



Varazdin Development and Entrepreneurship Agency
in cooperation with
Faculty of Management University of Warsaw, Poland
University North, Croatia



Economic and Social Development

26th International Scientific Conference on Economic and Social Development -
"Building Resilient Society"



Editors:
Vojko Potocan, Pavle Kalinic, Ante Vuletic

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THE PARADOX BETWEEN GOOD ECONOMIC MANAGEMENT AND SOCIAL UNREST IN BRAZIL: 2000 - 2015

Enrique Vasquez

*Department of Economics,
Universidad del Pacífico, Lima, Perú
Vasquez_ee@up.edu.pe*

ABSTRACT

During the period 2000-2015, Brazil had a mostly positive economic growth experience. Despite suffering an economic slowdown during the late 2000s, Brazil was considered as one of the leading countries in the Latin American region. It became the sixth largest economy of the world by 2012, surpassing the United Kingdom. In social terms, Brazil also showed improvements. Data on unemployment, minimum wages and inequality were promising, showing that nearly 30 million people entered the middle class, minimum wages in the year 2015 were 117% higher than in the year 2000 and the Gini index decreased from 0.601 in the year 2000 to 0.5148 by the year 2014 (World Bank, 2017). All these improvements happened thanks to equality promoting social programmes. However, all these positive changes did not seem to end social conflicts. By the year 2011, 161 social conflicts were registered, positioning Brazil as a country with a medium level of violence (PNUD y Fundación UNIR, 2011). According to the UNDP, 7% of all Latin American conflicts happened in Brazil. At a macroeconomic level, conflict was on the rise during the years 2004-2014, despite all the country's efforts to improve its living standards (UNDP). This paper proposes that this paradox can be explained by analysing the situation of Brazil's Federal States and each region individually. One can see that the bulk of Brazil's GDP is concentrated on Federal States with megacities, while the rest of the country is mostly poor.

This in turn shows that while rich regions were reducing their levels of violence, poor regions' violence indicators were on the rise during this period. It is important to state that the levels of violence are measured by the homicide rate per 100 thousand inhabitants. In addition, according to Helder Ferreira and Diogo Martins, corruption is a factor that increases and worsens social inequality in terms of income. Therefore, corruption is another factor that could be explain the paradox (Ferreira & Martins, 2014).

Keywords: *Brazil, economic growth, economic performance, social unrest, poverty, inequality*

ECOLOGICAL AWARENESS AS THE BASIS OF COMPETITIVE ECONOMY THROUGH THE PRISM OF CRIMINAL OFFENSES AGAINST ENVIRONMENT

Nevena Aljinovic

*University Department of Forensic Science, University in Split
nevena.aljinovic@gmail.com*

ABSTRACT

The anthropocentric intellection toward the environment, which has existed for almost two centuries, has led to a series of ecological problems on local, regional and global scale. By the 1960s ecological consciousness has been completely suppressed by the dominant anthropocentrism, which places the focus of its essence on human. The visible and "tangible" consequences of anthropogenic pressure on the environment resulted with the introduction of a modern approach to environmental protection. The culmination of the ecological crisis, at the end of the 20th century, has encouraged the development of ecological consciousness.

The importance of sustainable development in the correlation with environmental protection, in terms of criminal justice repercussion, is increasingly reflected on the awareness of the necessity of emphasizing the ecocentric concept of environmental protection that focuses on a "natural environment" rather than "maintaining human living conditions". Insufficiently developed ecological awareness, in terms of unrecognition and unresponsiveness to the realization of the criminal offense in field of environmental pollution, is still present in the 21st century, and was reflected in the "Pliva case" situation where the "welfare" of the chemical industry expansion gained primacy over environmental protection from pollution. The aim of this paper is to point out the importance of ecological consciousness as a part of social consciousness, in the absence of which the criminal law regulation remains only a black letter on paper, as seen in the Pliva case. Also, it leads us to the conclusion that unreported environmental crimes contribute its relatively small and negligible share in the overall criminal structure.

Keywords: *anthropocentric conception of environmental protection, criminal offense of environmental pollution, ecocentric concepts of environmental protection, ecological awareness, environmental protection, sustainable development, Pliva case*

IMPLEMENTATION OF THE GREEN ADVERTISING MEDIA (GAM) TO INCREASE PRODUCT SALES VOLUME (PSV) IN MALAYSIA PRODUCT MARKET

Hasan Saleh

*Department of Technology Management,
Faculty of Technology Management and Technopreneurship,
Universiti Teknikal Malaysia Melaka (UTeM), Malaysia
hasansaleh@utem.edu.my*

ABSTRACT

This paper review the implementation of green advertising media (GAM) in Malaysia product market and how to enhance the product sale volume (PSV). The main objective is to identify the relationship between GAM and PSV. From the result, it show GAM have significant value towards PSV and show digital interactive media (DM) was dominants to increase sales volume compare to print media (PM).

Keyword: *Green Advertising, Product sale volume, Advertising media, Digital Advertising*

ARE THE BANKS IN THEIR EXISTING FORM STILL RELEVANT?

Zbigniew Korzeb

Bialystok University of Technology, Poland
z.korzeb@pb.edu.pl

ABSTRACT

The objective of the article is to analyse whether European economies need the banking sectors in their existing size. Is it not the case of the banking sector losing touch with reality and creating a complicated set of instruments to transfer money and risk between financial institutions? Don't the existing financial corporations focus on creating shareholder value, while at the same time neglecting the traditional functions of the banking sector? The modern financial crises and numerous cases of embezzlement and unethical behaviour by banks have revealed that Systemically Important Financial Institutions (SIFIs) pose actual danger to the stability of banking sectors and even of entire national economies, by contributing to excessive systemic risk. Banking systems become too large to qualify for public assistance, should it be needed. At the moment it is difficult to assess whether the newly created EU institutions of the banking union are capable of providing security to customers of banks. It is paradoxical, that modern financial systems, in spite of up-to-date economic, finance management, management accounting and controlling solutions, are more than ever vulnerable to crises in the global markets. Considering the significant role played by the banking sector in the economy as a whole, it seems justified to pose an existential question – why do banks exist and who are they actually supposed to serve?

Keywords: *Banking sector, Public trust institutions, Systemically Important Financial Institutions*

CAN SPIRITUALITY BE USEFUL IN VOCATIONAL TRAINING OF INFORMATION AND COMMUNICATION TECHNOLOGY PROFESSIONALS? REFLECTION FOR FUTURE RESEARCH

Muhammad Kamran

*Faculty of Management, University of Warsaw, Poland.
kamran@wz.uw.edu.pl*

ABSTRACT

Most of the previous researches on spirituality have been conducted in psychology, counselor education and practice, marriage and family therapy, and supervision. Literature clearly depicts the importance of spirituality in both learning environment and ICT but there exist a significant research gap linking spirituality with vocational training of ICT professionals. The objective of the present research is to explore the linkage between spirituality and vocational training of Information and Communication Technology (ICT) professionals. To obtain a better understanding of performance in learning environment, trainee should be studied from physical, psychological, and spiritual dimensions. Though the physical and psychological dimensions of individuals at work have been measured comprehensively, the spiritual dimension has been ignored for many years. The methodology used in this research is qualitative in nature and the main data collecting instruments are biographical interviews. After qualitative research, the author used the quantitative method to construct the patterns from dimension of spirituality. Initial results show that there is significant impact of spirituality in vocational training of Information and Communication Technology (ICT) professionals.

Keywords: *ICT professionals, Spirituality, Vocational Training*

INTERRELATION RESEARCH BETWEEN RESOURCE INTENSITY OF ECONOMY AND MODEL OF INNOVATIVE DEVELOPMENT

Yuliya V. Razvadovskaya

*Southern Federal University, Russia,
yuliyaraz@yandex.ru*

Kristina S. Rudneva

*Southern Federal University, Russia,
legostaevakristina@rambler.ru*

ABSTRACT

Competitiveness of separate economy is determined by its opportunity to export high-technology goods due to increase in level of technological effectiveness of production and a gain in productivity of work. At the same time the capability of the developing economy to export high-technology goods depends on a number of factors, including inflow of the direct foreign investments (DFI), efficiency of scientific research, quality of state regulation, and also other factors. A considerable factor of development of economy is its resource intensity which level influences the speed of technology development. Within this research influence of such factors as DFI and outflow of foreign investments, payments for use of intellectual property items and export of resources for export of high-technology products in the countries with the average level of the income is analyzed. Results of this analysis allow to draw to us a conclusion that a number of factors positively influences a capability of the country to export high-technology goods on the world market. Also on the example of Russia influence of resource intensity of economy on production of high-technology products and its export is proved negative. The conducted research allowed to formulate a conclusion that resource dependence of the Russian economy is the factor constraining innovative development of economy.

Also by results of the carried-out analysis it was established that the greatest positive impact on export of high-technology production in Russia is exerted by a payment for developed technologies. The received results are important for the analysis of the reasons of competitiveness of economy of developing countries. For the analysis data of Worldbank, and also data of Federal State Statistics Service of the Russian Federation were used.

Keywords: *a payment for use of OIC, export of high-technology products, DFI, , resource intensity of economy, Russia*

EMPHASIS ON SOCIAL DIVERSITY: SEEKING FUTURE RESEARCH PROSPECTS

Mudassira Sarfraz

*Faculty of Management, University of Warsaw, Poland
COMSATS Institute of Information Technology
Islamabad, Pakistan
sarfraz.mudassira@gmail.com*

ABSTRACT

On one hand, this paper aims at exploring how social capital relates to heterogeneous social identity as measured through religious diversity, gender and ethnic diversity by considering them as instruments to social capital in a growth model. On the other hand, this paper develops a relationship between social capital and economic growth keeping in view human capital and physical capital as transmission channels which intervene to explain indirect impact of social capital on economic growth. In this study, social capital as measured through 'trust' appears to have an endogenous impact on economic growth.

Researcher wants to employ panel data on selected variables and will try to explain this issue of endogeneity with the help of estimation technique i.e Generalized Method of Moment (GMM).

Keywords: *Economic Growth, Social Capital, Social Diversity*

SUPPLEMENTARY LEGAL REGULATIONS FOR DIRECT FOREIGN INVESTORS IN POLAND

Magdalena Kozłowska

University of Economics in Katowice, Poland

magdalena.kozłowska@ue.katowice.pl

ABSTRACT

The current global trend is to reduce the significance of legal conditions in decisions on the location of direct foreign investments (DFI) as well as other traditional, so-called "hard" aspects thereof. This is the effect of the unification of those factors resulting from the effort of countries to occupy possibly the most advantageous position on the investment attractiveness map in view of the growing global competition. However, the author believes that, given the circumstances, in Poland, legal conditions may in fact be of major importance. This is because the legal determinants of the operation of foreign capital did not use to be stable, especially during a certain period. The reason was the creation of the market system, which required adjustments in legal regulations. Later changes in legal regulations were augmented by the effort to align with the European structures associated with the EU accession, which required legal convergence. Apart from the major legal regulations governing direct investments in Poland, there are also supplementary regulations, although supplementary does not mean to say of little importance. They supplement the core legislation and form part of the entire legal framework relevant to investing in Poland.

The main goal of this paper is to describe changes in supplementary legal regulations relevant to direct investments in Poland from the beginning of the socioeconomic system transformation, i.e. from the transformational breakthrough until now. First of all, the paper will discuss changes in legal regulations governing the acquisition of real property by foreign nationals, which is strongly linked with international capital flows through DFI. Next, changes in the tax system for business entities with foreign capital will be presented, tax system being one of the most important elements of the business environment, taken into consideration investment decisions. Other supplementary legal regulations that the author thinks important in the existing reality will also be discussed. These are legal regulations concerning protection of competition, intellectual property protection, employment of foreign nationals or environmental impact assessment. The author uses the following methods: analysis, synthesis and comparative analysis.

Keywords: *Acquisition of real property by foreign nationals, Act, Direct foreign investment, Supplementary legal regulations, Tax system*

THE RELEVANCE OF CULTURE TO THE READING COMPREHENSION PROCESS: THE CASE OF MOROCCAN STUDENTS READING EFL TEXTS

Sadik Maliki

Faculty of Letters and Humanities, Ain Chock, Casablanca

Fouzia Lamkhanter

Faculty of Letters and Humanities, Ain Chock, Casablanca

Hamid Housni

ENCG, Tangiers

ABSTRACT

Most of what is communicated, be it written or spoken, is unsaid. The understanding of what is communicated is successful when people taking part in it are aware of the cultural values underlying language use. However, when readers draw from different cultural systems, their reading comprehension process is likely to fall prey to many pitfalls. The Present study seeks to highlight the crucial importance of the cultural component in what has come to be termed face-to-page interaction. The expression 'Face-to-page interaction' is used here as a short hand term to describe the process of reading comprehension and/or reading literary works (i.e., the interaction involving a reader and a piece of written discourse).

Keywords: *Reading comprehension, face-to-page interaction, culture, communication, schemata*

PANEL DATA ANALYSIS ON THE RELATIONSHIP BETWEEN REMITTANCES AND ECONOMIC GROWTH IN SUB-SAHARAN AFRICAN COUNTRIES

Ahmet AY

*Selçuk University, Faculty of Economics and Administrative
Sciences, Department of Economics, Konya*

Fahri Kursunel

*Selçuk University, Faculty of Economics and Administrative
Sciences, Department of Business, Konya*

Mahamane Moutari Abdou Baoua

*PhD Student, Selçuk University, Faculty of Economics and
Administrative Sciences, Department of Economics, Konya*

Youssef Soilihi Ali

*Master Student, Selçuk University, Faculty of Economics and
Administrative Sciences, Department of Economics, Konya*

ABSTRACT

The main purpose of this study is to investigate the link between remittances and economic growth for 23 selected African countries by using panel data within 1985-2015 periods. In this study, we used the Panel Fixed/Random Effects model in order to investigate the relationship between personal remittances, gross fixed capital and GDP per capita variables. We also performed the panel cointegration test in order to examine the long-run cointegration between the variables. The panel fixed/random effects estimation results indicate that there is negative and significant relationship between remittances and economic growth. Louise & Clovis (2012), Deisting, et al. (2015), Chami, et al. (2003), Coiffard (2011) and Ahoure (2008) also found a negative effect of remittance on economic growth. In other hands, there is positive link between capital formation and economic growth.

The panel cointegration result shows that there is significant long-run cointegration relationship between remittances and economic growth. In other word, this study found that remittances do not contribute to the development of these 23 African countries and suggest that government of each country must apply investment policies that can promote advantage to domestic labor and investors.

Keywords: *remittances, economic growth, Africa, panel data analysis*

UNRAVELING THE BIG BANG: A COMPARATIVE ANALYSIS OF BANKING AND FINANCIAL RESTRUCTURING IN JAPAN AND KOREA

Samson Igbinosa

*Link Educational Consultant
brossam2001@yahoo.com*

Obawe Fortune

Link Educational Consultant

ABSTRACT

Recently, Japan has increasingly been attracting the attention of many political economists, especially in regards to its long-term recession. Korea was also the focus of attention by such scholars when it underwent the currency crisis in 1997. Moreover, these analyses of the political economy of Korea and Japan have so far been concentrated on changes in their industrial policies and government-business relationships. Particularly, the studies on both countries so far have been on what kinds of industrial policies and regulations the governments have promoted when companies advanced into new markets.

