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SOUTH-EASTERN EUROPEAN COUNTRIES**

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EVALUATION OF INDIVIDUAL INVESTORS' ATTITUDES TOWARD INVESTING ON THE FRONTIER CAPITAL MARKET

Abstract

The research evaluated the attitudes of potential individual investors regarding investing on the frontier capital market. The term “frontier capital markets” appeared in the literature with the advent of capital markets that did not fit into the category of emerging capital markets. These markets are primarily characterized by poor liquidity (i.e. underdevelopment of the secondary market), low value of market capitalization, short history of trading, asynchronous trading, problems with determining the right market indices, etc. Starting with these characteristics and taking into account the striking bank-centricity of financial systems of the countries whose capital markets are categorized as frontier, it is evident that investing of individual investors into capital market instruments on such markets has so far not played a significant role, especially when compared to developed markets. The aim of this research was to establish the way in which potential individual investors perceive the very capital market, the level of their knowledge and financial potential, goals and motives to invest, factors affecting their decision to invest, obstacles to more significant investment into capital market instruments as well as the recommendations given by individual investors regarding the measures and activities for the improvement of frontier capital markets. In order to examine individual investors’ attitudes towards investment on the frontier capital market, a survey was used. The sample included the owners and managers of private companies, as the potential individual investors, in Bosnia and Herzegovina, the country representative of frontier capital markets.

Keywords: frontier capital markets, investing, individual investors, Bosnia and Herzegovina (BiH).

JEL: G10, G11, G20

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DETERMINANTS OF ESTABLISHING THE FINANCIAL RISK MANAGEMENT FUNCTION OF ENTERPRISES IN BIH

Abstract

The role, position and importance of the enterprise financial risk management (FRM) function significantly changed after the collapse of the Bretton-Wood Agreement which increased the volatility of market risk factors such as exchange rates, interest rates, energy prices and/or prices of key inputs/outputs. An active approach to enterprise risk management has led to better understanding of the positive effects of risk management on sustainable business operations, while, on the other hand, it has evolved financial instruments and reduced the cost of risk hedging instruments. Over time, the FRM function has become a constituent part of the integral business dealings of enterprises. The purpose of paper is to investigate the determinants of FRM in large enterprises in BiH and the main objective of paper is to identify factors that explain the incidence of establishing a FRM function with a focus on the theoretical basics and motives for FRM, and understanding the specifics of BH markets. The scientific contribution of the paper is reflected in the fact that this paper is a pioneering research in BiH that tested both positive theories on the economic rationale of FRM function and research hypotheses on the relationship between the determinants and the establishment of the enterprise FRM function. The main source of survey data is primary data collected through a structured questionnaire and secondary data collected from the financial statements of enterprises in BiH for 2017. The target population in this survey is large enterprises. The selection of the enterprise was conducted by random sampling method. Three multivariate logistic regression models were evaluated. The results of the research showed that there are no systematic, statistically significant differences between the "hedgers" and "non-hedgers" enterprises and there are no robust statistically significant determinants that explain the incidence of establishing a FRM function in large enterprises in BiH.

Keywords: (non)hedgers, determinants of FRM, logistic regression, large BH enterprises.

JEL: G3, G32, C4, C83

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ENTERPRISE FINANCIAL RISK MANAGEMENT IN BIH

Abstract

Adequate financial risk management (FRM) represents leading competitive advantage that determines market survival and business success in an uncertain global environment. Maximizing the welfare of owners, primarily through increasing value, is determined by profitability but also by the degree of exposure to enterprise risks. Over time, FRM has become constituent part of integral business dealings of enterprises and one of strategic functions of enterprise management. The purpose of paper is to explore practice of FRM and main objectives are to identify and analyze key financial risks to which BH enterprises are exposed, to explore how BH enterprises identify, measure and manage financial risks and what FRM strategies they use. The basic source of data in research was data collected by means of structured questionnaire. The target population in research consists of large enterprises that have continuously operated in the territory of BiH (2013-2017). The selection of enterprises was made applying random sampling method. Appropriate descriptive and inferential statistics methods were used in the data analysis. The scientific contribution of paper is reflected in the fact that research is pioneering research in BiH that covered key types of financial risks large enterprises are exposed to and practices of using internal and/or external techniques/instruments for FRM enterprises in BiH. Results of research show existence of statistically significant association between FRM and size of enterprise; ownership structure; market orientation. On the other hand, results of the research show that there is no statistically significant association between FRM and group of activities; form of organization; possession of subsidiary enterprises abroad. On average, the analyzed enterprises are most exposed to liquidity risk, followed by price risk, interest rate risk and foreign exchange risk. Results indicate that 1/5 of respondents named "Internal Instruments" as very important FRM methods, while less than 1/10 respondents named "External Instruments".

