



The 1st Montenegrin International Conference on Economics & Business

SUSTAINABLE DEVELOPMENT: Transition to GREEN ECONOMY

BOOK OF ABSTRACTS

**25th - 27th May, 2023
Budva, Montenegro**



BOOK OF ABSTRACTS



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FOREWORD

The **mission of the 1st MICEB conference** is to initiate an academic and professional debate on the most important topics in the field of sustainable development, economic growth, and green economy. The intention is to bring together renowned scientists and researchers, representatives of the business community, and creators of economic policies, with the aim of affirming the best practice for creating an optimal environment that encourages the application of the green economy concept.

With the adoption of the **Declaration on September 20, 1991, in Žabljak, Montenegro became the first ecological country in the world.** The declaration defines the country's strategic determination to adopt and apply the highest standards and norms in the field of environmental protection, nature conservation, and economic development based on the principles of an ecologically sustainable system.

When sustainable development is mentioned, the green economy concept is most often referred to as one of its key instruments. Sustainable development is a carefully planned development strategy that takes into account the efficient use of available resources, considering the provision of their long-term quality. Aware of the fact that the availability of resources, on the one hand, and environmental pollution on the other, have their limits, economic development must not damage the quality of the environment of future generations.

The conference brought together expert participants from academia, government, and business, who deal with sustainable development and green economy. The conference has hosted presentation of **80 papers. Over 170 co-authors from 15 countries participated in MICEB 2023.**

The organizers of the MICEB 2023 thank all the supporters of the conference, including sponsors, keynote speakers, authors, academic partners, media, and other institutions and individuals.



THURSDAY, MAY 25

INTRODUCTORY LECTURE



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FRIDAY, MAY 26

GUEST LECTURES & DISCUSSIONS



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I GREEN ECONOMY



PROSPECTS FOR ESG ASSURANCE IN DEVELOPING COUNTRIES: CASE OF THE REPUBLIC OF NORTH MACEDONIA

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Abstract

The increasing interest in ESG performance and reporting has led to a growing demand for assurance services that provide credibility and reliability to the reported data. While there is an abundance of research on ESG assurance in developed countries, there is a lack of knowledge regarding the adoption and implementation of ESG assurance in developing countries, especially in countries where there is still no regulation for mandatory ESG disclosure. The Republic of North Macedonia is a small developing country that has made significant progress in economic and social development in recent years. However, it is still facing several challenges, including environmental degradation, social inequality, and inadequate governance practices. The "Guide to ESG Reporting" was released in January 2022 with the goal of assisting companies listed on the Macedonian Stock Exchange (MSE) with various aspects related to the environment, social issues, and governance. Therefore, there is a growing need for companies to disclose their ESG performance to stakeholders, including investors, customers, and regulators. The research will employ a qualitative research methodology, using Strong Structuration Theory to draw meanings from data gathered through semi-structured interviews with auditors, representatives of Big Four and other International audit firms in the Republic of North Macedonia. The research questions will focus on the following topics: the level of awareness and understanding of ESG reporting and assurance, the availability of ESG assurance services, the demand for ESG assurance services, the challenges and barriers to the adoption and implementation of ESG assurance, and the future prospects for ESG assurance in the developing countries. The research aims to raise awareness of the importance of ESG reporting and assurance in developing countries and provide recommendations to address the challenges and barriers to its adoption and implementation. Ultimately, the paper's objective is to promote the integration of ESG factors in business decision-making processes and enhance sustainable development practices in the Republic of North Macedonia. The paper's findings will contribute to the existing literature on ESG assurance in developing countries and provide valuable insights for policymakers, regulators, and companies operating in the Republic of North Macedonia.

Keywords: ESG, assurance, prospects, developing countries.



BEST PRACTICES OF ECO-INNOVATION AND CIRCULAR ECONOMY IMPLEMENTATION

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Abstract

The aim of this study is to identify and present examples of companies that are dealing with eco-innovation and circular economy, specifically in the area of EUSAIR TSG3 – Environmental Quality on one of the two flagship initiatives: monitoring and management of marine protected marine species and/or sustainable development of the coastal and maritime zones. Using predefined criteria, we identified four best practices that address eco-innovation and circular economy. Using the same questionnaire, the company practices were analyzed from different perspectives to describe their business practices in eco-innovation or circular economy. These included identifying the motivations and drivers for adopting eco-innovation, the main obstacles and barriers to implementation, the stakeholders involved, the benefits of their eco-innovation, potential rewards and funding, and the company's vision for the future.

The identified companies applying eco-innovation and circular economy practices are at different stages of development, from implemented pilot projects (Clera One) to very developed companies with international/global presence and operations (Turing Turbine, Agena Marin and Enaleia). The identified best practices also differ significantly in their activities/approaches. Enaleia (Greece), a not-for-profit company, was nominated because its "Mediterranean Clean-Up" circular economy practice is a large-scale cleanup of plastics from the Mediterranean region in collaboration with professional fishers. Marine plastic collected by fishermen and used fishing equipment is recycled and upcycled, being integrated into the circular economy. Turing Turbine (Slovenia) is an example of an eco-innovation whose solutions are implemented in more than 72 countries and have references from almost all industries related to water. Turing Turbine's eco-innovation consists of a special turbine that blows air into the water in an efficient, innovative and sustainable way, bringing it to life. Their aerators last longer, use less energy and are easier to maintain. Clera One (Slovenia) is another example of an eco-innovation, although it is still in its early stages and only includes pilot projects. Their eco-innovation is a water recycling system for laundry rooms that aims to make water use more sustainable. The system collects wastewater, runs it through a filtration system to purify it, and reuses it that way. The last company analyzed, Agena Marin (Croatia), is a producer of solar boats: electric boats that are truly sustainable, have a long lifespan, and are made of eco-materials. The design of the boats is cost-effective while minimizing the negative impact on the marine environment. The historic boat's line styling was inspired by the vessels from the 1920s. Built with a vacuum infusion technique, it uses a "sandwich" core, made primarily of recycled PET bottles. With the help of advanced engineering, they have managed to create a light but robust, innovative boats.

Based on the companies studied, we find that eco-innovation and circular economy can be implemented in very different forms in the companies' operations, from material sourcing, to production and other processes. However, it is important that companies' business models also follow these practices.



UNLOCKING THE SOCIO-ECONOMIC POTENTIAL OF INFORMAL WASTE COLLECTORS THROUGH CIRCULAR ECONOMY DEVELOPMENT POLICIES

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Abstract

This paper presents an empirical analysis of the socio-economic status of informal waste collectors in the context of the impact of circular economy development policies on vulnerable population groups. The study is based on a survey of 298 informal waste collectors from the territory of the Republic of Serbia, which aimed to determine their demographic profile, socio-economic status, social perception of the industry, perception of improvement opportunities, and incomes from collecting secondary raw materials. The results indicate that informal waste collectors are predominantly male, middle-aged, and have a low level of education. The majority of respondents identified collecting secondary raw materials as their primary source of income, and almost half of them reported that they are not economically secure. Furthermore, a significant number of respondents have received financial support from the government or non-governmental organizations to compensate for their work as informal waste collectors. In terms of social perception, the study found that informal waste collectors are not well recognized or respected in society. Respondents also indicated that they perceive the need for better organization and cooperation among waste collectors to improve their position in society and increase their income. The study suggests that the formation of organizations for waste collectors could be an effective way to address these issues. Overall, the study highlights the importance of considering the socio-economic status of informal waste collectors in the development of circular economy policies. It also emphasizes the need for targeted interventions that address the specific needs of vulnerable groups, such as informal waste collectors, to ensure that the benefits of circular economy policies are distributed equitably across society.

Keywords: informal waste collectors, circular economy, socio-economic status, vulnerable populations, secondary raw materials, social perception.



STATE OF THE CARBON RISK IN FINANCIAL MARKETS OF OPEN BALKAN

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Abstract

Climate change and greenhouse gas emissions are buzz words in recent years. This is due to the fact, that all investors are becoming aware that climate change poses a serious threat to the humankind and consequently businesses. Ever since the Paris Agreement was adopted, countries worldwide are trying to find their path to a common goal of carbon neutrality. Governments define policies which will enable them to reach targets set for 2050. Different industries are responsible for different amount of carbon emissions. Moreover, carbon risk is shaking the very core of corporations' financial management all around the world, both on developed and emerging markets. Corporations are trying to make their operations more sustainable, since there is evidence that investors analyse carbon risk and charge carbon premium. However, corporate operations are not the only one that are undergoing through fundamental changes. There is indication that capital structure is evolving and adapting as well. Moreover, dividend payout is dependent on carbon risk, and especially with high polluting firms. The purpose of this study is to better understand a state of corporate carbon risk in a several selected frontier market. Most of the research that deals with corporate level carbon risk investigates large-cap companies from developed and emerging markets. Therefore, we are trying to fill this gap by looking at frontier markets. This study focuses on the peer-reviewed empirical research to determine current research trends in corporate carbon risk management. Also, for a sample of large-cap companies we calculate and assess carbon risk. Analysis is based on publicly available information regarding the companies listed on prime markets of the Open Balkan country's stock exchanges. This paper finds that climate disclosure is limited and usually presented as business risk in annual reports. Yet, there are also carbon reduction activities present. Our findings suggest that there is a room for improving emissions disclosure which will in turn increase transparency about carbon risk.

Keywords: carbon risk, emission intensity, climate change, GHG, CO₂.



ARE DIGITAL TRANSFORMATION AND BROADBAND INFRASTRUCTURE ENHANCING PUBLIC GOVERNANCE ACROSS THE EUROPEAN UNION? POTENTIAL BENEFITS FROM ADVANCED ECONOMETRIC APPROACHES

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Abstract

On the complex framing of digital transformation related to public governance, this paper aimed to assess digital transformation and broadband infrastructure impacts on public governance coordinates (the World Governance Indicators – WGI). The methodological endeavour involved applying two advanced econometric procedures, namely structural equation modelling (SEM) and Gaussian and Mixed-Markov graphical models, to EU panel data for 2010–2021. Structural equation modelling captures the direct and indirect inferences of digital transformation, including technological/ broadband infrastructure, upon public governance, while Gaussian and Mixed-Markov graphical models enhance the positive and negative partial correlations and linkages between several dimensions of digitalisation and EU governance through undirected networks of conditional associations. The main results entail that the restriction of technological progress, respectively, the advancement in the field of digitalisation of public governance in certain EU countries is explained by the less sound technological reflected by the fact that broadband coordinates determine a negative impact upon digital transformation, and this negative impact is further diminished through the favourable inferences of various types of digitalisation credentials that in the end leads to positive cumulative impact upon public governance. The research results bring new evidence to underline that citizens are affected by the negative relationship between the use of technology and public services in many countries, with the level of digital transformation being relatively low due to inefficient infrastructure and regulatory aspects, changes to the law, and institutional actions can influence the digitalisation of public services. Moreover, the technological/ broadband infrastructure is the only dimension that tends to restrict progress as regards the level of digitalisation registered by certain EU-27 Member States. Still, from an overall point of view, in terms of involvement in spillover effects on public governance, the negative effects and the subsequent positive impact tend to be mitigated. Ultimately, our results suggest the need for specific policies and tailored strategies for the digital transformation of public governance, jointly with broadband infrastructure.

Keywords: digital technology, broadband infrastructure, public governance, econometric procedures, data mapping, EU.



UNCOVERING NORMALITIES IN TIME SERIES ECONOMETRICS FOR SUSTAINABLE TRANSITION IN SERBIA AND SLOVENIA

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Abstract

This paper aims to analyze the normalities in time series econometrics in the context of the transition to a green economy. This is particularly important for the co-movement and prediction of different time series variables and multivariate analysis. We analyze data from Slovenia and Serbia to provide insights into the integration of macroeconomic, environmental and tourism data. Different methods are applied in the analysis of unit roots in macroeconomic, environmental and tourism quarterly data in the period 2000-2022 for Slovenia and in the period 2000-2022 for Serbia. Among various variables the focus of investigation is on gross domestic product (GDP) and the unemployment rate. In addition, we also launch relevant variables available on a monthly basis, such as the consumer price index, money supply, tourist arrivals, service prices, production prices, CO2 emissions, and industry labour costs. The article discusses simple unit root least squares tests, such as the Augmented Dickey-Fuller (ADF) test, Kwiatkowski-Phillips-Schmidt-Shin (KPSS) test, Phillips-Perron (P-P) test and vector autoregressive (VAR) misspecification test. To obtain the appropriate order of integration, we also include some tests with structural breaks such as Zivot-Andrews and Clemente-Montanes-Reyes. The results show that for the most part, all macroeconomic variables are integrated at least in the first order of integration. The innovative results in our comparative analysis approach between two small post-socialist economies suggest that researchers should be accurate in analyzing the degree of integration in the analyzed data and in selection of test they would like to use to study the dimensions towards a green economy. The findings of this study can be helpful for policymakers, researchers, and practitioners in the field of economics, environment and tourism. Understanding the integration of macroeconomic and tourism data is crucial for designing sustainable policies and strategies in the context of the transition to a green economy. This study provides insights into the normalities in time series econometrics. This study could help to better understanding of the transition process to a green economy in Slovenia and Serbia relevant for research of the macroeconomic data, policy, and practice.

Keywords: Time series analysis, Structural breaks, Forecasting, Environmental impact, Regional development, Tourist demand.



SUSTAINABILITY-ORIENTED SMES IN SOUTHEAST EUROPE: BARRIERS TO SUSTAINABILITY IMPLEMENTATION

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Today's business conditions, as well as the growing awareness of the problems of environmental degradation that the world is facing, almost impose on business entities the implementation of sustainable principles. In addition, legislation, consumers who are increasingly aware and more demanding regarding the products they use, competition and other stakeholders create pressure and accelerate the process of including sustainability in the business practices of enterprises. Care for the environment and socially responsible practices are no longer reserved exclusively for large companies but are expected of all business entities, regardless of their size. Small and medium enterprises have a significant impact on sustainability, especially if their cumulative impact is considered. However, SMEs do not seem to receive much attention in the literature when it comes to sustainability. The novelty of this research lies in the approach with which sustainability is analyzed in the context of SMEs. This paper discusses the main barriers to the process of implementing sustainability in small and medium-sized enterprises. The paper explains the concept of sustainability-oriented SMEs and examines the influence of various factors that may represent the biggest problems for these companies in the implementation of sustainable practices. Flash Eurobarometer 498 data were used, and the focus of the research is on small and medium-sized enterprises from Southeast European countries, from different fields of activity (manufacturing, industry, retail, services). The aim of the work is to identify the limiting factors that have significantly affected the sustainability of SMEs in Southeast Europe and to propose measures whose implementation will lead to an increase in the number of sustainability-oriented small and medium-sized enterprises in the area of 11 Southeast European countries in the future. According to the perception of interviewed representatives of SMEs, the most common difficulties encountered by SMEs when establishing sustainable actions are the complexity of administrative or legal procedures, the costs of environmental actions and lack of necessary resources, a lack of specific expertise for the environment, etc.

Keywords: sustainable entrepreneurship, SME, SEE.



GREEN GROWTH IN THE EU COUNTRIES: AN ANALYSIS OF ENERGY PRODUCTIVITY

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Abstract

Green growth aims at achieving economic growth while preventing environmental degradation, loss of biodiversity and unsustainable use of natural resources. Green growth decouples the effects of economic activities from the effects of environmental activities. Thus, it seeks to make investing in the environment an engine of economic growth. Energy is one of the most important inputs in all economic activities. Since it is an essential driver of economic development, energy supply and efficiency of its use are crucial for green growth. Conventional sources of energy causes an increase of both greenhouse gas (GHG) emissions and regional air pollution. They also influence water quality and land use. Therefore, there is a call for increased use of renewable energy sources in order to tackle climate change and energy security problems. Thus, energy productivity is an essential issue that countries worldwide should focus on by progressing towards more energy-efficient technologies, and by providing consumer with more energy efficient goods and services. This paper aims to assess the EU countries performance in energy productivity by using a synthetic measure of the following indicators: energy productivity [in GDP per unit of TPES], energy intensity [in TPES per capita], total primary energy supply [index, 2000=100], renewable energy supply [in % total energy supply], renewable electricity [in % total electricity generation] The results show that there have many significant improvements over time in the EU economies in energy productivity. However, there are still some disparities between the EU economies in this sense. Although the EU has adopted a common policy towards boosting energy efficiency by implementing the European Green Deal, there are still some countries lagging behind in this aspect. On average, the Western EU economies have a higher level of energy productivity, however, the pace of an increase in energy productivity is higher in the Central and Eastern EU countries, what may indicate a convergence process of energy productivity in the EU economies.

