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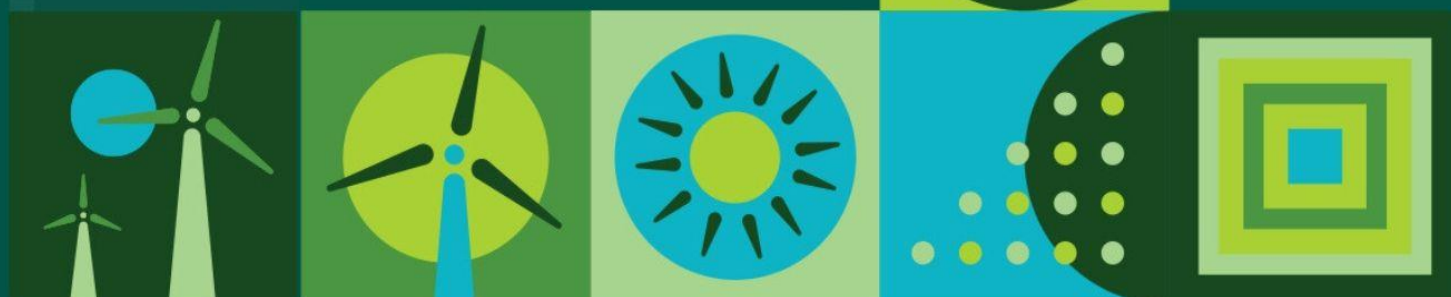
**School of Economics
and Business**

BOOK OF ABSTRACT

Future Horizons: NAVIGATING SUSTAINABILITY AND FUTURE ECONOMIC CHALLENGES

October 17 - 18, 2024

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FOREWORD

Following earlier conferences with participants from nearly all over the CEE region as well as from many other countries, the School of Economics and Business in Sarajevo is proud to host the 11th International Conference. This conference aims to bring together academics as well as practitioners to discuss diverse issues in the fields of economics and business with a focus on transition economies. The purpose of this conference is to disseminate high quality research and to promote scientific information interchange between researchers, developers, students and practitioners.

This conference offers a variety of research perspectives from a number of Central and Eastern European countries. This wide-ranging research context forms the basis for studies in different fields: economic development, international economics, business administration, marketing, information technology, insurance and etc.

As was the case in earlier ICES conference it is our pleasure to inform conference participants that selected papers presented at this conference will be considered for publication in a special issue of the South East European Journal of Economics and Business published by the School of Economics and Business.

Also, we would like to invite you to submit your paper for publication in this journal in the future. We strongly believe that the discussions between prominent and experienced researchers at the conference will serve as a solid bases for improving your paper and enriching your further research focusing on transition countries.

We would like to thank all the authors who prepared and submitted their papers to ICES2024.

A special thank is addressed to keynote speaker, Professor Wim Vanhaverbeke, Antwerp Management School, Belgium, editor-in-chief of Technovation and Professor Slavo Radošević, University College London, UK. We are certainly aware that it has taken time and effort to take part in this Conference, and this is much appreciated.

We would also like to express our gratitude to all participants for their expertise and for sharing their views and ideas which present the most important contribution to the success of this Conference.

It was with great pleasure that my colleagues and I had this opportunity to host such a conference.

Sarajevo, October 2024

Amila Pilav - Velic
Editor

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ESG RISKS IN THE BIH BANKING INDUSTRY: NEW OPPORTUNITIES OR THREATS?

— ABSTRACT —

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The adoption of the Paris Agreement on climate change and the UN 2030 Agenda for Sustainable Development in 2015 have dramatically changed risk management in financial institutions, especially in banks. Governments are striving to transition towards a low-carbon, more resource efficient and sustainable economies on a global scale. The integration of Environmental, Social, and Governance (ESG) risks has emerged as a pivotal factor in the banking industry worldwide.

The main purpose of paper is to explore and analyze the state and perspectives of ESG risks in the banking industry, with a specific focus on how ESG factors are perceived, managed, and integrated into the risk management systems of banks in Bosnia and Herzegovina (BiH). In the paper, key drivers, values, challenges, and opportunities of managing ESG risks, as well as key application areas in the banking industry, were identified. The primary source of data for this research was collected through a structured questionnaire. The target population for the research consisted of all banks operating in the territory of BiH at the end of July 2024. Descriptive and inferential statistical analysis were carried out in the paper.

The scientific contribution of this paper is reflected in the fact that it represents one of the pioneering analyses of the state and perspective of ESG risks in BiH banks. By assessing the risks and opportunities associated with ESG in the BiH banking sector, this research aims to contribute to the broader discourse on sustainable finance in emerging markets and offer valuable insights for policymakers, regulators, banks, and their stakeholders. Finally, for further research, it will be useful to consider and analyze how the continued growth and subsequent adoption of ESG risk factors impact consumer satisfaction and overall perceptions of the green economy.

Keywords: *Banking industry, ESG risks, sustainable financing, sustainable investing, BiH*

JEL classification: G2, G21, C83

EVALUATING RESEARCH WORK THROUGH A SYSTEM OF IMPACT INDICATORS

— ABSTRACT —

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It is well recognized that research evaluation systems implemented at different levels – national, institutional, department, or by scientific branches – are expected to employ a complex approach to the assessment of research practices and outputs as well as the outcomes of research funding. The main challenge facing the research evaluation processes is the design and justification of a system of indicators for research impacts. The paper examines the key function of such indicators to provide feedback about the expected effects of scientific outcomes – actual or potential. The paper suggests an overview of the requirements for constituting such indicators, taking into account the strategic aspects of the realization of research outputs and the need to ensure appropriate information provision. It is argued that the construction of such a system of impact indicators should take into account not only the specific situation and circumstances of the field of research (often interdisciplinary) but also the conditions for flexible adaptation of such a system, taking into consideration the requirements of funding institutions in national, European, and international contexts.

Keywords: research impact, research output evaluation, impact indicators.

JEL classification: I28, O30.

EFFECTS OF THE VIRUS ON THE CULTURAL TOURISM SECTOR DURING THE COVID 19 PANDEMIC IN THE REPUBLIC OF KOSOVO

— ABSTRACT —

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As of March 13, 2020, the Government of Kosovo has taken the first measures at the country level to curb the spread of the COVID19 pandemic. The measures taken include the restriction of movement and meetings, the suspension of work in schools and universities, the suspension of the vast majority of cultural, sports and recreational activities, etc.

The COVID19 pandemic has deeply affected all sectors of society, but the Cultural Tourism Sector is one of the most sensitive and one of the most damaged. All planned festivals, exhibitions, theatrical and cultural events have been cancelled, and cinemas, museums, ballet, film screenings and other cultural events have been closed, so artists and cultural workers have found it extremely difficult to survive. Many countries have responded quickly to this very disturbing phenomenon by approving measures to preserve the jobs of those who make a living from work in the cultural sector, in order to help this sector from the consequences which may be irreparable. , for a long time!

Keywords: Cultural tourism, the effects of the pandemic, the development of cultural tourism.

JEL classification: M, Z1, Z3, Z32

SYSTEMATIC LITERATURE REVIEW ON ENVIRONMENTAL CONSCIOUSNESS IN MARKETING LITERATURE

- ABSTRACT -

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Environmental consciousness has become an increasingly significant factor in marketing strategies as businesses and consumers alike recognise the importance of sustainability. Most importantly, due to consumers' heightened interest in eco-friendly purchases, marketing practitioners are looking for the best ways to incorporate sustainable practices in marketing strategies and communicate these aspects to consumers. Environmental consciousness represents one of the measures for the level of consumer environmental concern. Representing one of the most powerful underlying drivers of consumer behaviour regarding sustainable products, the concept of environmental consciousness among consumers seems to be an evolving phenomenon. This systematic literature review aims to explore the integration of environmental consciousness within the marketing literature, identifying key themes, trends, and gaps. The study relies on co-citation and co-occurrence analysis, as well as subsequent categorisation of emerging themes and topics. By analysing peer-reviewed articles, conference papers, and relevant literature from the past few decades, this review synthesises findings on what determines consumer environmental consciousness and how it influences consumer behavior, branding, advertising, and overall marketing strategies. The review focuses on the evolution of the phenomenon and the investigation of its antecedents and consequences. Additionally, it identifies emerging research trends and potential literature gaps, recommending the direction of future research endeavours.

Keywords: environmental consciousness, green marketing, sustainability, green consumers

JEL classification: M31, Q50, Q56, D12

STRATEGY OF SUSTAINABILITY AS A TOOL FOR POSITIONING CAR MANUFACTURERS

— ABSTRACT —

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Even before the global economic crisis of 2008, through the Covid-19 crisis, the Ukrainian economic crisis, and the crisis caused by the war in Gaza, the EU has always imposed strict and rigorous environmental restrictions on all car manufacturers, regardless of whether they come from the oldest continent, the US, Japan, or now inevitably China. The EU continues to pressure car manufacturers with the zero carbon emissions plan as a policy and goal for cars by 2035, as well as similar policies for buses and trucks. Specifically, the European Commission adopted the amended Regulation (EU) 2019/631 No. 2023/851, according to which all new cars and vans registered in Europe must have zero emissions by 2035. As a transitional step towards achieving zero emissions, the average emissions of new cars must be reduced by 55%, and new vans by 50% by 2030.

In 2023, the EU Commission proposed that all new city buses have zero emissions by 2030 and that emissions from new trucks be reduced by 90% by 2040. An agreement was reached for CO₂ emissions from buses to be reduced by 100% by 2035, with a target reduction of 85% by 2030. The Commission also proposed reducing truck emissions by 45% by 2030, 65% by 2035, and 90% by 2040. A significant part of these efforts includes promoting and integrating electric vehicles and other zero-emission vehicles into the transportation system. These measures are part of the European Commission's broader strategy to achieve EU climate neutrality by 2050, reduce dependence on imported fossil fuels, and increase renewable energy production. This means that more and more electric buses, trucks, and delivery vehicles will be found on European roads. Strict EU environmental policies are not new, but the question arises as to how they have affected car, truck, and bus manufacturers within and outside the EU.

