings in 2020-21 during the ongoing global COVID-19 pandemic. Due to the impossibility of sending employees for training and development, MMI found a way to organize internal training and encourage employees by internal managers, who are experts in specific areas, to develop motivation, habits, and knowledge. The questionnaire compiled was based on searched electronic data sources and examples used in similar previous research. The survey was conducted on a sample of 50 respondents, employed in MMI using a questionnaire that contained 5 general and 10 specific questions grouped into two parts:

- Attitudes of employees about coaching practice in MMI and
- Attitudes of employees about coaching skills of managers in MMI

Each of the questions asked required a simple answer with one of the 5 options offered:

1 - completely incorrect

2 - mostly incorrect

3 - I'm not sure

4 - mostly correct

5 - quite true

The answers were classified into one of the following three groups of answers that indicate the degree of motivation of MMI employees in the context of coaching and coaching skills of management:

- motivated (answers with options 4 and 5),
- Insufficiently motivated (answers with option 3)
- unmotivated (answers with options 2 and 1).

The questionnaire, forwarded to the respondents, was designed in the following manner:

QUESTIONNAIRE EMPLOYEE MOTIVATION AND COACHING IN MMI BOR
The questionnaire in front of you is used to collect data on motivation of MMI employees, which will be used exclusively for the purpose of preparing a scientific paper: The level of employees' motivation in the context of managerial coaching during the COVID-19 pandemic The questionnaire has two parts: I Respondent data II Attitudes about motivation and management coaching The questionnaire is anonymous. I am grateful for your cooperation!

I RESPONDENT DATA

Please answer the following questions by circling one option:

Gender (M / F):					
Age:	- 30	30-40	40-50	50-60	60 +
Years of service:	- 5	5-10	10-20	20-30	30 +
Professional qualifications:	Medium	Higher	High	MSc	PhD
Title:	Untitled	Professional	Professional	Scientific	

II ATTITUDES ABOUT MOTIVATION AND MANAGEMENT COACHING

Please enter a number next to each question that indicates your degree of agreement, with the following statements:
1 - completely incorrect, 2 - mostly incorrect, 3 - not sure, 4 - mostly correct, 5- quite true

	QUESTIONS /ATTITUDES	Answers 1-5
I	**ATTITUDES ABOUT MANAGEMENT COACHING**	
1.	I am satisfied with the organization of internal training in 2020	
2.	Internal training organized in 2020 was purposeful for my working activities	
3.	There has been enough internal training in previous years	
4.	The training I attended had its use in practice	
5.	It would be useful to have various new trainings in the future	
II	**ATTITUDES ABOUT MANAGERS COACHING SKILLS**	
1.	I am satisfied with the knowledge and presentation of external trainers	
2.	I am satisfied with the quality of knowledge transfer by internal trainers	
3.	The knowledge of internal trainers is at a high level regarding the quality and usefulness of the trainings	
4.	The skills of internal trainers are at a high level regarding the quality and usefulness of the trainings	
5.	I think that in the future I could pass on the acquired knowledge to younger colleagues	

The questionnaires were properly filled out by all 50 employees from the observed sample. All respondents answered all the questions asked. After receiving the answers, a sample of respondents who filled in the questionnaire was reviewed and then all their answers were analyzed in detail. The part of the performed analysis that served for the final conclusions based on this research is shown in the following table.

Questions	Aswers 1 and 2 Number of responses	Answer 3 Number of responses	Answers 4 and 5 Number of responses	Answers 4 and 5 %	Answer 3 %	Answers 1 and 2 %
I	**142**	**90**	**18**	**57**	**36**	**7**
1.	30	16	4	60	32	8
2.	35	10	5	70	20	10
3.	19	30	1	38	60	2
4.	18	30	2	36	60	4
5.	40	4	6	80	8	12
II	**124**	**92**	**34**	**50**	**37**	**13**
1.	39	6	5	78	12	10
2.	30	17	3	60	34	6
3.	30	18	2	60	36	4
4.	5	30	15	10	60	30
5.	20	21	9	40	42	18
In total	266	182	52	53	37	10

5.1. CONCLUSIONS AND PROPOSALS FOR IMPROVING THE PRACTICE OF MOTIVATION AND COACHING IN MMI

By analyzing the sample of MMI employees who filled in the questionnaire within the conducted survey, it was determined and concluded that it is sufficiently representative.

The number of respondents is approximately 28%, and that is relatively considerable coverage that contributes to representativeness. According to age, the sample consists of employees between 30 and 55 years of age. The sample included employees with 5 to 25 years of work experience. According to title and education, the case study is dominated by employees with master and doctor of science degrees. After a detailed analysis of the answers from the questionnaire, the following conclusions were adopted:

1) The answers to the questions from group I indicate that the MMI employees perceive coaching management differently in the context of its impact on work motivation and greater engagement:

- 57% of employees are motivated for work and greater engagement with the support of management coaching (the answers with options 4 and 5).
- 36% of employees gave the answer with option 3 (I'm not sure) and they can be classified as relatively motivated for work and greater engagement with the support of management coaching.
- 7% of employees could be classified as unmotivated for work and greater engagement with the support of management coaching.

2) Based on the answers from the group II (Attitudes about managers coaching skills), it can be concluded that employees perceive managers coaching skills differently in terms of the impact on their greater motivation:

- 50% of employees gave the answers with options 4 and 5 (mostly correct and quite true) and they can be classified as motivated for work and greater engagement based on the perception of managers coaching skills.
- 37% of employees can be classified into a group of relatively motivated for work and greater engagement based on the perception of managers' coaching skills.
- 13% of employees are classified as unmotivated for work and greater engagement based on the perception of managers' coaching skills, answers with options 1 and 2 (incorrect and mostly incorrect).

According to the entire questionnaire, it can be concluded that the MMI employees are relatively well motivated to engage with the support of management coaching. 53% of them are motivated based on the answers (options 4 and 5). 37% of employees are relatively motivated based on the total number of responses with option 3. In line with the total number of negative responses (options 1 and 2) only 10% of employees can be considered unmotivated. Since unmotivated people are not committed to the success of the company, it could be suggested that personality traits should be explored as they show a future impact on coach implementation. With all the limitations and shortcomings of the research, based on its findings, it is justified to propose several measures that would improve employees' motivation with the support of management and managers coaching skills in the future work of MMI:

- Increase the number of internal trainings by areas of activity in different fields of work
- Increase the number of managers who will coach
- Improve the coaching skills of internal coaches
- Determine what motivates the employee on a daily basis
- Praise good results and employee advancement
- Align business with the pandemic movement

MMI has confidence in its people, believes in cost-effectiveness in development and additional employees’ education to easily adapt to any change. It should be stated that it is necessary to continuously improve the communication between management and employees, which, among other things, implies good managerial coaching and developed coaching skills of managers. It is also very important to build an atmosphere of trust with a strategic partner who has certainly contributed to improving the employee lifestyle.

6. CONCLUSION

This paper is based on reviewed and cited literature on the theory of the relationship between employee motivation and managerial coaching conducted by its management, as well as on the basis of original research conducted on this topic. The pandemic continues to affect all aspects of our personal lives, our families, our professions, jobs, research, it has forced the world community to start using the information technology as well as other learning opportunities as to acquire new knowledge and learning materials to keep up with the rest of the world. The following recommendations are given for future theorists and practitioners in this field:

- Research should focus on employee motivation in the process of upskilling or reskilling at work;
- Certain aspects of motivation for learning and training in the workplace should be further studied and aligned with possible emergencies;
- External or internal trainers must always be continuously trained and up to date with new knowledge in the field of their expertise.

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