Keywords: energy productivity, renewable energy sources, the EU countries, green growth.



DIGITALIZATION AND INNOVATION AS A KEY FACTOR OF SUSTAINABLE DEVELOPMENT

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Abstract

Digitization of company operations, especially the financial sector, will bring enormous benefits changes in economic relations within national states, but also in international ones transactions. Industrial revolution 4.0 is focused on the improvement of information and telecommunication technology, automation of business processes, robotization and digitalization, and the result that will bring is significant cost savings when performing business and financial operations. In addition, there is an increased availability of all types of services, products and information to every individual on the planet who has access to the Internet or a cell phone. In response to the aforementioned trends of the Industrial Revolution 4.0, digital banks appear, which fundamentally change the old traditional approach to banking. National currency digitization projects represent the response of central banks around the world to the creation of cryptocurrencies, but also a significant step forward in the process of defining the future way of functioning of the international monetary and financial system in accordance with contemporary trends of the fourth industrial revolution ("Industry 4.0"). The world's strongest economies are already in the process of testing digital national currencies that would replace current paper money and that would function similarly to cryptocurrencies, while the main goal is to create an economic system based on modern technologies and innovations known as Web3 (Web 3.0).

Keywords: digitalization, innovation, sustainable development, Web 3.0.



DIGITALIZATION IN ALBANIAN AGROTOURISM, NEW PATH TO FOLLOW

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Abstract

The development of digitalization in agrotourism has transformed the way that farmers and rural tourism operators interact with their customers. Using digital platforms and tools, agrotourism businesses can improve their marketing efforts, streamline their operations, and enhance the overall customer experience. This has led to increased revenues and improved sustainability for many small-scale farms and rural communities. The adoption of digital technologies has also led to the creation of new business models, such as online marketplaces for locally produced food products and agritourism booking platforms. However, challenges remain, such as the digital divide in rural areas and the need for specialized training and support for farmers and rural tourism operators to effectively utilize digital tools. Overall, the digitalization of agrotourism presents both opportunities and challenges for rural communities and small-scale farmers as they adapt to the changing landscape of tourism and agriculture. Albania has been actively working towards the digitalization of agrotourism in recent years. Especially, the critical period of Covid -19 emphasized even more the role of the digitalization as one of the pillars to develop the economy, as well on agrotourism sector. Overall, the digitalization of agrotourism in Albania has the potential to enhance the competitiveness and sustainability of small-scale farmers and rural communities. However, there are still challenges to be addressed, such as improving access to high-speed internet and digital infrastructure in rural areas. This paper research attempt to study digitalization' challenges and achievements of agrotourism in Albania. In this context, the study will show how adopting technological solutions can help the business strategy in agrotourism, creating new opportunities for the agricultural area, such as empowering the employment of young people, women, and increase the overall impact of the business. The results of this study are important for both agritourism farms as well as small business practitioners (including government agencies and owners/managers) in order to provided policy recommendations, concerning how to establish favourable conditions and offer incentives to them to integrate innovative solutions into their business models.

Keywords: digitalization; agrotourism businesses, new business model, rural communities, tourism.



SUSTAINABLE FINANCE AND THE ROLE OF SECURITIES REGULATION IN LATE TRANSITION ECONOMIES

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Abstract

Late transition economies in Europe not still members of EU are still lagging in overall securities regulation and not achieving the full objectives of the protection of domestic and foreign investors. The goals are bright to maintain fair, efficient, and transparent markets and reduce the system risk. At the same time the overwhelming bulk of direct foreign investments and domestic public since private is almost non-existent are going directly to the target companies, totally avoiding the securities regulation and the stock markets, so the level of transparency is rather non-existing. The overall change of the investment landscape globally and with a focus on the EU is focusing on sustainability issues in general, with a focus on climate-related goals. Various sustainability issues are so complex and national securities regulatory systems should be put into focus and better understand since the new waves of direct investments into the small national economies member candidate states to EU accession shall be dominantly in the form of sustainable investments. The securities and sustainability regulation in those countries shall play new roles and face new rather complex challenges. The new prevailing model of sustainable finance based on the EU Green Directive shall introduce new very complex sustainable finance corporate disclosure issues. Investors shall base their decision-making process and EU and global regulators on the new securities regulation for sustainability purposes with a focus on integrated reporting, sustainability reporting and environment, corporate governance, and corporate social responsibility reporting – ESG. National securities and financial reporting regulators shall coordinate and addressing jointly those sustainability efforts. Sustainable finance in emerging markets in Europe shall adapt and develop to address new requirements and meet the expectation of their national economies and society's for the increasing sustainable investments, domestic and foreign. The unified aim at the national and regional levels should be full harmonization with the EU/OECD sustainability regulation, disclosure, while eliminating the green washing and offering the investors real and attractive protection.

Keywords: sustainable finance, securities regulations, sustainability reporting, lated transition economies.



SIGNIFICANCE AND PERSPECTIVES OF CIRCULAR ECONOMY DEVELOPMENT IN BOSNIA AND HERZEGOVINA

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Abstract

Climatic changes and the unavailability of natural resources, together with the resulting increase in their prices, represent crucial challenges for the global ecosystem, striving to be factors in slowing down the further growth of the world economy and, at the same time, pushing it out of sustainable trajectories. Therefore, it is not surprising that the key global economic entities embodied in the European Union, the USA and other most important economies of the world recognized in their strategic development plans the danger of the existing linear economic model becoming unviable and the need for a transition towards a green and circular economy. On the other hand, small countries like Bosnia and Herzegovina, with a resource-intensive production base that dominantly shapes their economic structure, must timely anticipate the upcoming changes and position themselves in global production chains in a way that would enable them to accelerate the development transition. The changes associated with the circular economy orientation imply a corresponding structural shift from goods production to the provision of appropriate services. The current climate change imperative leads to carbon-neutral production technologies, which most directly raises the question of the competitiveness of individual economies. For all the above reasons, it is necessary for small economies, such as Bosnia and Herzegovina, to take an active approach through their economic policy to the described economic trends. It becomes rather significant if it is taken into account that the European Union, as one of the most important carriers of the development of the circular economy, is the largest trade partner and the desired final destination of the political and economic integration of Bosnia and Herzegovina. In addition to getting to know the concept and working model of the circular economy, the aim of this paper is to analyze the economic implications of its application to structural economic changes, both in developed economies and in small open economies such as the economy of Bosnia and Herzegovina. The focus is also on opportunities and barriers to the circular economy development in Bosnia and Herzegovina.

Keywords: circular economy, linear economy, functional specialization, business models, sustainable development.



FINANCIAL REPORTING FOR SUSTAINABILITY FINANCE AND BANKING IN MONTENEGRO

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Abstract

Accounting and auditing as an intrinsic foundation of financial reporting in Montenegro are embracing the institutional framework which includes the statutory framework, the accounting and auditing profession regulation and supervision, accounting and auditing standards setting framework, and enforcing accounting and auditing standards. The institutional framework and regulatory practice are based on the full adoption and implementation of the two sets of international standards the International Financial Reporting Standards by IASB and the International Standards on Auditing by IFAC. The above-mentioned framework is extensive, complex and it takes a lot of time and resources to be utilized fully. Our conclusion is that Montenegro should at the maximum speed and without any delay make up to catch up with the tempo of changes and reforms globally (IASB, IFAC) and in EU (EFRAG). At the same time further urgent needs are arising to adopt and implement financial reporting standards for small and medium enterprises (SME), also the corporate reporting by the real sector listed companies and of the financial sector. Perceptions and expectation of the public and interested stakeholders is that urgent improvements of the quality of financial reporting is more than necessary. Montenegro shall follow closely the roadmap of the European Financial Reporting Advisory Group work on the new European Sustainability Reporting Standards (ESRS). One of our proposals is the establish in Montenegro national non-profit board for the ESRS adoption and implementation since very soon that shall be obligation based on the two mentioned sets of international standards. Corporate finance for large firms and SMEs shall be based on ESRS and banking operations also shall fully rely on ESGs applied in Montenegro for reporting and corporate management purposes. Our second proposal is to apply new set EU standards on listens SMEs, while at the same time working on the voluntary standard for unlisted SMEs.

Keywords: sustainability accounting, sustainability reporting, Montenegro.



MASS TOURISM: THE IMPACT OF TOURIST ARRIVALS AND TOURIST URBANISM ON ENVIRONMENT AND QUALITY OF LIFE

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Abstract

This paper explores the impact of mass tourism on the environment and quality of life in tourist destinations. The increasing number of tourists and the development of tourist urbanism have led to a range of environmental problems, such as pollution, the destruction of natural habitats, and the depletion of resources. Moreover, the residents are negatively affected by the congestion, noise, and degradation of their living conditions. The study highlights the need for sustainable tourism practices to mitigate the negative impacts of mass tourism. The research draws on case studies from various tourist destinations to illustrate the challenges and opportunities for sustainable tourism development. The findings emphasize the importance of community engagement, government regulations, and responsible tourist behaviour in achieving sustainable tourism and enhancing the quality of life in tourist destinations. This paper aims to examine the impact of tourist arrivals and the development of tourist urbanism on the environment and quality of life. The research uses secondary data and highlights that the excessive concentration of tourists and the built environment created to cater for them have created a range part of variables. The results are based on advanced econometric methods, such as cointegration. The high volume of tourists has led to overcrowding and congestion, which has resulted in a decline in the quality of life for residents. The cost of living has increased, and the availability of affordable housing and services has decreased. The increase in tourist demand has also led to the commodification of culture and the commercialization of local traditions, which has harmed the authenticity and uniqueness of the local culture. In conclusion, the findings of this research highlight the need for sustainable tourism practices and responsible planning to mitigate the negative impacts of mass tourism. Sustainable tourism practices should aim to strike a balance between economic development, environmental protection, and social well-being. The implementation of policies and regulations, community involvement, and responsible tourist behaviour are key factors in achieving sustainable tourism and enhancing the quality of life in tourist destinations.

Keywords: sustainable mass tourism, environmental impact, tourist arrivals, tourist urbanism, responsible tourism, quality management.



IMPACT OF SUSTAINABLE URBAN MOBILITY ON THE DEVELOPMENT OF ELECTROMOBILITY IN CITIES

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Abstract

A city that develops in a sustainable way strives to maintain the right relationship between economic growth, care for the environment and the quality of life of its inhabitants. All components of the functioning of cities, such as education, culture, transport, housing, urban infrastructure, as well as the natural environment, are under constant pressure due to the needs and growing expectations of residents, as well as increasing requirements resulting from national regulations and international standards. Cities on the way to sustainable development will have to face various barriers and emerging challenges. One way to achieve sustainability, although fraught with many risks, is electromobility. Based on the review of the literature on the subject, indicators of sustainable urban mobility were defined, from which, based on expert research conducted among specialists in the field of electromobility, both practitioners and theoreticians, a set of those that affect the development of electromobility in cities was selected. Based on the conducted research, the following directions of changes in mobility behavior in urban and metropolitan areas in terms of the development of electromobility have been proposed:

- the key instrument for mobility management in cities, and especially in metropolises, is and will be public transport, therefore the development of low-emission public transport should be treated as a key area of activity in the development of the electromobility strategy,
- a zero-emission bicycle is primarily of sport and recreational importance, its role in urban, intermodal mobility chains boils down to servicing the so-called last mile, the development of bicycle infrastructure and bikesharing should take into account these conditions,
- the development of individual electromobility in the near future will significantly affect transport models in the city.

Cities should take this into account in their strategies and plans in order to meet EU requirements and the needs of residents. Undoubtedly, the subject of electromobility is extremely interesting in terms of the potential of scientific exploration and practical implementations. At the same time, it is a very complex issue, up-to-date and multidimensional. The pro-environmental approach to city management redefines the traditional approach, forcing the implementation and support of solutions that reduce external costs, especially carbon dioxide emissions. Such a solution seems to be electromobility in a comprehensive approach, taking into account a set of indicators of sustainable urban mobility.

Keywords: sustainable urban mobility, electromobility, public transport.



THE INFLUENCE OF CIRCULAR ECONOMY ON SUSTAINABLE DEVELOPMENT: EUROPEAN AND SERBIAN EXPERIENCE

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Abstract

The paper analyzes the influence of circular economy indicators on economic growth and the creation of new jobs, with a special focus on green jobs. In the last decade, circular economy has received rising attention worldwide as a way to replace the current production and consumption model based on a linear economy. By promoting closing the loop by applying the 6Rs (rethink, refuse, reduce, reuse, recycle and repair) with a particular emphasis on municipal waste, the circular economy aims to achieve better harmony between the environment, economy and well-being of society. EU member states have implemented various policies and initiatives, such as the Circular Economy Package, which aims to increase recycling rates, reduce landfilling and promote eco-design. Additionally, circular economy plays a central role in the new European Green Deal in its aim to tackle climate change. The Republic of Serbia has also recognized the importance of sustainable development and has developed its National Sustainable Development Strategy, which aims to promote economic, social and environmental sustainability. Using European Statistical Office (Eurostat) data from 27 European countries pertaining to the years between 2014 and 2021, this paper aims to examine the relationship between the circular economy, economic growth and job creation. Based on the cluster analysis, EU members are divided into several groups. Also, the results obtained from the regression analysis for EU member states were compared with the current state of application of the circular economy in Serbia, using data from the Statistical Office of the Republic of Serbia. Although the implementation of the circular economy in Serbia lags behind the EU average, there is untapped potential for further progress, especially in the field of energy. The results suggest that a circular economy provides opportunities to create competitive advantages and promote sustainable economic growth, which can be beneficial to decision-makers.

Keywords: circular economy, economic growth, green jobs, European Union, Serbia.



MAPPING THE LITERATURE ON SUSTAINABLE DIGITAL TRANSFORMATION IN THE CONTEXT OF THE SUSTAINABLE DEVELOPMENT GOALS

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Abstract

As the world continues to move towards digitalization, it is increasingly evident that businesses need to adapt to remain competitive. In light of the growing attention being paid to environmental concerns and climate change, a new concept has emerged: sustainable digital transformation. This concept has gathered attention from industry and academia, and the number of documents is increasing rapidly. This study aimed to examine and organize the existing literature on sustainable digital transformation and map it to the sustainable development goals (SDGs). The authors utilized a search strategy involving the Scopus and Web of Science databases and identified relevant scientific papers using specific keywords (sustainab* and digital*). The results were limited to journal articles and conference papers. The search strategy returned 1453 documents, and mapping was performed based on the abstract fields of each document according to the top three keywords associated with each of the SDGs. Upon completing the mapping process, it was found that out of 1453 documents, only 488 could be successfully mapped using this approach. The study revealed that there is still limited research on sustainable digital transformation that aligns with the SDGs. The mapping results showed that the majority of the research related to the SDGs was focused on SDG 9 (Industry, Innovation and Infrastructure), followed by SDG 11 (Sustainable cities and communities). As for keywords, the top five most frequent keywords mapped were "infrastructure" (n=139) and "manufacturing" (n=135) belonging to SD 9, followed by "urban" from SDG 11 (n=95) and "climate change" (n=34) from SDG 13. The majority of mapped documents were journal articles (68%). In conclusion, while sustainable digital transformation has gathered significant attention in recent years, this study demonstrates that there is still a need for more research in this area that aligns with the SDGs. The mapping approach used in this study provides a valuable framework for organizing and evaluating the existing literature on sustainable digital transformation.