This paper aims to demonstrate, using a strategic tool from 2010, how the automotive industry has responded since the 2008 crisis by employing a threefold approach that simultaneously measures the impact of three factors: 1) ecological sustainability strategy (Z-axis); 2) brand value (Y-axis); and 3) financial-market results (X-axis). Using the strategic tool of the three-dimensional (3D)

matrix and a holistic approach, we provide insights into the position automotive manufacturers have taken, the solutions presented before them, and the associated risks.

The paper goal is to show how the financial results, brand positions, and environmental behaviors of more than 10 global car manufacturers: BMW, Mercedes, VW, Tesla, Toyota, Stellantis, BYD, and FORD, have behaved over a 10-year period and to conclude who is the loser and winner of the increasing insistence on strict adherence to environmental standards.

In the final part of the paper, we will also provide survey data from the populations of some Balkan countries on their views on electrification and the progress of Balkan countries in electrification. The survey will be conducted in Serbia, Bosnia and Herzegovina, Montenegro, and the area of Kosovo.

Keywords: strategic three-dimensional matrix, brand value, financial result, sustainability index, car electrification

JEL classification: Q56

SUSTAINABLE DEVELOPMENT OF SPELEOTOURISM IN BOSNIA AND HERZEGOVINA: CURRENT STATE AND DEVELOPMENT PERSPECTIVES

— ABSTRACT —

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Speleotourism represents a selective form of tourism based on the valorization of the most attractive underground karst formations, such as caves and pits. The geological structure and relief characteristics of Bosnia and Herzegovina (BiH) have led to the emergence of a large number of speleological objects in the holokarst areas of the external Dinarides, as well as in the zone of the internal Dinarides. Although numerous caves and pits have been the subject of various speleological, paleontological, and archaeological research for over a century, efforts to prepare them for tourist visits only began in the mid-20th century. The aim of this research is to analyze the potential of caves for tourist exploitation, as well as the possibilities for improving the current state of speleotourism in BiH. Through the analysis of the most significant tourist caves, their potential for the development of sustainable tourism is highlighted, along with the challenges they face, including lack of infrastructure, promotion, and education about the importance of preserving these natural sites. By surveying domestic visitors, the attitudes and perceptions regarding speleotourism have been explored, including motivations for visits and their experiences. The results of the survey show that the majority of visitors recognize the importance of cave preservation and express interest in additional educational tourist content and activities. This paper provides a foundation for future research and the development of strategies for enhancing speleotourism in BiH, taking into account sustainability and the preservation of natural heritage.

Keywords: caves, speleology, sustainable tourism, Bosnia and Herzegovina.

JEL code: Z320

DO THE NEW BRAZILIAN AGREEMENTS ON COOPERATION AND FACILITATION OF INVESTMENT PROMOTE OUTWARD FOREIGN DIRECT INVESTMENT?

— ABSTRACT —

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Brazil has recently adopted a novel approach in investment protection, the Agreements on Cooperation and Facilitation of Investment (ACFIs) which aim inter alia at promoting Brazil's rising outward FDI. Motivated by claims that ACFIs will not achieve this goal — while otherwise tying the hands of policy makers — we use data over the years 2001 to 2022 and apply a Synthetic Control approach to study whether outward Foreign Direct Investment Stock of Brazil in Mexico is spurred by the ratification of the Mexico-Brazil ACFI. The concerns about ACFIs cannot be dismissed as our evidence shows that the ACFI does not promote outward FDI, at least for the post-treatment years used in our analysis. The absence of an impact is most likely driven by the omission of substantive provisions and, most notably, of Investor-State Dispute Settlement, which would address the hold-up problem in international investment.

Keywords: Investment Treaties, Brazil, Foreign Direct Investment, Country Case Study, Synthetic Control

JEL classification: F21, F23, F53, F6, N46, K, P26, O54

SHADOW ECONOMY DURING RECENT POLITICAL CRISIS: SURVEY EVIDENCE FROM BULGARIA

— ABSTRACT —

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Market transition in Bulgaria experienced several periods during which a variety of political, social, and economic conditions have facilitated the transformation processes. It was commonly accepted that shadow economy had widely spread during the early transition period (the first half of 1990s) explained by inherited technological backwardness, insignificant success in privatization policies along with enhanced bureaucratic barriers, corrupted political mechanisms, collapsing infrastructures etc., which limited the country's potential for effective social and economic reforms. It was expected that EU accession processes (up to 2006) and especially after the full integration of the country since 2007 should substantially reduce the scope of grey economy operations. Nevertheless, the mainstream public opinion and scholarly research indicate the resilient nature of this phenomenon which still keeps a notable share in economic activities, especially in particular business sectors.

The paper presents selected empirical results from a questionnaire survey conducted at the end of year 2023 among 335 business representatives with expert, managerial, or ownership position within the firm. The study provides evidence on a range of issues related to the shadow economy in Bulgaria after 2 years of political instability with a series of 5 temporary governments. Various social, political, and administrative environment factors are evaluated by the respondents regarding their business operations. An attempt for assessing the spread of the grey economy is suggested in relation to transactions underreporting practices in the respective branch. Evidence about the opinions of business respondents is provided regarding the corruption and bureaucratic barriers, public decision-making transparency, and law enforcement and judiciary system effectiveness – most of which identified as important conditions for facilitating local entrepreneurship development, and an overall stable growth during the current turbulent times for the European economies.

Keywords: shadow economy, business survey, Bulgaria.

JEL classification: O17, H26.

CLIMATE-RELATED NATURAL DISASTERS AND REGIONAL MIGRATION IN EUROPE: A SPATIAL ECONOMETRIC ANALYSIS

— ABSTRACT —

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In recent decades, the European Union has experienced an increase in the frequency of climate-related natural disasters. While a large body of literature analyzing the impact of natural disasters on migration patterns in the U.S. and other areas has emerged, little research has been conducted for the European Union. In this paper, we attempt to close this gap in the literature and investigate the impact of climate-related disasters on NUTS-2 region-level migration for the period 2000-2019. Employing spatial econometric methods, we find that experiencing a severe disaster leads to an increase in net out-migration of 0.9 individuals per 1000 inhabitants, followed by an increase in net in-migration of 0.6 individuals per 1000 inhabitants two years later. When using spatial Durbin models, we observe a negative spatial spillover effect of severe disasters on net migration, suggesting that neighboring regions may also be affected by the disasters, which may induce individuals in those regions to out-migrate. For less severe disaster events, we find no conclusive evidence that disasters are driving regional migration.

Keywords: climate change, migration, natural disasters, spatial econometrics

JEL Classification: F22, R11, R23, Q54

DYNAMICS AND FINANCING OF THE STRATEGIC INVESTMENTS: AN EXAMPLE OF SLOVENIAN COMPANIES

- ABSTRACT -

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As the main purpose of his research, the author shows how companies in the real sector of the economy carry out their investment activities, especially how they invest in long-term fixed assets, in terms of both investment dynamics and investment financing, with an emphasis on strategic investments. The latter are the only ones that ensure their growth. In the theoretical part of the paper, the author presents certain laws that apply in the field of investment activity, addressing the issue of the intensity of the investment activity of companies over time and the issue of providing the necessary financial resources for the implementation of strategic investments. In his paper author gives significant weight to the dynamics of investing itself. Depending on investment frequency, investment activity in companies takes place in two ways. First, investments in companies take place routinely. Second, from time to time companies are faced with a larger comprehensive investment project (a lumpy, non-divisible investment project). Author describes lumpy investment as an investment-to-capital ratio that surpasses a certain threshold, called the investment spike.

Based on a thorough review of the literature dealing with the financing of corporate investments, the author has outlined certain theories and laws that apply in this area. Thus, under normal conditions, companies can maintain their capital adequacy when they invest a lot, take on heavy debt, and pay off said debt after the investment spike. On the other hand, relatively large investment projects require diverse financial resources. If there are not enough internal resources in the company, the company must find external resources if it is to implement its investment. The author discerns several possible methods related to the external financing of investments. As far as the research methodology, in the theoretical part of the study, the author used the scientific method of description, as well as the scientific methods of classification, comparison, analysis, and synthesis. In the empirical part of the study, the author used statistical methods and processed the data using the SPSS statistical package. The data were captured at a single point in time (cross-sectional data). The primary data were collected in the period January–April 2017 by means of the questionnaire.

In the empirical part of the paper, on a sample of Slovenian large and medium-sized companies from the real sector of the economy, the investment activity of companies in the period 2010–2017, i.e. after the great financial crisis and economic recession, is shown. This is done through the prism of various factors and their effects on investment ability. The author puts forward several research hypotheses (7), which he fully confirms. The goals of the author's research represent a relevant contribution to investment theory as well as to real-world practice, suggesting that company management should be encouraged to achieve lasting competitive advantages so as to strengthen the company's investment ability continuously. The results of this study offer quite a few opportunities for further research in the area under consideration.

Keywords: strategic investments, investment opportunities, investment dynamics, investment financing, investment ability.

JEL classification: G31

EXPLORING THE LINK BETWEEN CORPORATE SUSTAINABILITY, KNOWLEDGE MANAGEMENT AND GREEN INNOVATION

— ABSTRACT —

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Green innovations are applied in various industries to promote corporate sustainability by adopting sustainable development practices. However, very little is known about how the knowledge management process influences corporate green innovation. In order to contribute to the development of this issue, data was collected from 210 respondents from private companies and analyzed using the structural equation modeling technique. This research provides several conclusions. First, the components of knowledge management (application, acquisition and sharing of knowledge) significantly improve the dimensions of corporate sustainable development (environmental, economic and social dimensions). Second, sustainable environmental practices have no effect on the adoption and application of green innovations by companies, however, sustainable social practices have a positive effect on green innovations. The results of this research also show that investing in knowledge management is of great importance for achieving sustainable development, as well as investing in the application of sustainable social practices. Finally, the results and the theoretical aspect, suggestions for future research, and potential limitations of the data are offered as well.