However, given the current restructuring drives in both countries, research efforts should now be expanded to cover the relationships established among economic participants when financial and non-financial institutions are forced out of the market through the restructuring process. Therefore, this study examines institutional changes during the process of a "Big Bang", or banking and financial sector restructuring, thereby reconstructing the relationship between government and market. A big bang refers to a radical change in a banking and financial system, which accelerates market-led financial sector reform. Its objective is liberalization of the financial sector and financial market opening. In fact, Korea and Japan have been establishing new reform-related systems as a means to break out of their current economic situations. The big bang-type reform measures that have been implemented in Korea and Japan could therefore be seen as the first step in the break-up of the East Asian developmental state model. The purpose and contents of big bangs, or banking and financial restructuring, are similar among countries. However, their progresses are different. If examined closely, it can be seen that even East Asian countries show huge differences in the process of their big bangs. This is true to cases of Japan and Korea. In Japan, banking and financial restructuring has been showing weak progress, and bad loans are on a continual increase. By contrast, Korea has promoted ample restructuring, and was able to dispose of its bad loans sooner and more than expected. Why does the disparity in performance between the two nations exist? In order to answer this question, this study compares the roles and structures of the main banks of both countries, and analyzes how the differences between them affected the big bang and banking and financial restructuring of these countries. Consequently, this thesis will claim that although a big bang process is a drastic reform measure based on market principles, its effectiveness will depend upon the strong role of the government involved.

Keywords: *banking, financial restructuring, Japan, Korea*

SELF-ASSESSED PERSONALITY DETERMINANTS OF TEAM MANAGEMENT EFFECTIVENESS OF POLISH MANAGERS: A PILOT STUDY

Joanna M. Moczydlowska

Bialystok University of Technology, Poland
joanna@moczydlowska.pl

ABSTRACT

The article is based on a thesis confirmed by management science that an important role among the determinants of management effectiveness is played by psychological predispositions especially personality traits and personal skills of management staff. The text contains epistemological and empirical portions and aims to systematize knowledge concerning the psychological predispositions of managers which improve the effectiveness of team management as well as discover which traits and skills managers attribute to themselves when asked about the determinants of their personal effectiveness of management. The study sample consisted of 60 representatives of middle and upper management. The tool used to realize the study was a survey questionnaire developed by the author. The research showed that in the opinion of the responders their professional effectiveness is mainly improved by: assertiveness, ease of reaching decisions, empathy and being open to cooperation. Other qualities which achieved a high response rate (over 1/4 of participants) included: responsibility, emotional intelligence, self-discipline as well as diligence and reliability. As part of the discussion the obtained results were compared to models of effective managers presented by other authors.

Keywords: effectiveness, management qualities and skills, team management effectiveness

PROFILES AND DYNAMICS OF IN-WORK POVERTY IN ROMANIA

Cristina Stroe

*National Scientific Research Institute for Labour and Social
Protection, Romania
cristinaradu@incsmpps.ro*

Silvia-Florina Cojanu

*National Scientific Research Institute for Labour and Social
Protection, Romania
silvia.cojanu@yahoo.com*

ABSTRACT

One of the current social challenges, together with the strong dimensions of the labor market and of the social protection / social assistance system, is in-work poverty. Having a job has often been associated with a secure protection against poverty and social exclusion, but this aspect does not automatically exclude the risk of poverty for people who work, and statistical data argue this affirmation. Nowadays, both on national and international level, the number of working people facing poverty is increasing, i.e. their work incomes are below a certain poverty threshold, even they have a job. Other circumstances added to this picture, such as certain individual or household characteristics, generate the increase of the poverty risk and also the vulnerability to poverty of these households / persons. In this paper, in-work poverty rates will be analyzed for some types of households and certain determinants related to education or some occupational characteristics and structures, detailing those circumstances that influence, generate and sustain in-work poverty. The analysis of in-work poverty incidence indicators will be structured at national level and, comparatively, at international level, in dynamics, during the period 2007-2015 / 2016. This in-work poverty profile can lead to highlighting some of the main factors and determinants that generate and sustain this type of poverty.

Sharpening an in-work related poverty profile by highlighting the high incidences or persistence over time of this phenomenon could lead to better targeted actions for the most vulnerable groups to poverty and in-work poverty. These actions must target the multiple dimensions of the labor market, of social protection / social assistance and tax policies, or even combinations of these major policies, to alleviate poverty and in-work poverty incidence.

Keywords: *Determinants, Dynamics, Indicators, In-work poverty, Poverty, Structures*

POVERTY AND MIGRATORY DECISION

Silvia–Florina Cojanu

*The National Scientific Research Institute for Labour and Social
Protection, Romania
silvia.cojanu@yahoo.com*

Cristina Stroe

*The National Scientific Research Institute for Labour and Social
Protection, Romania
cristinaradu@incsmprs.ro*

ABSTRACT

In the last two decades, migration represented a phenomenon of high magnitude in Romania. While data on migration for Romania are limited, the media channels have given more visibility to a certain typology of the Romanian migrant: with low level of formal education and lack of qualifications, accepting low skilled jobs, often working without legal forms in domains such as agriculture, constructions or care, leaving the native country to escape poverty. Yet, very recent survey data on recipients of guaranteed minimum income (the poorest of the poor) show that, while they perceive migration as the only

functional individual strategy for escaping poverty, they do not, in fact, engage in migration. There are a multitude of theories explaining this apparent contradiction between perception and action and we explore here both the neoclassical approach that refers to the migration decision in terms of costs and benefits analysis, but also the behavioural economics approach that provides insights on decision making under scarcity conditions, adding comprehensive information on exercising migratory agency under poverty imposed limitations.

Keywords: *behavioural economics, deficit of aspiration, migration, poverty, risk aversion*

CORPORATE SOCIAL RESPONSIBILITY AND MARKET ENTRY

Domenico Buccella

*Department of Economics, Kozminski University in Warsaw,
Poland.*

buccella@kozminski.edu.pl

Michał Wojna

*Department of Economics, Kozminski University in Warsaw,
Poland.*

michwoj@kozminski.edu.pl

ABSTRACT

Is the firms' decision to pursue social interest and promote social progress philanthropic or motivated by strategic reasons? Making use of a simple Spence-Dixit entry model entry game in the presence of homogeneous goods, this paper studies the possible anticompetitive effect of the adoption of Corporate Social Responsibility (CSR) in the form of "consumer friendliness" (i.e. firms' attention to consumers' welfare).

It is shown that, when the market becomes contestable, the incumbent can endogenously select to adopt CSR to hamper to a greater extent the potential entrant, regardless of its choice to engage in CSR activities. In other words, CSR can become a strategic barrier to entry. More precisely, when entry is considered, the incumbent's choice to follow CSR reduces the sunk cost thresholds that block and deter the entrant's market access, and remarkably shrinks the relevant area of the parameters set in which the incumbent accommodates entry. In other words, market entry is relatively more blockaded and deterred in an industry with CSR. However, it is also shown that, if the fixed costs are sufficiently small, embracing reasonably low CSR rules is a dominant strategy for the entrant which, in such a way, improves its profitability. These findings open a new view of CSR rules and seem to provide a plausible explanation of the empirical evidence that firms following CSR rules are increasingly present in several industries. Moreover, this assertion seems to support the sentiment of the participants in public and academic debates, in which a large majority express the opinion that CSR can give companies a competitive advantage, and social responsibility is a real business issue.

Keywords: CSR, Entry deterrence, Monopoly, Duopoly

THE FINANCIAL INDICATORS INFLUENCING THE MARKET VALUE OF THE ROMANIAN LISTED COMPANIES AT THE REGIONAL LEVEL

Hategan Camelia-Daniela

*West University of Timisoara, Romania
camelia.hategan@e-uvt.ro*

Sirghi Nicoleta

*West University of Timisoara, Romania
nicoleta.sirghi@e-uvt.ro*

Curea-Pitorac Ruxandra-Ioana

*West University of Timisoara, Romania
ruxandra.curea@e-uvt.ro*

ABSTRACT

The paper seeks to identify the contribution of turnover of listed companies in the economic development of the regions where they operate and the financial factors that influence their market value. Empirical research began with a descriptive regional analysis of the companies and after that, a panel data analysis on a group of companies listed on the BSE in the period 2011-2016 was conducted using a multiple linear regression model that quantified the variation of market value depending on financial indicators like total assets, total liabilities, total impairment respectively distributed dividends was build. The research results emphasize the existence of a direct correlation between the analyzed indicators and it highlights the role of the set of internal factors in determining financial decisions of listed companies with significant macroeconomic effects.

Keywords: *development region, financial indicators, financial statements, market capitalization, market value*

THE HUMAN FACTOR IN IMPLEMENTING INNOVATION INTO INVESTMENT PLANNING

Joanna Samul

*Bialystok University of Technology, Wiejska 45 A, 15-668
Bialystok, Poland
j.samul@pb.edu.pl*

Wiesław Matwiejczuk

*Bialystok University of Technology, Wiejska 45 A, 15-668
Bialystok, Poland
w.matwiejczuk@pb.edu.pl*

Mariusz Gorustowicz

*Bialystok University of Technology, Wiejska 45 A, 15-668
Bialystok, Poland
m.gorustowicz@pb.edu.pl*

ABSTRACT

An absolute imperative of increasing the effectiveness of planned investments is the implementation of innovative project solutions, as simple implementation reserves are no longer sufficient. Subject literature indicates the general conditions that compel the implementation of innovation, specified factors that encourage the implementation of innovation as well as their effect on the economy of production. To a lesser degree, the conditions for achieving high effectiveness in investment design solutions, whose value successively increases, have been researched. It is for this reason that discovering the factors that determine the implementation of innovation, in such a specific sector as investments design, is highly important. The analyses of the behaviour of the main participants of the investment process carried out in this article allow the identification of factors stimulating new solutions in investment planning, the barriers to implementing innovation and the degree to which they affect the effectiveness of investments.

These factors determine the conditions for the development of production businesses, construction businesses and design studios to a large degree, as well as shape their competitiveness. In a broader context, they lead to a reduction in the social costs of investments made in the country.

Keywords: *innovation, investor, investment and construction design, designer, construction sector*

WHAT IS REAL FACTOR INFLUENCING USERS' ACTIVITIES? PILOT STUDY BASED ON MEMETIC DECOMPOSITION OF PHOTOGRAPH'S CONTENT

Krzysztof Stepaniuk

*Bialystok University of Technology, Faculty of Engineering
Management,
Tarasiuka 2 Street, 16-001 Kleosin, Poland
k.stepaniuk@pb.edu.pl*

ABSTRACT

The main aim of the study is the creation and implementation the of the methodology of memetic decomposition of photographs content. The proposed methodology is based on meme theory (Dawkins, 1976) in the context of Berlo's (1960) theory of the communication model and is focused on the decomposition of photograph contents into groups of single memes. The memes are present at different frequency. Some of them might influence the behaviour of social network users. Meme is defined as a single meaning, expressed in diversified form (text, graphic, sound, etc.). Each photo, shared in social networks is the conglomeration of memes. To extract memes from the content of photographs, the assumptions of the model of destination image formation according to Baloglu and McCleary (Baloglu, McCleary 1999) were used (i.e. groups of memes connected with:

hotel; local cultural heritage and environment). Simultaneously, each photograph has two types of planes, i.e. manifest and latent. Both could be decomposed using the same tool. The analysis of the presence frequency of different memes on both planes in the context of user activities (i.e. 'likes', posting comments and sharing content) provides information about the memes or group of memes influencing user behaviours. Quantitative and qualitative social network content analysis are the main scientific methods of the study. Due to the initial character of the study only 206 photographs shared on Facebook fan pages of eight hotels were collected and analysed. The hotels were located in Warsaw. Based on the analysis of Spearman correlation coefficient and from the perspective of the manifest content of the analysed photographs it could be stated that the memes connected with the expression of hotel personnel positive feelings play the main role in the activation of users' behaviours. Excessive representation of memes connected with hotels interiors did not reveal positive connections with the on-line activities of recipients.

Keywords: *communication, content decomposition, influence, memes, memetics, social network, users' activities analysis*

PROSUMER RELATIONSHIP MANAGEMENT IN OPEN INNOVATION PROCESSES ON CROWDSOURCING PLATFORMS

Malgorzata Dolinska

University of Maria Curie-Skłodowska in Lublin, Poland
m.dolinska@umcs.lublin.pl

ABSTRACT

Development of crowdsourcing platforms on the Internet is driven by new technology, creativity of a crowd, and the move towards open innovation processes. Crowdsourcing platforms (CPs) engage active members of the crowd as prosumers (producers, developers and actual or potential consumers) that have both the willingness, competencies and abilities in solving problems and creating innovations also new products for innovative companies. The purpose of the paper is to propose the model of open innovation process execution on CPs and present an idea of prosumer relationship management (PRM) in activities of this process. This paper determines assumptions of using open innovation processes by innovative companies on CPs on the Internet. Users of these platforms, that is: prosumers, the innovative company(-ies) looking for innovative solutions and/or the manager(s) of the platforms provide relevant services in the proposed model of execution of open innovation process activities. Prosumers with other users co-create resources and value of CPs. The paper describes the role of prosumers, services provided by them, and an idea of using PRM in open innovation process development on CPs. Services of organizing communication and collaboration with prosumers and motivating them enable CPs to manage prosumer relationships and are presented for activities of open innovation processes. Examples of using PRM are characterized on the example of existing CPs on the Internet.

Keywords: *crowdsourcing platform (CP), Internet, open innovation, process, prosumer relationship management (PRM)*

RELATIONSHIP MACROECONOMIC INDICATORS WITH FINANCIAL STABILITY OF CONSTRUCTION COMPANIES IN THE CZECH REPUBLIC

Tatiana Semenova

*Brno University of Technology, Faculty of Civil Engineering,
Department of Structural Economics and Management, Veverí
95, Brno, 602 00, Czech Republic
168834@vutbr.cz*

Eva Vitkova

*Brno University of Technology, Faculty of Civil Engineering,
Department of Structural Economics and Management, Veverí
95, Brno, 602 00, Czech Republic
vitkova.e@fce.vutbr.cz*

ABSTRACT

According to Ministry of industry and trade in the Czech Republic, construction is one of the largest sectors of the country economy and still continues to recover after the global financial crisis of 2007-2008. At the same time, the statistical data, presented by Eurostat, allow us to note the overall economic development of the country during the last 10 years. These observations lead to the necessity of determining relationship between the economy of the country and the situation of the construction industry on purpose to create the future strategy of development. The aim of the research is to show the influence of the selected macroeconomic indicators on the financial stability of construction companies in the Czech Republic. To identify the impact of external factors on financial stability of construction companies correlation and regression analysis for years 2007-2015 were used. This research was carried out in two main steps. Firstly was explored the influence of three important macroeconomic variables: real gross domestic product (CDP), inflation rate and unemployment rate on profitability (ROA, ROE) and liquidity (Current Ratio) ratios of construction

industry in the country overall and, as a second step, on financial stability of the company "Metrostav" in particular. The company was chosen as one of the most successful construction companies operated in the Czech Republic. Results of correlation and regression analysis are presented in four separated tables. In conclusion, based on the results of calculations and analysis, an assessment of the relationship between the country economy and the success of companies was made. In addition, recommendations for future research were created.