Keywords: FRM practices, types of financial risks, methods/instruments of FRM, large BH enterprises, survey questionnaire.

JEL: G3, G32, C4, C83

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ANALYSIS OF SELECTED COUNTRIES' TRADE EFFICIENCY BASED ON THE DEA MODELS

Abstract

Recently, the efficiency of trade companies has been investigated from various aspects. One of them is the measurement of efficiency of trade companies per individual countries by means of Data Envelopment Analysis (DEA). This aspect of research into the efficiency of trade companies is used in this paper. In other words, this paper explores the efficiency of trade companies in the selected countries of the European Union (EU), with a particular reference to Serbia as the EU candidate country, using the DEA approach. The efficiency of trade companies in the selected countries and Serbia differs depending on the applied input- or output-oriented DEA model. As a whole, the efficiency of trade companies in Serbia is satisfactory when compared to the observed countries. This is largely the result of the improved general conditions of business and economy in Serbia lately as well as of the presence of foreign retail sale chains active in the Serbian retail sale market (Delhaise Serbia in particular).

Keywords: DEA models, size of trade companies, technology, competition, efficiency, selective countries.

JEL: F65, L81, M40

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THE FINANCIAL SUSTAINABILITY OF LARGE CITIES IN THE REPUBLIC OF CROATIA

Abstract

Budget planning is one of the preconditions for general financial stability and sustainability in the public sector. Consequently, local government units strive to improve their services in order to raise the quality of life and to collect more revenues in their budget. Due to fiscal decentralization, revenue sources for local and regional government units in the Republic of Croatia vary. The ultimate goal of local and regional government units is to create a business environment conducive to an increase in domestic and foreign investment, the growth and development of economics operators and employment, as well as long-term financial budget sustainability. As living spaces and centers of economic activity, cities have an important role as local government units in the Republic of Croatia. The purpose of this paper is to examine the level of fiscal capacity and financial sustainability of large cities in Croatia in 2017. Therefore, a comparison of financial sustainability indicators with reference values of large cities is presented. The results of the analysis showed that there is a significant difference in the level of fiscal capacity between large cities in the Republic of Croatia. Moreover, this analysis could serve as a basis for improving the fiscal capacity of large cities, thereby helping all government actors achieve long-term financial sustainability.

Keywords: financial sustainability, expenditures, revenues, large cities, local government.

JEL: H1, H70, H72

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ALIGNMENT BETWEEN ENGINEERING ASSET MANAGEMENT AND FINANCE

Abstract

Modern organizations, primarily business, have to strongly focus on a sound financial management and, then, shall demonstrate their profitability and financial sustainability. They are often capital intensive and procure their assets (such as various equipment, components, engineered systems, etc.) in order to deliver products and/or services. Contemporary trends show that this goal is efficiently achieved through a structured asset management. In accordance with ISO 55000 standard, asset management is defined as a coordinated activity of an organization to realize the value from assets. Although in theory the relationship between finance and engineering appears to be rather obvious, practice has revealed that organizations often suffer from a dichotomy between these two sectors. It is commonly due to lack of communication, suitable interactions, transparency, and understanding between people working in these two fields at all levels of organization. Consequently, it leads to their misalignment and potential internal struggles. Such situations may cause serious setbacks, losses, and ultimately could put organizations in jeopardy of survival. It is particularly true in the contemporary, strongly connected world, where operational and business environment is highly complex, rapidly changing, dynamic, and strongly competitive, typically involving deep epistemic uncertainties regarding scenarios and business outcomes. Additionally, modern organizations are fairly complex as per their internal structure, management, technological processes, operations, and deployed technologies, what adds to the overall complexity of the business environment. It appears that traditional methods in modelling such environments are less successful, and novel methodologies and concepts are required. The paper proposes a holistic approach based on combining traditional modelling methods and the theory of complexity aiming at efficiently aligning financial and engineering asset management of contemporary organizations. It enables their long-term sustainability and a high level of financial performance. Various means and methods are proposed and discussed to achieve this goal.