Keywords: knowledge management, corporate sustainable development, economic sustainable development, social sustainable development, environmental sustainable development, green innovation

JEL classification: M21

CAN YOU FEEL THE LUXE? EXPLORING CONSUMER-BRAND RELATIONSHIPS ACROSS TRADITIONAL AND NEO-LUXURY BRANDS

— ABSTRACT —

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The present study explores complex relationships between consumers and brands in the context of traditional and neo-luxury consumption. Specifically, this research examines how consumer-brand constructs—such as brand involvement, brand engagement, affective brand commitment, and brand community identification—differ between traditional luxury and neo-luxury brands. A cross-sectional, self-administered survey was applied to gather information from consumers who already owned the products of the Hugo Boss brand (traditional luxury fashion brand) and Massimo Dutti brand (neo-luxury fashion brand). The sample consisted of 616 consumers, comprising 311 owners of the *Hugo Boss* brand and 305 owners of the *Massimo Dutti* brand. Structural equation modelling (SEM) and multi-group analysis were used to test the proposed hypotheses. Findings suggest that brand involvement significantly and favourably influences the cognitive, affective, and behavioural aspects of consumer brand engagement for traditional luxury and neo-luxury brands. However, we found no significant relationship between the cognitive aspect of consumer brand engagement and affective brand commitment for either brand type. In contrast, the affective component of consumer brand engagement strongly predicts affective brand commitment for traditional and neo-luxury brands. Lastly, the behavioural aspect of consumer brand engagement is significantly linked to affective brand commitment for traditional luxury brands but not for neo-luxury brands. Regarding the effects of three facets of consumer brand engagement on brand community identification, our findings indicate that only affective engagement has a positive and significant effect on brand community identification for traditional and neo-luxury brands. The present study extends the framework of consumer brand engagement by highlighting the varying effects of cognitive, affective, and behavioural engagement in traditional luxury and neo-luxury contexts, emphasising the significant role of emotional engagement in fostering affective brand commitment and brand community identification. Beyond theoretical implications, this research provides several practical implications for marketing practitioners in the (neo) luxury landscape.

Keywords: Luxury, Neo-luxury, Brand involvement, Brand engagement, Brand community identification, Brand commitment

JEL Classification: M00

THE IMPACT OF CREDIT RATINGS ON FOREIGN DIRECT INVESTMENT INFLOWS: SOME EVIDENCE FROM SOUTHEASTERN EUROPEAN TRANSITION ECONOMIES

— ABSTRACT —

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Attracting foreign direct investment (FDI) remains a pivotal economic objective for transition economies, given its essential role in fostering economic growth and facilitating integration into global markets. This study investigates the influence of credit ratings as a determinant of FDI inflows in Southeastern European countries. The analysis spans the period from 2009 to 2023, incorporating additional factors such as market size, macroeconomic stability, trade openness, and institutional quality. A panel data regression analysis, utilizing Driscoll-Kraay standard errors, was employed to ensure the robustness of the results. The findings demonstrate that credit ratings exert a positive and statistically significant impact on FDI inflows within the region. These insights contribute to a deeper understanding of the economic drivers behind foreign investment in Southeastern Europe and carry important policy implications for improving the investment climate in transitioning economies.

Keywords: foreign direct investment, credit ratings, panel data, Southeastern European countries, Driscoll-Kraay standard errors

JEL classification: F21, F23, C01

THE ROLE AND STATUS OF WOMEN IN MANAGEMENT POSITIONS IN CONTEMPORARY ORGANIZATIONS IN MONTENEGRO

— ABSTRACT —

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Companies in Montenegro are beginning to recognize the importance of the active participation of women in management positions and decision-making bodies. In this way, they aim to encourage and support positive business strategies, challenge prevailing stereotypes and demonstrate the economic benefits of embracing gender diversity in their industry.

Employers who see intellectual capital as valuable information that can generate profits recognize the direct correlation between investing in highly educated women and a company's ability to compete effectively in today's dynamic business environment. Based on statistical data, women in our country have recently played a significant role in increasing the number of persons with higher or professional education. The purpose of this research was to analyze relevant data in order to investigate the role and status of women in management positions in contemporary organizations in Montenegro, with a focus on gender equality. The goal was to draw attention to the degree and manner in which women perform managerial roles and the importance they have in the company. To conduct the research, a stratified sample was created in three stages, using data on Rožaje companies.

The sample was divided by region and then further categorized by municipality, adhering to official statistics. After collecting and checking the collected data, they were entered into the data processing system implemented using the SPSS statistical program. Based on the conducted analyses, the results of the research show that it is necessary to continue working on improving the position of women in modern organizations and to apply gender-responsive strategies in order to establish gender equality between men and women in modern organizations.

Keywords: women, company management, leadership potential, gender diversity, socio-economic development

JEL classification: A, P, M, O

STATE AUTHORITY AND INTERNATIONAL BUSINESS: ANALYSIS OF POLITICAL DECISIONS AND THEIR CONSEQUENCES

— ABSTRACT —

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This study examines the complex interaction between governments and the international economy, focusing on the relationship between Kosovo and Serbia. The Kosovo government's decision in 2018 to impose a 100% tariff on products from Serbia is analyzed, as well as the subsequent ban on Serbian products in 2023. This case study aims to provide a comprehensive analysis of the policy-making process and its impact on the dynamics of the bilateral trade relations of the mentioned countries. The main objective is to examine the political factors that led to the implementation of trade restrictions and to assess their impact on international business. The methodological approach of this research is based on qualitative analysis conducted through documentary analysis of relevant sources such as state documents, business reports, and media coverage. This strategy aims to enable systematic research into political decisions and their impact on trade relations between Kosovo and Serbia. Documentary analysis serves to provide a comprehensive overview of political measures, as well as the reactions of economic actors in both countries. By analyzing official reports, political statements, and financial data, we gain insight into the dynamics of trade relations between Kosovo and Serbia. The integration of these methods allows for a holistic approach to studying the complex interactions between state bodies and the international economy, providing deeper insights into the political and economic aspects of bilateral relations between the two countries.

The research findings reveal a complex relationship between political decisions and economic outcomes. Implementing tariffs in 2018 and the subsequent ban on Serbian imports in 2023, driven by political and historical contexts, have led to significant disruptions in trade flows and strained bilateral relations. These measures have reduced trade volumes and increased business operating costs, highlighting the extensive economic consequences of political interventions. In conclusion, this study elucidates the intricate challenge of reconciling political imperatives with international business interests, underscoring the critical necessity of advancing our comprehension of the nuanced interplay between political decisions and their economic ramifications. The results of the Kosovo and Serbia case studies provide insight into the challenges policymakers face when formulating strategies that affect economic cooperation and regional stability. The implications of the research extend to political actors, business leaders, and diplomats, offering them useful insights for promoting international trade and addressing international trade disputes. Therefore, in light of these findings, understanding these complex relationships becomes crucial for shaping pragmatic diplomatic strategies, mitigating trade tensions, and promoting sustainable economic partnerships.

Keywords: State authority, International Business, Political decisions, Tariffs, Kosovo-Serbia relations

JEL classification: F5, F51, F52

APPLICATION OF ARTIFICIAL INTELLIGENCE IN GROSE DOMESTIC PRODUCT, POPULATION AND TOURISAM FOR FEDERATION OF BOSNIA AND HERZEGOVINA

— ABSTRACT —

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Artificial Intelligence (AI) has become increasingly influential in the area of statistical projections. It is offering advanced methodologies for forecasting and analysis across various domains. This research paper will present the application of AI techniques following as: Support Vector Machines (SVM), Machine Learning (ML), and K-Nearest Neighbors (KNN). Through this method we will enhance the accuracy and reliability of projections in population dynamics, Gross Domestic Product (GDP) forecasting, and tourism analysis.

The study begins with an examination of SVM in the context of population projection. Traditionally, demographic forecasting relies on linear models and historical growth patterns, which may not fully capture the complexities of demographic changes. This research applies SVM, which uses a high-dimensional feature space to separate different classes and make predictions. By training SVM models on historical population data, the study aims to improve the precision of population forecasts.

For GDP forecasting, the research explores the use of various Machine Learning algorithms, including: Random Forests (RF), Gradient Boosting Machines (GBM), and Neural Networks (NN). These ML techniques are particularly used for the non-linear relationships and large datasets. Those are typical economic data. The research involves training these models with historical GDP data and relevant economic indicators to forecast future economic performance in Bosnia and Herzegovina as example. Performance metrics such as accuracy, mean squared error, and predictive stability are used to evaluate the effectiveness of these ML approaches in capturing economic trends and forecasting GDP growth.

For tourism analysis, in this paper we will apply K-Nearest Neighbors (KNN) to analyze trends and make projections about tourist flows. KNN, a non-parametric method that classifies data based on the proximity of data points, is used to examine historical tourism data. The aim is to identify patterns in tourist arrivals, popular destinations, and seasonal variations. As well this will be followed by GIS data representation. By comparing the results of KNN with traditional statistical methods, this paper will assesse the effectiveness of KNN in providing insights into tourism trends and predicting future patterns.

The research concludes that AI techniques, particularly SVM, ML, and KNN, significantly enhance the accuracy of statistical projections in population, GDP, and tourism domains. The study highlights the potential of these methodologies to improve forecasting and decision-making processes. It also identifies areas for further research, such as the integration of multiple AI techniques to leverage their complementary strengths and the exploration of emerging AI approaches for more precise projections.