Keywords: sustainable digital transformation, sustainable development goals, literature mapping, literature review, SDG.



CHANGES IN THE EUROPEAN UNION HOUSEHOLDS' CONSUMPTION STRUCTURE AND THE SUSTAINABLE DEVELOPMENT

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Abstract

The aim of the study is to analyse the influence of the households' consumption structure changes on the sustainable development across the European Union (EU) countries in the years 2008–2020. Additionally, in the investigation, the considered area is divided into two separate regimes: (1) old EU Members States and (2) new EU Member States. The proposed division is the result of possible differences in consumer behaviours between relative wealth and relatively poor households. One of the major aspects of the sustainable development is the sustainable consumption, defined in this research as a consumption that does not cause a deterioration of the environmental order of the sustainable development. The environmental development of EU countries is evaluated based on the synthetic measure of development proposed by Hellwig. Moreover, the spatio-temporal sensitivity models are estimated and verified. The sensitivity parameter of these models shows the impact of consumption structure changes on the environmental development, wherein in the consumption structure four groups of goods are denoted: services, non-durable goods, semi-durable goods, and durable goods. The spatial autoregressive models (considering the spatial dependence between neighbouring units) are also estimated and verified. The investigation results point out the differences in the influence of consumption structure changes on the sustainable development depending on the considered group of countries.

Keywords: consumption structure, European Union, spatial models, sustainable development.



ASSESSING THE SIZE OF THE BIOECONOMY IN CROATIA

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Abstract

The bioeconomy means using renewable biological resources from land and sea, like crops, forests, fish, animals and micro-organisms to produce food, materials and energy. The bioeconomy contributes to the European Green Deal, which assumes the ambition of the European Union's long-term plan to make Europe the first carbon neutral continent by 2050. The circular and sustainable bioeconomy is a catalyst for systemic change as it deals with the economic, social and environmental aspects of the Green Deal. It seeks new ways of producing and consuming resources while respecting our planetary boundaries, and is moving away from a linear economy based on the extensive use of fossil and mineral resources and the make-use-throw principles. According to the methodology of the Joint Research Centre – JRC, bioeconomics is observed within the economy through biomass production and conversion of biomass into value-added products such as food, feed materials, biomass products and biomass energy. For the purpose of this study, the bioeconomy is specified as that part of the economy that serves to produce final bioeconomy products. The aim of this paper is to present an assessment of the relevant sector of the bioeconomy of the European Union (EU-27) and of the Croatian economy.

Keywords: circular economy, bioeconomy, The Green Deal, economic contribution.



FINANCIAL VIABILITY OF INTEGRATING STORAGE CAPACITY WITHIN A SOLAR POWER PLANT

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Abstract

Energy transformation processes have been essential elements of the overall activities in order to preserve the environment around the world. As well known, greenhouse emissions reached a serious level, and swift action to reduce them is imperative. In the very center of the energy transformation lay widespread renewable energy production. However, with a significant installment of new solar and wind energy sources, the issue of balancing energy production with energy consumption would be more challenging than before. Therefore, this paper analyses if the integration of energy storage capacity with the existing solar power plant, aiming to harmonize electricity supply with its demand, would be a financially viable solution for investors. Statistical analysis of electricity price differences between peak hours and hours when a solar plant produces electricity has been calculated based on Hungarian Electricity Exchange data. Consequently, a financial analysis of the electricity storage project was undertaken in order to test whether this investment is sound for the solar plant owner. The main conclusion driven by the research is that investment in storage with the existing solar plant is still not profitable. Key reasons for this finding are related to an insufficient technological stage of battery storage which is not cost-effective, while the spread between base and peak electricity prices is insufficient to cover associated costs. Future expectancies are that technological improvements would lead to reduced storage LCOE, while broadly deployed solar capacities in the future would bring an increased daily price spread. From both, storage capacity deployment in the future would benefit.

Keywords: renewable energy, energy transformation, solar, storage, financial analysis.



STRENGTHENING CAPACITIES FOR THE EFFICIENT IMPLEMENTATION OF THE ESG AND SUSTAINABLE FINANCE POLICIES

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Abstract

The paradigm of sustainable development has become the new standard in both public and private sectors worldwide. International practice and achieved consensus confirmed common values framework – from CSR approaches and Principles for responsible investments to Paris Agreement, UN Agenda 2030, and other international agreements that introduced commitments and specified targets. In addition to agreed values and growing development needs globally, regionally and locally, financing the needs of the economies and societies expressed in those goals of green transformation and sustainable development became a necessity where public sector funds alone would not be enough to complete the mission and targets set. Phenomenon of sustainable finance has put significant importance to the private sector finance worldwide – there is a need to provide strong financial support to the green transformation of the economies. However, efficient implementation of environmental, social or governance (ESG) considerations in financial decision making, requires a whole new spectrum of capabilities and organizational capacities needed. Therefore, while supporting green transition of the economies banking sector is experiencing the same transformation itself in many ways since policies and practices of ESG and sustainable finance has become a cross-cutting issue affecting whole bank. By combining empirical and desk research, comparative analysis of the banking sector of Serbia and selected European practice has been conducted. Paper has an aim to analyse selected aspects of the capacity for the efficient implementation of the ESG and sustainable finance policies: Strategy and governance, policies and procedures, organizational structure and capacity, and demand for skills (human capital capacities (expertise). Findings of the research show that banks allocate lending to various sectors with strong green impact and are active in building and strengthening capacities, including reliance on partnerships and collaborations with other partner institutions, such as international financial institutions and national banking associations. As ESG considerations are increasingly being integrated in strategic and investment decision making processes of companies, financial institutions and their advisors, the most common contemporary forms of support for capacity building (e.g. various types of education), partnerships and other ways of strengthening capacities are analyzed and recommended.

Keywords: sustainable finance, ESG, education, skills, capacity building.



INNOVATIVE SUSTAINABLE FINANCIAL INSTRUMENTS

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Abstract

Sustainable investment refers to the process of investing financial resources in shares, bonds or other financial instruments whose purpose is to achieve a long-term profitable and financial goal, as well as the objectives of reducing social inequalities using the principles of sustainability. The development of the market for sustainable financial instruments began in 2007 with the issuance of green bonds by the European Investment Bank and has grown rapidly since then. The paper also looks at the development of social bond issuance, which channels public money into effective social services and allows investors to gain some kind of altruistic benefit in the form of social gain in addition to their own well-being or financial return. The main contribution of the paper is to identify the typology, characteristics and limitations of sustainable bonds and to explain the development and importance of sustainable finance in financial systems. Green, social and sustainability bonds are indispensable instruments in the transition of economies and capital flows towards low-carbon and socially responsible economic growth.

Keywords: sustainable finance, green bonds, social bonds.



GREEN TRANSITION IN THE VORTEX OF FREQUENT CRISES

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Abstract

Climate change and environmental pollution on a global and local level are as much a risk and a threat to the sustainable business of commercial entities as they are a new opportunity for growth. The green transition proclaimed at the global level calls for changes. Those economies that understand the need for adaptation earlier and start making changes will have an advantage over those that do not recognize in time that a new era is coming, which requires a serious reset of our previous policies, strategies and plans. Since we are simultaneously faced with other frequent crises of a different character, it is reasonable to assert that the other crises will not stop, but only prolong the green transition, because it is assumed that it will also serve as an instrument of protectionist approach to certain markets in international trade, especially after the end of the conflict in the East of Europe.

Keywords: green transition, Green Deal, climate change, crises, fossil fuels, decarbonization.



DIGITIZATION OF MARKETING CHANNELS IN DEVELOPING COUNTRIES, AS A STEP TO CREATE A SUSTAINABLE ECONOMY

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Abstract

The length of marketing channels can be very different, which means they involve fewer or more organizations. Each of them has a different degree of digitalization, which further has an impact on the entire process of channeling goods and services. Developing countries are characterized by a low degree of digitalization and automation of processes, which also applies to the marketing channels themselves. This study includes the results obtained from an online survey conducted on companies (constituents of marketing channels) from the Republic of North Macedonia and the Republic of Serbia. The survey was conducted on 62 respondents, including 57 from Macedonia and 5 from Serbia. The companies that participated in the survey were from different sectors (Serbia – 5 companies in the transport and logistics sector; Macedonia – 23 transport and logistics; 6 import/export; 9 wholesale and retail trade; 19 production). The largest representation is in the transport and logistics sector, i.e. companies that take care of the movement of products from one place to another. Regarding the markets in which the companies operate, the largest percentage of them, 68%, work on the domestic and international markets, and only 13% on the domestic market. The need for greater digitalization of processes is especially expressed in companies that operate in foreign markets. The need to connect them, and also speed up the processes is necessary. Regarding the traffic network, as many as 79% of respondents use road transport, that is, they transport goods over land. Given that we are talking about countries that are outside the EU, the need to cross and perform customs formalities exists and their detention at border crossings is increasing. Hence, greater digitalization can visibly affect the reduction of that time. In fact, 55% of the respondents give the answer that due to customs formalities they stay for more than 12 hours at the border. Regarding the degree of their satisfaction with the digitization process within their organizations (32% are satisfied; 14% are not satisfied, and 54% believe that more work should be done on it). The goals are to create an equal, environmentally sustainable and healthy society and marketing channels help in that process. Smart systems connected to the internet can systematically provide a unique opportunity to solve difficulties related to long-term sustainability.

Keywords: digitalization; marketing channels; smart systems; opportunity



INTERCHANGE DYNAMICS OF WORLD'S GREEN ENERGY PRODUCTION AND FOSSIL FUELS CONSUMPTION

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Abstract

Nonlinear Dynamic Analysis (NDA) is an innovative and flexible mathematical tool that offers a more effective way to model real systems compared to classical methods. It is particularly suitable for deductive analysis of economic trends. By creating a System of Nonlinear Differential Equations of first order (SNODE) using the Nonlinear Least Squares (NLLS) method, and solving it numerically with MATLAB's PPlane tool, it is possible to obtain various economic scenarios by changing only the initial conditions. NLLS serve as a bridge between the polynomial expressions that represent the variables and the creation of NDA's SNODE. The phase portraits of the SNODE within the NDA offer a more flexible range of qualitative and quantitative analysis. Conversely, by applying this methodology to the world data of energy produced from renewable sources (green energy) against the total world consumption of all types of energy obtained from non-green sources, we derive new qualitative-quantitative conclusions. The dynamics of replacing fossil fuels with green energy is of key importance, and if current trends continue, humanity will reach a tipping point in the face of climate and other more severe geological changes. The degree of energy Earth absorbs significantly exceeds the emission rates required for the natural energy balance of the planet. In our research, we have found that even relatively small changes in the production of green energy and its replacement in the total consumption of non-green energy sources can create a favorable trend. However, with the ever-increasing fossil fuels energy consumption, even significant amounts of substitute green energy today cannot avoid the point of no return. We have quantitatively shown when (in time) and for what amount (percentage), the use of green energy paired with the reduction of consumption of non-green energy, can reverse the catastrophic trend.

Keywords: green energy, fossil fuel, world data, NDA, PPlane.



ICT DEMATERIALIZATION: CLUSTER ANALYSIS EVIDENCE BEFORE AND DURING THE COVID-19 PANDEMIC

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Abstract

One of the effective ways to reduce the unsustainable consumption of materials and the consequent environmental pollution is to replace material goods with virtual ones, i.e. dematerialization. A large number of papers in the previous literature have already confirmed that Information and Communication Technologies (ICT) can significantly contribute to the process of dematerialization. However, critics of this position argue that the effects of ICT dematerialization are insignificant, because they also increase the consumption of material resources, including energy. Due to the COVID-19 pandemic, ICT services have become customary and common around the world and have influenced a massive shift from physical products and services to virtual ones. Therefore, evidence from this period may be important to confirm the impact of ICT on dematerialization. This paper uses cluster analysis to explore the effects of ICT on dematerialization in European countries before (2018 and 2019) and during the years of the pandemic (2020 and 2021). The results indicated that during the pandemic, compared to the previous two years, there was a significant increase in the use of the Internet as well as a reduction in the consumption of material resources and emissions. In addition, the degree of dematerialization differs depending on the economic development of European countries. Therefore, the period of intensive use of ICT technologies during the pandemic suggests that these technologies do not have such a strong effect on the consumption of materials and that they contribute to dematerialization, and thus to sustainability.

Keywords: Sustainability, ICT, Dematerialization, Cluster Analysis, COVID-19 Pandemic, European Countries.



GREEN BONDS VOLATILITY ANALYSIS: COMPARISON WITH CONVENTIONAL BOND MARKET AND ENERGY MARKET

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Abstract

Green bond market has grown at a considerably high compounded annual growth rate, ever since the first green bonds have been issued by the World Bank in 2007. Green bond market represents vast field for research, as the benefits of these financial instruments have proven to be numerous – whether social, financial or environmental. This study analyzes the volatility of the US green bond market in comparison with conventional bond and energy markets using univariate and multivariate GARCH models, and using data on three S&P Dow Jones indices (S&P Green Bond Index, S&P US Aggregate Bond Index, and S&P 500 Energy Index). The results have shown that green bond market exhibits large volatility clustering, which makes it convenient to implement GARCH model for volatility modelling. Furthermore, multivariate GARCH (DCC-GARCH) has shown that spillover effect exists both between green and conventional bond market, and green bond market and energy market. The findings of this research have important implications for both institutional and private investors, issuers, and regulators in the green bond market. Considering that previous studies that have dealt with green bonds have used significantly shorter time series, main contribution of this analysis is the volatility modelling of the green bond market using the data of the full business cycle (series of daily returns for all three indices, for the period of ten years).

Keywords: green bonds, energy market, volatility analysis, GARCH model.



GREEN BANKING AND SUSTAINABLE DEVELOPMENT: THE CASE OF MONTENEGRIN LARGE LEGAL ENTITIES

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Abstract

Financial institutions around the world are paying more attention to the green agenda and they are going through a process of green transition. This paper studies the practice of green banking in Montenegro, with a focus on large legal entities that were selected due to their significant impact on the economy and the creation of a business environment in the country. The goal of the research was to examine how large Montenegrin companies accepted green banking as a way of financing their projects, as well as the availability of banking products for financing green projects by commercial banks and financial institutions operating in Montenegro. In addition, based on a combined quantitative and qualitative sequential research model, as well as rich empirical material, this study provides insight into the effects of green banking on sustainable development in Montenegro. Surveys and interviews were conducted, both of employees in commercial banks in Montenegro and representatives of development financial institutions, as well as employees of large legal entities in the country. The study showed that there is still no large offer of green products in the country, and that such credit lines, when they do exist, are mostly present at international financial institutions or at those banks that are part of a larger foreign banking group. The research points to the lack of clear guidelines and standards for defining and evaluating sustainable projects, which makes it even more difficult to invest in these areas. Research findings unequivocally indicate that green banking has a positive effect on sustainable development, which, through the example of Montenegro, indicates the need for better cooperation between banks and large legal entities, all with the aim of initiating new development projects and policies based on the principles of sustainable development. The results of this research can be useful for decision makers, the banking sector, investors and society as a whole through the prism of understanding the potential benefits and challenges of green banking in Montenegro.

Keywords: green banking, green financing, sustainable development, large legal entities, banks, Montenegro.