Keywords: financial management, engineering asset management, complexity theory, alignment.

JEL: G30, G31, L00

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MULTIDIMENSIONALITY OF THE CONTROLLING FUNCTION ROLE IN COMMERCIAL BANKING

Abstract

As it is more or less known, controlling does not imply control as a managerial function, but rather a special business function that deals with the establishment of efficient and effective processes of planning and control of business operations (by adopting appropriate procedures, selecting measurable performance indicators, and the establishment and application of standards) as well as the coordination of those processes for providing support to management of companies in setting and realizing business goals. As such, controlling is "management's right hand", since it directly affects two of its functions – planning and control. Additionally, controlling links individual business functions (finance, accounting, sales, human resources management, etc.) into a singular, compact entity to maximize efficiency and effectiveness of the company. The aim of this paper is to examine whether and to what extent has the controlling function been developed in the Bosnian and Herzegovinian commercial banks, which play a key role in the country's financial system. Research results show that in these banks, the potential of controlling is recognized in the area of strategic and operational planning, control and reporting, connection with other business functions as well as in the area of providing information necessary for making managerial decisions. However, the results of the research indicate that the development of controlling in commercial banks requires more notable attention, especially when it comes to clearer positioning of this function in the organizational structure of banks and business decision-making based on the use of information obtained from controlling.

Keywords: controlling function, functions of management, commercial banking, BiH.

JEL: G20, G21, M10

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MACROECONOMIC DETERMINANTS OF STOCK MARKET DEVELOPMENT: EVIDENCE FROM THE MACEDONIAN STOCK EXCHANGE

Abstract

The stock market, as an important component of the capital market, plays a significant role in a capital formation process due to the tremendous opportunities that ensue from its activities. The establishment of a successful stock market in a developing economy can be one of the major sources of its economic growth if it provides development of the finance sector by channeling domestic savings and attracting foreign investments. In order to stimulate capital market development, it is necessary to analyze the determinants that influence its progress. Hence, the main objective of this study is to examine the important macroeconomic determinants that underpin the stock market growth. The focus has been put on the investigation of one dependent variable, market capitalization to GDP ratio, as a parameter resembling the size of the capital market, and how it depends on the economic growth, gross investments to GDP ratio, and trade openness. The empirical study is based on a time-series data analysis originating from valid secondary data sources, based on the utilization of the Johansen Test of Cointegration and the development of a Vector Error Correction model to estimate the relationship, the impact, the magnitude, and the significance of the determinants that support the development of the capital market in North Macedonia during the period from 2008:Q1 to 2018:Q4. The examination conducted in this paper shows the existence of a significant relationship between the observed macroeconomic factors and the stock market development. The findings indicate that economic growth has a negative impact, whereas trade openness has a significant, yet a positive impact on the Macedonian stock market development. The gross investments to GDP ratio exhibits a positive, but still insignificant impact on the stock market development.

Keywords: capital market, stock market development, macroeconomic determinants, North Macedonia.

JEL: G10, G17

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CREDIT RISK MANAGEMENT IN BANK: IMPACTS OF IFRS 9

Abstract

IFRS 9 was developed by the IASB to replace IAS 39. During the international financial crisis, the delayed recognition of credit losses identified as a substantial weakness in accounting rules. Both the IASB and the FASB have been requested to modify the existing incurred loss approach, based on the impairment discipline established by IAS 39 and to consider alternative approaches to the recognition and measurement of losses on loans that incorporate a broader information base. The expected loss approach defined by IFRS 9 replaced the incurred loss approach of the old IAS39. The IFRS 9 are accompanied by new regulatory frameworks (BCBS), opinion (ECB), Technical Standards and guidelines (EBA) which do not always provide the same methodological and operational implications of the accounting standard setter. The purpose of this paper is to investigate the Expected Credit Loss Model, its main impacts on the pillars of Credit Risk Management (also concerning to the new prudential supervision framework) and its interdependencies and overlaps with the new prudential supervisory framework (Basel 3) on credit risk. The latter is not always reason in the same terms as the accounting principle and implies the same methodological and operational consequences for the Credit Risk Management activity.

Keywords: credit risk, expected loss approach, pricing at risk, IFRS 9.