Keywords: Construction, Financial Analysis, Correlation analysis, Regression, Czech Republic, Metrostav

INTERVAL ANALYSIS AS A METHOD OF MEASUREMENT OF UNCERTAINTY IN THE CHECK-LIST METHOD APPLIED TO IDENTIFICATION OF STAGE PHASE OF COMPANIES

Ewa Kozien

*Cracow University of Economics, Faculty of Economics and
International Relations,
Department of Management Strategy and Organization,
ul. Rakowicka 27, 31-510 Cracow, Poland
koziene@uek.krakow.pl*

Marek S. Kozien

*Cracow University of Technology, Faculty of Mechanical
Engineering,
Institute of Applied Mechanics,
Al. Jana Pawla II 37, 31-864 Cracow, Poland
kozien@mech.pk.edu.pl*

ABSTRACT

Check-list method is used to determine the phase stage in analysis of organization growth. For the application of the method is needed obtaining answers to a list of statements describing a status of development of a company. The method corresponds with the basis four-phase model of development of an organization including the following phases: existence, growth, maturity and decline. For each of the developmental phases a separate control list was prepared, each one includes 15 synthetic criteria and 42 analytical criteria. A total number of analytical criteria amounts to 168 and they are the identifiers of developmental phases. Application of the method in practice runs in three stages. The first stage of test is limited to specification, on the basis of the collected information of a degree in which particular statements pertain to an examined organization.

The uncertainty of analysis arises when more than one person is answering the questions. The mathematical methods of analysis of the influence of uncertainty are based on the four general attempts: deterministic with elements of statistical analysis, stochastic, using fuzzy logic and using interval computations. In the presented analysis the possibility and way of application of the interval arithmetic is discussed. The results are compared with those obtained by application of statistical methods.

Keywords: *Check-list, Interval analysis, Management, Phase growth, Statistical analysis*

IMPACT EVALUATION USING OPEN ACCESS SOFTWARE MATCHING PROCEDURE FOR EMPLOYMENT PROGRAM

Laura Juznik Rotar

*Faculty of Business, Management and Informatics, Novo mesto,
Slovenia*

laura_juznik@yahoo.com

ABSTRACT

The paper deals with the issue of impact evaluation which is usually defined in the literature as assessment of how the intervention being evaluated effects outcomes. Additionally, it provides a review of using open access software matching procedure using modern quantitative approach towards evaluating employment program. The availability of open access software matching procedures nowadays makes it possible to estimate the causal effects for the employment programs. The usual critique on the effectiveness of the employment programs is that such programs are not effective and are not meeting the goals (the most evident goal is exits into employment and termination of unemployment benefits).

What is more, the culture of program evaluation is on very low level and the need is to develop independent evaluation. Therefore, the implementation of impact evaluation in practice can help strengthen the evidence base for development policies and programs and adds to more effective spending of resources and improve people's lives.

Keywords: *Impact evaluation, Causal effect, Open access software matching procedure, Employment program, Effectiveness*

BARRIERS AND FACTORS INFLUENCING THE LEVEL OF COOPERATION OF BUSINESSES WITH PUBLIC ADMINISTRATION INSTITUTES: POLAND AS A CASE STUDY

Urszula Kobylinska

*Bialystok University of Technology, Poland
u.kobylinska@pb.edu.pl*

ABSTRACT

Companies that operate in the contemporary environment and compete for limited resources can achieve their goals more effectively by working with organizations outside the commercial sector, such as universities, business environment institutions or public administration institutions. Partnership between private and public sectors in terms of implementing public tasks has been a greatly promoted instrument in recent years in the United States, the United Kingdom, Germany, France and Italy (Dobrowolski, 2014, p. 138). The prerequisite for cooperation between the two sectors is primarily trust between the private entity and the public partner. It determines willingness of stakeholders to cooperate and willingness to take joint risk.

Today, trust in public institutions is understood as a belief in their competence, diligence and integrity of public institutions. We live in the world of global interdependence, declining level of confidence, increasing uncertainty and risk (Castells, 1996; Bauman, 2007; Beck 2004; Hardin 2009). Although cross-perception of sectors is slowly changing - officials and entrepreneurs are increasingly aware of the mutual benefits of cooperation and strive to build it on partnership - there are still many barriers and unidentified areas of possible cooperation.

The purpose of this article is to determine the willingness and level of co-operation between Polish companies and public institutions: both governmental and self-governmental and to identify any barriers that may limit this cooperation. In particular, the factors influencing low level of cooperation between enterprises and public administration institutions in Poland were analyzed. This article uses methods of critical literary analysis and statistical analysis of research conducted among 381 Polish companies based in the Podlaskie province (Poland). Spearman's rank correlations were used in the statistical analysis to determine the relationship between the level of cooperation between companies and public administration institution, cooperation with them and potential for tightening it in the future. In conclusion of the study it should be stressed that the researched companies show a rather low level of willingness to cooperate with public sector institutions.

In particular, the respondents indicated low level of cooperation with governmental institutions and weak desire to tighten it in the future. The companies that indicated higher level of cooperation with public institutions assessed higher also the possibility of tightening it in the future. Among the factors influencing current cooperation between enterprises and public institutions evaluated lowest were: the offer prepared by administration, the image of administration in Polish society, the experience of cooperation so far.

On the other hand, positive changes in such factors as financial support and organizational support for enterprises from the administration would be most likely to improve cooperation between sectors in respondents' opinion.

Keywords: *cooperation, trust, barriers to cooperation, public administration, Poland*

COOPERATION OF BUSINESSES WITH BUSINESS ENVIRONMENT INSTITUTIONS (USING POLISH AND BELORUSSIAN BUSINESSES AS A CASE STUDY)

Anna Tomaszuk

*Bialystok University of Technology
a.tomaszuk@pb.edu.pl*

ABSTRACT

Research background: Modern businesses are faced with increasingly difficult and complicated conditions for development, while existing circumstances force them to cooperate on many levels, including with business environment institutions. Literary studies and national and regional research on cooperation (especially cooperation with business environment institutions) are meagre, which is why this article aims to fill the gap regarding cooperation on a regional level.

Purpose of the article: The aim of this article is to identify the level of cooperation of business with business environment institutions in chosen business sectors in Poland and Belarus and the possibilities of strengthening this cooperation in the near future.

The research problem was answered through posing the following questions: which factors affect the level of cooperation with business environment institutions?

How do respondents rate the current level of cooperation with business environment institutions? To what degree do individual factors affect the current level of cooperation of businesses with business environment institutions? What is the level of interest of the researched firms in strengthening cooperation with business environment institutions? To what extent could positive changes in individual factors lead to an improvement in the cooperation of businesses with business environment institutions in the near future?

Data and Methods: The research encompassed over 500 businesses. The data was interpreted with the use of tables, descriptive statistics and nonparametric statistics.

Results and conclusions: The research carried out indicated both a low level of current cooperation of businesses with business environment institutions (a mean average of 3.07 (on a scale of 1-7)) and an average level of interest in strengthening this in the future (3.69).

Keywords: business, business environment institutions, cooperation, region

LOCAL PORTFOLIO CHOICES OF TURKISH INDIVIDUAL INVESTORS

Evren Arik

Galatasaray University & Borsa Istanbul, Turkey
evren.arik@yahoo.com.tr

Omur Suer

Galatasaray University, Turkey
osuer@gsu.edu.tr

ABSTRACT

Although the advantages of diversification are emphasized by traditional finance theories, individual investors often tend to hold only a few domestic stocks in their portfolios. This phenomenon has been subject to research since the last two decades under the title of home bias. The preference for investing close to home also applies to portfolios of domestic stocks. In other words, asymmetric information between local and nonlocal investors may drive the preference for geographically proximate investments and this phenomenon is called local bias in the terminology of behavioral finance. This study provides new evidence concerning local bias of individual investors in an emerging country's stock market namely, Borsa Istanbul (BIST). More specifically, this study investigates whether individual investors weigh shares of firms, which are geographically close to themselves, more than expected in their portfolios. The results of the analyses indicate that Turkish individual investors are prone to local bias on the average. Furthermore, the findings suggest that the reason for their tendency to invest in local stocks is not informational advantage.

Keywords: *behavioral finance, home bias, individual investors, investments, local bias*

BUILDING A RESILIENT ORGANIZATION – HOW CULTURE CAN FOSTER INNOVATION IN SMALL BUSINESSES

Madara Apsalone

University of Latvia, Latvia
madara.apsalone@gmail.com

ABSTRACT

Flexibility and innovativeness can give small businesses key competitive advantage in today's turbulent and uncertain environment. At the same time, these enterprises have lower capacity, more constrained resources and higher perceived risk to innovate. By understanding innovation in a broader way and looking beyond research and development investments into organizational structures, behaviors and processes, these enterprises can enhance their competitiveness. Organizational innovation is often studied in large, industrial contexts, this study aims to provide more insights for economies that largely depend in small businesses. This study assesses the role of organizational culture – shared assumptions, values, behaviors and practices on organizational innovation - new organizational methods in business practices, workplace organization and external relations via an empirical study. It further explores, whether organizational innovation increases business competitiveness and whether it encourages implementation of other forms of innovation – such as product, process or marketing innovation. Surveying over 500 small enterprises in Latvia, this study assesses the impact of organizational culture on organizational innovation. It finds that organizational culture and organizational innovation are related, and that stronger organizational culture leads to better organizational innovation performance. It further explores, whether cultural dimensions and innovation performance differs, depending on the size of enterprise. This study also confirms that organizational innovation increases competitiveness and can become a step towards fostering other forms of innovation.

The study proposes insights that contribute to theoretical and practical discussions on fostering small businesses innovation in small economies.

Keywords: *resilient organization, organizational culture, organizational innovation, small businesses, competitiveness*

ACCOUNTING TREATMENT AND DOCUMENTATION OF COSTS IN EU PROJECTS

Sanja Broz Tominac

*Faculty of Economics and Business Zagreb, Croatia
sbroz@efzg.hr*

Hrvoje Mamic

*Croatia
hrv.mamic@gmail.com*

ABSTRACT

The primary aim of this paper is to research the role of accounting of costs and costs documentation in the European Union projects. The costs as the accounting category can impact both on business and on European Union projects. There has been a slight change in business practice, especially thanks to possibility of business financing through the European Union funds, with the focus on more correct and transparent managing costs. Documentation of costs can provide properly synchronized documents with domestic legislation and international standards and European Union directives. Despite of numerous studies of types of cost and their documentation application, the same has still not been done in Croatia in the context of European Union projects.

This paper explain how cost are planned and prepared for European Union projects, the importance of auditors trail in European Union projects implementation as well as documentation of costs by categories and most common mistakes in the process of documentation. Those mistakes arise mostly because of certain differences in legislation of European Union members and special rules of financial management and European Union directives. The difference between acceptable and unacceptable costs will be distinguished. Also, the role and importance of European Court of Auditors in the process of documentation and control of costs in European Union projects will be explained. For the purpose of writing this paper, the data were collected by secondary and primary research. Analyzed data has confirmed expectations that the role and importance of the European Court of Auditors is of great importance for documenting and controlling cost in European Union projects.

Keywords: *documentation costs, EU projects, European Court of Auditors, types of costs*

ACCOUNTING AS FACTOR OF LIMITATION OF CASH BASIS CORPORATE INCOME TAXPAYER IN CROATIA

Vlasta Roska

Assistant Professor, University North, Koprivnica, Croatia
vroska@unin.hr

ABSTRACT

All entrepreneurs, corporate income taxpayers keep accounting books according to the accrual basis as well as the financial statements, except cash flow statement. Micro and small entrepreneurs make 98.5% of total number of entrepreneurs in Republic of Croatia. Micro and small entrepreneurs need support tax and credit institutions for further development. Since 2015, all taxpayers with a turnover of up to HRK 3,000,000.00 can choose the payment of value added tax according to cash basis. Also, the same principle to payment the company income tax according to cash basis is allow for all taxpayers with a turnover of up to HRK 3,000,000.00 from 1.1.2017. In this first year of implementation, only a small number of entrepreneurs took advantage of the possibility of payment of corporate income tax on a cash basis. The main aim of this paper is to examine how the corporate income tax payers managed to reconcile its accounting books of accrual basis and took advantage of the ability to pay corporate income tax to the cash basis. Only the one small part of the micro and small entrepreneurs took the advantage of that legal benefits and the rest of them point out that the accrual basis accounting is one of the main factor of limitation why they did not use that tax benefit.

Keywords: *accounting, accrual basis, cash basis, corporate income tax*

MANDATORY PROFESSIONAL LIABILITY INSURANCE OF CROATIAN LAW FIRMS

Zoran Vukusic Bokan

An Attorney-at-Law, Republic of Croatia
zoran@odvb.hr

ABSTRACT

The purpose of this paper is to provide a comprehensive presentation of legislative regulation provided by the Advocacy Act, practical problems, doctrinal discrepancies and possible solutions in regard mandatory professional liability insurance of the Croatian law firms established as limited liability companies. The paper provides analysis of the respective regulation, its practical application and repercussions. Findings indicate certain inconsistency in the analysed regulation. Regulation requires all the Croatian attorneys to have professional liability insurance in amount not less than therein stipulated. Regulation also asks for mandatory professional liability insurance of the Croatian law firms established as limited liability companies in an amount considerably higher than mandatory minimum amount of the professional liability insurance of an individual attorney. In the current practice, insurance of both a law firm established as a limited liability company and its lawyers has been asked for. Such interpretation of the said regulation causes considerable legal uncertainty. In most cases, it either diminishes one of the main characteristics of the limited liability company under Croatian law i.e. to be a legal subject separate from its founders, or has no legal basis at all. Analysed legal uncertainty presents a system risk for Croatian lawyers, their clients and insurers, demoting competitiveness of the entrepreneurial environment in the Republic of Croatia. This paper pleads for, and provides support to, elimination of such negative status.

Keywords: *Advocacy Act, Croatia, law firms, limited liability company, mandatory insurance*

CONCEPTUALIZATION AND VALIDATION OF CONNECTED REMOTE SERVICE AS A SECOND-ORDER FORMATIVE CONSTRUCT

Adam-Alexander Manowicz

University of Latvia, Latvia
a.manowicz@googlemail.com

ABSTRACT

Based on an exploration of Connected Remote Services (CRS) by means of a qualitative study among German automotive customers, this study operationalizes the phenomenon. The definition of CRS as service innovation captures the special particularity of Connectedness as attribute, providing simultaneous connectivity to a service object (e.g. car), manufacturer (brand) and a service provider (dealer). The measurement model is conceptualized as a second-order formative construct with five first-order reflective constructs based on the results of the qualitative study, comprising Convenience, Connectedness, Comfort, Safety and Reliability. The scale validation was undertaken at the first- and second-order levels. The result confirms the five distinct first-order measurement models. At the second-order level, a multiple indicators and multiple causes (MIMIC) model was employed to assess the validity of the formative measurement model. The operationalization confirms the distinctness of the five CRS dimensions. Further, the results suggest that four of five dimensions significantly contribute to the overarching construct of Connected Remote Service, with Convenience and Safety being the most important contributors and Comfort to be shown as not significant. The confirmed concept of CRS will provide future research with a basis to explore different impacts of CRS use, e.g. in the context of technology acceptance and intentional customer behavior.