Keywords: Machine Learning, Artificial Intelligence, K-Nearest Neighbors, Gross Domestic Product (GDP), Economic development

JEL: E20, Z30

LONG-RUN EFFECTS OF CONFLICT ON PERSONAL INCOME INEQUALITY: EVIDENCE FROM BOSNIA AND HERZEGOVINA

— ABSTRACT —

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There is broad consensus that exposure to conflict has a detrimental effect on diverse socio-economic outcomes of individuals and societies. This article examines the post-conflict environment of Bosnia and Herzegovina (BiH), a former Yugoslav state most heavily impacted by the conflicts of the early 1990s (1992-1995). While there is some research that focused on short to medium run consequences of conflict in BiH, this was the first attempt to investigate the long-term relationship between conflict-related exposure and socioeconomic outcomes observed through personal income inequality for differently conflict-exposed individuals. The empirical analysis relies on a municipality-representative survey data ($n \approx 6,000$) that captured self-reported income outcomes, conflict exposure of localities as well as conflict-related migration trajectories. We find that individuals with greater exposure to conflict had systematically lower earnings two decades after the war. Former external migrants now living in BiH have better economic outcomes than those who did not migrate, but these advantages are smaller for individuals who were forced to move. There is a strong empirical evidence of a negative long-run effects of conflict on individual income inequality depending on their exposure to conflict during the last war in Bosnia and Herzegovina.

Keywords: conflict, education, forced migration, inequality

JEL classification: D74, F22, K42, Z18

GOING CONCERN ASSESSMENT – THE CHALLENGES FOR ACCOUNTANTS

-ABSTRACT-

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The assumption going concern in the financial statements of companies implies the intention of the entity to continue operations in the future. According to the requirements of International financial reporting standards, each business entity is obliged to publish information about the subject's ability to continue with unlimited operations in the notes to the financial statements. Although the management has the primary responsibility for presenting the going concern assumption, accountants, by preparing financial statements, also take the responsibility for evaluating the company's ability to continue operating. In addition, auditors have the task of assessing the going concern presumption through the financial auditing in accordance with the requirements of international standards on auditing. In the light of different international and national frameworks, there are different regulations related to the assessment and publishing of information about the going concern assumption. This paper analyses the guidelines prescribed by current international accounting and auditing standards and theoretical models that accountants can apply during the preparation of financial statements. Taking into account the lack of research related to the issue of going concern assessment in the local context, the main goal of the subject research is: to investigate and analyze whether and which positions of financial statements, and whether and which financial indicators based on the positions of financial statements of companies in the Federation Bosnia and Herzegovina can provide insight into potential problems with time-limited business operations. The research was conducted on a sample of companies from the Federation of BiH that filed for bankruptcy or liquidation in 2022 or 2023, and a sample of companies from the Federation of BiH that did not publish financial problems in the highlighted years. The analysis of financial positions and financial indicators were carried out on the basis of financial reports for 102 companies over a five-year period (2018 – 2022). The results of the research showed that the positions: equity and net profit, as well as indicators: current ratio, quick ratio and financial leverage can serve accountants in the assessment of whether the company has potential problems for continuing operations. Posting such analysis in the notes to the financial statements, accountants can justify the preparation of financial statements on a going concern basis, in accordance with IFRS requirements.

Keywords: going concern, financial statements, financial positions, financial indicators, accountants.

JEL classification: M40

THE IMPACT OF MANAGERIAL COACHING ON ORGANIZATIONAL COMMITMENT IN HEALTHCARE

— ABSTRACT —

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The research presented in this paper explores the impact of managerial coaching on key organizational behavior outcomes within the healthcare system of Bosnia and Herzegovina. The study's primary objective was to assess how perceived managerial coaching skills influence perceived organizational support, job satisfaction, role clarity, and affective organizational commitment among healthcare professionals.

A structured questionnaire was administered to 440 healthcare workers, including medical and non-medical staff. Using exploratory factor analysis (EFA) and multivariate regression, the study found that managerial coaching positively impacts job satisfaction and perceived organizational support. However, a negative correlation was observed between coaching and role clarity, which was attributed to ambiguities in the questionnaire. The analysis indicates that managerial coaching holds significant potential as a tool for enhancing employee commitment and addressing challenges in the healthcare system.

The findings highlight the need for further research, particularly prospective studies that monitor the practical implementation of coaching interventions. The study concludes that the healthcare sector in Bosnia and Herzegovina is open to adopting coaching practices, although the success of such initiatives requires careful consideration of the specific challenges in this sector.

Keywords: managerial coaching, organizational commitment, healthcare management, job satisfaction, role clarity

JEL classification: I12, M12, M54, J28

UNCERTAINTY ABOUT THE WAR IN UKRAINE: MEASUREMENT AND EFFECTS ON THE GERMAN ECONOMY

— ABSTRACT —

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We assemble a data set of more than eight million German Twitter posts related to the war in Ukraine. Based on state-of-the-art methods of text analysis, we construct a daily index of uncertainty about the war as perceived by German Twitter. We then estimate a VAR model with daily financial and macroeconomic data and identify an exogenous uncertainty shock. The increase in uncertainty has strong effects on financial markets and causes a significant decline in economic activity as well as an increase in expected inflation. We find the effects of uncertainty to be particularly strong in the first months of the war.

Keywords: war, Twitter, geopolitical risk, machine learning, business cycle

JEL Classification: D8, E3, G1

CAN EMOTIONAL INTELLIGENCE OF LEADERS REDUCE EMPLOYEES' RESISTANCE TO ORGANIZATIONAL CHANGES?

— ABSTRACT —

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People are not inclined to change by nature, and since changes on each level in organizations are constant and always bring something different and quite unknown, people are most often afraid of them. One of the biggest challenges of modern management, both today and in the future, is represented by numerous negative emotions observed in a large number of employees as one of the most significant sources of resistance in the process of managing organizational changes. The aim of this paper is to prove that the existence of empathic values as a component of emotional intelligence in managers of organizational changes leads to the remission of negative emotions and the reduction of employees' resistance to organizational changes. Two hypotheses were put forward in the research: managers of organizational changes have developed empathic values and processes of compassionately guiding employees through changes (1), empathic values and processes of the same lead to a reduction of resistance to organizational changes among employees (2). Primary data for this research was collected through two online surveys (two survey questionnaires). The first survey questionnaire was intended for managers (n=36), and the second one for employees (n=120). The respondents were from 36 medium and small companies from different industries from the area of three counties in northwestern Croatia (Koprivničko- križevačka, Varaždinska, Zagrebačka). The companies were selected randomly. The method of linear discriminant analysis (LDA) was applied. This analysis is closely related to one-way multivariate analysis of variance (ANOVA) and regression analysis. It seeks to evaluate the linear combination of variables that best discriminates the belonging of individual elements to a certain group. Based on this, the discrimination analysis is reduced to determining the differences between the two groups with regard to the mean values of their variables. The results of the research indicate the achieved level and meaningful forms of implementation of emotional intelligence in employees' resistance to organizational changes. The existence of empathic values and empathic tendencies in the majority of managers was established, which gives visible results in reducing the intensity of negative emotions of employees towards organizational changes. Leaders of changes, however, do not yet have such developed empathic values and tendencies that lead to more intense generation of positive and rejection of negative emotions and resistance among employees. The results of the research should be useful knowledge in the implementation of a compassionate empathic style of management of employees that leads to the involvement of employees and support for organizational changes.

Keywords: changes, emotions, guidance, employees, resistance

JEL classification: A13, D22, M14, M53

GOAL SETTING IN THE EARLY STAGES OF ENTREPRENEURSHIP

— ABSTRACT —

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Entrepreneurship is an interdisciplinary phenomenon with high dynamism and innovation, which requires taking into account different concepts, applied samples and heterogeneous attributes from dependent socio-economic fields. However, the issues affecting entrepreneurial goal setting in the initial stage of the activity are still underrepresented in the scientific literature and the practical field. The studies are fragmentary and do not offer a general construct with a focus on entrepreneurial goal setting. In the current article, based on the integration approach, a conceptual framework of entrepreneurial goal setting is derived, which is a set of stages and actions corresponding to the initial entrepreneurial process. For this purpose, a systematic review of relevant areas and consolidated practical experience is carried out. Through a set of activities that can be followed by entrepreneurs, we present a model for approbation in a business environment. The research methodology is a synthesis of empirical observations and desktop research. We collected two categories of data - theoretical and practical-applied. The main source of the practical data is gathered by an international project, funded via Erasmus+ program of EU. In parallel with the work on the project activities, the lack of a theoretical basis regarding the first stages of the entrepreneurial process and, more specifically, goal setting, was established. This prompted part of the project team to search and develop this idea. The result is presented in the present paper as we believe that such a model with adjacent activities will support start-up entrepreneurs. At the same time, we bring forth a new field for discussion in scientific circles. Attempting a supportive model will put a focus on entrepreneurship and innovation when they are still an intention, among scientists and practitioners.

Keywords: goal setting, starting phase, model,

JEL classification: L26

ROLE OF DEMOGRAPHIC CHANGES IN CALCULATION OF TOTAL FACTOR PRODUCTIVITY - EVIDENCE FROM BOSNIA AND HERZEGOVINA

— ABSTRACT —

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Total Factor Productivity (TFP) is a very useful way of measuring productivity within an economy, which explains the use of production inputs, which are then transformed into useful output. In addition to technological progress, as very important categories in TFP, the most important inputs are labor and capital. In order to measure the importance of TFP for a country, it is necessary to divide the total product of that country by the combination of labor and capital inputs. When it comes to Bosnia and Herzegovina, the future level of TFP will largely depend on the level of the labor force as a key resource and input for the calculation of TFP. Negative demographic trends that have been recorded since 2008 through negative natural growth and emigration of the population, which has been more intense since 2014, have led to a decrease in the number of citizens in Bosnia and Herzegovina, and consequently to a decrease in the level of the workforce.

In order for TFP to grow in the future, the economy needs to grow more using the current level of labor and capital inputs, or using the same level of output with fewer inputs. It is this part that is significant for Bosnia and Herzegovina, where in the coming period the level of work, as an input, will decrease, which will mean greater pressure to increase the level of productivity of the existing work. In this paper, using official and available secondary data the relationship between demographic factors and the likelihood of TFP growth over the period of 1995-2019 in Bosnia and Herzegovina is investigated. The data is obtained from World Development Indicators (WDI), Penn World Table (PWT) (10.01) databases. Cobb-Douglas production function is used to assess TFP during the mentioned period of time. Descriptive statistics, correlation analysis, and regression analysis are conducted to analyze the data.