JEL: G1, G19

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FINANCIAL INCLUSION AND ECONOMIC GROWTH: A LITERATURE REVIEW

Abstract

Financial inclusion is no longer a policy choice, but a policy compulsion with banking as a key driver for financial inclusion/inclusive growth. Access to safe, easy and affordable credits and other financial services for poor and vulnerable groups in disadvantaged areas and lagging sectors is recognized as a precondition for accelerating growth and reducing income disparities and poverty. Access to a well-functioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protects themselves against economic shocks. This paper provides an overview for theoretical and empirical researches of the financial inclusion effects on economic growth through individual's income, education and banking health. Empirical evidence shows that countries with large proportion of population excluded from the formal financial system show higher poverty ratios and higher inequality. The main contribution of this paper as it adds to existing literature in the way to summarize the key theoretical and empirical research addressing financial inclusion and economic growth.

Keywords: financial inclusion, financial system, economic growth, poverty.

JEL: G21, G92, O40, I30

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THE SUSTAINABILITY AND DESIRABILITY OF A CURRENCY BOARD ARRANGEMENT WITH REFLECTIONS ON BOSNIA AND HERZEGOVINA'S CURRENCY BOARD

Abstract

A currency board arrangement (CBA) is a monetary regime under which a country fixes its nominal exchange rate to some foreign currency and maintains 100 percent backing of its monetary base with foreign exchange. Although it is known for its success in achieving monetary stability, a CBA also imposes constraints that may obstruct economic development, especially when the economy is hit by a shock. Therefore, the question about its desirability and sustainability arise. This paper analyses the concepts of sustainability and desirability of a monetary regime and the main features in the context of a CBA as a specific monetary regime. The aim of the paper is to investigate the main issues regarding the desirability and sustainability of the CBA in Bosnia and Herzegovina (BiH) in the medium- and long-term and to offer arguments for and against retaining a regime. Our analysis implies that CBA in BiH has been successful in achieving monetary stability and therefore contributed to overall stability in the economy. However, there are some other features in the economy that potentially might affect sustainability of CBA in the long-term, but we do not consider a switch to another monetary regime to be more appropriate in the current circumstances in BiH, as potential political pressures and uncertainties that might arise with more flexible regime are likely to undermine monetary stability as well.

Keywords: sustainability, desirability, currency board, BiH.

JEL: E52, E58

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INFLUENCING FACTORS ON STUDENTS' UNETHICAL BEHAVIOR IN HIGHER EDUCATION

Abstract

Today, higher education students largely behave unethically if they see an opportunity to do that and if they feel they can control their behaviour. Higher education institutions are faced with this problem and in most cases they do not resort to any “penalties”, restrictions and other measures that would reduce unethical behaviour of the students. Students' unethical behaviour is the result of many influencing factors. Theory of Planned Behaviour is used in this paper to determinate which factor(s) have the highest influence on student's unethical intentions and behaviour. The aim of the study was to see if there is a statistically significant difference between factors of Theory of Planned Behaviour (personal attitudes, subjective norms, perceived behaviour control) and students' intentions of unethical behaviour. The research was conducted on a sample of 622 university students (undergraduate and graduate). Descriptive analysis, multivariate analysis (reliability analysis, cluster analysis, linear regression and correlation analysis) and analysis of variance (ANOVA) were used in the data processing and analysis. The results show a statistically significant positive correlation between the three observed variables of Theory of Planned Behaviour (personal attitudes, subjective norms, perceived behaviour control) toward unethical behaviour and their future intentions toward unethical behaviour. More than half of students who were cheating in high school cheat at university as well. A quarter of the respondents behave unethically if they find an easier way to solve the colloquium / exam or use other, unethical methods when writing seminar or graduate paper. All this leads to the fact that the control by the university/faculty is not at a level that would solve these problems and thus reduce the students' future intentions for unethical behaviour.

Keywords: theory of planned behaviour, students, unethical behaviour, higher education, marketing.