Keywords: Automotive, Connected Remote Service, Formative measurement model, MIMIC model

THE IMPACT OF LEGAL AND POLITICAL DETERMINANTS ON THE REGIONAL ECONOMIC INTEGRATION BETWEEN THE MEMBERS OF THE EAEU

Agnieszka Konopelko

*Department of Managerial Economics
Bialystok University of Technology, Bialystok, Poland
a.konopelko@pb.edu.pl*

ABSTRACT

The Eurasian Economic Union (EAEU) integration based on economic factors aims to improve an economic and social development. However, the analysis of processes of the post-Soviet integration should employ noneconomic intra-factors, as well. The purpose of the research is to examine the impact of political and legal determinants on the process of regional integration between the members of the EAEU: Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation. The author attempts to indicate the influence of political regimes and foreign policy objectives on directions of external relations including the integration processes of the EAEU area. The descriptive analysis on institutional frames of the economic integration is based on the legal acts, foreign policy strategies, evaluations of international organizations and the official websites of the political institutions. The role of noneconomic conditions in shaping of the international relations including integration steps should not be neglected. Political and legal factors may create and shape advantageous and disadvantageous circumstances for closer Eurasian economic integration, however not in the same manner, whereas certain variables affect regional integration only with other economic conditions. The success or the failure of the Eurasian integration can be determined by institutional frames both in a direct or indirect way.

Keywords: *Eurasian Economic Union, post-Soviet area, regional economic integration, Russian Federation*

USE OF GREEN PUBLIC PROCUREMENT OF FOOD IN REZEKNE MUNICIPALITY

Anda Zvaigzne

*Rezekne Academy of Technologies, Latvia
anda.zvaigzne@rta.lv*

Inta Kotane

*Rezekne Academy of Technologies, Latvia
inta.kotane@rta.lv*

Inita Krivasonoka

*Latvian Rural Advisory and Training Centre, Latvia
initakrivasonoka@inbox.lv*

ABSTRACT

Green procurement is a fast-growing trend in the European Union, and it positively affects the development of local territories. Green public procurement (GPP) is an instrument that directly promotes and ensures an increase in local food sales. Performing a procurement operation in accordance with the principles of GPP and sustainability means making sure that the goods and services purchased have made the smallest impact on the environment and a positive social effect. Accordingly, the choice of food products also plays a large role in reducing environmental impacts and contributing to the health of the population. In Rezekne municipality, GPP criteria for food procurement are not used or it is done very rarely; therefore, the opinions of the local government/parish administrations about the use of GPP of food and barriers to it have to be examined in Rezekne municipality. The present research study continues and supplements the previous ones. The research aim is to examine the use of GPP of food in Rezekne municipality. The research found that the local government of Rezekne municipality did not procure food for local institutions in a centralised way; every civil parish administration did it for the institutions located in their territories.

The parish administrations procured 70% of food for the institutions located in their territories in a decentralised way. The dominant principle for identifying the winner of any procurement tender was the lowest price principle, while the selection of the most economically advantageous bids was based on such GPP criteria as quality and environmental friendliness. Research methods used: monographic, descriptive, analysis, synthesis, statistical analysis, a sociological method – a survey of local government/parish administration officials.

Keywords: *opinions of local government/parish administration officials; green public procurement; barriers; local food products*

SIGNIFICANCE OF SHARED TAXES IN THE TAX SYSTEM OF THE REPUBLIC OF CROATIA

Renata Peric

*Faculty of Law, Josip Juraj Strossmayer University in Osijek
Department of Financial Science
Radićeva 13, 31000 Osijek, Croatia
rperic@pravos.hr*

Emina Jerkovic

*Faculty of Law, Josip Juraj Strossmayer University in Osijek
Department of Financial Science
Radićeva 13, 31000 Osijek, Croatia
ekonjic@pravos.hr*

ABSTRACT

Current tax system of the Republic of Croatia can be viewed through three fiscal levels and fiscal decentralisation is very much in motion. Which sources of fiscal revenue, in what capacity and in what way to distribute are the main problems that all

federative states encounter frequently. However, states that are not federative, but have developed system of regional and local self-government encounter the same problems because of the high level of decentralisation of public functions. One of the benefits of fiscal decentralisation is to draw attention to the problems concerning revenue collection or the lack of it when the local and regional self-government units are in question. Tax systems of modern countries are using a large number of tax forms, which differs from country to country. The Republic of Croatia has adopted solutions that are used by the majority of European countries. Each fiscal level has its own revenue to collect, especially tax revenue. But one category of tax revenue stands out- shared taxes. The revenue collected from shared taxes is divided between two or more fiscal levels. The paper will present importance of satisfying public needs in terms of counties, cities and municipalities through a way of collecting tax revenue derived from shared taxes.

Keywords: *shared taxes, fiscal decentralisation, personal income tax, self-government units*

COMMERCIALIZATION OF SCIENTIFIC RESEARCH RESULTS AND TRANSFER KNOWLEDGE AND TECHNOLOGIES TO ECONOMY AS DETERMINANTS OF DEVELOPMENT OF UNIVERSITIES AND ENTERPRISES IN POLAND – LEGAL AND ECONOMIC PERSPECTIVE

Ewa Kozien

*Cracow University of Economics, Faculty of Economics and
International Relations, Department of Management Strategy
and Organization,
ul. Rakowicka 27, 31-510 Cracow, Poland
koziene@uek.krakow.pl*

Adam Kozien

*Jagiellonian University in Cracow
ul. Gołębia 24, 31-007 Cracow, Poland
a.kozien@student.uj.edu.pl*

ABSTRACT

Results of scientific research, being the output of academics in universities, since the establishment of universities have been a factor of economic development of states. Currently a dynamic development of scientific research is visible, especially in the scope of modern technologies and medicine which subsequently were implemented for widespread use. However, to make the implementation of modern technologies efficient and effective, the close cooperation is necessary between universities with their social and economic milieu, i.e. the enterprises which will transform the results of scientific research into a ready-made product. It is possible by commercialization of results of scientific research and transfer of technologies and knowledge to economy. Cooperation of universities with their social and economic milieu contributes to the development of universities, enterprises, and in consequence with the state economy.

Moreover, the innovativeness of economy is of key importance for economy, however the places where most of innovations are created, these are universities with qualified staff of scientists and specialists in various fields. Idea of university facilitates the transfer of knowledge and interdisciplinarity of their activity, through which the results of scientific tests and prototypes of products are characterized by holistic development. It must be emphasized, though, that also business representatives may, apart from manufacturing prototypes, assign a task to a university to conduct specific tests of new or perfected models of products. This article aims at analysis of legal and factual cooperation of universities with social and economic milieu in Poland and selected European countries, as well as a definition of the appropriate institutional model of interrelations of universities with their social and economic milieu.

Keywords: *Commercialization, Social and economic milieu, Transfer of technologies and knowledge, Universities*

THE MULTIDIMENSIONAL NATURE OF MANAGING THE VALUE OF A TOURIST ENTERPRISE

Ewa Mackowiak

Department of Accounting

University of Economics in Katowice, Poland

ewa.mackowiak@ue.katowice.pl

ABSTRACT

The development of a market economy, globalization and increasing competition make companies operate in conditions of uncertainty, which requires the efficient and effective management. Until recently, financial analysts drew on data from the balance sheet and the profit and loss account. In current situation you must reach for information not only about the static nature, but also for dynamic information. The source of such information may be the cash flow report. The value management of the tour operator will include three components. The first component will be the capital invested, which is associated with the strategy for the management of enterprise financial liquidity, the second one will be economic gain, that is to eliminate the disadvantages of the accounting profit. Finally, the third will be free cash flow.

Keywords: *capital invested, value of enterprise, free cash flow, accounting profit*

CHALLENGES AND POSSIBLE SOLUTIONS IN DIFFERENT STAGES OF PUBLIC FOOD PROCUREMENT

Inita Krivasonoka

Latvia University of Agriculture, Latvia
inita.krivasonoka@gmail.com

Andra Zvirbule

Latvia University of Agriculture, Latvia
andra.zvirbule@llu.lv

ABSTRACT

Public food procurement is a complex system that includes activities from procurement planning to the complete fulfillment of contractual obligations. And both purchaser and potential supplier faces with a multitude of factors to be taken into account on each of the procurement phases. The research aim is to identify the main problems in each of the stages of procurement and to identify possible solutions to mitigate the problems. In Procurement process, the author identifies three main stages, which are essential for a successful and efficient procurement - procurement planning, selection of evaluation criteria and performance of the contract. Latvian largest food purchasers through public procurements are local governments or their authorities and procuring goods is not their primary function. So the biggest challenge for local governments at all stages of the procurement is insufficient level of knowledge. On the other hand there are challenges regarding to suppliers, for example, small producers are not competitive to participate in the public procurement of food, they can't provide high-quality products in relevant quantity all the year, and also lack of knowledge on how to sell their products to schools and other local authorities. The following research methods were employed to carry out the present research: analysis and synthesis, induction and deduction, the monographic method and the graphic method.

Keywords: *Local food, Local municipalities, Public food procurement*

FINANCIAL AND MARKETING PERSPECTIVES OF A CROWDFUNDING

Ivana Bestvina Bukvic

*Josip Juraj Strossmayer University of Osijek, Department of
Cultural Studies, Croatia, ibbukvic@kulturologija.unios.hr*

Iva Buljubašić

*Josip Juraj Strossmayer University of Osijek. Department of
Cultural Studies, Croatia
ibuljuba@kulturologija.unios.hr*

ABSTRACT

From a few initiatives mainly based on donations, the crowdfunding (CF) developed to a widespread alternative source of financing of the creative and innovative ventures but from the conventional financial markets mainly rated as highly risky. The entrepreneurs and associations started to use this model as a significant financing, marketing and even consumer-relationship management tool. As well, it is a model that indirectly fosters economic growth through financing innovative and creative projects, often in cultural and creative industry's sector that, through numerous researches, already proved its economic significance. In the same time, the nascence and development of the crowdfunding raised numerous questions in the fields of legal regulation and modelling of this alternative financing source, project and product branding, consumer-relationship management, financial structuring, intellectual property protection, appropriate marketing mix structuring, risk management etc. In this constellation, it is interesting to observe and research the implications of the crowdfunding development as a model of financing different ventures and projects with different aims run by profit or non-profit sector, as well as observing the final solutions of the problems that crowdfunding found throughout its development stages. Although is well known as a financing model and with existing national crowdfunding platforms, the Croatian crowdfunding ventures are rare and

mainly launched on the global platforms, where the national platforms did not succeed to impose themselves as an equally valuable alternative. This article presents the results of the research of the position of the crowdfunding in Croatia, where its appearance should influence on the corrections of venture financing market imperfections and at the same time offer the possibility to use global platforms to boost new services, products and ideas.

Keywords: *crowdfunding, equity crowdfunding, financing, marketing in the crowdfunding*

ENTERPRISE RISK MANAGEMENT: A LITERATURE SURVEY

Ivana Dvorski Lackovic

*Faculty of Organization and Informatics, Croatia
idvorski@foi.hr*

ABSTRACT

In turbulent environment characterized by increased number and various types of external and internal risks, companies are recognizing the value of enterprise risk management implementation. What is specific for enterprise risk management is a holistic view versus traditional "silo-oriented" risk management. Enterprise risk management is strategically oriented and there is evidence that its adequate implementation may help companies increase their value. In this paper the author will present a literature review on enterprise risk management in non-financial companies, evidence on determinants of its adoption, findings of research available on the topic how enterprise risk management increases firm value and other important aspects of enterprise risk management adoption and implementation.

Keywords: *enterprise risk management, holistic view, non-financial companies, value creation*

PROVISIONS FOR LIABILITIES AS AN ACCOUNTING POLICY INSTRUMENT MITIGATING GOING CONCERN RISK

Iwona Kumor

*University of Economics in Katowice, Poland
iwona.kumor@ue.katowice.pl*

Lucyna Poniatowska

*University of Economics in Katowice, Poland
lucyna.poniatowska@ue.katowice.pl*

ABSTRACT

Provisions for liabilities a very important financial category in the accounting and usually a significant position presented in the financial statements. They perform many different and important functions in business activity. Generally they are considered as the tool of protection against the business activity risk but they are also an instrument of accounting policy which allows the continuation of activities (preserve the principle of going concern) and determines the stable development. The papers is devoted to the problem of provisions considered in the context of the going concern basis one of the fundamental principles and concepts adopted in accounting and stipulated in national and international regulations. The objective of the paper is to analyze provisions as an instrument of accounting policy insurance against the risk of non- going-concern basis and to present the role and functions performed by the provisions in preserve the principle of going concern. The article concerns the issue of provision as a category of liabilities. Authors make an attempt to answer the question whether the provision as an instrument of accounting policy insurance against the risk of non- going-concern basis can be used. In order to achieve the goal of the study the authors conducted the literature review and the review of legal acts in the area of national and international accounting legislation. They applied the method of deduction and synthesis.
Keywords: *provisions for liabilities, going concern, instrument of accounting policy, risk*

FINANCIAL DEPTH AND TOTAL FACTOR PRODUCTIVITY CHANGE: IS THERE ANY LINK?

Jacek Pietrucha

*University of Economics in Katowice, Faculty of Economics
1 Maja 50, 40-287 Katowice Poland
jacek.pietrucha@ue.katowice.pl*

ABSTRACT

Research background: The relationship between financial depth (or financial development) and GDP growth has been the subject of numerous empirical studies. It is broadly accepted that the relationship between financial depth and GDP growth is non-linear and has the shape of an inverted "U" - financial depth fosters growth, but only up to a certain threshold, after which it becomes a drag on economic growth. In line with the growth theory, a distinction is made between total factor productivity (TFP) and labour and capital input as the sources of economic growth.

Purpose of the article: Our main goal is to examine the consequences of the level and dynamic of financial depth (measured as credit/GDP ratio) for the TFP change.

Methodology/methods: We use OLS fixed effect panel and dynamic panel estimation strategies to study relationships between financial depth (level and change) and TFP change, controlling distance to frontier and other control variables.

Findings & Value added: Our preliminary results are mixed: there is no empirical evidence supporting the initial view that there is a positive relationship between financial depth and TFP change.