CORPORATE GOVERNANCE AND SUSTAINABILITY: THEORETICAL APPROACH AND CONSTRAINTS FOR THEIR IMPLEMENTATION IN THE WESTERN BALKAN COUNTRIES

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Abstract

"We all need to work together because there are no jobs on a dead planet; there is no equity without rights to decent work and social protection, no social justice without a shift in governance and ambition, and, ultimately, no peace for the peoples of the world without the guarantees of sustainability." Sharan Burrow

The regulatory framework for corporate law and corporate governance is changing quickly and profoundly in the European Union (EU) and, to a lesser extent, in the rest of the world. The changes are primarily driven by a desire to expedite the timely sustainable transition of the EU economy and society. Since the Western Balkans countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) are recognized candidates for membership of the EU, these regulatory changes stand to have significant implications. Indeed, these candidate countries are strongly motivated to converge their corporate law and governance frameworks with the EU to promote their candidacy and facilitate the integration of their economies into the EU single market. Arguably the most important next step for the Western Balkan EU accession candidates is that of adopting and implementing new EU regulation on corporate sustainability governance and reporting, in particular the Corporate Sustainability Due Diligence Directive ('CSDDD' or 'CS3D'), still in development, and Corporate Sustainability Reporting Directive ('CSRD') that was finalized in December 2022 and is now being implemented by EU Member States. The Strategic objective is to attract high quality and stable foreign and domestic investment and these demands align the interests of companies with their shareholders, stakeholders, and wider society. To make themselves more attractive to investors, Western Balkan companies will need to pursue a sustainable transition and focus on sustainable value creation. Companies will need to broaden their corporate reporting to include both financial and sustainability reporting, the latter centered on a range of ESG issues. While the convergence with EU regulation and the sustainable transition of the will pose challenges and bring disruption to the Western Balkans, in the long-term it will help ensure the stability and prosperity of their economies and societies.

Keywords: corporate governance, sustainability, Western Balkans, EU, global regulation.



THE IMPACT OF CRYPTOCURRENCIES ON THE GREEN ECONOMY

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Abstract

Cryptocurrencies may have negative impacts on the environment. Cryptocurrency mining, the process of verifying and adding transactions to the blockchain, requires significant amounts of energy and computing power. This can lead to increased electricity consumption and carbon emissions, particularly if the energy used is generated from fossil fuels. Most cryptocurrencies use a proof-of-work (PoW) consensus mechanism to confirm a transaction. In a PoW system, miners compete to solve complex mathematical problems in order to add new blocks to the blockchain and earn rewards in the form of newly minted coins. This process requires significant computational power and energy consumption, which can have negative environmental impacts. Cryptocurrencies that use a proof-of-stake (PoS) consensus mechanism, as opposed to a proof-of-work (PoW) mechanism, can positively impact the green economy. PoS system uses a different method to validate transactions and add new blocks to the blockchain. Instead of relying on miners to solve complex problems, PoS systems allow validators to create new blocks based on the amount of cryptocurrency they hold and are willing to "stake" or lock up as collateral. Validators are chosen based on their stake in the network, and the process is more energy-efficient and less computationally intensive than PoW. Also, the use of cryptocurrencies and blockchain technology can have positive impacts on the green economy. Blockchain can be used to create a transparent and secure system for tracking the production and distribution of renewable energy. This can help to incentivize the development of renewable energy sources and to reduce reliance on fossil fuels. Some cryptocurrencies are specifically designed to promote sustainability and environmental protection. There is a cryptocurrency called SolarCoin that rewards solar energy producers for generating electricity from solar panels. This can encourage the development of renewable energy and reduce greenhouse gas emissions.

Keywords: Cryptocurrencies, proof-of-work, proof-of-stake, Green Economy.



IMPACT OF TOURISM ON CO₂ EMISSION: EVIDENCE FROM WESTERN BALKANS

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Abstract

In light of the increasing importance of environmental protection, the sustainability of the economy must be based on green economy. The Western Balkans, in its efforts to join the European Union, should incorporate these green principles, and ensure that its development is in line with the new policies and concepts of the European Union. The aim of the paper is to examine the relationship between tourist arrivals and energy consumption, on one side, and CO₂ emissions on the other side, in Western Balkans economies (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia) over the period from 2005 to 2019. Both long-run and short-run estimations were investigated using the autoregressive distributed lagged (ARDL) model. The study used a dynamic ordinary least squares (DOLS) model to generate long-term projections. The results showed that tourist arrivals and energy consumption did not have significant impact on CO₂ emissions in Western Balkans in the short run, but both variables have significant impact on CO₂ emissions in the long run. However, the impact of tourist arrivals on CO₂ emissions is negative in the long run, so tourism-related activities in the Western Balkans have no discernible negative effects on the regional ecosystem. This study also revealed that the majority of energy resources in the Western Balkans are nonrenewable, and the usage of these resources dominantly contributes to an increase in CO₂ emissions in the environment. Regarding that, findings show that in order to utilize principles of green economy while concurrently increasing the level of economic production, a better strategy for using energy must be considered. Finally, the findings of the study can be used by regulatory and policy makers to gain a better understanding of the environmental impact of the tourism industry in the Western Balkans.

Keywords: ARDL, Western Balkans, CO₂ emission, tourism, energy consumption.



FINANCIAL REPORTING FOR GREEN FINANCE IN BOSNIA AND HERZEGOVINA

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Abstract

Environmental hazards and degradation due to the historic industrial base in Bosnia and Herzegovina is evident. Economic reforms and policy orientation to join the European Union (EU) and fully integrated into global economic regulatory institutions is evident. Green programs and economic financing facilities in the Western Balkans are all stressing the importance and significance how to strengthen participation of financial institutions to extending facility landing to energy sector in Bosnia and Herzegovina to increase efficiency with a focus on renewable energy projects. Many developments and investments are channeled towards green finance. This new field is financing the investment which provides environmental benefits while at the same time serving the wider social goals of environmentally sustainable development. Banks are channeling loans in investments to result in a reduction of greenhouse gas emission. The green growth funds are approving the loans for on-lending to small and medium sized enterprises. Bosnia and Herzegovina as the Western Balkans country is at the initial stage of issuing survey of environmental risks to shape the lending and investments to contribute to climate mitigation, climate adoption and resilience. Future steps and reforms in accounting, auditing and sustainability reporting for green finance in Bosnia and Herzegovina shall be based on the European Banking Authority (EBA) new technical standards on Pillar 3 disclosures for institutions in the EU. The set of new standards proposes comparable disclosures like key performance indicators (including a green asset ratio – GAR) and banking book taxonomy alignment ratio (BTAR). The timetable is set out about disclosures. Granular templates, tables and instruction. The role of accounting and auditing profession shoulder to shoulder with the regulatory bodies in Bosnia and Herzegovina is to ensure consistency, transparency, comparability and meaningfulness of these disclosures by institutions.

Keywords: sustainability reporting, environmental accounting, Bosnia and Herzegovina



THE CONTRIBUTION OF FINANCIAL TOOLS TO THE DEVELOPMENT OF ENTREPRENEURSHIP IN LIGNITE REGIONS DURING THE ENERGY TRANSITION. THE CASE OF MEGALOPOLIS, GREECE

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Abstract

The aim of this work is to identify the contribution of specific financial tools and especially the Just Transition Fund to sustainable entrepreneurship in the Megalopolis area, Greece. Using 16 semi-structural interviews from people responsible for the regional energy planning, we attempt to provide answers to the following questions: How effective can these financial tools be, given that Greece has committed to close all power plants using lignite, until 2028? How the available financial tools based on the national transition plan can support the region to avoid desertification and support the local community? How much can they support the manpower working in power generation to find employment in quality jobs that will be created by green energy entrepreneurship? Findings of the interviews, underline the commitment of policy makers to proceed to the transmission plan in the area. Some concerns are also disclosed, concerning the time schedule for such an ambitious objective, for the investment motives and the retraining of manpower.

Keywords: Energy transition, Entrepreneurship, Lignite regions, Greece.



CLIMATE RISKS AND VULNERABILITY OF THE LOCAL ECONOMY OF THE CITY OF SKOPJE

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Abstract

Climate change can negatively affect businesses and the economy in a variety of ways. Warmer temperatures and extreme weather will damage property and critical infrastructure, impact human health and productivity, and negatively affect many sectors, such as agriculture, forestry, fisheries, and tourism. Declines in productivity and production could decrease businesses' incentive to invest, particularly in a scenario in which physical capital is routinely damaged or destroyed because of extreme weather events to a point where further investment becomes unattractive. But on the other hand, climate change creates opportunities for businesses. There will be more opportunity in clean energy, resilient and green buildings, and energy efficiency. Green oriented businesses could create many new jobs. Global warming is expected to increase the frequency and severity of extreme weather events around the globe, bringing with it property and infrastructure loss. Economic growth will be hindered by rising operational costs as global temperatures rise, with studies suggesting that a worst-case impact of a 1% reduction in global GDP growth per year could be realized. However, climate impacts are not expected to have an equal negative impact on all economies in the world, and the Republic of North Macedonia is in the group of counties less vulnerable to climate change. In this paper, we will apply the SECAP methodology for assessment of climate risks and vulnerability of the local economy of the City of Skopje. For this purpose, we will do an in-depth analysis of the local economy through the sectoral approach. The City of Skopje is an administrative city, and the sectors that are most vulnerable to climate change, such as agriculture, forestry, fishing and construction, are marginal. An increase in the intensity of the extreme weather is expected, especially the increase in temperatures in all seasons with increased precipitation and flash floods. Therefore, an increase in climatic risks is expected in the local economy in the City of Skopje in relation to the current vulnerability. Although some sectors would be negatively affected by climatic change, the general assessment is that the economy of the City of Skopje will remain moderately vulnerable to future climate risks. It is because of the expectations for strong adaptability of local businesses and change of business models according to the new economic conditions.

Keywords: extreme weather, heatwaves, extreme cold, productivity, investment incentives, climate hazards.



LOCALIZING SUSTAINABLE DEVELOPMENT GOALS (SDGs) IN THE WESTERN BALKANS GREEN AGENDA CONTEXT

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Abstract

The 2030 agenda for sustainable development (Agenda 2030) was adopted by the United Nations General Assembly in September 2015, with the accompanying 17 Sustainable Development Goals (SDGs). All United Nations member states have agreed to work together in order to achieve these goals. The European Union, as a global leader made its own growth strategy – the European Green Deal (EGD) that represents a direct response to the Agenda 2030 with an additional strategy for the Western Balkans countries – the Green Agenda for the Western Balkans (GAWB). It is a new growth strategy of the Region, leaping from a traditional economic model to a sustainable economy, in line with the EGD and EU's ambitions to become carbon-neutral by 2050. This paper is focused on analysing the progress in the green development of the Western Balkans countries, through the lens of GAWB. The GAWB is a strategic roadmap towards a green development of the Region that supports the fulfilment of Nationally Determined Contributions (NDCs) of the Western Balkans countries and their European integration dynamic. More specifically, we focus on the GAWB thematic areas, indicators, data sources and their connection to the UN SDG indicators, as well as specific European Green Deal indicators that stem from the UN Agenda 2030. The research shows that it is possible to measure the progress of green development through these sets of indicators. A comprehensive analysis of the UN SDGs indicators, the EU-EGD indicators, the GAWB indicators, as well as the IPA indicators for Window III related to green agenda and sustainable connectivity, shows a high degree of complementarity of these environmental indicators. By localizing SDGs and measuring progress towards a green development, the Region has also committed to achieving carbon neutrality by 2050.

Keywords: UN Agenda 2030, SDGs, SDG indicators, European Green Deal, Western Balkans, Green Agenda for the Western Balkans.



VALUING CRYPTOCURRENCIES AND NFTS AS INTANGIBLE ASSETS: A REVIEW OF THE LITERATURE

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Abstract

This paper examines how to value cryptocurrencies and non-fungible tokens (NFTs) under international accounting standards. These digital assets are neither money nor financial assets, so their recognition and measurement are unclear. The paper conducts a literature survey using academic databases such as Google Scholar, Scopus, Web of Science and Springer Link. The sources were selected and analyzed based on their relevance, credibility and timeliness. The paper finds that cryptocurrencies and NFTs can be classified as intangible assets under IAS 38 or IAS 2, depending on their nature and purpose. However, it also discusses the challenges and limitations of applying these standards, such as the volatility of fair value, the lack of reliable measurement methods, and the inconsistency with the economic substance of these assets. The paper contributes to the academic and professional literature by providing a comprehensive overview of the valuation issues related to these new financial instruments. It also suggests some directions for future research and standard-setting in this emerging field.

Keywords: cryptocurrencies, non-fungible tokens, valuation, accounting standards



THE IMPACT OF GREENHOUSE GAS EMISSIONS ON GDP: EMPIRICAL ANALYSIS OF GERMANY

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Abstract

Global warming is a pressing issue that has garnered much attention in recent years due to its far-reaching impacts. The increasing emission of gases that cause the greenhouse effect is the primary contributor to global warming. The main consequences of global warming include rising sea levels, more frequent and severe natural disasters, and the extinction of various plant and animal species. To better understand the relationship between production and total greenhouse gas emissions, a study was conducted in Germany from 1990 to 2019. The study employed an error correction model to establish both short-term and long-term relationships between these variables. The results revealed that in the short term, greenhouse gas emissions would increase by 0.01726 units for every unit of GDP increase. This is because in the short term, sudden increases in production cannot be accompanied by new technological discoveries, resulting in an increase in pollution. However, the long-term relationship between production and greenhouse gas emissions is negative. An increase in GDP of one unit leads to a decrease in greenhouse gas emissions by 0.2591 units. This negative relationship is due to the implementation of new technologies and practices that reduce greenhouse gas emissions over time. Germany managed to accomplish these results by transitioning from coal to liquid fuels and implementing many new laws regulating greenhouse gas emissions. Nevertheless, Germany continues updating its' legal system and technologies with new innovative ways of reducing pollution, with the final goal of reaching carbon neutrality by 2050. According to Climate Action Report 2019, Germany failed to reach its goal by 4 percent, mainly because of higher emissions in the transport sector. As countries like Germany continue to develop and prioritize environmentally friendly practices, the relationship between production and greenhouse gas emissions may continue to become more negative, reducing the harmful effects of global warming.

Keywords: greenhouse emissions, GDP, error correction model, pollution, economic growth.



THE RISKS AND CONSEQUENCES OF FRAUDULENT SUSTAINABILITY REPORTING

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Abstract

Sustainability reporting is inevitable process in making entity's environmental, social and governmental performance visible to all interested parties, including general public. Although it has been a part of the reporting system of some companies for years, it is evident that this type of reporting has gained momentum in the recent period, thanks to the implementation of Agenda 2030 and sustainability development goals as well as to the transition of voluntary to mandatory and more regulated reporting. However, pressure to disclose company's impact on sustainability issues, especially in environmentally sensitive industries, increase risks of fraudulent reporting. In this paper, we analyze challenges of quality sustainability reporting and the main fraud risk factors, including complexity of non-financial reporting, application of different reporting frameworks, lack of balance in the reporting of positive and negative impacts, avoidance of assurance and questionable quality of assurance, where it is provided. As a result, we show that possibility of fraudulent reporting is high and must not be ignored. By intentionally omitting, misstating or obscuring some material information in the sustainability reports, companies could deceive stakeholders which rely on these reports in making their decisions. We shed light on the severe consequences of fraudulent sustainability reporting mainly recognized in the form of wrong channeling financial resources, compromising green transition and jeopardizing achievement of sustainability development goals. These consequences have increased demand for faithfully represented sustainability reports, leaving all actors with the challenging task of developing the effective fraud prevention and detection mechanisms, including a greater role of specialists capable of addressing this relatively new type of fraud.

Keywords: sustainability reporting, SDGs, greenwashing, fraud risks, assurance, consequences of fraud.