JEL: I23, M31

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RESEARCH OF CONSUMER PREFERENCES AND CONSUMER SATISFACTION LEVEL IN THE BANKING SECTOR

Abstract

Consumer behavior and its final buying decision are influenced by various factors, consumer preferences, preferences, habits, lifestyle, current situation, previous experience, etc. The task of the seller and the manufacturer is to acquaint consumer habits and preferences and to discover consumer desires and needs, and furthermore to offer the product/service in accordance with the consumer needs, which guarantees their business success. That means, they also need to customize the existing products/services to consumers. Due to a big competition on the market nowadays, companies must invest a lot of effort to explore specific needs and desires and gain customer confidence in order to keep existing and attract new customers. The main purpose of this research paper is to explore consumer behavioral psychology in the banking sector, to explain the factors that influence the bank's final selection, to conclude the key consumers' preferences and to evaluate the criteria according to which consumers estimate banking services. Based on the objectives of the research, the basic hypothesis in the work was also determined: Consumer perceptions and attitudes on the quality of banking services have a significant influence on the level of satisfaction and thus on the success of banking operations. The consequences of customer dissatisfaction with the quality of banking services are: income reduction, loss of reputation, loss of customers and loss of competitive ability. The problem of research is defined as the degree of service quality and satisfaction in the banking sector. The research was realized with the aim of understanding the key features and analysis of consumer behavioral psychology in the banking sector. A structured questionnaire with a formal list of questions was used. The sample consisted of 231 (n = 231) randomly selected consumers/banking users. The survey included the users of several banks represented in the Una-Sana Canton.

Keywords: consumer satisfaction, banking sector, marketing services.

JEL: M30, M31

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EFFECTS OF FOREIGN DIRECT INVESTMENTS ON BUSINESS PERFORMANCE OF ENTERPRISES IN FEDERATION OF BOSNIA AND HERZEGOVINA

Abstract

The aim of this study is to perform an evaluation of effects of foreign direct investments (FDI) on business performance of recipient enterprises. The study population includes enterprises from FBiH that originated from realization of foreign direct investments in the scope larger than BAM 10 million over the period 2009-2012. The evaluation of FDI effects was conducted in a six-year period after the investment (2013-2018). The study was conducted through comparison of eight different financial indicators in 30 enterprises from FBiH, which have foreign capital in their structure. The comparison was conducted with same financial indicators expressed as averages of economic activities groups (AEAG), to which those enterprises belong. Testing set hypotheses was conducted through Wilcoxon Signed Rank Test which represents an adequate non-parameter statistical method of comparison of two dependent samples. The study results show that the following hypotheses have been proven, with 5% risk: enterprises with FDI statistically significantly realize higher values of intangible assets, business assets, business income, income from selling effect on foreign markets, higher profit from business activities, as well as higher average number of employees based on work hours, in comparison to AEAG in which they belong. However, the following hypothesis is rejected: enterprises with FDI realize a lower loss from business activities than the average of economic activities groups in which they belong. Also, hypothesis that enterprises with FDI realize higher sales income on foreign markets requires conduction of additional test to prove it. The study results offer insight into effects that FDI have on certain financial indicators in FBiH enterprises.

Keywords: foreign direct investments, analysis of business performance, micro aspect of FDI.

JEL: L10, M40, M30, M16

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FOREIGN DIRECT INVESTMENT IN BOSNIA AND HERZEGOVINA - STATUS AND PERSPECTIVES

Abstract

Despite of all invested efforts, the level of implemented foreign direct investment in Bosnia and Herzegovina is not at the expected level. On the other hand, surrounding countries which are direct competition to Bosnia and Herzegovina when it comes to attracting foreign investors, achieve better results. The aim of the research in this paper is to analyse the economic and legal framework for the implementation of foreign investment in Bosnia and Herzegovina, to determine achieved results in attracting foreign direct investment and identifying restrictions for the purpose of intensifying the inflow of foreign investment. One of the assumptions of integration of Bosnia and Herzegovina at the internal European market is a fulfilment of the conditions of the Stabilisation and Association Agreement, which implies the implementation of economic reforms with the aim of strengthening the economy, business environment and economic policies, and the creation of a favourable climate for private foreign and domestic investment. The contribution of the paper is reflected in the critical analysis of the legal and institutional framework for attracting foreign direct investment, assessment of the achieved results and recommendations for the creation of proactive performance towards foreign investors.

Keywords: foreign direct investment, effects of inflow of foreign direct investments, investment climate in Bosnia and Herzegovina, legal framework, institutional approach.

JEL: M31, M39, K2, K3

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CONTEMPORARY APPROACHES TO MEASURING DIGITAL ECONOMY

Abstract

The paper compares the three most common approaches for measuring the digital economy which include the Digital Density Index, the Digital Economy and Society Index and the Digital Society Index. The analysis of the key determinants for measuring the digital economy is based on determinants compatibility which is further grouped as compatible and incompatible determinants. A determinants analysis of the presented digital economy metrics describes the level of compatibility as well as the level of incompatibility. Also, this paper aims to analyze digital economy measurement approaches, which have been used by different stakeholders in the economy and society and what we can learn to enhance existing digital economy measurement approaches.

