





# ASSESSING THE MARKET SHARE OF AUDIT FIRMS IN THE REPUBLIC OF SERBIA

Ivan Golubović<sup>1\*</sup>,   
Vule Mizdraković<sup>2</sup>,   
Jovana Arsić<sup>2</sup> 

<sup>1</sup>Graduate student  
Singidunum University,  
Belgrade, Republic of Serbia

<sup>2</sup>Singidunum University,  
Belgrade, Republic of Serbia

## Abstract:

With the increasing number of entities and entrepreneurs in the Republic of Serbia required by law to undergo external audits of their financial statements, the demand for auditors and audit firms has steadily grown. This trend has been further accelerated by the depreciation of the domestic currency, rising inflation, and increased foreign investment, all of which have led to higher business revenues. In response, new domestic audit firms have been established, and international firms - including members of the Big Four - have entered the Serbian market. The continued growth in the number of audit firms has played a significant role in shaping the current structure of the auditing market. This paper aims to assess the present state of the audit firm market in Serbia, analyse market shares, and examine the type of market structure that exists. In addition, the paper offers insights into potential future developments based on available financial and industry data.

## Keywords:

Market share, financial statements, HH index, Big Four, revenue, audit quality.

## 1. INTRODUCTION

As a relatively new scientific discipline in the Republic of Serbia, auditing first emerged in the early 1990s. During this period, the first domestic audit firms were established, and in 1991, *Deloitte & Touche* signed a joint venture agreement with the Economics Institute in Belgrade, becoming the first Big Four audit firm to operate in Serbia (Kljajić, 2023). Over the past three decades, the auditing market has undergone significant development, marked by the increasing presence of international audit firms and the founding of numerous domestic ones. As of late 2024, the Serbian auditing market comprises 79 registered audit firms. Of these, 53 (67.09%) are domestic, while 26 (32.91%) are members of international networks, including the Big Four (Chamber of Authorized Auditors, 2025). Despite the growth in the number of authorized auditors and firms, the market structure has remained relatively stable in recent years. However, the expansion of existing firms has been constrained by macroeconomic factors, notably the COVID-19 pandemic and the ongoing war in Ukraine. The pandemic, which reached Serbia in the first quarter of 2020, forced audit firms to significantly adapt their operations. To comply with government mandates during the state of emergency, many audit procedures had to be conducted remotely (Mizdraković *et al.*, 2021).

Correspondence:  
Ivan Golubović

e-mail:  
ivan.golubovic.21@singimail.rs





Supporting this, Kljajić *et al.* (2023) found that the pandemic affected the financial statement audit process, often delaying audit report submissions—though these were still delivered within legal deadlines. Furthermore, the economic uncertainty stemming from geopolitical tensions in Europe—particularly the war in Ukraine - has also negatively influenced economic growth, which may have indirectly impacted the auditing sector (Williams *et al.*, 2024). While audit firms have demonstrated consistent growth since 1991, 2023 marked an exception, likely due to the aforementioned challenges. Despite these disruptions, the demand for auditors continues to grow. Company management, stakeholders, and owners rely on auditors for independent, objective assessments of financial statements (Stanišić *et al.*, 2015). Given the current state of audit firms registered in Serbia, this paper aims to assess their financial statements to determine their respective market shares and address the following research question: *How is the auditing market in the Republic of Serbia structured based on revenue generated by audit firms in recent years, and what does this reveal about the characteristics of the market?* The main objective of this paper is to assess the current state of audit firms and their market shares using available secondary data and responses from participants. Additionally, it seeks to determine whether significant changes have occurred among the top-performing audit firms over the past several years. Ultimately, the goal is to characterize the type of market that exists in Serbia's auditing sector, with a particular focus on the influence of the Big Four on both domestic and internationally affiliated firms.

## 2. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

### 2.1. THEORETICAL FRAMEWORK

To assess the market share of audit firms in the Republic of Serbia, several methodological approaches are available. Selecting an appropriate measurement instrument is essential to ensure the reliability of the research. In the context of the auditing profession, the proper application of methodology is crucial for drawing valid and meaningful conclusions.