Keywords: *TFP, financial development, credit, growth*

RUSSIAN FEDERATION TRADE EMBARGO AND IT'S IMPACT ON THE BALTIC STATES TRADE

Janis Priede

*University of Latvia, Latvia
janis.priede@lu.lv*

Roberts Skapars

*University of Latvia, Latvia
roberts.skapars@lu.lv*

ABSTRACT

With the growing different type of conflicts, populism and protectionism in the world it is much of a concern about economic development for many involved and affected countries. This paper addresses the Russian Federation trade embargo impact on the Baltic States in the context of the trade of affected goods in different categories: fish, dairy, meat, vegetables. Paper assesses extent of the impact on the industries export and export reorientation with regards to new export markets and new business strategies for the entrepreneurs in the Baltic States.

Keywords: *Trade, Sanctions, Export, European Union, Russia*

ECONOMICS OF PLATFORMS AND CHANGES IN MANAGEMENT PARADIGMS: TRANSFORMATION OF PRODUCTION SYSTEM FROM LINEAR TO CIRCULAR MODEL

Josko Lozic

*University of Applied Science Zagreb, Croatia
jlozic@tvz.hr*

Marin Milkovic

*University North, Varaždin, Croatia
mmilkovic@unin.hr*

Ines Lozic

*Dignus savjetovanje d.o.o., Zagreb, Croatia
ineslozic1@gmail.com*

ABSTRACT

The aim of this paper is to point to changes affecting managerial management models, resulting from the transformation of production systems. The beginning of the 21st century was marked by the transformation of capitalism and the existing industrial production systems. The classic linear production model was found to be under pressure from the changes that the post-industrial societies had at the turn of the century. Platform-based corporations have become the leading global corporations listed on the stock market capitalization. Classic linear management followed the fate of change management paradigms. Corporations from the platform economy model have modernized management strategies and created a whole new industry.

Keywords: *circular model of production, demand side of production, platform-based organization, pipeline model of production, supply-side economy*

THE IMPORTANCE OF FLEXIBILITY IN THE FUNCTIONING OF ENTERPRISES IN THE CONSTRUCTION INDUSTRY

Justyna Grzes-Buklaho

Bialystok University of Technology, Poland
j.grzes@pb.edu.pl

ABSTRACT

The requirements of contemporary market and the dynamic environment exert pressure on the organizations to continually monitor the changes, to have the flexibility of operation and a rapid response to the signals appearing in the company's internal and external environment. As a consequence, flexibility or adaptability has become an indispensable part of running a business. Flexibility of an organization is one of the main challenges of modern management. This issue has been widely described in the sphere of theory. Generally, flexibility is defined as the ability to adapt to a changing environment without losing the organization's identity (Regev, Wegmann, 2011, pp. 91-98). However, it should be noted that the term "flexibility" is often used to describe concepts of a different meaning, so its essence is not always clear (Soffer, 2005, p. 35). Many contemporary concepts of management emphasize the fact that rapid response to ambient signals is one of the key success factors in the market. The issue of business flexibility and the factors affecting them may relate to different areas of the organization's functioning: production processes, human resources, products in offer, size of operations etc. The purpose of this article is to present flexibility as a factor influencing the competitive advantage of a construction company. The paper was based on the analysis of secondary sources: literature, reports, analysis, statistical data and analysis of author's own empirical research – a case study of a construction company.

The article presents the essence and dimensions of flexibility of an organization, some factors affecting flexibility and variability of prosperity in the construction industry that determines the adaptation of an enterprises to its environment.

Keywords: *competitive advantage, construction enterprise, construction industry, flexibility*

ELEMENTS OF EFFECTUATION IN BUSINESS MODEL DEVELOPMENT

Marina Stanic

*J.J. Strossmayer University of Osijek, Faculty of Economics
Trg Lj. Gaja 7, Osijek, Croatia
marina@efos.hr*

Tihana Koprivnjak

*J.J. Strossmayer University of Osijek, Faculty of Economics
Trg Lj. Gaja 7, Osijek, Croatia
tihana@efos.hr*

ABSTRACT

Effectuation is defined as a decision-making logic that entrepreneurs employ in situations of uncertainty. It is rooted in entrepreneurs' expertise and implies a set of principles that guide decision-making processes to be control-oriented as opposed to prediction-oriented. The underlying logic of strategic decision-making is influenced by various forms of uncertainty that entrepreneurs operate within in the process of business model development. The assumption is that the decision-making logic changes as the level or form of uncertainty changes. The main objective of this article is to analyze the degree to which entrepreneurs tend to apply each of the effectuation principles in developing a particular component of the business model.

The study is qualitative in nature and it focuses on six case studies depicting micro and small companies operating in two creative industries sectors in Croatia. The data collection included semi-structured, in-depth interviews complemented with a survey and general business information about the companies. The empirical analysis juxtaposes business models of six companies in light of different forms of uncertainty each company operates within, idiosyncrasies of each business model and specific elements of effectuation that entrepreneurs/business owners have embodied into segments of the business model. The results pinpoint the components of the business model that are predominantly shaped by effectual logic in each of the case studies. The paper contributes to the advancement of empirical evidence in research studies connecting business model framework and theory of effectuation, and deepens the understanding of business model development of micro businesses operating in creative industries.

Keywords: *business model, creative industries, effectuation, growth, uncertainty*

THE CONCEPT OF SOCIAL RESPONSIBILITY OF BUSINESS AS SEEN BY EMPLOYEES

Agata Lulewicz-Sas

Bialystok University of Technology, Poland
a.lulewicz@pb.edu.pl

ABSTRACT

Employees are a key group of stakeholders in companies implementing corporate social responsibility. There exist strong dependencies and mutual interactions between the organisation and its employees, which can contribute to the success or failure of the company. Due to the strategic role played by the employees, the social responsibility of business should above all be focused on the securing of the interests, needs and expectations of this group of stakeholders. Based on the analysed literature it can be stated, however, that this group of stakeholders is still not the main focus of interest among the companies implementing CSR. The aim of this article is to collect opinions of the employees regarding their view on the CSR activities in their companies. The article presents results of surveys conducted among the employees of three Polish companies which implemented CSR.
Keywords: *corporate social responsibility, CSR participation, employee*

USER'S SATISFACTION WITH THE ACCOUNTING INFORMATION IN NON- PROFIT ORGANIZATIONS – CASE OF CROATIA

Vesna Vasicek

*Faculty of Economics and Business, Croatia
vvasicek@efzg.hr*

Martina Dragija Kostic

*Faculty of Economics and Business, Croatia
mdragija@efzg.hr*

Berislav Zmuk

*Faculty of Economics and Business, Croatia
bzmuk@efzg.hr*

ABSTRACT

Non-profit organizations are extremely important part of the society and therefore the wider public more often seeks out insight into the activities of non-profit organizations as well into spending of public resources and donations. The emphasis is on contributing to the development of the individual and society as a whole. In that context, accounting and financial reporting of non-profit organizations have an important role as a source of quality information. Management of non-profit organization is requiring information for the process of decision making while public authorities are demanding transparency of reporting. Accounting, as a basic source of information about non-profit organization, can be organized differently depending on a number of factors, with two approaches being predominantly: employment of the qualified persons for accounting operations in their own organization or through outsourcing of accounting. Every approach has its advantages and disadvantage. Therefore, this paper explores the way in which the accounting is organized in non-profit organizations in Croatia.

The empirical research was conducted in the year 2017 on a sample of associations in the Croatia. The paper examines the correlation between the way in which accounting is performed and the size of non-profit organization measured by the amount of revenues. Moreover, paper presents results regarding user's satisfaction with the quality of accounting information due to different organization of accounting function. Summarized conclusion of the paper is that associations, as a dominant form of non-profit organizations in Croatia, are oriented on outsourcing of accounting function and that the level of user's satisfaction with the quality of accounting information is on very high level.

Keywords: *accounting information, Croatia, quality, non-profit organization*

TOWARDS GREATER TRANSPARENCY - DEVELOPMENT OF CORPORATE DISCLOSURES: EVIDENCE FROM POLISH STOCK MARKET

Dariusz Jedrzejka

*Department of Banking, The Faculty of Economics and
Sociology*

University of Lodz, Poland

dariusz.jedrzejka@uni.lodz.pl

ABSTRACT

Development of corporate disclosures and increasing companies' transparency has been getting considerable attention in recent years. Originally, accounting scandals and misleading financial reports were the main reason to demand greater transparency. Subsequently, besides investors a number of other stakeholders started to communicate their information expectations towards companies' publications.

To meet the demand for greater transparency a variety of new approaches to corporate reporting have been proposed. In particular, annual reporting has been stimulated to integrate an ever growing extent of non-financial disclosures. Thus – environmental, social, governance and integrated reporting are broadly promoted. The disclosures are intended to create a context for financial reports and let the stakeholder gain a more comprehensive view of organization's performance and impacts made in different areas. The evolution of corporate disclosures has been driven on multiple levels. Initially non-governmental moves (associations, standard-setters) played a major role in the process, what resulted in numerous frameworks, guidelines and recommendations created. Afterwards, lawmakers, in acceptance of the growing demand for transparency, started to introduce legal obligations regarding corporate reporting. Currently, non-financial reporting is partially regulated and simultaneously companies are encouraged to apply frameworks voluntarily. The aim of this paper is to investigate the progress in increasing corporate transparency on a sample of biggest Polish listed companies through years 2001-2013. Firstly, key motives for greater transparency are described in relation to corresponding types of corporate reporting. Then, different types of researched companies' disclosures are examined. To observe changes in transparency level a disclosure measure was created and employed to analyse annual reports content. Quantified results provided some interesting insight into types of information organizations were ready or reluctant to disclose and how those decisions changed over time.

Keywords: *corporate disclosure, corporate reporting, non-financial reporting*

DEVELOPING AN INSTRUMENT FOR MEASURING BANKING SERVICE QUALITY

Nikolina Palamidovska-Sterjadovska

Ss. Cyril and Methodius University in Skopje

Faculty of Economics-Skopje,

blvd. Goce Delcev 9V 1000 Skopje, Republic of Macedonia

nikolina@eccf.ukim.edu.mk

ABSTRACT

The purpose of this paper is to develop an instrument for measuring service quality in the Macedonian retail banking sector by adapting and refining previously developed generic instruments, supplemented by items generated in a qualitative analysis. Actually, this research is an attempt to overcome the identified disadvantages of the generic SERVQUAL instrument, and to develop a more reliable and more valid instrument for measuring retail banking service quality in Macedonia. For that purpose, the perceptions section of the SERVQUAL scale, i.e. SERVPERF scale was adapted and refined for measuring the functional aspects of service quality and the instrument proposed by Lassar et al. (2000) was used for measuring the technical aspects of service quality. New items in the inventory were added as a result of the conducted qualitative analysis, identifying the specific aspects of the industry and country context. Further, factor analysis was conducted for data reduction and for refining the generated inventory of items. The sample consisted of 208 private clients of banks in Macedonia. Inventory refinement resulted in a reliable and valid instrument for measuring Macedonian banking service quality, encompassing both functional and technical aspects of service quality. Additionally, the conducted analysis identified three dimensions of service quality in the banking sector of Macedonia: reliability/responsiveness, tangibles and price. The developed instrument would be of great importance in fulfilling the sectorial and cultural gap in understanding and measuring service quality.

Additionally, this research would be of great managerial and academic importance as a basis for further research and measurement of service quality in the banking sector in Macedonia.

Keywords: *dimensions, factor analysis, instrument, service quality, retail banking*

INFLUENCE OF EBITDA MARGIN ON CREDIT WORTHINESS ESTIMATION

Petra Jakasa

*Imex banka d.d., Tolstojeva 9, Split, Croatia
pjakasa@gmail.com*

ABSTRACT

The aim of this paper is to investigate the influence of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) on estimation of credit worthiness. Starting point of estimating credit worthiness is analysis of historic information through analysis of financial statements and ratio analysis, but most important process is estimating available and sustainable cash flow considering that loans can be repaid solely from cash. Given that DSCR (Debt Service Coverage Ratio) uses EBITDA as proxy for available cash flow author focused on influence of EBITDA as predictor variable. Theory and practice uses different models, different ratios and their combination for the purpose of estimating credit worthiness of the company. The paper gives overview of several existing credit rating models pointing out influence of used variables on the final model outcome. In this paper the author wanted to test her assumption that one variable EBITDA margin, measured as EBITDA/revenues, has significantly higher impact on estimation result than all other considered variables. Such presumption is generated from practical experience of the author, while in this paper assumption

is tested with statistical methods. The paper includes credit worthiness prediction model developed by the author. For the purpose of this paper credit worthiness is measured as 30 days delay in loan repayment, meaning that companies which are in delay with their loan obligations longer than 30 days have deteriorated credit worthiness and increased credit risk. Model is developed using data provided by one commercial Croatian bank on the sample which includes 354 companies in Croatia. Developed model has 81,4% accuracy of prediction and the most influential variable proved to be EBITDA margin.

Keywords: *credit rating model, credit risk, credit worthiness, EBITDA, sustainable cash flow*

CONCEPTUAL FRAMEWORK FOR MANAGEMENT OF THE LIFE CYCLE COSTS OF BUILDINGS

Vojtech Bielek

*Brno University of Technology, Faculty of Civil Engineering,
Czech Republic
bielek.v@fce.vutbr.cz*

Tomas Hanak

*Brno University of Technology, Faculty of Civil Engineering,
Czech Republic
hanak.t@fce.vutbr.cz*

ABSTRACT

Life cycle costs of a building structures should be properly managed by companies that own and operate the building because the total costs are often very high. It is estimated that purchases of material alone represent approximately 60% of the total construction costs and, furthermore, as some structures have a limited lifetime, replacements of these structures must be

taken into account as well. This paper aims to propose conceptual framework enabling detailed planning and monitoring of these costs in time. The presented framework deals with the entire life cycle of the structure, from the construction to its operation to the demolition at the end of its lifetime. Formulas enabling to estimate the individual life cycle cost items (such as construction costs, maintenance costs, repair costs and replacement costs) are proposed in order to facilitate business activities. The proposed framework has an ambition to be implemented in facility management software solutions and to be used by owners of residential buildings, office buildings or production facilities. Additionally, this solution may also be used to facilitate building life cycle costs estimation in public procurement, as a basis for estimating the environmental burden, or as a decision-making aid in selecting optimal material characteristics for newly constructed or renovated buildings.

Keywords: *building, life cycle costs, maintenance, management, material*

THE NEXUS OF MILITARY EXPENDITURE AND ECONOMIC GROWTH IN VISEGRAD GROUP COUNTRIES

Tereza Ambler

University of Defence, Czech Republic
intedo@seznam.cz

Jiri Neubauer

University of Defence, Czech Republic
jiri.neubauer@unob.cz

ABSTRACT

The relationship between military expenditures and economic growth has been investigated through many aspects. Even though this interrelationship is discussed frequently in defence economics studies, not many studies are examining this topic on case of Visegrad group countries (namely Czech Republic, Slovak Republic, Hungary and Poland). Our focus is to examine military expenditure and economic growth nexus for Visegrad group countries (V4) using economic variables and considering an external threat. Cross sectional dynamic analysis is used for time-period 1998 – 2015.