Keywords: digital economy, Digital Density Index, Digital Economy and Society Index, Digital Society Index.

JEL: D8, L86

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ANALYSING THE CRITICAL FACTORS INFLUENCING TRUST IN BOSNIAN AND HERZEGOVINIAN E-GOVERNMENT FROM CITIZEN PERSPECTIVE

Abstract

Having its origin in public administration, trust is a significant concept in digital government research, influencing the relationships between citizens and governments. Although e-government readiness in most countries is at a high level, the adoption of e-government services is still considered tentative. A critical review of the literature suggests that this may be linked to citizens' trust in government and e-government. Citizen confidence in the competence of the government and the reliability of the technology used to implement e-government initiatives is imperative to the wide-spread adoption of e-government. Thus, this paper aims to provide a critical and systematic review of the current literature on citizens' trust in e-government, with a particular focus on empirical testing of the most critical factors influencing citizens' trust in respect of the adoption of e-government in Bosnia and Herzegovina. Paper proposed an e-government trust model which consists of the following trust determinants: trust in data storage, trust in e-government services, trust in information, trust in e-government transactions, trust in e-government authorities and trust in e-government system. The survey was conducted on a sample of 553 citizens of Bosnia and Herzegovina, and SPSS was used for data processing. The survey results indicate that determinants trust in data storage, trust in information and trust in the system in BiH have a significant impact on e-government services adoption, while the following determinants are identified through literature review to have a significant influence on e-government services adoption: perception of the use of e-government services, compatibility, ease of use, usefulness of e-government services, satisfaction with services, loyalty, etc. The main conclusion of this paper can be that successful implementation of e-government services greatly depends on citizen trust in e-government services. The model developed in this study can also be used in other similar e-government projects with the aim of testing the variable intention to use through the trust determinants in order to ensure the success of the project implementation.

Keywords: trust, e-government, citizen, adoption, public administration.

JEL: D73, H11, H73

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IT CAPABILITY AND ORGANIZATIONAL BUSINESS PERFORMANCE: AN ANALYSIS OF KNOWLEDGE MANAGEMENT MEDIATION EFFECT**Abstract**

Understanding the relationship between information technology (IT) and organizational business performance is a subject of great interest to researchers and IT and management practitioners. Results from empirical studies have reported mixed findings. The well-known quote says: “you can see the computer age everywhere but in the productivity statistics”. This has come to be known as the “IT productivity paradox”. Therefore, this study seeks to enhance understanding of this relationship by introducing knowledge management as a mediator between IT capability and organizational business performance. The success of an organization is increasingly dependent on its ability to acquire and manage knowledge. In other words, the competitiveness of organizations relies less on traditional tangible factors, and knowledge now appears to be replacing these traditional factors. Hence, this paper investigates the mediating role of knowledge management in the relationship between information technology capability and organizational business performance. The study uses survey data from 408 managers and structural equation modeling to evaluate the conceptual model and hypotheses. The results show that knowledge management fully mediates the relationship between IT capability and organizational business performance. This means that organizational IT capability contributes to processes of knowledge acquisition, integration, and knowledge application, which further enhance business performance. This paper adds to the existing body of research in both management and IS literature emphasizing the indirect impact of IT capability on financial business performance through knowledge management processes. Besides, the findings provide a better understanding of the IT-related sources of knowledge management and their interplay toward business performance.

Keywords: information technology, knowledge management, business performance, IT capability.