At the disposal for conducting this research are three methods:

- The Volume-based method – mainly measuring how many products and/or services a company has sold to determine its market share;
- Customer market method – defining one company's market share solely based on the consumer base; by determining how many end-users a company has, this method could be used to calculate the market share of a company;
- The Revenue-based method – by using the total revenue of a company (in this case audit firm), research would be able to determine how it ranks the company in comparison with other companies' revenues.

The applicability of the volume-based method for assessing the market share of audit firms in the Republic of Serbia is limited by restrictions imposed by the Law on Auditing. Specifically, access to data on the number of audits performed by a particular audit firm is conditional upon the firm's assessment that such disclosure does not violate Article 38, Paragraph 1 of the Law on Auditing (Official Gazette of RS, No. 73/19, 2019).

Similarly, the customer-based market share method is not suitable for the auditing profession. As with the volume-based approach, calculating market share based solely on the number of clients is not meaningful. This is particularly true in cases involving large legal entities, which in Serbia may only engage audit firms employing at least four full-time certified auditors, in accordance with Article 31, Paragraph 3 of the Law on Auditing (Official Gazette of RS, No. 73/19, 2019). The absence of publicly available data on voluntary audits—an important variable—further undermines the feasibility of this method, making it an unreliable tool for evaluating market share in the audit sector.

The most appropriate method for this research is the revenue-based approach, which involves analysing the annual revenues of audit firms in Serbia. Revenue data is one of the few publicly available indicators of audit firms' business activity and can be accessed through their financial statements, specifically the profit and loss statements. This method does not infringe upon confidentiality provisions outlined in the Law, nor does it compromise business secrecy. Accordingly, revenue analysis allows for a reliable assessment of market presence and economic performance.

To deepen the analysis, the collected revenue data can be used to evaluate market concentration by applying the Herfindahl-Hirschman Index (HHI), a widely accepted metric for measuring market structure.



## 2.2. LITERATURE REVIEW

When analysing the status quo of Serbia's audit infrastructure, it is important to highlight that with the ever-increasing number of firms, the oligopolistic market of auditing, not only in the Republic of Serbia, but other EU countries alike, is also influenced. Based on previous empirical evidence, the increase of supplier concentration has helped the Big Four in further maintaining the oligopoly of the auditing market, throughout the years, which in turn would also result in drops in the quality of conducting audits in return (Velte & Stiglbauer, 2012).

Auditing scandals, such as the Enron Corporation scandal, have only highlighted the importance of auditing when considering the credibility of financial reporting. By increasing auditing quality and preventing cases like the aforementioned scandals, they indirectly participate in shaping other industries' markets alike. By increasing the materiality threshold, audit firms mitigate the audit risk to a tolerable level, hence providing a more trustworthy audit report that, in return, will be more credible for stakeholders and managers alike (Russo & Neri, 2022).

Starting from the premise that audit fees and earnings of auditors influence the quality of the audit, although not a measurable factor in the equation, the market of auditing is also greatly influenced by that variable. Depending on whether or not the audit performed is deemed of a high quality, it could be concluded that in return there would be a shift in the demand of the services of the audit firm, therefore, quality has to be kept on an outstanding level to maintain a high level of market presence (Pascaru & Hategan, 2024).

Even though it has been proved by DeAngelo (1981) that bigger audit firms are more likely to provide more exceptional services (i.e., Big Four members, and other members of international audit networks), the main independent variable in this equation must be the auditor. In contrast, external motivations (salary, status, and recognition) play a crucial role in inclining performance. Thus, increasing earnings management would further galvanize the quality of one auditor's work and earn better references and favouritism of clients, which would extend their customer base, further extending their revenue and ranking them better on the market (Yaşar, 2013).

## 3. METHODOLOGY

The main methodological approach of this study is based on empirical analysis of financial statements publicly available through the Serbian Business Registers Agency (SBRA). Initially, the primary goal was to collect first-hand data by sending inquiries to all 79 registered audit firms in the Republic of Serbia, requesting information on the number of audits of financial statements conducted during the 2023 reporting period.