Keywords: *Dynamic panel data, Economic growth, Military expenditure, Threat*

TESTING FISCAL SUSTAINABILITY IN THE REPUBLIC OF MACEDONIA - A VAR APPROACH

Biljana Tashevska

Ss. Cyril and Methodius University in Skopje

Faculty of Economics

Skopje, Republic of Macedonia

biljana@eccf.ukim.edu.mk

Borce Trenovski

Ss. Cyril and Methodius University in Skopje

Faculty of Economics

Skopje, Republic of Macedonia

borcet@eccf.ukim.edu.mk; borce.trenovski@gmail.com

ABSTRACT

The recent global financial and economic crisis caused great concerns in many developed countries (especially in the European Union) due to rising debt levels and deterioration of their fiscal space. The adverse effects of high indebtedness highlighted the importance of maintaining sustainable public finances. This problem was not limited to rich and highly developed economies. The Republic of Macedonia also experienced such developments in the fiscal area and the public debt ratio doubled in the last decade. The aim of this paper is to investigate the fiscal sustainability of Macedonia using quarterly data for the period 2005 – 2016. We use a VAR model to determine whether the primary balance responds positively to increases in government indebtedness, thus ensuring fiscal sustainability, or is set exogenously and independently from changes in government liabilities. The empirical analysis shows that the primary balance lacks the necessary and sufficient positive response to an increase in the government debt level that helps prevent a further debt accumulation.

These results, together with the drastically increased public debt since 2008, imply a need for a faster adjustment of the primary balance after a government debt shock in order to prevent reaching even higher debt levels and losing a valuable fiscal space.

Keywords: *fiscal reaction function, fiscal sustainability, primary balance, government debt, VAR*

RESEARCH INTO THE LABOR MARKET SEEN FROM THE PERSPECTIVE OF WORKING WOMEN

Urszula Widelska

*Bialystok University of Technology, Poland
u.widelska@pb.edu.pl*

Joanna Szydło

*Bialystok University of Technology, Poland
j.szydlo@pb.edu.pl*

ABSTRACT

The problems of women in the labor market are an extremely important subject. Within the last several years the interest of politicians, scientists and journalists in the situation and position of women in the job market has been intensively growing. Without a doubt women to a greater degree than men must reconcile their work with their household duties and responsibilities to their families. An analysis of the Polish labor market also shows differences in the way women and men are treated. It is confirmed by several coefficients which have remained unchanged for years: a lower coefficient of professional activity of women, a lower coefficient in hiring women, a higher level of unemployment among women, inequality in regards to remuneration and weak presence of women in regards to

positions within upper management and on boards of directors of companies. Sex is still an important factor in determining the place and position of current and potential labor market participants. Despite the progressing process of feminization the problem of the professional life of women is still noticeable. This article aims to identify the factors influencing and defining the position of women within the labor market. The analysis concerned the perspective of working women. The conclusions were supported with the results of quantitative and qualitative research conducted on professionally active women and entrepreneurs from the Podlasie Voivodeship. The authors of this article participated within the research process realized between June and October of 2017.

Keywords: Podlasie labor market, women within the labor market

KNOWLEDGE MANAGEMENT IN THE WEALTH OF INFORMATION TECHNOLOGY

Sandra Lovrencic

University of Zagreb

Faculty of organization and informatics, Croatia

sandra.lovrencic@foi.hr

Vlatka Sekovanic

University of Zagreb

Faculty of organization and informatics, Croatia

vlsekovan@foi.hr

Antonio Jarnjak

University of Zagreb

Faculty of organization and informatics, Croatia

ajarnjak@foi.hr

ABSTRACT

The large daily amount of new data, information and knowledge means that fast access to those that are critical for individual organization is of utmost importance for a competitive advantage. Knowledge management is the key factor in achieving this goal and consequently in a development of a successful organization. This approach to handling organisation's knowledge assets includes various elements and processes and has several supportive infrastructure elements, one of them being information technology. Implementation of knowledge management nowadays implies, or is even unimaginable without the use of at least some of this technology. Because of its importance, there is a wealth of information technology solutions for knowledge management aimed at various purposes and types of organizations, covering some aspects or offering integrated solution. This paper gives an overview of literature covering the research of use of information technology for knowledge management.

It also gives a presentation of available information technology according to knowledge management processes related to knowledge creation, acquisition, storage, sharing and application, as well as according to other criteria, such as size of the organization and information technology aspects. Described elements for information technology categorisation are put into mutual relation. Various possibilities and benefits that information technology provides for knowledge management, and taking into account combination of aforementioned criteria should guide the knowledge management system development in an organization. Approach to each organization as an individual with its own specificities is a path to a solution that will enable optimal information technology support for managing knowledge.

Keywords: *Information Technology, Knowledge Management, Knowledge Management Processes, Knowledge Management System*

ACCOUNTING RECORDING OF CHANGES OF INCOME TAX IN REPUBLIC CROATIA AND THEIR IMPACT ON PERSONAL CONSUMPTION

Toni Miljak

*University College of Management and Design ASPIRA,
Croatia*

toni.miljak@aspira.hr

Anita Grubisic

*University College of Management and Design ASPIRA,
Croatia*

anita.grubisic@aspira.hr

Eva Mijatovic

*University College of Management and Design ASPIRA,
Croatia*

eva.mijatovic@aspira.hr

ABSTRACT

The most important income of each country are taxes. Income tax, together with excise duty, profit tax and value added tax make up the majority of the country's tax revenue. Since the professional and political discussions give to the income tax gives (too) much attention, it is subject to frequent changes. The goal of changes in personal income tax is to increase personal consumption, which makes 60 to 70% of GDP, which results in an increase of GDP. The Croatian tax system distinguishes several categories of taxes: state taxes, county taxes, city or municipal taxes, joint taxes, gambling profit tax and gambling bonuses, as well as fees from the established value of the prize pool funds. Income tax falls into the category of common taxes, ie that tax is partly part of the state budget, part of the counties budget and the city/municipalities or part of the city/municipality budget. The Law on Financing the Units of Local and Regional Self-Government determines exactly in which proportions income tax is distributed.

Thus, 60% of income refers to the income of the city / municipality, 16.5% represents the share of the county while the share for decentralized functions is 6%, the share of the call for decentralized assistance calls for 16%, and the share of assistance for projects co-financed by the European Structural and Investment funds 1.5%. It is also important to note that cities, municipalities and counties (including the City of Zagreb), which, according to special laws, finance decentralized functions, have the right to an additional income tax share of 1.9% (primary education), 1.3 % (secondary education), 0.8% (social welfare) and 1% for health and public fire brigade units. Any change in personal income tax should be communicated to the accounting departments of the company so that there will be no mistake when calculating and recording the obligations resulting from employee salaries calculation. The purpose of this paper is to compare income tax changes over the last five years in Republic Croatia and to show the accounting recording thereof, with an analysis of the impact on personal consumption of the changes carried out.

Keywords: *accounting recording, budget, income tax, personal consumption*

OPTIMIZATION OF OVERHEAD COSTS OF A CONSTRUCTION CONTRACT

Vojtech Scevik

*Brno University of Technology, Faculty of Civil Engineering,
Department of Structural Economics and Management, Veverří
95, Brno, 602 00, Czech Republic
108710@vutbr.cz*

Eva Vitkova

*Brno University of Technology, Faculty of Civil Engineering,
Department of Structural Economics and Management, Veverří
95, Brno, 602 00, Czech Republic
vitkova.e@fce.vutbr.cz*

ABSTRACT

The issue of overhead costs is solved individually within each company. General overhead costs are based on the previous financial year. A plan for next year is created from this data which is reflected in the calculation of each contract. However, it is also important to take into account the type of production, since different types of works are set at different overhead production costs. There are not a lot of scientific references which deal with production overhead costs especially in the construction industry in the Czech Republic. The aim of the article is to optimize overhead costs for different types of productions. The paper focuses especially on the construction production with types of construction works such as roads, bridges, sewerage and others that are further analyzed. In the frame of the used methodology, it is necessary to divide constructions according to the nature of the works with description as accurate as possible. Constructions are divided according to the type of works and especially by the volume of work, as the construction of small-scale works have a problem with overhead production costs more often than companies of larger sizes. All this is presented on the basis of examples from the construction area of bridge, roads, sewerage constructions, etc.

The result of the article is to allocate the value of individual overhead costs and provide more precise specification for individual construction contracts for which it is necessary to take account of the character (nature) of construction contracts. Depending on the type of construction, the proper method is used to determine the overhead costs.

Keywords: *Overhead costs, price calculation, overhead production costs*

PROACTIVE LAW AS A PART OF THE JUDICIARY SYSTEM REFORM IN THE REPUBLIC OF CROATIA

Zoran Vukusic Bokan

*An Attorney-at-Law, Republic of Croatia
zoran@odvb.hr*

ABSTRACT

This paper aims to indicate limits of curative abilities of the Croatian judiciary system (CJS) and points to the possibilities to improve said system by means of the proactive law (PL). The paper provides an analysis of certain tendencies in the CJS, general information on the PL and a possible positive effect of a wider PL implementation. During the last 5-year period, the CJS records generally lower numbers of unsolved cases, but the number of solved cases relates to the number of new cases. Such results cast doubts on the improvement of efficiency of Croatian judiciary as predominantly curative social instrument. The PL concept is opposite to such reactive model. The PL, sometimes being related to, or considered a synonym for, the preventive law, law as competitive source etc., has recently been supported by the European Economic and Social Committee (EESC) urging a shifting in the existing paradigms.

Further local empirical researches have been restricted due to a limited material basis and novelty of the PL concept. The paper contains theoretical support and elementary directions for an effective CJS improvement in practice. Such improvement would have been primarily achieved by means of reducing the inflow of new court cases to the CJS, thus unburdening the CJS itself, allowing its limited capabilities to be redistributed towards an overall speed and quality, rather than quantity only. This paper thus promotes an innovative approach to structural problems of the CJS and the strategy of the CJS reform.

Keywords: *Croatian judiciary system, preventive law, proactive law, reform*

FINANCIAL LITERACY OF HOTEL MANAGERS IN CROATIA: AN INSIGHT INTO PERSONAL CHARACTERISTICS

Ana Kundid Novokmet

*Faculty of Economics, University of Split, Cvite Fiskovića 5, 21
000 Split, Croatia
akundid@efst.hr*

Zana Zalic

*Asco d.o.o., Rovinjska 4, 21 000 Split, Croatia
zaliczana@gmail.com*

ABSTRACT

A widespread appearance of insufficient understanding of financial products' key attributes, and generally lack of financial knowledge and literacy, poor consumer protection, deregulation and fierce competition in the financial-services industry were a fruitful ground for origination and distribution of predatory, destructive and usually very complex financial instruments, what altogether led to the global financial crisis.

Therefore, one of the focal points towards which policymakers direct public attention nowadays is raising the level of financial literacy of financial consumers as a necessary prerequisite for making more informed financial decisions. Bearing that in mind, with this empirical survey we aim to explore personal factors which might explain disparities in the level of financial literacy, rather than investigating the effects of financial literacy on financial decisions and their successfulness. Furthermore, while personal finance and individuals or households are at the center of the most of studies, we pay attention to corporate finance, to be more precise, hotel managers, since tourism, hospitality and hotel industry are continuously increasing their importance in the Croatian economy. Besides examination of other personal characteristics, an assumption is made that hotel managers' financial literacy is driven by the level of formal education, continuous professional specialization and consulting as well as work experience in comparable job positions. A questionnaire research encompassed 120 hotels (3, 4 and 5 star hotels) in the Split-Dalmatia County. The response rate was approximately 27% i.e. managers from 32 hotels filled out the questionnaire. The most of them had intermediate and higher level of financial literacy, while disparities in the level of financial literacy are explained with a presence or absence of professional specialization and consulting services. Thus, with an overall promotion of financial literacy importance, the concept of lifelong learning and using financial experts' service in the corporate sector need to be emphasized in order to potentially boost the performance of this industry.

Keywords: *corporate finance, financial literacy, hotel managers, personal characteristics, questionnaire*

TAX RULINGS AND EU STATE AID LAW: LESSONS FOR CROATIA

Natasa Zunic Kovacevic

Faculty of Law University of Rijeka, Croatia
zunic@pravri.hr

Stjepan Gadzo

Faculty of Law University of Rijeka, Croatia
sgadzo@pravri.hr

ABSTRACT

Tax rulings and advance pricing agreements (APAs) are perceived by policymakers around the globe as important instruments for enhancing taxpayers' legal certainty. Croatian tax law saw the introduction of these schemes only fairly recently. Namely, advance tax rulings have been introduced in 2015, but hitherto there is limited practical experience with its usage. On the other hand, other EU member states which had rich experience with tax rulings and APAs are currently faced with new legal developments. Most importantly, administrative tax practices in a number of countries have been put under scrutiny from the perspective of EU state aid law. Against this background, aim of the present paper is to derive some lessons for Croatian policymakers and taxpayers when it comes to the usage of advance tax rulings and APAs in the future.

Keywords: *tax law, tax rulings, advance pricing agreements, state aid law*

DIGITAL TECHNOLOGY USAGE IN THE MACEDONIAN CIVIL SOCIETY SECTOR

Dimitar Jovevsk

*Faculty of Economics – Skopje, University Ss. "Cyril and
Methodius" in Skopje, Macedonia
dimitar.jovevski@eccf.ukim.edu.mk*

Lidija P. Ivanovska

*Faculty of Economics – Skopje, University Ss. "Cyril and
Methodius" in Skopje, Macedonia
lidija.pulevskai@eccf.ukim.edu.mk*

Marija Matovska

*Mladi Info, Macedonia
marija.matovska@gmail.com*

Kiril Jovanovski

*Faculty of Economics – Skopje, University Ss. "Cyril and
Methodius" in Skopje, Macedonia
kiril.jovanovski@eccf.ukim.edu.mk*

ABSTRACT

Nowadays, social networks and social media are getting increasingly more popular and are being utilized by a variety of users. When it comes to the usage of social networks and social media by civil society organizations, organizations themselves should compulsorily think through the prism of strategic placement of their communications. Organizations have to pay more attention on creating complete communication strategies, with the possibility of creating an additional strategy for the usage of social networks and social media. The main aim of this paper is to illustrate how these organizations utilize social networks. The general conclusion of this paper would be that social networks are being used by civil society organizations in Republic of Macedonia and they help in administering their projects.

Greater strategic thinking and planning is needed nevertheless, so that the entire potential social media offer could be utilized by the Macedonian civil sector.

Keywords: *social networks, social media, civil associations, functionalities, strategies*

COST-EFFECTIVENESS ANALYSIS OF HELICOBACTER PYLORI DIAGNOSTIC METHODS

Karlis Purmalis

*University of Latvia, Latvia
karlis.purmalis@lu.lv*

Janis Priede

*University of Latvia, Latvia
janis.priede@lu.lv*

Natalja Tcelovska

*Stockholm School of Economics in Riga, Latvia
natalja.tcelovska@sseriga.edu*

Agneta Didrihsone

*Roche Latvia, Latvia
agneta.didrihsone@roche.com*

ABSTRACT

Objective of the study: The aim of the research is to make literature review related to the helicobacter pylori link to gastric cancer and cost effectiveness of helicobacter pylori diagnostic methods.