JEL: M15

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DEVELOPMENT OF IT OUTSOURCING IN UKRAINE: A PROSPECT OF THE BRAIN DRAIN REDUCTION

Abstract

Ukraine is faced by a devastating problem of economically active population emigration, which has reduced the labor force in the country by 5-8% in the last two years and demonstrated negative impact on the potential Gross Domestic Product (GDP). Despite this, Ukraine is one of the leading software development centers in the Central and Eastern Europe and ranks fourth in the export of information technology (IT) products and services in the world nowadays. The IT industry is one of the four priority sectors for Ukraine's export strategy, it is one of the most perspective, dynamic and innovative branch of the Ukraine's economy. Professional expertise, cost effectiveness and high standard technical education make this industry attractive also in terms of employing Ukraine's own intellectual resources within the country. Article aims to characterize the state of affairs, potential and prospects for development of the Ukrainian IT outsourcing market as well as to analyze and evaluate it including comparison with foreign practice. Research methods used are as follows: desk research, inductive and deductive methods, abstract and logical method, system approach, analysis and synthesis, empirical methods, statistical analysis. The essence of IT outsourcing, its types, aims and main advantages of use are revealed in the article. Features of IT outsourcing industry trends both in Ukraine and the world practice are researched. Competitive advantages of Ukraine in the world IT outsourcing market are identified. Challenges, obstacles, risks as well as potential and prospects of IT outsourcing development are determined and analyzed. Recommendations for the brain drain reduction due to the IT industry progress are offered and its impact on the potential GDP growth and economic development of Ukraine as a whole is provided.

Keywords: IT outsourcing, brain drain, competitive advantage, development.

JEL: L24, O15, M15, O30

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**DIGITAL TRANSFORMATION IN BUSINESS:
A BIBLIOMETRIC ANALYSIS**

Abstract

The digital transformation presents a challenge and an opportunity for organizations that are willing to change continuously in a very dynamic environment that has been radically changed by information technology. Moreover, year after year the speed of change is increasing, but the nature of the change is also changing. In addition to globalization, increased mobility, population growth and accelerated urbanization, organizations are confronted with a large number of competitors, each of which can introduce new innovations of products and services. For this reason, organizations need to adapt to this new paradigm in order to be able to respond to the new challenges that come with new trends easier, quicker, more efficiently and more effectively. Methodological frameworks can allow organizations to evolve digitally and can be used to bring more benefits to the way they do business. The main objective of our research was to perform a bibliometric and phrase frequency analysis that covered the names of the most popular writers, journals and organisations, year and country of publication, and the frequency with which words and phrases appeared in the literature. We searched for bibliometric units from the Scopus database using the keywords "digital transformation" and "methodology". We find that digital transformation and methodology research has been increasing rapidly since 2014 and is generally not focused on developing methodological frameworks for digital transformation.

Keywords: digital transformation, methodology, framework.

JEL: M21, M15

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DIFFERENCES IN USING BALANCE SCORECARD MODEL BETWEEN THE FOR-PROFIT AND NOT-FOR-PROFIT SECTOR

Abstract

There are numerous challenges facing businesses that operate in a modern, turbulent environment. In order to be able to cope with the dangers and the opportunities offered by the market, it is primarily necessary to evaluate their business with the help of strategic tools. The choice of strategic tools is not a simple task, and it depends to a large extent on the fact whether the company operates in a profit or non-profit sector of the economy. There are many strategic tools, and some of the most commonly used are: value chain analysis, Boston Consulting Group (BCG) matrix, 1-2-3 marketing plan, product life cycle, Ansof's matrix, SWOT analysis, benchmarking, the Porter's model of five forces and Balanced Scorecard (BSC). The focus of this paper is the BSC concept, which consists of four perspectives: a financial perspective, a perspective of business processes, a customer perspective, and a perspective for learning and development. The aim of this paper is to examine the level of use of the BSC concept in the surveyed enterprises. The subjects of the research in this paper are enterprises that operate in the territory of the two regions in Bosnia and Herzegovina. The results of the research suggest that there are differences in the selection of indicators and the degree of their use, according to whether the companies operate in a profitable or non-profit sector of the economy.

Keywords: strategic tools, BSC, profit sector, non-profit sector.

JEL: M41, M31, M10

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IMPACT OF THE AUDITOR TENURE ON AUDIT QUALITY

Abstract

The auditor tenure is limited by legislation, in accordance with the Regulation (EU) No. 537/2014, which is a mechanism for the protection of the audit quality. The main reason for this, it is that during the longer audit engagement, the auditor creates a long-term relationship with the client, and loses its independence, which negatively influences the financial statements audit quality. However, in academic literature and auditing practice, it is often questioned whether the limitation of the auditor tenure meets its purpose. The specific knowledge that the auditors accumulate about the client, performing an audit of financial statements for years and the costs of a new auditor in the first years of their engagement are not insignificant. The purpose of this paper is to investigate whether the quality of the audit of financial statements, measured by the estimated level of discretionary accruals, will increase or decrease by limiting the auditor tenure. The Jones model will be used to estimate the level of discretionary accruals and the length of the audit engagement will be measured by the number of years of consecutive audits of financial statements by one auditor. The research sample will consist of data from financial and auditor reports of listed companies in Bosnia and Herzegovina capital markets. The results of the research will be the basis for verifying the effects of the legal regulation of the auditor tenure in the audit of the financial statements.