The results presented in the paper show that the demographics are correlated with the likelihood of TFP growth. Particularly, skilled migration contributes to productivity gains, bringing potential benefits for Bosnia and Herzegovina: knowledge transfer and innovation, filling skill gaps, entrepreneurship and job creation, global talent pool, human capital development, increased tax revenue, cultural and social diversity, counteracting population aging. Many countries in the world experience demographic transformation. The contribution of this change to the economy depends on the policies to be adopted. The results of this paper can enable policymakers to develop long-term strategies for increasing the level of economic growth.

Keywords: Total Factor Productivity, Economic Growth, Demographic changes

JEL Classification: D24, J11, J24

ASSESSING CONVERGENCE CRITERIA IN BOSNIA AND HERZEGOVINA: A PATH TO EU MEMBERSHIP

— ABSTRACT —

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One of the most important strategic goals of Bosnia and Herzegovina (BiH) is to become a member of the European Union (EU). Membership negotiations commenced in March 2023, marking a pivotal moment for BiH, following its membership request in 2016 and the attainment of candidate status in December 2022. On its path to European integration, BiH is achieving the necessary alignment to become a full member of the EU. Through accession negotiations and the fulfillment of requisite conditions, BiH is witnessing economic development. This progression towards a strong economic and political community like the EU places the candidate country in a politically and economically more stable category, thereby fostering favorable opportunities for economic growth. Candidate status and the initiation of negotiations enhance the country's rating and attract foreign investors, which in turn creates better conditions for entrepreneurship development, labor market improvement, efficient functioning of institutions, and numerous other economic opportunities. In this context, it is crucial to analyze the real and nominal economic convergence criteria of BiH. Meeting these economic convergence criteria ensures that the candidate country, on its path to EU membership and as a member, provides an economically and financially stable community of member states operating within the single European market.

The aim of this paper is to evaluate whether Bosnia and Herzegovina (BiH) will be able to meet the monetary and fiscal convergence conditions on its path to EU accession, based on the trends of indicators used in the analysis of convergence criteria. This evaluation involves a dynamic analysis of price stability indicators and public finance stability. Additionally, the paper examines the relationship between these variables and key macroeconomic indicators, highlighting their correlations and significant influence on trends.

Given that BiH does not issue long-term government bonds and operates under a currency board, two critical Maastricht criteria—long-term interest rate trends on government bonds and exchange rate stability—are not analyzed in this study. In addition to nominal convergence criteria, the paper also analyzes real convergence criteria, which assess a country's development level relative to the average developed countries of the European Union. The focus is on several key indicators of real economic convergence, including GDP growth, GDP per capita, average wages, unemployment rate, and foreign trade exchange, among others.

This research is of critical importance for Bosnia and Herzegovina as it examines the fulfillment of the economic convergence criteria necessary for European Union membership, thereby ensuring the country's economic and financial stability. Furthermore, the assessment of Bosnia and Herzegovina's capacity to meet monetary and fiscal convergence conditions offers valuable guidelines for economic policies and reforms. Ultimately, the findings of this research can assist authorities in accelerating the EU integration process, attracting foreign investments, and fostering overall economic development within the country.

Keywords: Maastricht convergence criteria, price stability, public finance, real economic convergence indicators, Bosnia and Herzegovina

JEL Classification: E00, E31, E6, F63, H6

STABILITY OF THE BANKING SECTOR IN BULGARIA DURING THE COVID AND POST-COVID PERIOD

— ABSTRACT —

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The banking sector plays a key role in the financial system in Bulgaria, as well as in all economies. As a main supplier of financing banks are among the main driving forces in economic processes. In the recent years the assets in the Bulgarian banking system show constant growth reaching the GBP, which is why its stability is crucial for the Bulgarian economy.

The Covid and the post-Covid period was challenging for the stability of the banking sector due to the unprecedented changes in the economy, locking of many sectors and uncertainties. Some economic sectors almost stopped their activities during the pandemic or had to change entirely their business models. Many companies had to leave their business sector due to failures or restructuring. The banks also had to change their business model and to devote more to remote working, digital channels and online offering to products and services. Regulatory changes were implemented during the pandemic affecting bank profits, capital buffers, lending as bank on dividend distributions, placements, loan moratoria. These measures aimed to contribute to the stability of the banking sector and to its smooth path through the turbulent period.

During the pandemic Bulgaria became a member of the Banking Union as four banks started to be directly supervised by the ECB. During the Covid pandemic moratorium on bank loans was in force as well as the measures applicable for the banks in the EU, e.g. decrease of counter-cyclical buffer, ban on dividends, ban on transfers of bank placements abroad. All these measures were implemented by the Central Bank of Bulgaria aiming at increasing bank resilience.

The aim of the paper is to investigate the stability of the banking system in Bulgaria during the Covid and post-Covid period as key determinants for the stability are investigated using data from the banks financial reports. Key research papers in the field are investigated and applied to the banking sector in Bulgaria by considering its local peculiarities. To achieve its aim the article analyses key banking indicators. In the applied model the main capital adequacy ratios are used as dependent variables as the independent variables are divided into two categories - internal banking

independent variables as ROA, ROE, Loans-to-Deposits ratio, Loans-to-Assets, NIM, Cost-to-Income ratio, Credit Impairments-to-Loans, and Leverage ratio, NPLs. Independent variables characterizing the banking system, e.g. bank size, bank concentration, direct supervision of the ECB and ownership are also used in the analyses as well as macroeconomic independent variables as the GDP growth, market capitalization and level of inflation. The results are interpreted for Bulgaria as recommendations and possibilities for developing the model are proposed.

Keywords: banking system, capital adequacy, stability, profit

Jel classification: G2, G21

INVESTIGATING BARRIERS TO BUILDING INCLUSIVE FINANCIAL SYSTEMS IN SOUTHEAST EUROPEAN COUNTRIES

— ABSTRACT —

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Inclusive financial systems refer to ensuring financial inclusion of all countries population into financial system in terms of ensuring access to formal financial services/products such as bank accounts, savings, borrowing and insurance). Development of inclusive financial systems are in line with the overall sustainable development goals and as such, financial inclusion has been on the governments agendas for more than two decades. Vast number of research have confirmed over the years that inclusive financial systems contributes to countries economic growth, poverty reduction, decrease in overall inequalities among different income groups, lower inflation and makes economies more resilient to different macro shocks.

The main purpose of this paper is to investigate the key barriers towards developing a more inclusive financial system in Southeast European counties (SEE), namely Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Kosovo, Montenegro, North Macedonia, Romania, Slovenia, Serbia and Turkey in the period from 2011 to 2021.

Methodology approach includes creation of the multidimensional index of financial inclusion (FII) using Principal Component Analysis (PCA) for measuring the level of financial system inclusiveness, and development of the panel regression model (OLS, fixed-effect and random-effect models) for investigation of the relationship between inclusive financial systems and barriers to financial inclusion.

The research shows that in the period from 2011 to 2021 the mayor barriers to financial inclusion decreased. Although a decreasing number of respondents state the existence of barriers to opening a bank account, the following were singled out as the most significant barriers: lack of financial resources, opening a bank account of another family member and the cost of financial services. The results of the panel regression model, which analyzed the contribution of barriers to the level of financial system inclusiveness, show that the following barriers: the price of financial services, not having the necessary documentation for opening a bank account, trust in a financial institution, and the open bank account of another family member, have a statistically significant impact on the level of financial inclusion. The research results are the starting point for both governments to create strategies and action plans for financial inclusion, and for financial institutions to create more inclusive financial products/services.

Keywords: inclusive financial systems, financial inclusion, barriers, Southeast European countries (SEE), Principal Component Analysis (PCA), panel regression

JEL classification: G20, G50, O52, O57, C38, C33

THE IMPACT OF AI AND EMERGING TECHNOLOGIES ON MARKETING STRATEGIES

— ABSTRACT —

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Advances in technology undoubtedly transform all aspects of life. In modern marketing, artificial intelligence (AI) and digital technologies are transforming consumer behavior and strategies that connect companies with consumers with the help of these technologies. This paper explores the latest trends in artificial intelligence and the changes in consumer behavior that have resulted from them, as well as the incorporation of digital technologies into those forms of business that have emerged and survive in the digital world.

Undeniably, the future of sustainable business lies in new technologies and digitalization. Knowing the characteristics and preferences of each generation can help companies create customized messages that connect with customers. Moreover, new AI technologies, such as generative models (GPT-4 and newer), enable companies to create personalized marketing content based on a deeper understanding of consumer preferences and behavior with real-time data processing. As the digital transformation era dawned, with it came countless innovations that businesses needed to explore. The strategy known as location-based marketing (LBM), AR and VR experiences, XR and 5G, Cryptocurrencies, Metaverse, NFT, new forms of gaming, virtual ownership, Web3, and IoT - opens new marketing and business opportunities. Thus, to remain competitive in a rapidly changing environment, companies must adapt their strategies and embrace the changes that are most likely to affect the user experience significantly, that is, stay abreast of the latest trends in digital transformation. The research will focus on an overview of current trends and future predictions for applying AI and digital technologies in marketing, highlighting their impact on consumer behavior and examples of companies that have successfully adopted new practices. The goal is to provide guidelines for creating innovative marketing strategies to engage modern consumers in the digital age effectively.

Keywords: AI, consumer behavior, digital transformation, personalized marketing, emerging technologies

JEL classification: M31, O33, L86, D83, M15

ATTITUDES OF KEY STAKEHOLDERS REGARDING LGBTQ+ TOURISM IN MONTENEGRO

- ABSTRACT -

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LGBTQ+ tourism as a kind of travel concept is widely explored but at the same time, it is still an interesting research area, especially in tourist destinations such as Montenegro. The purpose of this work is to describe the level of awareness, opinion, experience and attitudes of the key actors of the tourist destination of Montenegro regarding LGBTQ+ tourism and to form a starting platform for the implementation of the next steps in the institutional and economic environment.