Method: literature review

Results: Cancer constitutes an enormous burden on society in more and less economically developed countries alike. The occurrence of cancer is increasing because of the growth and aging of the population, as well as an increasing prevalence of established risk factors such as smoking, overweight, physical inactivity, and changing reproductive patterns associated with urbanization and economic development. Based on GLOBOCAN estimates, about 14.1 million new cancer cases and 8.2 million deaths occurred in 2012 worldwide. Despite a worldwide decline in incidence, gastric cancer remains a major health concern. It ranks as the fourth most common cancer and the second most frequent cause of death from cancer, accounting for 10.4% of cancer deaths worldwide. Each year, approximately 900 000 people are diagnosed with the disease and around 700 000 people die from it.

Conclusions: Helicobacter pylori is recognized as one of the most significant risk factors for gastric cancer, and H. pylori eradication has been proposed as a possible primary chemopreventive strategy to reduce gastric cancer incidence. A meta-analysis of seven randomized controlled trials concluded that H. Pylori eradication reduces gastric cancer incidence by 35%.

Keywords: Gastric cancer, Efficiency, Screening

STUDENT PERCEPTION VERSUS EMPLOYERS EXPECTATION OF ACCOUNTING SKILLS AND KNOWLEDGE AFTER GRADUATION

Marina Trpeska

*Ss. Cyril and Methodius University
Goce Delcev 9v, Skopje, Republic of Macedonia
marinas@eccf.ukim.edu.mk*

Zorica Bozinovska Lazarevska

*Ss. Cyril and Methodius University
Goce Delcev 9v, Skopje, Republic of Macedonia
zoricab@eccf.ukim.edu.mk*

Atanasko Atanasovski

*Ss. Cyril and Methodius University
Goce Delcev 9v, Skopje, Republic of Macedonia
atanasko@eccf.ukim.edu.mk*

ABSTRACT

The period after world financial crisis and environment with high unemployment rate and high rate of emigration lead to impose the question about investigation of student perception about the obtained knowledge during academic studies and the expectation of the employers about the knowledge and skills of the possible future employees. The aim of the research is to explore the gap between student perception and employer expectation in order to improve the universities studies in accounting education. The research is conducted at the state university which is the best ranked at the country on undergraduate students on accounting and auditing department. The expectation of the employers is measured through survey where the target are managerial position, chief executive officers and chief financial officers. Since the university is in the process of improving and accrediting studies programs, the results from the research would be also used in that process.

Keywords: *accounting education, student perception, employers expectation, skills, accounting knowledge*

LIMITED LIABILITY OF INSURERS FOR DAMAGES BASED ON MOTOR THIRD PARTY LIABILITY INSURANCE

Nenad Miletic

*Municipal Court of Zagreb, Croatia
nenad.miletic@oszg.pravosudje.hr*

ABSTRACT

In this paper the author is addressing the problem of limited liability of insurers for damages based on motor third party liability insurance. Analysing the question of non-contractual liability of owners of motor vehicles for damages caused by a motor vehicle in operation and concluding motor third party liability insurance contracts, the author analyses the current solutions in Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles and relative solutions in Croatian legislature. The author pays particular attention to the institute of minimum amounts covered by insurance for motor third party liability insurance which guarantees insurers cover for insured minimal amounts also limiting the insurers obligation. This paper also discusses the settled Croatian case law in legal questions regarding the combination of insured limits for motor third party liability insurance and placing the injured party in an unequal legal position in cases of the insurers limited liability when the injured party suffered damages as a result of an accident in which two or more motor vehicles of the same or different insurers participated. Examining the various aspects of insurance providing protection to injured parties and the insurer the author points out the need for amendments of Croatian legislation.

Keywords: *motor third party liability insurance, limited liability, case-law*

RESPONSIBILITY OF THE STATE FOR WORK OF STATE BODIES - THEORETICAL AND PRACTICAL SOLUTIONS

Nenad Miletic

*Municipal Court of Zagreb, Croatia
nenad.miletic@oszg.pravosudje.hr*

Mato Krmek

*PhD Candidate/International relations at University of Zadar
and International University Libertas, Zagreb, Lawyer,
Republic of Croatia
mato.krmek@primorac-partners.com*

Marko Pilic

*MS of Forensic Science, Republic of Croatia
markopilic389@gmail.com*

ABSTRACT

One of the basic principles of mandatory law is the prohibition of causing damage, which means that everyone is obliged to abstain from the procedure that can cause the damage to another. In this way, the legislator calls on all legal traffic participants to ban from the harmful treatment in advance, thus informing all potential perpetrators of the damage they commit unlawfully. Responsibility for damage is a liability in which one party is obliged to repair the damage to the other party, and the other is the first to claim damages. The assumptions of liability for damage have been determined by the legal theory and are five assumptions such as subjects responsibility for damage, the harmful action of a perpetrator, damage, causality between harmful actions and damage and unlawfulness. It is also important to point out two criteria for determining liability for damage such as liability on the basis of guilt and accountability based on the criterion of causality. The state as a participant in legal proceedings, at the same time the regulator of the legal formation, must bear the responsibility for the work of their

bodies, just as the legal person is responsible for the damages of their employees. The trends of change in relation to state liability for damage is very positive and a big step forward in exercising the rights of individuals and their equality before the law.

Keywords: *damage, legitimate expectations, liability for damage, state responsibility*

THE DISCRETIONARY POWER OF COMPETENT AUTHORITIES IN APPLYING STATE AID RULES ON RESCUE AND RESTRUCTURING

Tamara Obradovic Mazal

*Gajski, Grlić, Prka and Partners, LLC, attorney at law Office
Dalmatinska 10, Zagreb, Croatia
tamara.mazal@ggp.hr*

Vlatka Butorac Malnar

*University of Rijeka, Faculty of Law
Hahlić 6, Rijeka, Croatia
vlatka@pravri.hr*

ABSTRACT

Following the adoption of the new Commission's Guidelines on rescue and restructuring, the authors take a closer look into the public authority's decision-making procedure to award restructuring aid. The analysis focuses on the national level of a decision-making process prior to the notification of restructuring aid to the Commission, using the example of the Republic of Croatia. The authors question the national procedure(s), its transparency and the margins of State's discretionary power to decide if and who to award the restructuring aid and initiate the procedure before the European Commission.

It is being argued that the wider the discretionary power of the competent authorities who grant restructuring aid, the wider is the potential of negative social, financial and market-wise consequences both for the State as well as the recipient undertaking. In order to avoid worst possible scenario, the authors suggest de lege ferenda proposal of the assessment criteria.

Keywords: *discretionary power, firm in difficulty, restructuring aid, state aid*

PASSENGER AIR TRANSPORT IN THE INTEGRATION OF THE BALTIC SEA REGION

Tomasz Studzieniecki

*Gdynia Maritime University, Poland
Email t.studzieniecki@wpit.am.gdynia.pl*

Barbara Marciszewska

*Gdynia Maritime University, Poland
Email b.marciszewska@wpit.am.gdynia.pl*

ABSTRACT

The Baltic Sea Region is an EU macroregion where intense integration processes take place. Integration priorities and policies are set out by the European Union Strategy for the Baltic Sea Region. The document recognised "connectivity" as one of the three primary objectives, while transport development as one of the 13 specific objectives. The main element of this region is the sea basin which is a physical barrier for integration processes. Overcoming this barrier is a challenge for the transport system, in particular for the air transport. This paper analyses the key factors of this system. Literature research was conducted. The Region was delimited, taking into account both state borders and borders of NUTS 2 statistical regions situated

at the Baltic Sea. Based on cutting-edge IT tools (Skyscanner and Flightradar), airports which serve passenger traffic in this region were identified. Measures of air infrastructure development as well as air transport and price accessibility were prepared. Next, empirical research on this issue was conducted. The Region, which has an area of 3,839.8 km² and a population of 107.51 m., has 163 airports that serve 983 intra-regional air operations. The highest number of operations was noted in capital airports in Scandinavian countries (Stockholm, Oslo, Helsinki, Copenhagen). As regards measures of air operations and measures of air infrastructure development, a wide disparity between the well-developed Scandinavian countries and the other part of the Region was observed. Analysis of price accessibility of air services gave different results. Scandinavian countries together with Belarus and Russia proved to have unfavourable price accessibility. Kaliningrad had the most expensive and worst connectivity among Baltic airports. Out of airports not situated in capitals, the Gdańsk airport had the best connectivity. As regards the development of the passenger air transport system, the integration of the Baltic Sea Region was found to be good.

Keywords: *Baltic, region, integration, transport, airports*

CHALLENGES OF THE EUROPEAN UNION AFTER BREXIT

Ivana Licul

*University of Rijeka, Faculty of Tourism and Hospitality
Management, Croatia
ivana.licul@fthm.hr*

ABSTRACT

The symbiotic action of the EU members proved to be a successful model for preserving general well-being and security. Through the evolutionary process, changing the way of functioning, the European Union has gradually evolved into a powerful integration in transition between an international organization and a transnational community promoting peace, preserving freedom, security and justice without internal frontiers, establishing the Internal Market and promoting sustainable development while promoting economic, social and territorial cohesion. However, the current withdrawal of the United Kingdom from the European Union has created an atmosphere of insecurity and skepticism that has gradually shifted to aversion over the prevailing policy and all levels of European institutions. In this respect, the accession countries of the European Union have been particularly vulnerable, which have begun to re-examine the relevance of the European project in new circumstances and consequently to formulate priorities dictating the pace of the reform of harmonization. In accordance with the above mentioned issue, the purpose of this paper is to examine the challenges of the European Union after the process of breaking up with the United Kingdom. Approach to European integration as a subject of research in this paper has been holistic, and its complexity has undergone qualitative research, starting with defined research goals. Thus, the implications of Brexit on the acceding countries of the European Union were analyzed and the relevance of the current EU model of functioning after Brexit was examined.

The results of the research have shown that Brexit is the occasion for a deep analysis of the principles of action of the European Union, which, faced with new challenges, must be adaptive and ready for new changes. At the same time, the results confirmed the need to continue the enlargement of the European Union to the accession countries, regardless of Brexit. The results of this research can contribute to the advancement of existing knowledge and wider understanding of the European integration phenomena and the policy of its expansion at a contemporary moment.

Keywords: *Brexit, EU accession countries, EU model of functioning, European integration, Policy of enlargement*

COEXISTANCE OF THE MARKET ECONOMY AND STATE INTERVENTION: THEORY OR REALITY?

Katarina Marosevic

University of J. J. Strossmayer, Faculty of Law Osijek, Croatia
Email: katarina.marosevic@pravos.hr

Ivana Sandrk Nukic

University of J. J. Strossmayer, Faculty of Civil Engineering in
Osijek, Croatia
Email: isandrknukic@gfos.hr

ABSTRACT

An ideal mechanism for functioning of the modern economy could be defined as a mixture of the free market and state intervention. However, what is the way to ensure that adequate intervention of the state is in harmony with free market operations – that is the question which certain countries managed to answer better than the others. The aim of this paper is to explore the business success indicators of chosen companies in Croatia considering the

importance of state intervention in market-oriented markets as well as to investigate if the level of selected social expenditure in chosen EU countries reflects their achieved GDP rise. With this goal in mind, this paper is by its nature interdisciplinary and includes two scientific research branches – general economy and organization and management. In order to give a complete answer on the starting research question, the method of the analysis and the method of synthesis of strategic important documents as well as the case studies method for examples of successful entrepreneurship initiatives were used as our main tool.

Keywords: *state intervention, economy, organization, management*

CONSTRUCTION IN RUSSIA: CAN SMALL BUSINESS GROW BIG?

Liudmila Guzikova

*Peter the Great Saint-Petersburg Polytechnic University,
Russia
guzikova@mail.ru*

ABSTRACT

Most economists believe that the strategic goal of any business is the growth of the company which is primarily determined by the rates of sales growth. Managing the growth of a company requires balancing of the company's goals from the perspective of possible sales, efficiency increasing and availability of financial resources. The modeling of sustainable growth is widely used in practice of financial management and there are number of models worked out for this purpose. Objective of the paper is to assess the growth opportunities of small construction companies operating in Saint-Petersburg.

Two models of sustainable growth were used – the Higgins' model and the model suggested by Van Horne. The conclusions were made about the applicability of the models and about the possibility to realize the growth rate calculated with their use.

Keywords: *small business, construction, sustainable growth*

TOURIST ARRIVALS IN POLAND AND REGIONAL DEVELOPMENT - A CASE STUDY OF THE POMERANIA PROVINCE

Barbara Marciszewska

*Gdynia Maritime University, Gdynia, Poland
b.marciszewska@wpit.am.gdynia.pl*

Tomasz Studzieniecki

*Gdynia Maritime University, Gdynia, Poland
t.studzieniecki@wpit.am.gdynia.pl*

Marzena Wanagos

*Gdynia Maritime University, Gdynia Poland
m.wanagos@wpit.am.gdynia.pl*

ABSTRACT

Tourism is an important economic sector for most developed countries in the world. The mechanisms occurring in Poland's modern tourist market are similar to those that are shaping international tourism. The economic effects of tourism as well as the environmental and social determinants of its development are noticeable both in the regional and global scale of the economic sphere. In 1950 the number of arrivals was 25.3 million, while in 2011 this number increased by 980 million. It is estimated that this number may increase by 1.56 billion by 2020. The aim of the survey presented in this paper is to identify the factors that affect the development of inbound tourism to the Pomerania Province

in relation to the domestic tourist traffic after 2009. In order to achieve this aim, the following method has been used: analysis of literature and source materials containing data on the level and dynamics of tourist inbound traffic to Poland, with particular consideration of the Pomerania Province. The social and economic policy of the Pomerania Province has been assessed based on the analysis of the Province's strategy documents setting its social and economic directions of operation by 2020. It has been found that not only megatrends but also factors shaped by the regional social and economic policy have a dominant influence on the development and growth of inbound tourism to the Pomerania Province. An increase in the number of accommodation and improvement of accommodation standards are factors stimulating foreign travels to Poland through Gdańsk. The parallel influence of supply-related factors and factors creating an increase in demand makes that tourism development, due to favourable regional policy, is becoming an important determinant of the social and economic position of the Pomerania Province at domestic and international level.

Keywords: *Pomerania Province, regional development, tourist arrivals*

THE THREE SEAS INITIATIVE AS A NEW IMPORTANT FACTOR IN THE INTEGRATION OF CENTRAL AND EASTERN EUROPE

Mirosław Przygoda

*University of Warsaw, Faculty of Management
miroslawprzygoda@wp.pl*

ABSTRACT

The first initiative for the creation of a close economic and political cooperation between Central and Eastern European countries was undertaken several years after World War I as a response to immediate threats from the two major totalitarian countries – the Nazi Germany and Soviet Russia. The Central and Eastern European countries, which were eventually supposed to unite into federation, were thought of as a potential barrier separating Moscow from Berlin. Lack of agreement in the matter, followed by the outbreak of World War II, put the end to these plans, but the idea of creating a coalition in this region was reborn over a year ago in Dubrovnik, Croatia. There, on 25th-26th August, 2016, on the forum of the Three Seas nations, a declaration of cooperation was signed, which laid the conceptual foundation of the possible future shape of the union. The declaration was key since it was signed by officials representing all twelve nations which are to be part of the possible alliance. The Three Seas Initiative was then described as an informal platform from which to gain political support and organize action towards specific projects, both on the scale of the entire region and transboundary, strategic to countries involved in energy, transport, digital communication and economic policies within Central and Eastern Europe. In the time of Germany's political domination of the European Union and the Russian Federation's aggressive imperialistic aspirations, the old initiative from the interwar period has gained new reasons for its development. It also received strong political support from the president of the United States Donald Trump during his visit in Warsaw, Poland, in July 2017.