However, because determining the number of conducted audits requires primary data—and is influenced by multiple factors such as audit obligations, company size, and industry—the low response rate rendered this method insufficient. Only five firms responded, which was not enough to provide a representative overview of the entire market. Nonetheless, the limited responses were used to indicate trends and assumptions about audit firm practices in Serbia.

Due to these limitations, the analysis relied on secondary data—specifically, the financial statements of audit firms—to calculate their market share. The primary focus was on revenue figures, which allowed for a reliable estimation of each firm's market position and the overall structure of the audit market. When analysing the data from recent reporting periods, broader macroeconomic conditions in Serbia were also considered. The domestic market has experienced significant fluctuations in recent years, including reduced profitability and stagnation due to global and regional economic challenges. In this context, audit firms that have managed to maintain stable revenue levels despite external pressures may be considered as having resilient and sustainable business models. Therefore, revenue stability was used as an additional indicator of firm performance and market strength.

To further support the claim, assessment through the implementation of the *Herfindahl-Hirschman Index* is required to determine the market's structure and the most important market participants.

Previously conducted research by Knežević *et al.* (2024) refers to the classification of a certain market by calculating the market share of each company present in one industry; hence, by using the following formula, it can be found out what the core structure of the audit market is (Bromberg, 2024):

$$HHI = s_1^2 + s_2^2 + s_3^2 + \dots s_n^2$$

Where  $S_n$  equals the market share percentage of firm  $n$  expressed as a whole number, not a decimal.



#### 4. DATA ANALYSIS

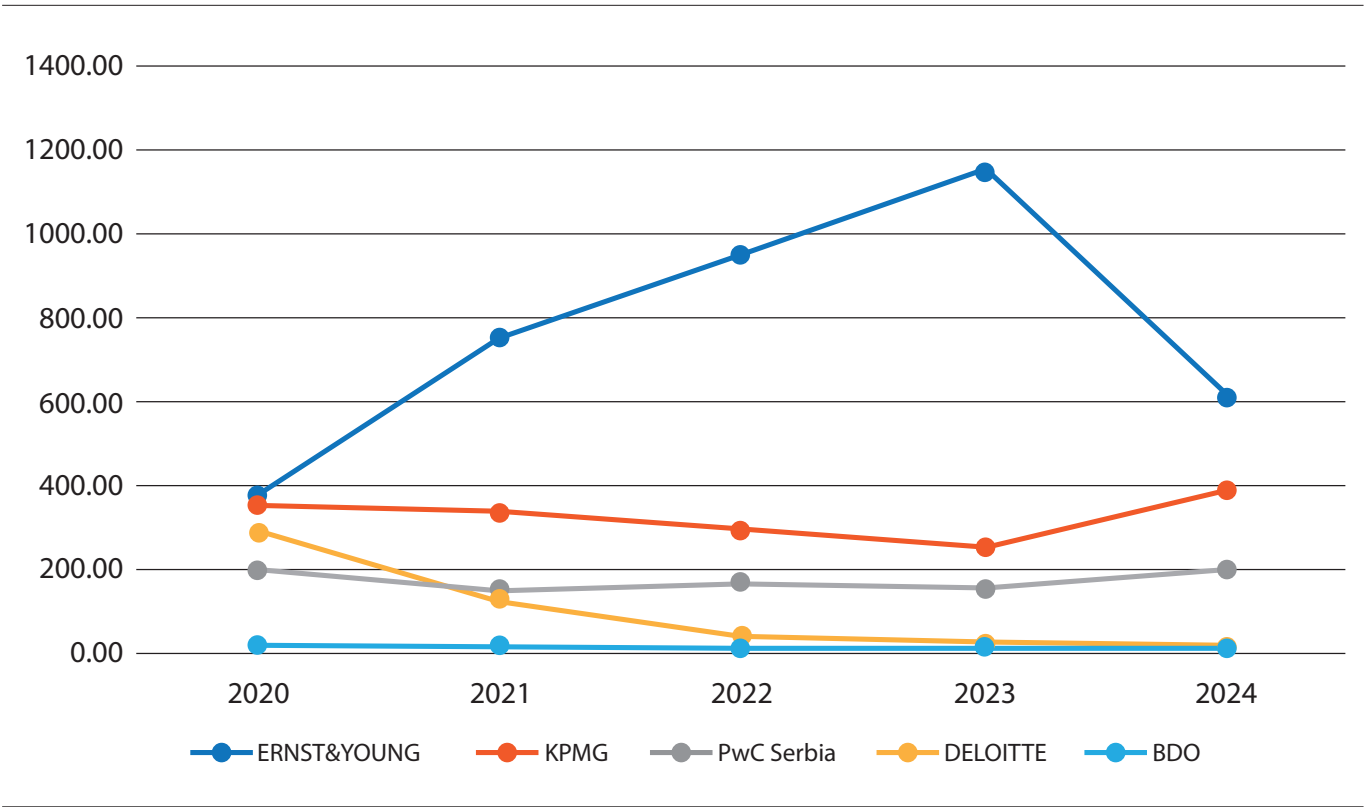
The structure of the market can be defined in three categories according to the summarized amount of the squared percentage share of each market participant, in this case, the audit firm. Knežević *et al.* (2024) research defines it as follows:

- less than 1,000 - an indication that there is low competition in the market with a very large number of small market competitors;
- between 1,000 and 1,800 – indicates that there is moderate concentration in the market;
- above 1,800 – indicates that there is a high concentration where it dominates several major competitors.

While defining the HHI generated, we can clearly draw the conclusion that a concentration of over 1,800 would define a market where one firm stands out from others, holding a somewhat of monopoly, whilst 1000 to 1,800 would show an oligopoly, where several companies stand out, but the market would still be considered a competitive one.

When considering our market and how it is shaped, we are looking at a relatively stable market throughout the several years, with scarcely any changes when it comes to the leading audit firm on the Serbian market.

Figure 1. Competitiveness of the auditing market in the Republic of Serbia



Source: Authors' data

Taking into consideration that during the previous five years (2020-2024), the number of active audit firms has increased, whereas the market has become more competitive to some extent in theory, but in practice, the picture has deviated, excluding the business year of 2024, marking a drastic shift in the generated income by top-tier audit firms. This, in turn led to the market becoming slightly more competitive but still maintaining a moderate concentration. When implementing the calculation of the HH index, the market shifted to a certain audit firms' increased concentration and a more monopolistic picture of the market.

**Table 1.** HH index calculation of the last four years

Audit firm:	2020	2021	2022	2023	2024
ERNST & YOUNG	379.08	758.45	957.28	1,152.60	618.02
KPMG	361.76	340.40	301.72	257.28	394.02
PwC Serbia	198.81	147.14	173.71	159.77	205.92
DELOITTE	301.37	135.49	49.56	23.14	19.45
BDO	25.81	25.00	21.44	20.16	21.53
Other audit firms:	24.22	24.47	25.23	28.00	38.45
<b>Total:</b>	<b>1,291.05</b>	<b>1,430.95</b>	<b>1,528.94</b>	<b>1,640.95</b>	<b>1,297.39</b>

Source: Authors' data

#### 4.1. DISTRIBUTION OF CONDUCTED AUDITS WITHIN THE BIG FOUR

One of the respondents to the acquisition of primary sources of data was an audit firm within the Big Four. Based on their reply, we were able to determine the distribution of conducted audits based on the size of the ordering party whose financial statements were assessed. The respondent stated that in the reporting period of 2024, they conducted 135 audits with the following structure based on the legal entities' size:

- 3.7% of conducted audits were performed for legal entities classified as small-sized legal entities;
- 37.78% of conducted audits were performed for legal entities classified as medium-sized legal entities;
- 58.52% of conducted audits were performed for legal entities classified as large-sized legal entities;
- There were no conducted audits for micro-sized legal entities.

#### 4.2. DISTRIBUTION OF CONDUCTED AUDITS OF OTHER AUDIT FIRMS

On the other hand, when having in mind non-Big Four audit firms in Serbia, the distribution of the number of conducted audits differs from the previously assessed data, where the respondents have conducted a total of 225 audits, with the following structure:

- 6.67% of conducted audits were performed for legal entities classified as micro-sized legal entities;
- 34.22% of conducted audits were performed for legal entities classified as small-sized legal entities;
- 50.22% of conducted audits were performed for legal entities classified as medium-sized legal entities;
- 8.89% of conducted audits were performed for legal entities classified as large-sized legal entities.