TANDEM SOLAR POWER PLANT BUSINESS MODEL IN THE CONTEXT OF THE MAOCHE COAL BASIN DEVELOPMENT INVESTMENT PROJECT

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Abstract

In a scientific article are reflect the key points in the development of a business model for generating electric energy based on the joint use of solar and thermal power plants in order to smooth out the dynamics of energy consumption. The modern experience are describe for using solar power plants indicates such a disadvantage as the uneven volume of electricity production, which is associated with different solar activity in certain time periods. This disadvantage is absent for other methods of obtaining electrical energy that are associated with the use of fossil fuels or the possibilities of a nuclear reaction. Traditional sources have of electricity generation exhausted their capabilities in terms of limits on the consumption of fossil resources, the cost of their extraction, waste disposal and negative impact on the environment. Solar energy is becoming increasingly widespread as one of the promising areas of green energy. Despite use a fairly well-developed theory and practical tools for the direct of solar energy based on the photovoltaic effect, the creation of new materials, the cheapening of the material and technical base of solar energy require further development of theory and practical recommendations for improving methods and business models of solar power plants. A description give of the research in the article begins with a theoretical review of modern approaches to the use of solar energy and an assessment of its development prospects. The physical and chemical bases are described of the photoelectric effect, and the efficiency coefficient is compared of individual materials for photovoltaic energy generation. A analysis is made of the potential of solar energy in ensuring the energy balance and reducing the cost of energy. A methodology is proposed of business calculations of technical and economic parameters a solar power plant in Montenegro as a tandem (additional) option to a thermal power plant within the framework of a business project for the development of the Maoche coal basin. A main idea of presents is a importance of the development solar energy as a promising direction for green energy. It is combined the solar energy and traditional methods of generation based on fossil fuel sources. For the practical implementation of this idea, a feasibility research has been developed of a solar power plant with the option of connecting it to a common electrical network to ensure the load at peak moments of energy consumption and save fossil fuels. In conclusion was made on the results of the calculation.

Keywords: Green energy, solar power plant, photovoltaic effect, business model of energy generation, investment design, economic effect.



THE ECOLOGICAL FOOTPRINT IN CONTEXT OF SUSTAINABLE FINANCE

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Abstract

Considering the importance of sustainable development principles and goals, this study will analyze the impact of green finance on the Ecological footprint. Ecological Footprint represents a metric that accounts for the estimation of the demand on and supply of nature. To address the climate change and planet protection, various green projects can be implemented, but they need sustainable financing options. Green bonds represent one of the very important instruments available to different entities to pursue environmental investments. In that sense companies can increase their value and in the same time be socially and environmentally responsible. The study will apply the panel analysis to estimate the effect of green finance on the change of Ecological footprint. To assess the green bonds impact, we will use the climate bonds initiative database, i.e. available data on the issuance size starting from the year 2016 and additional macro-level data, as control variables. The contribution of this research could be found in empirical support of sustainable finance importance in reducing the negative effect on environment. Current literature confirms that these financial instruments are environmentally friendly, which is why future research should focus on this issue, to provide scientific results for evidence- based policy making.

Keywords: climate bonds, ecological footprint, sustainable finance, environment.



GREEN FINANCING IN WESTERN BALKAN COUNTRIES – CHALLENGES AND LIMITATIONS

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Abstract

The Sustainable Development Goals (SDGs) address a complex and interrelated set of challenges that cannot be overcome without the joint contribution of the public and private sectors, including financial institutions, academia and community at large. Public sector organizations should lead the changes worldwide that will bring the benefits of sustainable development to citizens through a dual role; through public spending that achieves the SDGs, but also by regulating the behavior of the private sector with the same goal. Financial institutions represent relevant actors in the process of financial inclusion who should design their financial products in such a way as to influence environmental and social goals, and reorient capital flows towards a more sustainable economy. Europe Sustainable Development Report 2022 shows that the level of achievement of the SDGs and the trends in achieving the SDGs of the countries of the Western Balkans (WB) are significantly behind in achieving the Sustainable Development Goals compared to the European average. One of the reasons for this lag is insufficient green financing. The largest number of governments in WB countries has not adopted adequate regulations that would primarily enable green financing for governments spending. Unlike the EU countries that have established a framework for financing through green bonds, through development banks who finance green projects and provide a certain amount of grants, only a small number of WB countries have normatively regulated green financing, while local development banks have not developed clear criteria for projects selection. On the other hand, the analysis of financial products of private banks shows that some financial institutions have started with green financial products, but mostly with the support of international organizations. Looking at the ownership structure, it is observed that in most cases, banks with majority foreign capital are involved in the provision of green financial products. The countries of the Western Balkans should adopt the good practices of the EU countries in the regulation of green financing and to support private sector to act as the primary engine of growth and thus crowding private capital into the domestic development agenda.

Keywords: sustainability development goals, green financing, Western Balkan countries.



ASSESSMENT OF ECONOMIC DAMAGE CAUSED BY CLIMATE CHANGE: CASE OF MONTENEGRO

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Abstract

In Montenegro, as well as in the region, there is no official defined methodology on the procedure and method of assessing economic damage caused by climate change. The aim of this paper is to assess the future adverse economic impacts caused by climate change, in a longer period of time, for four sectors in Montenegro: agriculture, tourism, water resources and health. The basic approach in the analysis was that in the long-term period of time, until 2050 and 2100, climate changes will occur which will have a negative economic impact in the mentioned areas and which can be directly monetarily valorized. Climate impact in the sectors is different, but it manifests itself mainly either in a reduced volume of income or in an increased volume of expenses. In agriculture, the first group of effects is reflected in the reduced volume of income from the sale of grain, while the second implies an increase in costs due to increased needs for water and irrigation of agricultural land, caused by elevated temperatures. In the sector of tourism, the negative effects of climate change due to a smaller number of tourists were considered, which will directly lead to a decrease in the volume of income. In the area of water resources, we analyzed negative impacts in the form of additional costs for the import of electricity, due to reduced production of the same, caused by reduced water potential, as a result of climate change. In the health sector, due to the lack of adequate statistical data for analysis, the focus was exclusively on direct deaths due to climate change in the future. Based on recommendations from relevant international documents, the assessment of economic damage as a result of climate change was carried out for: the period of the near future, up to 2050 (Near Future) and the period of the far future, up to 2100 (Far Future). In order to cover the broader scope of the analysis and future assessments, we perform analysis for the sectors with the following scenarios: near future, level of damage until 2050 5% (NF1), near future, level of damage until 2050 10% (NF2), far future, damage level by 2100 10% (FF1) and far future, damage level by 2100 15% (FF2).

Keywords: climate change, economic damage, assessment, sectors.



GREEN TAXES AND TAX REFORM IN MONTENEGRO

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Modern and globalized society is increasingly moving towards a circular economy that ensures social welfare by creating sustainable products, i.e. by production growth with simultaneously increasing the protection of the environment and the health of citizens. Green (ecological) taxes are certainly one of the mechanisms for preserving the environment and creating long-term sustainable development. These taxes ensure the collection of financial resources from all those economic entities that lead to the devastation of the environment through their business activities but also promote environmental activities through various incentive mechanisms. Green taxes implementation does not lead to an increase in the fiscal burden of economic entities. They replace other tax revenues, which can ultimately sustain or increase the level of the total budget revenues of a country. For mentioned reasons, the authors of this paper point out the importance of green taxes, their types, and the experiences of European countries in implementing green tax reform, all with the aim of creating and implementing the most efficient green tax strategy in Montenegro, which will achieve economic and environmental benefits known as the so-called "double dividend". This research will show that the Montenegrin tax reform did not realize the effect of a "double dividend", and that it was exclusively implemented for the achievement of economic goals.

Keywords: sustainable development, green tax reform, double dividend and regressivity of green taxes, Montenegro.



II ECONOMICS



LEGAL FRAMEWORK FOR ECONOMIC DEVELOPMENT BETWEEN THE REQUIREMENTS OF SUSTAINABILITY AND THE PROCESS OF DIGITALIZATION

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Abstract

This Paper will examine two major challenges that the legal framework for the economic development is faced with in the times of the Fourth Industrial Revolution: sustainability and digitalization. Sustainability requires that regulatory framework provided by the legal framework for the economic development has to be compliant with the sustainability requirements. That is the case, for example, with the requirements in relation to the planned obsolescence as many of the new products are made to last only for limited period of time.

Digitalisation poses significant challenges to the legal framework for the economic development. The legal framework needs to adapt to all the new technologies and maintain protection of some fundamental values such as the prohibition of discrimination, on the one side, but also not to represent a disproportionate obstacle for innovation and technological developments, on the other side. An excellent example are smart contracts, as a new technology, that is being increasingly used to secure enforcement of contractual promises, but it has to be secured that smart contracts comply with all regulatory requirements if they are to be allowed to be used by traders.

On both of these issues, sustainability and digitalization, there has been a lot of regulatory and policy debate and efforts invested by the European Union, and European Commission in particular, but still these efforts are not being able to keep the pace of the developments in the digital age. Therefore, the principal aim of this paper is to provide some potential solutions on how the regulatory framework aimed at the economic development could be improved to reflect better challenges brought by the sustainability and digitalization and to prepare the legal framework for the market, trade and society of the 21st century.

Keywords: Legal framework, economic development, sustainability, digitalization.



ARTIFICIAL INTELLIGENCE: FUNDAMENTAL CHALLENGE FOR DEMOCRATIC SOCIETY

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Abstract

The aim of this work is to investigate impact of digital society on democratic institutions and state which leads towards weakening individual rights and privacy, aiming toward creating, directing and manipulating of whole set of preference of every individual. Those numerous and serious consequences are result of implementation of artificial intelligence in modern digital society points toward necessity of introduction of new institutions that will rule out and constrain such practices. This becomes new field of investigation for Political macroeconomics that overcome classical adaptive or rational expectations of individuals and are based on new digital expectations of individuals. Establishment of consolidated democracy and efficient market economy only partially depend upon GDP growth rate (proximate factor of development), but wholly and long lasting upon fundamental factor of development – institutions that enable and promote education and participation of broad masses of population, which nowadays is in the focus of development of inclusive institutions. Within Political macroeconomy (PM) emerged three subdisciplines: PM mark 1 – monetary cycles; PM mark 2 – real cycles, and PM mark 3 – political cycles. Gathering and control of informations, i.e. big data, based on artificial intelligence (AI) about citizens and consumers have enormous influence of democratic order and market economy and lead towards violation of privacy, illegal competition and manipulation of behavior of citizens and consumers in sphere of politics and economy. Maybe it is time to introduce new PM subdiscipline – PM mark 4 – digital cycles. Potential harmful consequences of AI on society and economy are in focus recent research.

Acemoglu points toward following harmful consequences of AI:

“(a) echo chambers in social media: how AI-powered social media propagate false information and polarize society; (b) problems of online communication; (c) big brother effects: AI increases the ability of governments to closely monitor dissent; (d) automation and democracy: process of automation may further damage democracy by making workers less powerful.” Recent proclamation of leading scientists and entrepreneurs led by I. Mask for strict control of AI confirms those dilemmas. Korinek and Stiglitz analyze broader harms associated with AI: “the ways in which new technology can affect security, privacy, incitement to “bad” behavior, political manipulation, and, in the economic arena, price discrimination.”

The deepest negative impact of AI on polarization and degradation of democratic order manifest through social media and online communication, based on echo chambers. Within echo chamber individuals communicate only with other individuals that share same opinion, and each is closed within their chamber with its own reality, which exacerbate rejection of different opinion and enhance biased approach, creating false illusion that all other individuals share his-her opinion, which is manifested in echoing and communication with individuals of identical values and opinion. In that sense it is important to make distinction between disinformation's – false news aiming to produce damage, misinformation's which are also false, but without intention to produce damage, and malinformations which, although based on true statements, produce damage. The consequence is: when news are of low reliability, echo chamber as platform will propagate disinformations in order to maximise participation of their members, and such disinformations will be disseminated within platform more and more frequently creating the image of thurtfulness. Fundamental consequences of AI lead to new PM mark 4 – digital cycles, as: 1. AI creates and enlarge possibilities of connecting individuals and sharing informations; 2. When social media create echo chambers as platforms individuals communicate only with other of same opinion, they become more vulnerable to disinformation and misinformations, contrary to rational expectations, either monetary, real or political ones (PMs mark 1,2 and 3); 3. New kind of digital expectations emerges as a basis of PM mark 4 – digital expectations.



INNOVATION AS A DRIVER OF ECONOMIC GROWTH: EVIDENCE FROM EUROPEAN COUNTRIES

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Abstract

In this paper, we investigate the relationship between economic development and innovation performance in European countries. Innovations have been recognized as a crucial factor for economic growth, and the COVID19 pandemic has emphasized the importance of research and innovation in tackling the health and socioeconomic challenges, as well as promoting green and digital transitions. To examine this linkage, we utilize data from 2014 to 2022 and estimate a panel model. Our analysis shows a positive impact of innovation on economic growth across analyzed countries with some difference among performance groups. These results highlight the importance of promoting innovation policies especially in developing countries because innovation can help to address some of the most pressing economic and social challenges they face.

Keywords: Innovation, Economic growth, innovation index.



THE TRANSITION OF MONTENEGRIN ECONOMY – 25 YEARS LATER: HOW TO ACHIEVE SUSTAINABLE GROWTH

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Abstract

Since its independence in 2006, Montenegro has gone through two global crises, which showed all the shortcomings of its economic development. The transition in Montenegro lasted a long time and left great consequences for the middle class. This paper will show the structure of Montenegrin development, i.e. the shortcomings of growth based on the growth of personal consumption, which caused the country's import dependence, as well as the absence of sectoral development with a decades-long focus on the development of tourism, which prevented the diversification of the economy. The second part of the analysis includes the presentation of indicators concerning the distribution of income, which indicate the stratification of the population that is inherent to capitalist economies. This part shows the bad sides of the transition process if it's implemented without macroeconomic planning, because it leads to a great dependence of the national economy on global flows, which is especially shown in the period of crisis. In the third part of the analysis, the performance of the development of other transition economies in the region and their comparison by key indicators will be presented. At the end, the recommendations and conclusions of this research are shown, which, with gradual implementation, can lead to sustainable growth, which includes an increase in production and a standard of living of population, but also the elimination of poverty, environmental protection and prosperity for all.

Keywords: Montenegro, sustainable growth, diversification, transition.



NATURAL RESOURCES RENTS AND GDP GROWTH IN CEE – BORROWING AGAINST THE FUTURE

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Abstract

The economic growth of the national economy can be based on different sources. As one of the generators of economic growth and development, natural resources are affected through economic rents – fees collected by the state based on exploiting natural resources. This includes income based on leases from non-renewable resources such as fossil fuels and minerals, i.e., renewable resources in the long term, such as deforestation, etc. The revenue share based on rents paid on natural resources in GDP varies from country to country. The problem with countries where the percentage of natural resources in the newly created value is more significant is that over a more extended period, there is a decrease in the state's capital stock, which threatens economic growth and development, especially from the aspect of its sustainability. This paper focuses on analyzing the situation in 13 countries of Central and Eastern Europe. Two of them are from the Western Balkan region (Montenegro & Serbia), while the other countries are already member states of the EU. These are specific economies, many of which are still facing various challenges in transitioning from a self-governing to a market-based system of economic functioning. The analyzed variables include GDP measured by purchasing power parity, the share of rents on natural resources in GDP, capital stock, and final consumption. In the time dimension, the analyzed data refer to the first two decades of the 21st century, before the Covid19 virus pandemic. Data were collected from the World Development Indicators database, and the authors used the ARDL approach. The results show that income from economic rents on natural resources in a short period contributes to positive outcomes, i.e., GDP growth. In contrast, in the long term, a higher share of income from natural resource rents negatively affects economic growth rates. These results have significant policy implications pointing to the need for the financial sustainability of state policies, greater diversification, and alignment with green economy trends.

Keywords: natural resources; GDP, CEE, sustainability, green economy.