The main research methods are the desktop research method and the interview method. The secondary sources research method was used in the first phase of the research and includes the collection, study and selection of scientific and professional publications (books, articles, conference announcements, master's and doctoral theses, strategies, studies, etc.), collection and processing of statistical databases, search and processing of web resources related to the subject of research. The method of personal interview in direct contact (face-to-face) was used in the collection of primary data.

From the responses of the majority of respondents in the field research, it is clearly stated that LGBTQ+ tourism is an important segment of the market, which has great economic potential, but also social importance, and that an integrated and holistic strategy is needed for its realization. Montenegro faces numerous challenges related to LGBTQ+ issues, such as prejudice, violence, lack of legislation and infrastructure, and insufficient awareness and education, which affect the development and quality of LGBTQ+ tourism. Montenegro also has numerous opportunities for the development and improvement of LGBTQ+ tourism, such as recognition of the potential and high wages of this population, openness and change in the perception of businessmen, connection with a well-known brand and franchise values, and the possibility of improving the image of the destination and attracting new tourists.

The paper offers description of the state of awareness regarding the mentioned type of tourism in Montenegro. This is the first step in further research on the topic. The paper will describe the possibility of applying the market segmentation strategy through the discovery of a new market sub-segment (niche) in the domain of LGBTQ+ tourism.

Keywords: *LGBTQ+ tourism, tourist destination, stakeholders, Montenegro*

JEL classification: M31, Z30, Z32

ESG: CHALLENGES OF NEW LEGAL STANDARDS FOR SUSTAINABLE BUSINESS IN THE EU

— ABSTRACT —

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Businesses play a key role in creating a sustainable economy and society. Sustainability is anchored in company's values reflecting a strong commitment to adhere to social, economic and environmental imperatives in line with sustainable development paradigm. ESG is a set of environmental, social, and governance factors considered by companies. Regulations for ESG are designed to encourage transparency, sustainability, and ethical business practices. They aim to ensure that companies assess and disclose environmental, social, and governance (ESG) factors that influence their impact on climate-related financial risks, sustainable business practices, and compliance with regulatory standards. On 5 January 2023, in European Union the Corporate Sustainability Reporting Directive (CSRD) entered into force. It modernises and strengthens the rules concerning the social and environmental information that companies have to report according to ESG rules. A broader set of large companies, as well as listed SMEs, are now required to report on sustainability, and some non-EU companies also have to report if they generate over EUR 150 million on the EU market. This paper aims to explore the Directive's far reaching implications on companies business conduct and performance, and in particular the ways and challenges of their transposition in national laws. This seems important amid - the aim of this new rules - to ensure that investors and other stakeholders have access to the information they need to assess the impact of companies on people and the environment and for investors to assess financial risks and opportunities arising from climate change and other sustainability issues. This new regulatory demands are pivotal in fostering a culture of transparency. They focuses on evaluating all business activities' impacts on people and the environment. It seeks to standardise and simplify ESG reporting across various sectors, ensuring companies adopt sustainable business practices and address climate-related financial risks, in line with the European Green Deal (COM/2019/640 final) and in delivering on the UN Sustainable Development Goals.

Keywords: ESG, regulations, corporate governance, responsible corporate behaviour, ethics

JEL classification: K20

LIQUIDITY AS A HARBINGER OF PROFITABILITY: A CROSS-REGIONAL STUDY BETWEEN EU AND SEEC COMPANIES

— ABSTRACT —

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This study aims to explore the relationship between liquidity ratios and profitability metrics among companies operating within the European Union (EU) and South East European Countries (SEEC). The research methodology involved a comparative analysis of three pivotal liquidity ratios—Current Ratio (CR), Quick Ratio (QR), and Cash Ratio (CaR), and their influence on three key profitability indicators: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). To reveal the impact of liquidity on profitability multiple linear regression model was employed. The data-driven approach revealed that in the EU, there exists a subtle but significant positive correlation between company SIZE (Total assets), as a control variable in the model, and profitability metrics, suggesting nuanced shifts in profitability as firms expand. In contrast, SEEC firms demonstrate a more pronounced correlation between SIZE and ROA, with a distinct positive association with NPM. The study's hypotheses testing further elucidates these findings. For the effect on ROA, EU companies exhibit a notable relationship, reflecting effective working capital management, while SEEC companies present a more intricate landscape possibly influenced by regional financial dynamics. Regarding the effect on ROE, EU companies display a subdued association between liquidity and ROE, pointing towards intrinsic corporate strategies as primary drivers. In SEEC companies, this relationship is even more attenuated, suggesting other influential factors at play. Finally, for the effect on NPM, both regions emphasize the central role of the CaR in shaping NPM. The study makes a significant academic contribution by emphasizing the importance of regional economic contexts in financial correlations and underscores the need for companies to understand and adapt to these regional nuances. Limitations of this study include potential biases in data sources and the generalizability of the findings. Future research directions include deeper investigations into regional financial dynamics and potential influencing factors.

Keywords: Liquidity, Profitability, Cross-Regional Comparison, EU and SEEC Companies

Jel classification: M41, G15, G32

DEVELOPING SOLUTIONS FOR THE IMPROVEMENT OF BUSINESS PROCESSES IN THE MACEDONIAN AUTOMOTIVE INDUSTRY

— ABSTRACT —

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This paper presents the research towards developing solutions for the improvement of business processes in the automotive industry in the R. N. Macedonia by implementing the techniques and methods of the Kaizen philosophy. The principal goal of the paper is a comprehensive analysis of the factors that enable the improvement of the entire production process through the application of tools for identifying, monitoring and solving problems. The first part of the methodology is taking the initiative by the management or the management structure of the company to use modern tools and techniques to improve quality towards achieving the planned goals. The implementation of activities preparations implies the formation of teams for improvement, detection of problems and selection of Kaizen technique. Furthermore, it follows the definition of a plan with activities, foresees goal setting and projection of the outcome of the results of the planned corrective measures. After obtaining and analyzing the results, an internal analysis is conducted and the processes in the business process are standardized. As a result of the implemented changes in all production processes in the automotive industry, the responsible persons of each department commence to standardize their daily activities and implement greater coordination in their teams. The introduction of modern tools and techniques of Kaizen aimed to improving business processes in the automotive industry, enabled slow but continuous changes at all levels and in all areas of operation. The awareness of the management and all employees was growing that something should be done on a daily basis in order to obtain a result, improve the work, productivity, efficiency and effectiveness, make the workplace a pleasant working place and of course ultimately to result in increased profits and higher wages.

Keywords: Kaizen philosophy, methods and techniques, continuous improvement, automotive industry

JEL classification: O32, O33

THE PERNICIOUS LONG-TERM EFFECTS OF THE WAR IN BOSNIA AND HERZEGOVINA AND HOW LOOMING THREATS OF A NEW CONFLICT IMPACT ECONOMIC DECISIONS OF YOUNGER GENERATIONS

— ABSTRACT —

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Taking advantage of a nationally representative survey of 6,021 respondents in Bosnia and Herzegovina (BiH) conducted in 2015, I explore the long-term effect of war exposure on generalized trust and risk attitudes, including their mutual relationship. Using an endogenous Seemingly Unrelated Model, I discover that individuals that spent the war in municipalities with a higher fatality rate are less trusting and less willing to take risks even two decades after the signing of the Dayton Peace Agreement. In a subsequent study, I explore how threats of a new war impact economic decisions of the post-war generation. Exposing students to fictional media reports about the imminent outbreak of a new conflict and using a Structural Equation Model, I show that threats of a new war are associated with lower interparental intentions and mediated by greater risk aversion. Taken together, these finds shed new light on several economic phenomena observed in BiH such as the country's relatively underdeveloped private sector as well as preference of the population for secure public sector jobs.

Keywords: Economics effects of war, economic psychology, social capital, risk, entrepreneurship

JEL classification: A13, D74, D81, D91, L26

OIL, BLOODSHED AND POWER

— ABSTRACT —

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This article investigates the cornerstones of political survival, for the first time, incorporating insights from the “resource curse” theory and diversionary theory of war. Moreover, in a pioneering manner, it examines the impact of the interplay between oil wealth and military aggression on political durability. Focusing on the region of Eastern and Southern Europe and Central Asia, we conduct a survival analysis based on the panel dataset over the period of 1990-2021. We find that political leaders might exploit oil wealth and wage wars in the pursuit of maintaining a firm grip on power. This study also suggests the interdependent nature of the influence of oil wealth and war instigation on political survival. Oil exerts a more significant effect on political durability in non-aggressor states compared to aggressor states, while the effect of conflict on political survival diminishes as the level of oil wealth increases.

Keywords: natural resource curse, diversionary theory of war, political survival

JEL classification: Q34, Q35, D74, F51

TO DIVERSIFY OR NOT? ANALYSIS OF AGRICULTURAL CASE STUDIES FROM BULGARIA

-ABSTRACT-

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Agriculture has traditionally been an important sector for Bulgaria, but over the past 30 years its role has been significantly transformed. Today it is one of the lagging sectors, with a low share of GDP (3-5%) and low value added. However, the potential for development is high: a significant number of farms and producers (132 742 total number of farms in Bulgaria, according 2020 census) and a growing entrepreneurial interest, stimulated by factors such as increasing demand for food, EU policies and access to EU funds, favourable climatic conditions in Bulgaria, etc.

Current Situation: Agricultural entrepreneurship is characterized by a wide range of activities carried out by agricultural producers, which covers from the implementation of innovations in production technology and the use of new raw material sources to the development of new markets for their production. Farms and producers are predominantly focused on monoculture crop production. This makes them vulnerable to unpredictable weather conditions, climate change, market fluctuations, etc. Diversifying the "portfolio" of activities could ensure greater sustainability and stimulate growth, including innovation in the sector. In support of our thesis, the report presents two case studies based on the presence/absence of diversification in the offered agricultural products, which serve as a practical insight into the realities of Bulgarian agriculture.