## 5. RESULTS

An analysis of the revenue generated by each audit firm in the Republic of Serbia reveals a noticeable shift in market structure compared to five years ago. Although fewer firms were active at that time, the market was more competitive overall. A significant increase in revenue by *Ernst & Young*, combined with a marked decline in *Deloitte's* revenue, contributed to a more monopolistic market structure in 2023, with *Ernst & Young* emerging as the clear market leader. In 2024, KPMG experienced notable revenue growth compared to the previous year, while *Ernst & Young* recorded a decline. Despite this, the overall market structure remained unchanged.

Currently, the five leading audit firms account for more than 68% of the total market revenue, with the Big Four (excluding BDO) contributing approximately 63%. Notably, for the first time in the Serbian audit market, one of the Big Four—*Deloitte*—did not occupy a leading position in terms of market share. *Deloitte* has experienced a continued decline in revenue, falling two positions over the past five years. According to the HHI analysis and previous research by Knežević *et al.* (2024, p. 23), the market in 2022 could be described as a "Big Five" structure. However, based on the financial results for 2023 and 2024, the market has transitioned to a "Big Three," with *Deloitte* excluded due to its fourth consecutive year of declining revenue. Interestingly, this local trend does not reflect *Deloitte's* global performance. On the global level, *Deloitte* recorded an all-time high revenue of USD 67.2 billion, representing 31.66% of the total revenue generated by the Big Four in the most recent reporting year (*Deloitte*, 2024).





## 6. DISCUSSION

When analysing the audit market as a whole, it becomes evident that the increasing workload for audit firms is an emerging concern, particularly in the context of rising revenues. While there is ongoing debate regarding which firm holds the leading position in the market, as noted earlier, revenue remains the most objective and reliable indicator of market dominance. In this context, higher revenue is often associated with a larger client base and more complex audit engagements.

However, an increased workload may compromise audit quality. The continuous pursuit of higher revenues can lead to resource strain, raising concerns about the credibility and reliability of the audits performed. This, in turn, may contribute to the broader question of whether audit quality is declining over time. This issue is particularly significant for major stakeholders and investors, who rely on audit reports to make informed financial decisions. Therefore, audit firms must prioritize the integrity and professionalism of their work. Upholding high-quality audit standards must take precedence over profit-driven goals to preserve public trust and avoid the recurrence of scandals such as the Enron case.

One relevant factor in this context is audit fee stickiness—a phenomenon where audit fees do not adjust proportionally to changes in audit complexity or the client's financial condition (Biswas, 2019; Ibrahim *et al.*, 2022). This implies that auditors may maintain relatively stable pricing, even when audit risks or workloads increase. To remain competitive and attract new clients, firms may lower or freeze their fees despite facing more complex audit tasks. This can potentially reduce audit quality, as firms may be forced to complete engagements with limited time or resources (Wahyudi, 2024).

Given these considerations, it can be assumed that audit firms maintaining long-term relationships with clients and increasing revenue over time are doing so primarily by expanding their client base. This trend supports the notion that the number of companies legally required to undergo annual financial statement audits is growing and that auditing as a profession is becoming increasingly prominent in the Republic of Serbia.

## 7. CONCLUSION

Based on the assessment conducted financial statements (primarily profit and loss), conclusions can be drawn from the revenues generated by each audit firm in the previous reporting periods. Thereby, a clear picture can be drawn from the research into their revenue, highlighting a market that has tendencies that, if the ongoing trend continues, a select few audit firms will keep dominating the domestic market. From 2020 to 2023, this phenomenon became more prominent, which can also be seen in the Herfindahl-Hirschman index analysis. The dominance of the Big Four became only more noticeable because of their constant increase in revenue with other audit firms that are members of international audit networks slowly but surely closing the distance with them. Thereby, as previously mentioned, because of the big differences in HHI between PricewaterhouseCoopers and Deloitte, potentially because of recently generated revenue, excluding Deloitte from the Big Four in the domestic market. With this in mind, an oligopolistic picture is more and more outstanding because of the increased influence that the leading audit firms have in general, by constantly drawing attention of potential clients and the ever-growing consumer base that is in need of this profession.