RURAL DEVELOPMENT AND POVERTY EVALUATION IN SHKODRA REGION

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Poverty is a widespread phenomenon in all over the world. Measurement and analysis of poverty is needed to identify the poor, the nature and extent of poverty and its determinants and to assess the impact of policies and welfare programs on the poor. Based on Albania Living Standard measurement Surveys (LSMSs) data, after an improvement of the main indicators measuring the poverty from 2002 to 2008, the percentage of population living in poverty has increased by 15.4% from 2008 to 2012 (INSTAT and World Bank, 2013). The purpose of this study is to analyze the impact of employment status, family composition, and education of parents, migration, and family residential area on poverty using a questionnaire. The objectives of this research are, to measure the level of poverty of the sample population in Shkodra region to determine the potential factors that impact poverty and to evaluate their impact on the level of the household's welfare and poverty status of the household. The data were collected during September 2020, and direct interviews were conducted with 240 households living in Postribe municipality. Poverty alleviation efforts should be made to improve the social and demographic characteristics of the households, since the number of the poor is increased in both urban and rural areas. To reduce poverty, great attention must be paid to the manufacturing sector, agriculture and tourism.

Keywords: survey, Albania, education, migration, rural.



WHY GREEN TAX REFORM WAS NOT IMPLEMENTED IN SLOVENIA? SOME POLICY IMPLICATIONS FOR THE WESTERN BALKAN COUNTRIES

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Abstract

Experience from Slovenia shows that strong political commitment, proper political ownership and project approach are the most crucial steps towards SDG Agenda. Slovenian government (2014-2018) identified ten strategic projects to be implemented in line with the SDG Agenda. One of the projects was the "Green tax reform" (GTR) in order to stimulate a faster structural transformation of the Slovenian economy and its sustainable development. The main goal of every GTR is to tax bad things (pollution) instead of good ones (income, capital) in order to ensure fiscal neutrality and to improve the situation in an environmental and economic sense (double dividend). The first (environmental) dividend is linked to the reduction of emissions and the second (economic) to the reduction of social contributions or/and income tax which leads to lower costs and greater competitiveness. In the article two scenarios are presented. Baseline scenario where the green tax is not introduced and a projection that assumes the introduction of the specific green tax. The comparison between the two projections is carried out for some key economic variables (consumption, GDP, employment). The analysis shows a relatively small impact of the chosen green tax on the GDP. Different forms of recycling (lower deficit or/and lower social contributions) are also presented in order to identify the optimal fiscal instrument for achieving high economic wellbeing. It seems that reduction of employee's social contributions has more favorable effect on consumption and GDP than reduction of employer's contributions. The experience from Slovenia and from some other EU member states (Sweden, UK, Denmark, Finland, Netherlands, Germany) can serve as a good basis for creating proposals for policy makers in the Western Balkan countries. The experience shows the key to success lies in the combination of public and private funds, gradualistic measures, transparency and strong public support, purposeful spending of collected funds and recycling, effective resolution of repressiveness and loss of competitiveness and in coordination of policy measures.

Keywords: green taxes, green tax reform, double dividend, SDG's.



ENVIRONMENTAL TAXATION IN THE REPUBLIC OF NORTH MACEDONIA – ISSUES AND PERSPECTIVES

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Abstract

A rather broad consensus exists among economists that a Pigouvian-type of environmental taxes are the optimal government intervention aimed at dealing with negative externalities related to pollution and climate change. The environmental taxation in the RNM in the pre-Covid 19 period, measured as a share of GDP, had been relatively lower compared to the countries in the region and the EU. We investigate the impact of the Covid 19 pandemic of 2020-2021, hikes in global energy prices in 2022 and global inflation of 2022-2023 on the share of environmental tax revenues in total tax revenues as well as in GDP in the RNM. One important feature of the country's fiscal policy during the last seven years has been the search for optimal structure of the tax system, which would strike an appropriate balance between economic efficiency and social equity (or fairness). In that context, the main policy debate has evolved around the issue of whether to maintain the existing flat tax rate model for income taxes or to introduce some form of progressive income taxation. Therefore, the issue of environmental taxation seems to have been put less attention to than what it would deserve if the increasing importance of environmental issues for economic growth and development is taken into consideration. One important issue related to wider acceptance of environmental taxation globally is the apparent gap between economic desirability and political unpopularity. The latter seems to be related to the quality of economic, legal and political institutions. Also, as environmental taxation is basically a taxation on consumption, a regressive nature of such indirect tax may also affect its acceptability with voters in developing countries. We analyze these aspects in the context of the income distribution and institutional quality in the case of the RNM.

Keywords: Environmental taxation, Tax structure, Republic of North Macedonia, Consumption tax, Income tax.



THE ROLE OF PENSION FUNDS AS SUSTAINABLE INSTITUTIONAL INVESTORS: AN EMPIRICAL ANALYSIS OF THEIR INFLUENCE ON THE CAPITAL MARKET

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Abstract

Today's financial market conditions require sustainable investment practices. However, for better functioning of the financial system, it must be considered which financial players can have positive effect. The pension funds, as the major institutional investors, are one of the most important players in the global capital markets. Their investment behavior is mainly determined by the economic conditions and circumstances. Nevertheless, their status as the key drivers of the global market is indisputable. Therefore, this paper aims to provide an analysis of the impact of the assets of the pension funds on the capital market. In the study, an economic model has been created, where the dependent variable is the market capitalization as a percentage of GDP and the independent variables are the pension fund assets as a percentage of GDP, GDP per capita growth and inflation. The results showed statistically significant independent variables, where the assets of the pension funds have a positive effect on market capitalization, while market capitalization has a positive effect on GDP per capita growth. This paper also includes supplementary descriptive analysis of pension funds' investment activities in sustainable projects. Sustainable investment has proven to provide long-term positive effect on the financial returns. Nevertheless, in the current, competitive financial markets, aligning the investment goals of the investors with their values can contribute to the development of new technologies, while reducing the negative effect on the environment and at the same time promoting social responsibility. Global challenges regarding the climate change, inequality and the rapid pace of technological development can be addressed through modernized efforts and new strategic approached. In this context, sustainable investments can be directed towards these global challenges, hence, with generating better environmental outcomes.

Keywords: investment, pension funds, capital market, sustainable investment, institutional investors.



THE IMPACT OF COVID 19 PANDEMIC ON THE WORLD TOURISM

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Abstract

Tourism is one of the most important industrial sectors for the economy of every country. The tourism sector is one of the most affected economic segments just because of the crisis caused by Covid 19 pandemic. Economic potential of tourism is huge, mainly thanks to the growing standard of living of many countries as well as the continuing globalization and the end of Covid 19 pandemic. Tourism makes the multiplied effect of the sector of the future. We can state that the influence of Covid 19 pandemic on the tourism is much worse than the global financial crisis in 2008. Covid 19 pandemic has brought the loss of more than 100 million jobs and some countries suffered the impact of the pandemic more seriously than others. Tourism has suffered global losses in the amount of almost 4.5 trillion dollars and GDP from tourism dropped by 49.1% in comparison with the year 2019. Nowadays, society has started to learn to live with this negative phenomenon. Information- communication technologies are integrated to the tourism sector. New trends that appeared in tourism during Covid 19 pandemic is „digital green pass“ without which it is not possible to travel. The outbreak of COVID-19 pandemic caused that tourism and preferences of customers significantly changed. Innovations and modern technologies significantly change the process of functioning of the provision of services in tourism.

Keywords: Tourism, COVID-19 pandemic, active tourism, international tourism.



CHALLENGES OF NEW GEOPOLITICAL PERSPECTIVES FOR ECONOMIC POLICY

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Abstract

This paper analyzes changes in economic policy caused by current geopolitical tensions. These tensions are primarily related to the current war in Ukraine, but their consequences go beyond the usual economic consequences of war. The reason is that this war actually represents the greatest threat to the global legal and economic order since World War II. The previous global economic order was based on the rise of globalization processes promoted by the USA, which was contributed to by the end of the Cold War and the collapse of the centrally planned economic system. This order was often called the international liberal order. This order was often called the international liberal order and incorporated several aspects such as: international institutions, constitutional democracies and economic interdependence. In the domain of economic policy, this order was linked to the well-known Washington Consensus. Economic problems in the form of growing inflation and economic slowdown, as well as evident processes of deglobalization, faced by the economic policymakers call into question the postulates on which it has been conducted until now. The government intervention seems inevitable at a time of economic and social crisis that threatens even advanced economies. The direction in which these changes in economic policy will take place will be the subject of the analysis of this paper.

Keywords: economic policy, neoliberalism, deglobalization.



OUTPUT AND PRODUCTIVITY GROWTH IN MONTENEGRO FROM 2007 TO 2021: SECTORAL APPROACH

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Abstract

Structural changes have occurred in Montenegro in recent decades. Once an industry-driven economy, Montenegro became a service-oriented economy in XXI century. In addition to the overall expansion of the services sector, the share of gross value added in public services in GDP has increased in the last decade. Historically, Montenegro had lower labour productivity and TFP growth rates than developed countries. While being a member of the SFR Yugoslavia (from 1945 to 1991), the average annual TFP growth rate in Montenegro was the lowest among federal republics. In recent decades, TFP growth in Montenegro has also been lower than that in other Western Balkan countries. Labour productivity in Montenegro is also significantly lower than the average in the EU (27) (on average, 27% of the EU (27) average in the period 2007-2021). The labour productivity in Montenegro increased by 28% in the fifteen years period (2.1% average annually). In the same period, the GDP per capita increased by 86% (4.3% average annually). The analysis at the economic activity level shows that the largest increase in labour productivity was observed in the energy sector (79%), science, technical and business services (51%), trade (49%), mining (35%), manufacturing (34%), housing and catering (33%), construction (25%), transportation and communication (20%) and finance and insurance (19%). Labour productivity decreased in the following sectors: agriculture (-15%), water and communal waste (-8%), administration (-17%), education (-9%) and health (-3.6%), arts (-14.4%) and other services (-30.1%). By applying the growth accounting method, we decomposed the GDP growth rate for the period 2007-2021. The average annual GDP growth was 1.7%, capital stock growth 1.8%, TFP growth 1.12%, and employment growth was slightly negative. Lower productivity (labour productivity and total factor productivity) compared to developed and several medium income European economies is an issue to be considered carefully. Among other determinants, this is influenced by insufficient technological development, quality of education, qualifications and expertise of the workforce and inadequate management and organization in companies. In addition, low domestic accumulation and dependence on foreign sources of financing are chronic economic conditions. At the global level, the competitive position of the Montenegrin economy has not significantly improved in recent decades, although progress has been made in certain categories. This means that, despite the efforts and results achieved in Montenegro, other countries have achieved more. On the path of long-term stable growth, the Montenegrin economy faces a series of challenges, which come from the sphere of technology and knowledge, the demographic sphere, but also from the institutional and fiscal sphere in Montenegro, which require improvements for the economy to keep pace with the growing number of developed countries in Europe.

Keywords: Output growth, Labour productivity, TFP, Sectoral approach.



BIBLIOMETRIC ANALYSIS OF ANTI-CORRUPTION ACADEMIC LITERATURE IN SOUTH-EAST EUROPEAN REGION (2017-2022)

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Abstract

In this paper, we analyze the regional body of knowledge, related to the anti-corruption research, published in academic journals, conference proceedings and academic books (including book chapters), in the 2017-2022 period. We use the Elsevier Scopus database to identify the scientific output of the anti-corruption academic research in the South-East European (SEE) region, while the Elsevier SciVal research intelligence solution is used to report on the productivity and impact of the analyzed research topic. We identify the most productive and influential regional researchers, institutions, and countries, and perform clustering and science mapping of the regional research output, as to identify the patterns of regional interests and collaboration in the field of anti-corruption research.

Keywords: anti-corruption, research, bibliometric analysis, South East Europe.



INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT OF SERBIA

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Abstract

Inclusive and sustainable industrial development has been incorporated, together with resilient infrastructure and innovation, as Sustainable Development Goal 9 in the 2030 Agenda for Sustainable Development. Successful implementation of inclusive and sustainable development provides rapid and sustained increases in living standards for all people, and new technological solutions for environmentally friendly industrialization. Industrial policy is important pillar for successful implementation of inclusive and sustainable industrial development. The decision of the Republic of Serbia to join the EU entails the obligation to respect inclusive and sustainable industrial development. Aim of new industrial policy of Serbia is in line with the environmental protection policy is achievement of sustainable development and increase of competitiveness, innovation and employment.

Keywords: Industrial policy, Sustainable development, Serbia, Industrialization.



THE EFFECT OF OIL AND ELECTRICITY IMPORT ON CURRENT ACCOUNT DEFICIT: AN ANALYSIS ON WESTERN BALKAN COUNTRIES

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Abstract

Persistent current account deficits in Western Balkan countries raise questions about external sustainability and international competitiveness, which are important to ensure a sustainable path for those countries on its road toward EU accession and fulfilment of convergence criteria. Large current account balances are not necessarily negative on their own if they are justified by differences in countries' economic fundamentals, such as demographics, income level and growth potential (IMF, 2021). However, persistent current account deficits above 5% of GDP have generally been considered unsustainable in the long-run (Milesi-Ferretti and Razin, 1996; Roubini and Wachtel, 1998; Carranza, 2002). Assessing the determinants of current account deficit currently gains importance bearing in mind the prolonged pandemic and the war in Ukraine which are affecting trade, commodity prices, and financial flows, all of which are globally changing current account deficits and surpluses. In this paper we are examining the impact of oil and electricity import on the current account deficit in Western Balkan countries. Furthermore, we investigate the impact of real effective exchange rate, oil prices, trade openness, fiscal deficit and income on current account deficit. To this end we rely on the estimation of a panel model with fixed effects over the period 2005 to 2021. Consistent with existing literature, we show that net electricity imports, oil prices, real effective exchange rate, trade openness and income, measured by GDP per capita, are significant variables in explaining the current accounts of those countries. The examined relationships revealed in the paper complement the empirical literature by providing new evidence from these emerging European economies.

Keywords: current account determinants, Western Balkan, panel study, fixed effects.



IS IT POSSIBLE TO DIVORCE ENTREPRENEURIAL ACTIVITY FROM FISCAL POLICY IN EU COUNTRIES?

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Starting from the assumption that public governance manifests its multidimensional framework towards entrepreneurship as a trigger of economic development and a means of increasing societal well-being, this research highlights to what extent fiscal policies, in particular, together with other socio-economic drivers (government efficiency, trade, GDP growth and education) influence the entrepreneurial environment. Our analysis is based on the threshold regression model, applied to time-series data from 2002-2019 for the European Union's member states, in order to return parameters for the predictors, in which there is a changing point in fiscal policy as the threshold variable on entrepreneurship. The data set was presented visually based on the data mapping process to evidence the hierarchy of the EU countries for each of the analysed phenomena. Results evidenced that the emphasis appears on fiscal policies, expressed through tax revenue and government expenditure, and trade and government effectiveness as influential factors for entrepreneurial activity in EU countries. A couple of indicators were also included in the analysis of entrepreneurship, GDP growth and education, but the statistical tests did not confirm their positive impact. Overall, our study proves the relevance of public policies for entrepreneurship development, as entrepreneurs feel more support in an economy characterized by good governance and effective government spending.

Keywords: fiscal policy, public governance, entrepreneurship, dynamic panel threshold model, European Union.



FOREIGN DIRECT INVESTMENT, SUSTAINABLE GROWTH AND BILATERAL INVESTMENT TREATIES

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Foreign direct investment is often considered to be an important driver of hostcountry economic growth. Additionally, the investment is associated with technological upgrading, which can often lead to positive effects on host-country environmental performances. Bilateral investment treaties, which seek to protect and promote foreign direct investment, increasingly include provisions related to environmental protection. This can encourage sustainable investment practices of foreign affiliates. For this reason, the well-defined and implemented bilateral investment treaties can serve as a tool for attracting foreign direct investment that leads to sustainable growth of host countries, by defining instruments for screening out the potentially harmful investment projects and support more sustainable ones. In this paper, we review the state of the literature on the relationship between foreign direct investment and the sustainable growth of host countries. In addition, we explore how bilateral investment treaties can contribute to achieving the goal of sustainable growth through environmental provisions. Finally, we present the results of the empirical study investigating the effectiveness of bilateral investment treaties in the case of Serbia.

Keywords: foreign direct investment (FDI), bilateral investment treaty (BIT), sustainable development, economic growth, environment.