Research aims to analyse the business environment in Bulgarian agriculture and to evaluate diversification as a tool for sustainable growth. To implement it, a mixed approach is applied:

Methodology: A mixed approach was used, based on a combination of the following methods:

- Deduction: to derive the hypothesis that diversification can reduce vulnerability in agriculture.
- Two-stage empirical test: on macro level: SWOT and PEST analysis to assess the macroeconomic environment and the factors influencing the sector's development

opportunities; and on micro level: empirical study of the practices of Bulgarian farms and producers.

- Induction: to provide general conclusions from specific farms and producers.

The study examines the entrepreneurial environment in Bulgarian agriculture, investigates diversification as a tool for sustainable growth, and provides recommendations for Bulgarian farms and producers. This would help farmers at the micro level to make better informed decisions about the development of their farms, while at the macro level the state could focus support measures in the "Agriculture" sector where there are natural features and traditions in production.

Keywords: agriculture, entrepreneurship, SWOT analysis, PEST analysis

JEL classification: Q10, Q12, O0, O5, R10

NAVIGATE THE MAZE: THE CONCEPTUAL FRAMEWORK OF SUSTAINABILITY ACCOUNTING

-ABSTRACT-

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Sustainability, which encompasses environmental, social and economic well-being, has become a top priority for businesses, investors and society at large. The looming uncertainties of climate change, resource depletion and social inequality require a paradigm shift to ensure the long-term viability of our planet and its inhabitants. Businesses have a key role to play in this transition, as their practices have a significant impact on the environment, society and their own long-term success. In response, companies are increasingly integrating environmental, social and governance (ESG) issues into their core decision-making processes. This integration requires a robust framework for quantifying, reporting and disclosing a company's impact on these three pillars. Sustainability accounting is emerging as a critical tool to address this need, providing a structured approach to navigating the complexities of ESG integration. It goes beyond a simple focus on profit, moving from a purely financial perspective to a more holistic one that recognises the interconnectedness of environmental, social and economic issues.

The Current Landscape: A Maze of Information Despite the growing interest in sustainability accounting, the field remains in a state of flux. Numerous articles, guidelines and frameworks have been developed by various organisations. However, there is still no established, universally accepted and comprehensive framework for sustainability accounting. This lack of a single framework poses a challenge for both academics and companies seeking to integrate ESG considerations into their accounting practices.

This research aims to shed light on the conceptual framework of sustainability accounting. It will achieve this by: identifying the key elements; examining the forms; analysing the concepts.

Methodology: This research uses a conceptual approach based on a content review of established academic literature, professional guidelines and frameworks promulgated by leading sustainability accounting organisations. Through critical analysis of these sources, the research synthesises the key elements that underpin the conceptual framework of sustainability accounting.

Expected Outcomes: This paper seeks to clarify the multifaceted conceptual framework of sustainability accounting, providing valuable insights for both the academic community and business. Academic value: expanding theoretical knowledge and stimulating further research. Practical implications for business: guidelines for developing practices and more transparent sustainability reports. By highlighting the conceptual framework of sustainability accounting, this research provides companies with a roadmap for navigating the complexities of ESG integration. By adopting this framework, companies can achieve greater transparency and accountability for their ESG performance. Ultimately, this fosters a more sustainable business environment, benefiting not only companies but also stakeholders and society as a whole.

Keywords: accounting, sustainability, sustainability accounting, conceptual framework

JEL classification: M41, Q56

DIGITALLY EMPOWERED: UNVEILING THE IMPACT OF DIGITAL LITERACY ON EMPLOYEE PERFORMANCE IN EMERGING ECONOMIES

— ABSTRACT —

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Small and medium-sized enterprises (SMEs) in emerging economies significantly contribute to job creation and inclusive economic growth but face challenges such as limited digital literacy among employees. This study examines the impact of digital literacy on employee performance in SMEs in Bosnia and Herzegovina (BiH), employing the TOE (Technological, Organizational, and Environmental) model. The study finds that digital literacy acts as a catalyst for tech proficiency, enhancing employee performance. Employees often have limited understanding of how their managers communicate the digital agenda, which hampers their acceptance of new technologies and affects the resilience and adaptability of SMEs in the digital landscape.

Research shows that digital literacy is crucial for productivity, competitiveness, innovation, risk management, employee satisfaction, and social inclusion. The study aims to provide practical guidance for enhancing digital literacy among SME employees to foster improved performance and successful digital transformation. The main hypothesis is that digital literacy among employees in SMEs in BiH contributes to their performance, with auxiliary hypotheses exploring sectoral, age, and educational differences in digital literacy levels.

Using a quantitative approach, data was collected from 281 employees in SMEs across BiH. The results indicate that digital literacy positively impacts employee performance, with environmental factors having the most significant influence, followed by organizational and technological factors. The findings reveal that while employees possess basic digital skills, there is a lack of strategic direction and understanding of digital agendas.

The study concludes that enhancing digital literacy is essential for the successful digital transformation of SMEs in BiH. This requires addressing barriers such as resistance to new technologies and improving communication of digital agendas by managers. The COVID-19

pandemic has accelerated the need for digital skills, but there is still much work required to fully leverage digital literacy for meaningful transformation.

Key recommendations include targeted training programs to improve digital literacy and better communication strategies to align employees with organizational digital goals. Government support in the form of training and resources is also vital. Future research should include a more diverse sample to understand the broader impact of digital literacy on SME performance in different contexts. Additionally, focusing on long-term digital literacy initiatives can ensure sustained growth and adaptability in an ever-evolving digital landscape.

Key words: Digital Literacy; Digital Transformation; Small and Medium-sized Enterprises; Employee Performance; TOE Model

JEL classification: O33, J24, I21

EXPLORING THE SENSORY DIMENSIONS OF NBA MARKETING: A SURVEY-BASED APPROACH

— ABSTRACT —

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Customers are a company's greatest asset, especially in the service industry; therefore, finding solutions that could keep clients thriving in this dynamic global market is crucial. Consumers form impressions of the environment through sight, hearing, touch, taste, and smell, which help them create a brand image. Sense of sight dominates marketing; however, other senses also play an important role in purchasing a particular product. Strategic choices made in the context of sensory marketing aim to stimulate the general audience's senses. Correctly applying these strategies strengthens the purchasing experience, emphasizing the subliminal level associated with feeling.

This study delineates sensory marketing and the impact of sports brand image through sensory marketing, utilizing the NBA league as an example. The research was conducted using a questionnaire encompassing general sensory marketing and the perception of individual senses during NBA game viewing. The poll aims to determine how spectators behave while watching the game, namely, which senses they most frequently employ. The purpose of the survey, completed by 142 people who were identified as fans of the NBA, was to learn more about the senses and how they use them when watching an NBA game. A circular column diagram presents the research findings.

This research is significant as a result of its analysis of sensory marketing, with a specific emphasis on the interaction between fans and sensory stimuli during games. By exploring fans' perceptions and preferences towards sensory marketing components, such as logos, music, preferred fragrances, food, drinks, and branded products, valuable insights into fan behavior and interests in the NBA environment are revealed. The findings indicate that most participants experienced a sense of affiliation, joy, and belief in the league's mission and were inclined to recommend watching NBA matches.

Prior research has generally been limited to a subset of sensory marketing, mainly in the food industry. This study provides practical implications and research avenues for those seeking to further investigate sports marketing as a unique area of academic research. This study adds to the

body of knowledge on the role of sensory marketing in consumer behavior in the sports industry, and significantly contributes to managers, marketers, and sports organizations.

Today, sensory marketing is recognized as an essential tool for strengthening the bond between a brand and customers by stimulating all senses and generating emotions. Owing to increasing customer demands, sensory marketing is considered a high-priority activity.

Keywords: sensory marketing, human senses, sports brand

JEL classification: M

DO EXPORT, FORMAL PARTNERSHIPS WITH FOREIGN COMPANIES AND FOREIGN OWNERSHIP CONTRIBUTE TO THE BETTER ENVIRONMENT PERFORMANCE OF COMPANIES IN TRANSITION COUNTRIES – THE CASE OF BOSNIA AND HERZEGOVINA

- ABSTRACT-

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The rise of trade and market liberalization has significantly accelerated economic growth but also influenced patterns of production, consumption, and technological exchange, making them central to discussions on both economic development and environmental sustainability. In this context, trade and foreign direct investments (FDI) have been associated with positive spillover effect through technology and knowledge transfer from developed countries with stricter environmental regulation to less environmentally advanced local companies in developing or underdeveloped countries with lax environmental regulations. Essentially, empirical studies with microeconomic foundations, in particular in transition countries, have observed conflicting but interesting results related to the effects of trade and capital flows on the environmental performance of local companies and industries. Although theoretical propositions suggest that trade and FDI can positively impact environmental performance, empirical evidence shows that exports and FDI are not consistently associated with such improvements underscoring the importance of considering a range of factors that shape these outcomes.

Given the assigned ambiguous role of trade and FDI in relation to environmental performance in the literature, this research attempts to provide new insights with respect to the specific factors that determine companies' environmental performance, and the role played by knowledge and technology transfer. Using company-level data from pollution-intensive manufacturing sectors in Bosnia and Herzegovina, logistic regression is employed to investigate the impact of export, foreign ownership, and foreign market linkages on environmental management performance. The findings reveal a strong relationship between market liberalisation and environmental protection. Particularly, the obtained results highlight the importance of exports to the EU as companies with stronger market ties to the EU are more likely to adopt international environmental standards. These results contribute to recent literature that renders support to the hypothesis that foreign market linkages contribute to improved environmental performance. Further, the research embarks from previous literature in that it sheds light on the role of formal partnerships with foreign entities in influencing companies' behaviour. Specifically, the results of empirical models reveal a somewhat controversial outcome, i.e., that formal partnership is negatively associated with environmental management performance. Contrary to the assumption that foreign partnerships would improve environmental standards, these results suggest a trend of relocating pollution-

intensive production to regions with more lenient regulations, such as Bosnia and Herzegovina. Furthermore, despite the relatively small sample of foreign-owned companies, the study indicates that these companies often lack international environmental standards. Therefore, foreign investments in pollution-intensive industries appear driven by cost efficiency and lenient environmental regulations, as documented in existing literature.