## LITERATURE

- Biswas, S. (2019). Do Audit Fees Adjust Quickly?—Evidence from India. *Global Business Review*, 22(5), 1301-1318.
- Bromberg, M. (2024, June 12). *Herfindahl-Hirschman Index (HHI)*. Preuzeto sa Investopedia: <https://www.investopedia.com/terms/h/hhi.asp>
- Chamber of Authorized Auditors. (2025). *Register of auditing companies*. Retrieved from Chamber of Authorized Auditors: [https://www.kor.rs/registri\\_preduzeca.asp](https://www.kor.rs/registri_preduzeca.asp)
- DeAngelo, L. (1981). Auditor Size and Audit Quality. *Journal of Accounting and Economics*. Vol: 3. No: 3, 297-322.
- Deloitte. (2024, September 12). *Deloitte reports FY 2024 revenue*. Retrieved from Deloitte: <https://www.deloitte.com/global/en/about/press-room/global-revenue-announcement.html>
- Ibrahim, A., Ali, H., & Aboelkheir, H. (2022). Cost stickiness: A systematic literature review of 27 years of research and a future research agenda. *Journal of International Accounting, Auditing and Taxation*, Volume 46.
- Kljajić, M. (2023). *Analysis of the content of public company auditors' report: Timeliness and audit opinions*. Belgrade: Singidunum University.
- Kljajić, M., Mizdraković, V., Janićijević, S., & Hadrović Zekić, B. (2023). The impact of COVID epidemic on financial statements auditing. *FINIZ 2023 - Sustainable development as a measure of modern business success*, 3-8.
- Knežević, G., Stanišić, N., Mizdraković, V., & Todorović, M. (2024). Analysis of financial statements. *Business and business strategy analysis* (str. 14-23). Belgrade: Singidunum University.
- Mizdraković, V., Kljajić, M., & Hadrović Zekić, B. (2021). Internal auditing in Covid-19 environment: Is remote auditing a solution? *FINIZ 2021 - Are you Ready for the ContinuousNEXT® after Covid-19?*, 3-8.
- Paragraph Lex. (2019). *Official Gazette of RS, 73/2019*. Retrieved from Law on Auditing: [https://www.paragraf.rs/propisi/zakon\\_o\\_reviziji.html](https://www.paragraf.rs/propisi/zakon_o_reviziji.html)
- Pascaru, A., & Hategan, C.-D. (2024). Audit Quality and Audit Market at European Level. *Audit Financiar*, vol. XXII, 758-768.
- Republic of Serbia, Serbian Business Registers Agency. (2024). Annual Reports on the Performance of Legal Entities, Entrepreneurs and Consolidated Groups. *SBRA*, 75-311.
- Russo, A., & Neri, L. (2022). The Role of the Audit Firm Governance in Enhancing Audit Market. *International Journal of Economics and Finance*, 8-20.
- Stanišić, N., Mizdraković, V., Radović, T., & Stanić, N. (2015). Defining second-tier audit firms in Serbia: In search of Small Four. *The European Journal of applied economics*, 35-43.
- Velte, P., & Stiglbauer, M. (2012). Audit Market Concentration and Its Influence on Audit Quality. *International Business Research*, 146-161.
- Wahyudi, S. (2024). Does audit fee stickiness and audit quality are reciprocal? *JPPI (Jurnal Penelitian Pendidikan Indonesia)*, 828-842.
- Williams, P., Ade-Ibijola, A., & Opeyeoluwa, R. (2024). Russian-Ukraine War and its Impact on the European Economy. *African Journal of Stability and Development (AJSD)* 16(1), 141-165.
- Yaşar, A. (2013). Big Four Auditors' Audit Quality and Earnings Management: Evidence from. *International Journal of Business and Social Science*, 153-163.