IS ANY ADJUSTMENT OF THE RESEARCH RESPONSE ON THE HEALTH EXPENDITURE EFFICIENCY AND ECONOMIC GROWTH RELATIONSHIP IN EU COUNTRIES?

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Abstract

Health expenditures have been considered a significant challenge for the European Union Member States (MS), with tremendous implications for economic growth. Economic development relies on the efficiency of a well-balanced distribution, allocation, and efficiency of health expenditures. This research aimed to review the existing literature regarding the relationship between health expenditure efficiency and economic growth. Applying a bibliometric methodology, a comprehensive and in-depth bibliometric analysis was performed in VOSviewer software containing 257 bibliographic data from 2010–2023, extracted from the Web of Science (WOS) Core Collection database. The investigation was grounded on four main levels of bibliometric analysis: the stages of collaboration through co-occurrence analysis with insights into the main keywords of all authors, network collaboration, bibliographic coupling for publication activities, and citation patterns. The results provide insights into key research topics encompassing a broad range of fields, highly-cited research documents and authors, publications' primary sources, networks in terms of organisations, and the trend of collaboration at the country level. Moreover, the clustering of the keywords applying co-occurrence analysis reveals that the context of research documents is primarily focused on the issues such as the determinants of health spending efficiency, governance, innovation, challenges, reforms in the public sector, the resources and human capital that are involved, and the financing process, along with a series of empirical analysis techniques that the authors employ in determining the impact of health expenditure on economic growth, such as panel data, tests, causality, and regression. Thereby, the results highlight an increase of collaboration over time, becoming increasingly oriented within the European Union countries, with a preponderant number of citations regarding the selected research documents that were published in a large variety of research sources, the fact that nuances the importance of the topic worldwide and expands how authors and organisations interpret and understand the relationship between health expenditure efficiency and economic growth for effective public sector decision-making and more grounded research on this area.

Keywords: health expenditure efficiency, economic growth, research networks analysis, scientific gap, state of research.



III BUSINESS



IS PRODUCTIVITY AND INNOVATION PARADOX LEADING TO SUSTAINABILITY PARADOX?

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Abstract

The paper deals with the prospects and issues of achieving sustainable development goals within given time limits and given strategic deadlines. The emphasis is on establishing development paths and sustainable strategies for urgent actions leading to the achievement of sustainable development (SD) goals in a short time span agreed in the global, regional, European reports and documents, signed and acknowledged by a great number of states. SD as a goal of international policy and strategy is incorporated in the acts and resolutions of international bodies and conferences but despite the proclamations the sustainability concerns and issues are rising in all the three domains – societal, economic, and indicators of environmental deterioration with ecological negative effects in the environment are becoming more acute. The reports and documents are confirming that environment deterioration caused by our present activities are reaching alarmingly high levels. The deep concerns related to this grave state are viewed in the perspective of technology playing a dual role: as the main cause of the problems and as the main driver of the transition to sustainability. The research is presented and structured around the potential Sustainability Paradox (SP) with the focus on the issues related to managing technology and achieving sustainability goals in the society and economy. Based on the productivity paradox experiences, the potential rise of modern SP is introduced as a new threat to development not only in the sense of productivity slowdown but with wider considerations of the failure to fulfill expected social, economic and environmental effects of our actions that urgently need to create the transition to sustainability. The analysis of SP points to potential causes of such a paradox occurring today. The National Innovation Systems and Ecosystem approaches, along with the global indices developed in the domains of competitiveness, innovation, entrepreneurship, sustainability point to the main pillars of sustainable development dimensions. The aim of the research is firstly to explicate the causes of the SP, and second, to present the crucial domains, means and measures as action paths contributing to realization of sustainability demands and preventing the emergence of the SP. The last section of the paper presents findings concerning means and measures to mitigate and reduce the influence of the factors causing the SP. These are a set of activities specific to the nature of sustainability causes, i.e. focus on wide sustainable technology development and adoption, sustainable business and technology entrepreneurship modes, educating users, changing behaviours and attitudes in all aspects and domains, changing the overall philosophy of doing business, governing the economy and managing our life-styles and preferences. The SP analysis points to the threats of new technology failing to reach not only expected economic results, but also the expected results in the environmental and societal domains. The SP analysis and research findings are a contribution to the research of key factors of transition towards achievement of SD.

Keywords: sustainability paradox, causes, sustainable technology entrepreneurship.



STRATEGIC MANAGEMENT TOOLS AND GOVERNANCE IN SMALL AND MEDIUM ENTERPRISES (SMEs)

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Abstract

Objective of this paper is to identify the strategic management tools, most often used in small and medium enterprises (SMEs) in the County of Split-Dalmatia, in the Republic of Croatia, as well as to analyze their potential relationship with the determinants of the SME governance. After reviewing the existing research on this topic, we discuss the methodology of the empirical research and present its empirical results. Regarding the strategic management tools, we analyze the strategic analysis tools, as well as those, used in the subsequent stages of strategy formulation, implementation, and control. Based on the results of empirical research, we present the assessment of strategic management tools maturity in the analyzed SMEs. In the analysis of governance, focus is placed on the owners' and managerial decision-making in SMEs, owners' awareness of the company performance and managers' rewards and bonuses for the achieved business performance. We further provide the empirical analysis of the relationship between the two constructs, as well as discuss the implications of empirical results for improvement of the existing business practice and development of good practices in strategic management and SME governance in the wider region of Dalmatia in the Republic of Croatia. In addition, we identify the opportunities for the future research of the SMEs' strategic management and governance, with the special emphasis on using the strategic management tools, other indicators of SME management professionalization, and the indicators of SME governance development.

Keywords: small and medium enterprises (SMEs), strategic management tools, governance.



AN OVERVIEW OF ORGANIZATIONAL SUPPORT FROM HEALTHCARE PROFESSIONALS DURING THE PANDEMIC PROCESS

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Abstract

The outbreak of the COVID-19 pandemic has put enormous strain on healthcare systems worldwide. While providing medical care during the pandemic, healthcare professionals are exposed to high-risk and uncertain situations. Consequently, their physical and psychological well-being has been severely affected. So the importance of organizational support is crucial to mitigate the negative impact of such stressors. The study aims to explore and understand the effects of organizational support on the well-being of healthcare professionals. The research group consists of healthcare professionals who continue to work under high-stress conditions while combating work-life related problems during the pandemic. This study focuses on issues that health professionals encountered while working during the COVID-19 pandemic. The research's focus is on healthcare professionals who work in public hospitals. The study employed one of the qualitative research methodologies known as the phenomenology approach. Semi-structured interviews were conducted with twenty seven healthcare professionals working in a public hospital in İstanbul, who were selected through purposive sampling. The interviews were analyzed using thematic analysis to identify themes and develop a better understanding of healthcare professionals' perceptions of organizational support. The results of the study indicate that organizational support has a positive impact on the well-being of healthcare professionals during the pandemic. Support from colleagues and management in the form of emotional and practical help was found to be essential for maintaining the resilience of healthcare professionals. Respondents suggested various solution proposals, including regular communication with colleagues and management, rotation in work shifts, providing appropriate equipment and sufficient resources, financial support, and recognition of their work. The study concludes that organizational support during the pandemic is fundamental to maintain the physical and mental well-being of healthcare professionals. The role of management and colleagues in providing organizational support is pivotal in ensuring that healthcare professionals can work effectively in stressful environments. Effective communication, recognition of hard work, and the provision of resources and equipment are essential for healthcare professionals' resilience during the pandemic. This research highlights the importance of organizational support from management and indicates some practical steps that can be taken to support healthcare professionals.

Keywords: Organization, Organizational Support, Healthcare Professionals, Pandemic.



ANALYSING DIFFERENCES IN ATTITUDES REGARDING THE USE OF THE INTERNET: EMPIRICAL STUDY FROM SERBIA

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Abstract

The significant changes brought about by the digitization of business, especially in the B2C segment, have caused a great interest of the business and academic public in all dimensions of using the Internet for business purposes. Considering that business trends come mainly from developed economies, it is of great importance to analyze and monitor effects of these trends in developing countries. One of the significant trends in the digitization of business is online shopping. Within this paper, views of members of predominantly Generation Y in Serbia were studied regarding attitudes towards the use of the Internet and mobile Internet. Attitudes towards the Internet and mobile Internet were measured using standardized instruments: Ubiquity, Instant Gratification, Product Variety and Riskiness. Research hypotheses were tested by analyzing data collected from a sample of 521 respondents from Serbia. We analyzed statistically significant differences in respondents' attitudes towards the Internet and mobile Internet according to gender and education level. Although the attitudes of members of Generation Y towards the use of the Internet and mobile Internet have been extensively researched in developed economies, they do not necessarily coincide with the attitudes of members of Generation Y in countries in transition. For that reason this research represents a contribution not only to the scientific but also to the professional public, as it can contribute to a better understanding of the attitudes towards the use of the Internet and mobile Internet of Generation Y, which is a prerequisite for creating effective and efficient marketing strategies.

Keywords: Generation Y, Internet marketing, Ubiquity, Instant Gratification, Product Variety, Riskiness.



THE FACTORS THAT AFFECT THE GROWTH OF SME-S IN ALBANIA

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Abstract

Small and medium enterprises (SMEs) in Albania are very important for economic growth and they play a significantly essential role in the generation of employment. SMEs make up 99.8% of companies in Albania, produce about 75% of GDP, while their contribution to employment accounts for about 83% of the workforce. This paper aims to analyze external and internal factors that affect the growth and development of SMEs. As for external factors, there are several stumbling factors that curb the development of SMEs, such as difficulties in financing, corruption, competition, trade barriers and macroeconomic factors. There are also several internal factors that limit the growth of SMEs such as: low level of professional management, lack of qualified workforce, deficiencies in marketing strategies, lack of new technology, low level of use of information technology. Based on data published by INSTAT, bank of Albania, international bodies such as the World Bank, high significant effects were observed between GDP and companies with 10 to 49 employed.

Keywords: SME, internal and external factors, growth.



APPLICATION OF IT TOOLS IN MANAGEMENT REPORTING

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Abstract

Management reporting is a process under the responsibility of management accountants, that is, controllers. It is most often described by the terms flexible, dynamic, non-standardized, ad hoc, creative, adapted to needs, etc. It represents the fifth process in the controlling process model of the International Controlling Group (ICG), which indicates the importance of structuring and introducing uniformity in the management reporting process. The reasons for this should be sought, among other things, in the key goals of management reporting, which are the creation and disclosure of relevant, timely and user-oriented information, ensuring transparency of results at all levels of the company and contributing to the achievement of set long-term and short-term goals. In this context, the ICG formulates certain recommendations for improving management reporting, and one of them is the application of IT tools and the automation of the process of creating routine reports, so that more time remains for conducting analyses, giving comments and defining improvement measures. Implementation of improvements of this type is facilitated due to general digitalization and development of new and improvement of existing IT tools. Some of the modern tools used to improve management reporting are ERP, warehousing tools, cloud computing, big data, data mining, machine learning, robotic process automation (RPA), business intelligence (BI), dashboards devices, self-service and mobile solutions for reporting, etc. The application of these and similar IT tools has a positive effect on the quality, effectiveness and efficiency of management reporting and the controlling process as a whole. Also, it has positive effects on the decision-making process in companies. By further strengthening digitalization and increasing the level of application of IT tools in management reporting, controllers will increasingly perform consulting, evaluation and process initiation tasks, as well as tasks based on the use of IT. The goal set by this study is to identify the IT tools used in management reporting in companies in the Republic of Serbia. The data were collected by surveying experts in the field of controlling. The results show that Excel (95% of cases) and Power Point (50% of cases) are mostly used in the reporting process. Other tools, such as Power BI, Looker, Qlik, Visual Basic for Applications and others are used, but they are somewhat less common.

Keywords: management reporting, IT tools, management accounting, controlling.



ANALYSIS OF THE MANAGEMENT STYLE IN THE HEALTHCARE INSTITUTION

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Abstract

Healthcare is a complex and highly regulated industry that requires strong leadership to provide high-quality patient care. Healthcare leaders should be aware of the strengths and weaknesses of each management style and must be able to adapt their management style to the specific needs of their team and their patients to provide the best possible care. While some management styles may be more effective than others, Autocratic, Delegative, Participative, and Parental management styles are all used in healthcare, with varying degrees of success. Previous research suggests that the use of different management styles in healthcare institutions can have a significant impact on patient outcomes, employee satisfaction, and organizational culture. The use of different management styles in healthcare depends on the situation and the needs of the organization and on the skills and motivation of the employees. The goal of this research is to determine which management style is present in the investigated healthcare organization, as well as to investigate the level of adequate relationship between management and employees. We examine the attitudes of employees on issues related to management styles, and on the state of the relationship between management and employees in the organization. We tried to identify how much employees consider management style and the relationship between management and employees to be important in the operation of the organization. If managers care about and take care of employees, if managers have adequate communication with employees or if employees have freedom and autonomy in performing their job tasks. The research was conducted in a clinic within a tertiary healthcare institution from the public sector in Serbia. The questionnaires were distributed among the 43 clinic's employees from different sectors and levels of the organizational structure, from managers to staff. Based on the results of the conducted research, it can be concluded that, in the organization in which the research was conducted, the managers have a desirable management style. However, the results showed that in the examined organization, the managers do not have an adequate communication with the employees, and based on that some suggestions for improvement and practical solutions are proposed.

Keywords: Management style, Healthcare institution, Employee satisfaction.



IMPACTS OF ORGANISATIONAL MATURITY ON DOCUMENT MANAGEMENT SYSTEM USE – CASE ANALYSIS

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Abstract

The topic of the article addresses the management of the document management system (DMS), which represents one of the important steps for companies to speed up the implementation of business processes, achieve better control over documents and ensure safer operations. When implementing and using DMS, the importance of the company's maturity shall not be forgotten, as it gives the company a framework to evaluate and improve the overall effectiveness and efficiency of the organization's DMS, which can contribute to better decision-making and increased productivity. In the paper, the impact of company maturity on the DMS lifecycle is researched and presented results, based on a case analysis of financial institution. Supporting the case analysis, structured interviews with the project leader on clients' and the project leader on providers' side have been performed, which gave a deeper insight on DMS implementation and use in financial institution analysed as case research study.

Keywords: document management system (DMS), organizational maturity, case analysis.



PERCEIVED ADVERTISING VALUE OF MEDIA FOR DRIVING SUSTAINABLE DEMAND IN EMERGING ADULTS

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Abstract

This study analyses the perceived advertising value of three different media (TV, website banners and Instagram) and their relative power in driving sustainable demand in emerging adults. The research is done with the convenience sampling method, through an online questionnaire on a sample of 284 emerging adults, aged 18-29. The results show that most of the emerging adults have previous experience in communication with brands with sustainable products in the last six months through TV (86%) and Instagram (79%), while only a few had such communication through website banners (5%). Regarding the relative value of media for advertising of sustainable products, most of the respondents consider Instagram to be the more valuable media for communication, compared to TV and website banners. In terms of media usage, most of the emerging adults (93%) use Instagram every day, only half of them use TV and internet website searches every day. The perception of advertising of sustainable products shows that most of the respondents (69.7%) agree that such advertising helps people become better consumers and make better purchase decisions (58.7%). Regarding TV, 61.6% see it as a good source for information about sustainable products; the half (54.2%) are neutral about the credibility of product information on TV; 37.3% agree that information on TV has positive influence on their decision to buy sustainable products; and 31.7% are planning on buying such products advertised on TV in near future. Apropos Instagram, 58.1% agree that Instagram is a good source for information; 54.9% are neutral regarding the credibility; the half agrees that information on Instagram has positive influence on their decision to buy sustainable products; 50.7% plan to buy sustainable products advertised on Instagram in near future. For website banners, 49.3% see them as a good source of information; 53.5% are neutral towards the credibility; 31.3% agree about the positive influence on their decision to buy sustainable products; 31% are planning on buying sustainable products advertised on banners. This study can be of use to sustainable brands in creating advised communication strategies and plans, according to the perceptions and attitudes of their potential consumers.