Presently, the Three Seas is but a handful of socio-political and economic projects to be realized in the near future. In the face of increasing tensions and open conflicts within the European Union, however, the intended cooperation initiative may soon become an institutionalized reality with the paramount goals of shifting the balance of power and changing the geopolitical situation in Europe.

Keywords: *integration, Central and Eastern Europe, Croatia, Poland, Three Seas Initiative*

CHANGES IN LIFE SATISFACTION. IS THERE A COMMON TENDENCY FOR RUSSIANS AND EUROPEANS?

Maria Volkova

*Central Economics and Mathematics Institute of Russian
Academy of Sciences
Moscow, Russia
frauwulf@gmail.com*

ABSTRACT

For a number of frequency characteristics, generalized principal components have been constructed separately for regions and cities of Russia and European countries through the singular decomposition of a compromised matrix for a number of years (2011-2015). According to the results, the objects that have the main contribution to the generalized principal components are revealed, as well as those features that are most strongly correlated with the first two axes of the compromise space. Such a technique has not previously been used on subjective data.

Keywords: *Compromised matrix, EUROBAROMETER data base, life satisfaction, RLMS data base, singular decomposition*

CRITERIA FOR THE QUALITY ASSESSMENT OF REGIONAL TOURIST PRODUCTS ACCORDING TO TOURISTS AND TOURISM ENTREPRENEURS

Marzena Wanagos

Gdynia Maritime University, Poland
m.wanagos@wpit.am.gdynia.pl

Barbara Marciszewska

Gdynia Maritime University, Poland
b.marciszewska@wpit.am.gdynia.pl

ABSTRACT

Regional products are very diverse, are created by multiple entities and consumed by various less or more demanding customers. They contain both tangible and intangible elements which are specific to services. The aim of this study is to show the complexity of quality assessment of regional tourist products and present the most important criteria for this assessment. Some selected criteria for quality assessment have been analysed based on a questionnaire. These criteria were arranged by importance according to entrepreneurs and tourists. Therefore two groups of respondents took part in the survey: tourism service providers (owners of hotels, restaurants, travel agencies, carriers) and tourists. The objective was to compare the criteria specified by service providers with the criteria specified by tourists. The survey was conducted in the Pomerania Province in 2014 and 2017. A sample of 674 respondents in total took part in it. Results have shown that the most important criteria indicated by entrepreneurs differ from those indicated by tourists.

Keywords: *quality, region tourist, product*

GROWTH DISASTERS IN LEAST DEVELOPED COUNTRIES

Wioletta Nowak

University of Wrocław, Poland

wioletta.nowak@uw.edu.pl

ABSTRACT

The paper presents trends in economic growth and development in fifteen least developed countries (11 LDCs in Africa, 2 Pacific islands, Yemen, and Haiti) with negative or very low average growth rates over the period from 2001 to 2015. The study is based on the data retrieved from the World Bank Database. During the considered 15 years, eleven LDCs recorded negative average annual GDP per capita growth rates and four countries had growth rates smaller than 0.5%. In the analysed LDCs, GDP has been mainly generated through services and agriculture sectors. The poorest countries were highly dependent on agriculture which provided a living for the vast majority of their population. On the demand side, domestic private consumption was the main source of growth in the examined LDCs. In the years 2001-2015, a half of the analysed countries experienced a decline in the share of exports of goods and services in GDP. Ten LDCs were classified as aid-dependent. Besides, remittances were a significant source of finance in five of them. The countries, except one, did not attract foreign direct investment. LDCs with very low or negative growth rates have serious problems with corruption and poor governance. Moreover, they are affected by conflicts, internal political turmoil and suffered from shocks (natural environmental disasters). Several LDCs, despite the poor economic performance, managed to improve significantly their development indicators.

Keywords: *economic development, economic growth, LDCs*

THE ROLE OF AGRICULTURE IN THE DEVELOPMENT OF PERIPHERAL RURAL AREAS

Zofia Koloszko-Chomentowska

Bialystok University of Technology, Poland
z.koloszko@pb.edu.pl

ABSTRACT

The development of peripheral rural areas is of fundamental significance to the development of rural areas. The economic and government changes in Poland during the 1990s deepened differences in the level of economic development, including in the development of agriculture and rural areas. Peripherality is always associated with a certain distance and concerns differences in socioeconomic development. Peripheral areas are present on different spatial scales. Permanent developmental disproportions reinforce divisions in the country's spatial structure. Persistent differences in the economic potential of individual regions constitute one of the basic problems of the modern economy. The concept of sustainable development calls for equalization of the differences between developed and peripheral regions. In Poland, 5 voivodeships, making up 32% of the country's territory, are classified as peripheral areas. The goal of this article is to assess the developmental potential of peripheral areas and the role of agriculture in the sustainable development of these areas using Poland as an example. Developmental potential was assessed, and the results of equalizing developmental opportunities during the period of Poland's membership in the EU were indicated.

Keywords: agriculture, development, peripheral, rural areas

HOW POWER VALUES INFLUENCE ON LEADERSHIP STYLE: A COMPARISON OF AUSTRIA AND SLOVENIA

Zlatko Nedelko

*University of Maribor, Faculty of Economics and Business,
Maribor, Slovenia
zlatko.nedelko@um.si*

Tyler R. Morgan

*Iowa State University, Department of Supply Chain &
Information
Systems, Ames, IA, USA
tmorgan@iastate.edu*

Vojko Potocan

*University of Maribor, Faculty of Economics and Business,
Maribor, Slovenia
vojko.potocan@um.si*

ABSTRACT

This paper examines how manager's power values influence on manager's leadership style in Slovenian and Austrian organizations. In that frame we test how individual level sub-dimension of values, including power, are influencing on manager's preferences about leadership style, framed into autocratic-democratic continuum. We draw upon our research on Schwartz theory of universal value structure and theory of leadership style based on autocratic-democratic continuum. Based on answers from 60 managers in Slovenian and 66 managers in Austrian organizations, and significant associations between personal values and leadership style, we found that with higher importance of power values for managers, their leadership style is becoming more autocratic in both examined samples; (2) with higher importance of tradition values, manager's leadership style is becoming more democratic in Slovenia and (3) with higher importance of benevolence values, managers' leadership

style is becoming more autocratic in Austrian sample. Practical implications are aimed on selection influencing manager's preferences about leadership style.

Keywords: *Austria, leadership style, personal values, power, Slovenia*

THE ROLE OF MUNICIPALITY IN PROMOTION OF WELL-BEING: DEVELOPMENT OF PUBLIC SERVICES

Inga Jekabsone

*University of Latvia, Latvia
inga.jekabsone@lu.lv*

Biruta Sloka

*University of Latvia, Latvia
biruta.sloka@lu.lv*

ABSTRACT

Main operational goal of municipality is to serve the society. In order to ensure the democratic municipal operation, it is necessary to involve citizens in decision-making process, create conditions for them to express the opinions, to listen to those opinions, provide access to information and inform about the topicalities, ideas and plans. Municipalities have ability to directly influence the well-being of their citizens, providing services to them. In order to develop services, municipality citizens are satisfied with, it is necessary to involve them in development of these services. Taking into account all mentioned before the purpose of the study is to analyse the importance of engagement of society in development of public services in the municipalities.

In order to achieve the purpose, the tasks are formulated as follows:

- 1) to review the theoretical background for engagement of society in decision-making processes at local level;*
- 2) to analyse the best practice of municipalities in engaging of society in development of public services;*
- 3) to provide the recommendations for municipalities for engagement of society in development of public services for overall well-being.*

Research methods used: scientific literature studies, structured interviews, statistical data analysis, scenario method.

The research conducted in one of the municipalities in Latvia showed that the quality of public services affects the well-being of citizens. Therefore, in order to have a greater effect on citizens' well-being, it would be needed to engage public in different phases of service development – in planning, implementation, development and evaluation.

Keywords: *municipality, public services, well-being*

ELEMENTS OF TOURISTIC ATTRACTIVENESS OF THE FOREST AREAS: A CASE STUDY BASED ON THE BIALOWIEZA FOREST MICRO-REGION

Eugenia Panfiluk

*Bialystok University of Technology, 15-351 Bialystok, 45A
Wiejska Street, Poland
e.panfiluk@pb.edu.pl*

ABSTRACT

The aim of the article is to identify the resources that decide about the attractiveness of the touristic space of the forest areas. The article reviews the literature from the scope of attractiveness of the touristic space and discusses the research methods used in

identification and evaluation of the touristic attractiveness. The empirical part assesses the attractiveness of forest areas on the example of developing tourism in the micro-region covering the Bialowieza Forest complex, including the Bialowieza National Park. The diagnostic survey method was used in the assessment of tourist attractiveness. The factors affecting the feeling of the satisfaction from the holiday stay were adopted as indicators of the touristic attractiveness. It was proven that in the perception of the area in the category of touristic attractiveness, the nonmaterial factors play an important role. Their origin is associated with creating the climate by the natural resources and human capital. In a significant way the attractiveness of the touristic stay is influenced by the attractiveness of the recreational offer of the place.

Keywords: Tourist potential, tourist value, satisfaction

INNOVATION IN THE SHOPPING PROCESS IN THE HYPERMARKET

Andrzej Pawluczuk

*Bialystok University of Technology, Faculty of Engineering
Management, Poland
a.pawluczuk@pb.edu.pl*

ABSTRACT

In many hypermarkets the shopping process is unattractive, has a low level of innovation, and takes a lot of time, which negatively affects the customers, causing further barriers in the development of hypermarkets. In addition, the continuous growth of the Internet and low delivery costs cause an increase in the number of buyers in online stores. Hypermarket managers can make shopping more attractive by introducing innovations related to the non-queueing at cash desk, non-cash forms of payment, by means of analysis of the traffic in a shop using a so-called heat maps.

The pace of innovation will depend on the safety of these purchases, the openness to customer innovation, the simplicity of using new tools and technologies, and the low cost of bringing them to the market. This article presents the results of a pilot study conducted among young people for two innovative shopping systems Amazon GO and Scan & GO.

Keywords: *ICT, innovation, hypermarket, shopping process*

SOME REFLECTIONS ON THE DUALITY OF THE EXECUTIVE UNDER POLISH CONSTITUTION OF 1997: CRITICAL ANALYSIS

Tomasz Jurczyk

*Uniwersytet Wrocławski, Poland
tomasz.jurczyk@uwr.edu.pl*

ABSTRACT

The Author of the article will focus on analyzing constitutional provisions dealing with duality of polish executive. As it turned out after 20 years of functioning of the new Constitution, the whole idea of cooperation between President and Council of Ministers, being a result of political compromise reached in the mid 90`s and constitutionalized, has failed under the burden of incorrectly constructed constitutional provisions. The appropriate judgments of Polish Constitutional Tribunal will also be widely discussed to illustrate seriousness of the problem of lack of coherence in the constitutional regulations. The Author will also come up with some ideas of amending constitutional provisions dealing with position of President of the Republic, to solve the problem and repair the system.

Key words: *Constitutional law, President, Council of Ministers, division of power*

INTEGRATING EAST CENTRAL EUROPE INTO THE WELFARE REGIME TYPOLOGY

Agnes Orosz

*National University of Public Service and Centre for Economic
and Regional Studies of the Hungarian Academy of Sciences,
Budapest, Hungary
oroszagnes@uni-nke.hu*

ABSTRACT

The overall aim of the paper is to provide a comprehensive analysis of social policy developments of East Central European (ECE) countries in order to assess whether there is an ECE (post-communist) welfare state model. The relevant literature is inconclusive on whether East Central European countries indeed merit their own welfare state model, as certain scholars have claimed (Cerami, 2005; Deacon, 1992). Following the core research aim outlined above, the study seeks to address and answer the following research questions. Does East Central Europe constitute a distinct welfare state regime? If it does so, what are the distinct features of the welfare state model in East Central Europe? Have the countries of the ECE model become more similar over time? The structure of the article is as follows. The first section comprises the conceptual framework of the analysis in order to introduce the main elements of welfare state regimes, focusing mainly on the theoretical contradictions of post-communist social policy developments. There follows the collection of the historical-institutional features of East Central European welfare states. The empirical part of the paper builds upon Saint-Arnaud and Bernard's (2003) and Fenger's (2007) validations of Esping-Andersen's welfare regime typology. Their methodology of hierarchical cluster analysis is used but replacing their data with data that are available for other countries than the traditional OECD countries. To do so it is possible to show that East Central European welfare states differ significantly from the types those are distinguished by Esping-Andersen (1990).

The article then re-clusters the given countries by using the most recent available data in order to shed light on the changes in cluster membership by time. The main findings are summarized in the conclusion part. The empirical analysis shows a distinct, specific type Central European welfare state regime. They are mainly characterised by lower levels government spending and social outcome situation. Their further development still remains an open question.

Keywords: *East Central Europe, welfare state, welfare regime, hierarchical cluster analysis*

EXISTING LEGAL FRAMEWORK IN CROATIAN LAW AND INCONSISTENT CASE LAW (COURT PRACTICE) AS INTERFERENCE TO AN INVESTMENT PROCESS

Blanka Kacer

*Faculty of Law, University of Split
Domovinskog rata 8, Croatia
blanka.kacer@pravst.hr*

ABSTRACT

In this paper, the authors have decided to analyze an aspect of legal uncertainty as interference to an investment process. It is the aspect that deals with the negative effects of the existing legal framework (which is constantly changing, resulting in the fact that laws with only few amendments are very rare, which does not really respect terminology nor the essence of particular constitutional provisions, in which consolidated text of a law is a rarity even if it has been changed more than ten times, in which there are cases of legal amendment although the law has not been applied yet, cases in which the Constitutional court repeals the entire law which has not come into force yet, numerous cases where entire parts of law are changed by other laws thus creating

a false image of what is, or is not in force, cases in which the law in its text as an existing court appoints the one that did not exist at the time of appointment, nor in the years thereafter, which in its text stipulates the prohibition of court protection even though it is contrary to the explicit provision of the Constitution of the Republic of Croatia). However, it is also about case law (including administrative court practice) that is not only mutually uncoordinated but also very unpredictable. Both have the same effect on the legal certainty (and on the rule of law, because these are the two basic pillars of any legal state and two main goals of every country that wants to become legal) which is one of the preconditions for any investment interest. In one of the analyzed examples the amount of one million was charged for the construction which was later given up on, contrary not only to the law but also the case law.

Keywords: case law (court practice), legal certainty, legal framework, the rule of law