The results of econometric analysis thus provide a novel insight into determinants of environmental management practices of companies and its importance in boosting companies' competitiveness in the specific context of less developed transition economy. Further, this research adds to recent literature by relaying on company level data, analysis of which are scarce especially considering Western Balkan economies including Bosnia and Herzegovina. The findings of the study offer valuable insights for policymakers and businesses.

Keywords: environmental performance, export, trade, foreign ownership, transition economies,

JEL classification: Q56, F18, L33, P31, O13

SUSTAINABLE CONSUMPTION BEHAVIOR AMONG GENERATION Z IN CROATIA: UNDERSTANDING ACTIONS AND ATTITUDES IN THE CONTEXT OF GLOBAL ECOLOGICAL CHALLENGES

— ABSTRACT —

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Amid the escalating global ecological crises, both the public and the business sector are under increasing pressure to adopt environmentally sustainable practices. In this context, studying the behavior of young consumers is particularly significant, as they not only constitute a substantial portion of the world's population but are also on the brink of becoming the primary drivers of the global economy. This research focuses on analyzing the sustainable consumption behavior of young consumers, exploring how their environmentally sustainable actions are reflected through various aspects of consumer behavior.

The primary objective of the study was to quantify and analyze sustainable consumption behaviors among young consumers, with a specific emphasis on identifying prevailing patterns within this targeted demographic group. The analysis included a sample of 125 young consumers, specifically Generation Z in Croatia. Correlation analysis methods were used to explore the relationships between environment sustainability behavior (ESB) and three key variables: unneeded consumption, saving orientation, and product reusability. These variables were measured using the four-dimensional Sustainable Consumption Behavior scale.

The research findings indicated that while unneeded consumption was not significantly related to ESB, there was a moderate but significantly positive correlation with saving orientation and product reusability. The results suggest that despite the presence of sustainable practices, there is considerable room for aligning the actual behavior of young people in Croatia with their environmental attitudes. This discrepancy highlights the need for further research to investigate the deeper causes and potential strategies for encouraging more consistent environmentally sustainable behavior.

The importance of this research is particularly pronounced in the context of the current economic climate, marked by climate change and geopolitical situations that further strain economies worldwide. Such an environment negatively impacts the prices of eco-friendly products, which are traditionally more expensive than conventional ones. Therefore, understanding how to motivate young consumers towards more consistent sustainable practices is crucial for developing effective strategies that could increase their engagement in environmentally sustainable consumption. These initiatives are essential for achieving sustainability goals at the European Union level and contributing to global sustainability objectives. The conclusions of this research can serve as a basis for shaping policies and interventions aimed at young people, ensuring a long-term sustainable future.

Keywords: sustainable consumption, Generation Z, attitude-behavior gap, product reusability, unneeded consumption, saving orientation

JEL classification: Q01, Q56, D12, M31, P36

A REVIEW OF EFFECTIVE COMMUNICATION AND RESOLUTION OF CONFLICTS IN KOSOVO'S HOTEL INDUSTRY

— ABSTRACT —

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This study aimed to assess the relationship between conflict management and effective communication. Communication is the most important element for promotion and human development and success. Much of job satisfaction depends on the quality of the relationship with others. Without effective communication and personal interaction, one cannot achieve optimal personality growth and prosperity, and any denial of proper and logical relationships with others and staying away from dynamic social life. In order to factually present the relationship between personality, effective communication and performance at work, we surveyed 344 respondents, the sample was selected randomly. The research method is the quantitative method. The results of this study show a positive and statistically significant relationship between conflict management and effective communication, as well as a positive relationship between conflict management and the overall performance of the hotel organization. However, an unexpected finding is the negative correlation between effective communication and employee satisfaction. These results emphasize the importance of conflict management and effective communication for improving organizational performance, while the unexpected link between communication and employee satisfaction requires further analysis to better understand the internal dynamics in hotel organizations. This study provides an important contribution to the literature on conflict management and communication in the context of the hospitality industry and can serve as a basis for further research on similar topics.

Key words: conflict management, effective communication, work performance, hotel business, employee, manager.

Jel classification: M1, M12, Z3

HOW GENERATION Z STUDENTS VALUE JOB ATTRIBUTES: A CONJOINT ANALYSIS

— ABSTRACT —

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The study examines the relative importance of job attributes for Generation Z students when making job selection decisions. Previous literature has measured the preferences of potential employees in various contexts, regions, and target groups (Jinadasa et al., 2021; Peters, 2017; Yasmin et al., 2016). A larger number of scientific research papers have focused on the comparative measurement of job preferences and satisfaction, mostly using isolated assessment methods. This study focuses on students from the School of Economics and Business at the University of Sarajevo, measuring five relevant job attributes (salary and material benefits, person-job fit, work-life balance, job security, and opportunities for growth and development) and their impact on deciding to choose an appropriate job. Through market segmentation, the study evaluates the preferences of Generation Z members who are currently entering or are already engaged in the labor market. By applying adaptive conjoint analysis, the relative utilities and utility matrices of various job attributes are presented, comparing fourteen different levels of the five individual attributes. Finally, a questionnaire design proposal is provided for measuring the preferences for hypothetical job offers among potential employees. This research is important for the academic community as it demonstrates the application of a new technique, of a marketing nature, in human resource management. For managers and practitioners, this research can be useful for examining the preferences of potential employees to design job positions and work environments that will attract, engage, and retain talented individuals from Generation Z.

Keywords: job evaluation, Generation Z, job attributes, conjoint analysis

JEL Classification: J24, M51, C83, J13, M54

ECONOMY OF WELL-BEING: ANALYSIS OF THE IMPACT OF EXCESSIVE CREDIT INDEBTEDNESS ON THE REDUCTION OF THE QUALITY OF LIFE OF THE CITIZENS OF THE REPUBLIC OF CROATIA

— ABSTRACT —

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Purpose: Modern lifestyles often put careless and reckless financial management at risk, which can lead to over-indebtedness, default, and bankruptcy. The inability of natural persons to manage their own finances is accompanied by numerous business, social, and family negative implications that are manifested through financial stress, limited spending opportunities, which are directly related to quality of life, and an increase in inequality. In the paper, the authors investigate the phenomenon of excessive borrowing in Croatia with the aim of improving the quality of life and artificially raising the standard of living, which limits the future plans of Croatian residents. The main goal of this paper is to point out the fact that the welfare economy is a continuation of the development of the capitalist system, in which the quality of life of citizens is not questioned, nor is it correlated with greater credit indebtedness.

Results: The key to achieving a welfare economy is to balance the benefit of credit with a reasonable level of indebtedness that is sustainable for individuals. In accordance with the above, research was conducted on a deliberate sample of 782 respondents who have experienced the loss of sovereignty or autonomy over their own economic policies and decisions.

Conclusion: Through the synthesis of empirical research conducted on 782 respondents, it was concluded that the availability of financial resources significantly affects the objective and subjective perception of the quality of life. The approach is based on auto-regressive models with a time lag of thirty years, when citizens did not go into debt and when the desire to buy was not as pronounced as it is today. Debts also have psychological effects, such as a feeling of helplessness, depression or a feeling of isolation due to financial problems, which makes it impossible to actively participate in the creation of a state of welfare economy.

Keywords: welfare economy, credit indebtedness, quality of life, financial literacy, debts

JEL classification: E0, E7, G4, E03

NAVIGATING DIGITAL TRUST: GEN Z'S PERCEPTIONS OF BRAND AND USER-GENERATED CONTENT

— ABSTRACT —

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The advent of digital media has revolutionized the marketing landscape, leading to significant changes in how brands engage with consumers. In particular, brand-generated content (BGC) and user-generated content (UGC) have emerged as pivotal elements in digital marketing strategies. This study aims to compare the perceptions of Generation Z (Gen Z) regarding these two content types, focusing on trust, perceived usefulness, and purchase intentions. Given Gen Z's substantial presence online and their distinct consumption habits, understanding their preferences is crucial for brands seeking to effectively reach this demographic.

Gen Z, characterized by their digital nativity, spends a significant amount of time on the internet, making them a vital audience. Previous research clearly shows that Gen Z has considerable influence on online spending, often relying on digital content for information and purchase decisions. This generation's behavior and preferences necessitate a closer examination of how they interact with BGC and UGC, especially in an era where vast quantities of information have diminished brands' control over consumer perceptions. Technological advancements have facilitated more interactive and engaging promotional tactics, with both marketers and consumers playing active roles in content creation and dissemination.

This research employs a qualitative methodology, utilizing two focus groups of Gen Z participants to explore their perceptions of BGC and UGC. The discussions were aimed at understanding the nuances of trust, informational utility, and the impact on purchase intentions. The theoretical framework guiding this study includes social proof theory and source credibility theory, which help elucidate the factors influencing trust and credibility in digital content.

Preliminary findings indicate distinct differences in how Gen Z perceives BGC and UGC. Trust levels lean toward the UGC, attributed to its perceived authenticity and relatability. In contrast, BGC is often viewed with skepticism due to its promotional nature. UGC is also seen as more

useful for providing relevant information and solving consumer problems, with participants valuing real-life experiences shared by peers over polished brand messages.

In conclusion, this study highlights the critical need for brands to adapt their content strategies to resonate with Gen Z. By prioritizing authenticity and leveraging the power of UGC, brands can build trust and ultimately influence purchase decisions. The implications of this research are significant for marketers aiming to connect with the digitally-savvy Gen Z, offering valuable insights for optimizing content strategies in the evolving digital landscape.

Keywords: User-Generated Content (UGC), Brand-Generated Content (BGC), Gen Z, Trust

JEL classification: M310