Keywords: media, advertising, sustainable brands, emerging adults, TV, Instagram, website banners.



THE IMPORTANCE OF TRAINING ON INTERCULTURALITY OF EMPLOYEES IN THE TOURISM SECTOR

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Abstract

The tourism sector, by its very nature, involves interactions between people from different cultures, and therefore employees are expected, in addition to knowing a foreign language, to have a certain level of cultural sensitivity. Intercultural training has numerous advantages, some of them are that it enables effective communication and interaction with guests from different cultures, affects the satisfaction and loyalty of service users, and promotes cultural understanding and tolerance. Also, investing in intercultural training for tourism employees can lead to the long-term success of the tourism organization and create a positive impact on the wider community. There are numerous studies that show that employee training on intercultural issues is extremely important for front-line employees to provide high-quality service and guest satisfaction. The lack of this training represents a significant challenge for tourism employees. Therefore, the goal of this research is to analyze the importance of intercultural training of employees in tourism, as well as all the benefits it has for both employees and guests. The methodology includes a review of relevant literature with an analysis of available data. The results of the research show that training on interculturality has a positive impact on the quality of services, as well as those organizations that have included this training program achieve greater competitiveness compared to those that have not yet done so.

Keywords: tourism sector, intercultural communication, training, cultural diversity, employees.



LEADERSHIP IN THE ERA OF DIGITAL TRANSFORMATION AND DISRUPTIVE INNOVATIONS

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Abstract

In the era of digital transformation and AI, effective leadership requires a unique skillset that goes beyond mere technical expertise. The success of organizations in navigating complex and rapidly-changing technological environments hinges on the abilities of their leaders. Effective leaders prioritize the development of their “soft skills” in order to adapt to the evolving needs of their organizations and thrive in the era of digital disruption. As organizations strive to stay competitive in an increasingly disruptive landscape, it is imperative that leaders prioritize the development of these skills to effectively manage change, drive innovation, and achieve sustainable growth. Using surveys, interviews, and an extensive review of literature, we have confirmed hypothesis that the development of “soft skills” is crucial for leaders in the digitalization and AI era. These skills include, but are not limited to, emotional intelligence, communication, creativity, critical thinking, and problem-solving. We have found that leaders who prioritize the cultivation of these skills are better equipped to navigate the challenges of digital disruption, build and maintain high-performing teams, foster innovation, create a culture of continuous learning and improvement, and inspire their teams to achieve greater success. Furthermore, our research indicates a strong link between leadership and capability of a company to generate disruptive innovations. Effective leaders, in this context, are not only capable of managing change, but also initiating it and driving it forward. Their unique combination of hard and soft skills allows them to anticipate and capitalize on emerging trends, identify opportunities for innovation, and create new value for their organizations.

Keywords: Digital transformation, leadership, “soft skills”, „disruptive innovation”, sustainable growth.



HINDERED CONTACT CENTER PERFORMANCE OF REGIONAL ENERGY COMPANY FOLLOWING OUTSOURCING HINTS

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Abstract

Contact center outsourcing represents a potential threat of job loss for employees, which can reduce employee motivation, as well as commitment to work and the organization. The purpose of this paper was to investigate performance consequences of one fully integrated organizational unit in regard to its potential outsourcing, as well as making the point of how early obstacles start to add up even before the perceived business event takes place. The problem this study deals with is the observed role of outsourcing in employee stress, absenteeism, their intention to leave the job and job dissatisfaction. All of these issues directly affect their performance and are difficult to manage in the environment of heavy duress.

Keywords: outsourcing, environment, performance, organization, contact center, management.



TWINNING ENTREPRENEURSHIP AND DIGITALISATION: DO WE HAVE A WINNER? A PANEL THRESHOLD REGRESSION ANALYSIS IN EU COUNTRIES

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Abstract

This paper investigates the relationship between new business density rate, as a proxy for entrepreneurship, and individuals' digital inclusion, as a proxy for digitalisation in EU countries. The novelty of this study is brought by the panel threshold analysis applied, considering the time frame 2006-2020. The paper was based on and validated the human capital theory. The results indicated a strong single threshold effect between individuals' digital inclusion and new business creation, indeed confirming that entrepreneurship is influenced by the skills, knowledge, and experience of the entrepreneurs, including their education, training, and work history. For EU countries, individuals' digital inclusion boosts new business creation only after reaching a certain level; still, when separating the EU countries from the perspective of their Innovation Index performance, the threshold effect only existed in strong and emerging innovators. The research provides a new framework for understanding the complex factors that drive entrepreneurship and can help researchers and practitioners develop effective strategies for promoting entrepreneurial activity. The opportunities availed by digitalisation are significant, and entrepreneurial individuals and organisations able to adapt and innovate in the digital age are more likely to be successful.

Keywords: digitalization, entrepreneurship, human capital. EU countries.



DO INVESTMENT INCENTIVES MATTER IN MNEs LOCATION CHOICES? EVIDENCE FROM SEZs IN POLAND

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Abstract

Multinational enterprises (MNEs) are looking for optimum locations in almost all countries and regions across the world which are politically and economically safe. A foreign investor is interested, above all, in finding a concrete location where he would be able to bring the project to a successful end. With this knowledge in mind, authorities try to attract foreign investors using public resources for this purpose. Business environment institutions, including public bodies at different levels of administrative division (national, regional, and even local), have an important role to play in attracting foreign investors. To this end, they use industrial policy instruments (incentives) available at their level of competence, dependent on binding regulations and available resources. Obviously, the authorities have a choice and may refrain from doing anything, but they may also actively engage in efforts aimed to attract the interest of those who have capital in a specific location. In this second case, they should be guided primarily by economic (effectiveness) or social (mitigating disproportions) reasons to deliver tangible benefits to the host country. These reasons can be connected with, inter alia, creating new jobs, inflow of new technologies, implementing new management methods, additional revenue from exports, or possibilities of closer cooperation with local entrepreneurs. Most governments actively compete for investors offering them, e.g., fiscal, financial, regulatory, technical and information tools. However, using incentives to attract MNEs cannot be a priori considered economically justified, as it is connected with incurring costs which, in some circumstances, may exceed expected returns. Such operations may raise doubts not only because economic operators are being subsidized, which means that a government interferes with the market, but because of the selective nature of granted aid. Hence the principal scientific goal of the study is to evaluate the economic rationale behind using investment incentives and their impact on location choices made by enterprises with foreign capital. Author used the case of 14 special of economic zones (SEZs) in Poland, data collected within direct questionnaire studies and secondary sources. Statistical methods were employed.

Keywords: MNEs, FDI, investment incentives, special economic zones, Poland.



NEUROMARKETING AND CONSUMER BEHAVIOR: MARKETING MANAGERS VS CONSUMERS IN BUYING GREEN PRODUCTS

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Abstract

In modern business conditions, the number of consumers who strive to behave 'green' is increasing significantly, and their growing preference for green products is noticeable. Under these circumstances, marketing managers need to look for new methods of creating effective marketing campaigns, starting from advertising methods and developing green awareness to making purchasing decisions. On the other hand, we testify that it is extremely difficult to capture the attention of buyers/consumers today, which creates an increasing need to understand when and how consumers focus their attention towards advertising stimuli and which patterns determine their behavior. In this regard, neuromarketing has gained considerable popularity as a concept and it includes very useful techniques used in analyzing consumer behavior. Neuromarketing has increasingly being used with the aim of understanding how the subconscious mind of consumers responds to green marketing activities. However, due to the lack of research on this topic in Montenegro, it is unclear to what extent Montenegrin consumers are interested in green products, based on advertising campaigns, and on the other hand, how familiar marketing managers are with the use of neuromarketing in exploring the preferences of 'green' consumers. Considering the research gap, the aim of this paper is, on the one hand, to investigate consumers' attitudes toward green products and their purchase intentions based on advertising campaigns, and, on the other hand, to find out the extent to which marketing managers use neuromarketing to understand consumer behavior. Data were collected using a random sample of respondents (consumers) and a stratified sample of companies that use the green/sustainable/ecological label in their business. The research reveals that the attitude which Montenegrin consumers have about a green products, as a result of the advertising campaign, and the behavior they show when buying it are often in contradiction. This discrepancy between attitude and behavior, i.e. between intention and action, can be reduced by using neuromarketing. However, research has shown that there is a distinct lack of knowledge among marketing managers about how neuromarketing can be used as a concept to understand consumer behavior. In terms of explaining possible techniques in neuromarketing, the research showed that marketing managers would prefer eye tracking and facial emotion coding as the most popular methods, due to the time and cost savings in its implementation. The results obtained can help marketing managers make optimal marketing decisions.

Keywords: neuromarketing, consumers, green products, managers, Montenegro.



CONSUMERS PURCHASING BEHAVIOUR AS FUNDAMENT TO CIRCULAR ECONOMY ADOPTION – AN EMPIRICAL RESEARCH FROM MONTENEGRO

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Abstract

The global industry based on linear economy concept, i.e. „take-make-use-throwaway“ has caused many negative effects, such as excessive exploitation of natural resources, environmental degradation and threats to human health. All these threats to the development of the society in the long term had led to the emergence of the concept of circular economy. This concept is based on recycling and reducing the use of new sources of raw materials to a minimum, which enables the achievement of economic growth based on the principles of sustainability. Nevertheless, the possibility to implement this concept strongly depends on the purchasing habits of consumers. However due to lack of research regarding this topic in Montenegro, it is unclear to which extent Montenegrin consumers are concerned about environmental degradation and how familiar with principles of circular economy they are. Furthermore, it is unknown if they are informed about characteristics of recycled products and what their attitudes towards purchase of this type of products are. Bearing in mind the research gap, the aim of this paper is to investigate whether Montenegrin consumers are familiar with the meaning of circular economy and what their attitudes and perceived risks towards purchasing recycled products are. Additionally, this paper investigates the extent to which they are worried because of the environmental degradation and if they understand the way in which their buying habits prevent or contribute to the implementation of the principles of economic activities based on sustainable grounds. Data will be collected through online survey, using random sample of respondents and it will be analysed using instruments of descriptive statistics. The obtained results could provide managers with insights that are important for designing and implementing adequate marketing strategy aimed at promoting green and ecofriendly products. Besides of that, these results can serve as guidelines for economic policy makers regarding the efforts that need to be made, with the aim of developing consumer awareness about the importance of the circular economy and sustainable economic development, but also with the aim of educating them about the fact that the behaviour of individual customers is one of the key factors in this process.

Keywords: consumers, circular economy, purchasing behaviour, recycling, Montenegro.



INTERNATIONALIZATION AS COMPARATIVE ADVANTAGE FOR HIGHER EDUCATION INSTITUTIONS – THE CASE OF MONTENEGRO

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Abstract

Although international aspects of higher education were recorded between the 18th and 19th centuries, the internationalization of universities is still a phenomenon that needs further research and investigation. It implies the development of high-talented, scientific, human potential, and has the particular importance to the creation and development of Intellectual Capital, especially in small economies, such is Montenegro. In era of knowledge economy, where innovation drives business cycles, the mobility of researchers can be the key to a country's economic prosperity. Transfer of knowledge is an important driver of innovation, especially in emerging economies. Countries like Montenegro which are geographically small and yet not enough developed, where universities are the bearers of the innovation activity, should pay a special attention the internationalization and the knowledge transfer. Therefore, this paper will focus on the internationalization of HEIs and its role in the international positioning of universities, and fostering innovation and national competitiveness in Montenegro. Developed model will try to examine the contribution of different dimensions of the intellectual capital on the Montenegrin HEIs' performance. For this purpose, the Structural Equation Model (SEM) will be developed to examine the impact of the chosen variables on the performance of the Montenegrin HEIs. Inputs will be provided through specially developed questionnaires which cover the representative sample of students and teachers/researchers, both from public – University of Montenegro, and private university – University of Donja Gorica. The paper will develop following statistics, with an aim to measure the strength of the relationship among Intellectual Capital components and Key Performance Indicators of the HEIs, for analysed sample, and in particular the ones that will measure and monitor the impact of internationalization on the success of the institutions involved in the sample, adding perceptions of the two main stakeholders (lecturers/researchers and students) thorough the variables Quality of Academic Life (QAL) for students, and Quality of Work Life (QWL), as the performance categories, which represents a novelty and scientific contribution of this research.

Keywords: internationalization, researcher mobility, innovation, competitiveness, economic growth and development.



FINANCIAL DISTRESS PREDICTION: EMPIRICAL EVIDENCE FROM MONTENEGRIN ELECTRIC POWER COMPANIES

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Abstract

Developing an efficient electric power system is of great importance in the last few decades, especially considering that one of the EU chapters (Chapter 15) is dedicated to energy. It is significant for Montenegro, as a future member of the EU. The reason is the fact that the electric power sector contributes to the strengthening and sustainability of the economy of Montenegro, but also the preservation of the environment, i.e. the overall well-being of society as a whole. Bearing in mind that the development of the energy sector (observed through the prism of the business operations of companies belonging to this sector) is one of the most important strategic goals, this paper aims to analyze the possibility of applying models for predicting financial difficulties in the example of the electric power companies in Montenegro. The reason for this lies in the fact that the power sector in Montenegro involves companies that deal with the production, distribution, supply, and trade of electricity, coal, oil, and oil derivatives so they represent the base of the development of the Montenegrin economy. So, the necessity for ensuring the continuity of their business operations is a prerequisite for attracting significant foreign investments. Also, the state has a significant share, in the ownership structure. The research will be conducted using modern models to predict business failure, from 2019 to 2021, providing insight into the movement of score values obtained by applying modern models. Based on the financial reports for the year before the observed one, failure prediction models will be applied, to see whether the analyzed companies will operate in the following year. According to the author's knowledge, similar research has not been done in Montenegro so far, and the results of the research will have a significant theoretical and practical contribution. The theoretical contribution is reflected in the addition of existing literature in this area, while the results of empirical research can serve decision-makers to gain insight into the financial business operations of companies and potentially detect early signals of business failure so they can act promptly, and thus enable the continuation of the company's operations following the going concern principle.

Keywords: distress prediction, electric power companies, models, Montenegro, sustainable.



AUDIT FIRMS AND NON FINANCIAL INFORMATION ASSURANCE: EVIDENCE FROM MONTENEGRO

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Abstract

With the adoption of the European Commission's Corporate Sustainability Reporting Directive (CSRD), the importance of relevant, reliable, and comparable information for the assessment of the company's sustainable value creation for all its stakeholders was emphasized. To realize this goal, auditors are recognized as potential experts in ensuring a sustainable and transparent way of doing business by providing assurance services that financial reports and management reports contain reliable and accurate information about the company's performance, including its financial position, risk exposure, and sustainable business performance. It is unequivocal that audit firms have a positive effect on the transparency and credibility of financial reports. However, it is important to point out that business practices have not yet offered a consensus on the extent and in what way they contribute most to the improvement of non-financial reporting. Therefore, this work aims to identify the specificity of the audit engagement, in the process of non-financial reporting, concerning the development of sustainability assurance services in audit firms in Montenegro. At the same time, the paper will discuss the challenges auditors in Montenegro face in assuring sustainability, as well as the standards and frameworks they can use to guide their work. The research will be conducted using a survey and interviews with auditors. The theoretical and empirical findings of this research can serve to further popularize this topic, which represents the key scientific contribution of this paper. In other words, this research makes it possible to supplement the existing literature on this area and to additionally emphasize the importance that the adoption of this European regulation has for sustainable corporate governance through the strengthening of non-financial reporting. The results of the research will show not only whether auditors in Montenegro provide assurance services, but also what challenges they face along the way, which is one of the prerequisites for the adequate application of European regulations.

Keywords: Non-financial information, Assurance, Montenegro, Directive EU 2022/2464, sustainable development.



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