Keywords: audit tenure, audit quality, discretionary accruals.

JEL: M41, M42

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WEB-BASED *FATWA* FINANCIAL DISCLOSURE: EVIDENCE FROM ISLAMIC BANKING IN BAHRAIN

Abstract

Objective of this study is to investigate the level of *fatwa* financial disclosure (FFD) in Islamic banking in Bahrain. The method adopted is the *Fatwa* Index, and it is used to measure the level of web-based *fatwa* financial disclosure. This Index consists of five products which are: *murabahah*, *mudarabah*, *musharakah*, *ijarah*, and raffle account. The main findings showed a good level of *fatwa* disclosure through the web-portal which is 85.88%. The average deviation from the average value of *Fatwa* Index disclosure is 25.45%, while the coefficient of variation amounts to 29.63%. Products which have the highest FFD are: *murabahah*, *musharakah*, and raffle account (each one higher than 94%), and the lowest have *ijarah* (76.47%) and *mudarabah* (70.59%). The implication of this paper could help Islamic financial institutions, including Islamic banking, to disclose web-based *fatwa* information in the future to reach full online financial disclosure to all interested parties. This is the first study in Islamic banking in Bahrain to measure the level of awareness of financial disclosure. Publishing *fatwa* through the website has not been extensively studied, so this study fills the gap. Islamic banks operating under different school of thought in different countries and this may lead to a lower level of disclosure which is against the concept of trusteeship between all concern parties. Complete transparency in operations leads to creation of a high level of ethical identity of Islamic banks.

Keywords: web-based *fatwa*, financial disclosure, Islamic banking, Bahrain.

JEL: A13, M41, G21, Z12

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TOURIST DESTINATION DEVELOPMENT: THE EXAMPLE OF SARAJEVO CANTON

Abstract

Tourism phenomenon is global and the roots of touristic movement can be found even in distant past when the basis of human movement was motivated to meet the needs necessary for their survival. Continuous growth of tourism industry is basic indicator of its significance and tourism industry is one of leading world industries. Destination management is a necessary precondition for long-term and sustainable tourism development, so it is necessary to employ a systematic and holistic approach for development of tourist destination of Sarajevo Canton. This can only be possible if there is cooperation with public, private and non-governmental sector. The main purpose of this paper is to show that Sarajevo Canton as a tourist destination has great development potential but is faced with many challenges related to destination management. An online survey has been conducted and 337 respondents were interviewed. It is necessary to invest huge effort to turn potentials owned by Sarajevo Canton into viable economic resource.

Keywords: tourism, destination management, Sarajevo Canton, tourist destination.

JEL: Z32

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THE ROLE OF GUT FEELINGS IN FINANCIAL DECISION-MAKING PROCESS IN SMALL AND MEDIUM-SIZED COMPANIES

Abstract

Choosing between alternatives is commonly used as the definition for the decision-making process that every owner/manager in small and medium-sized companies experiences in everyday business operations. The decision-making process in small and medium companies depends upon many variables and is closely linked to the type of decision being made. Financial decision-making that presupposes financial literacy and financial planning is extremely hard for every owner/manager. In times of financial crisis, when access to financing is even more difficult, owners/managers of SMEs tend to rely more on networking, experience and gut feelings in their decision-making processes. The main goal of this paper is to check whether owners/managers of SMEs in Croatia use strategic approach in financial decision-making processes, or rely more on past experience and information from other entrepreneurs, which can be defined as gut feelings. The research has been conducted on 108 small and medium-sized companies in Croatia that operate for more than 1 year and have more than 1 employee. Research results show that successful owners/managers of SMEs cannot exclude gut feelings from their decision-making process, but that they also use other tools in order to choose the best possible alternative. The results of this research can assist financial institutions in creating better financial products for SMEs, as well as help create better policies and regulations at local, regional and national government levels.

Keywords: decision-making process, financial decisions, small and medium-sized companies, financial crisis, gut feelings.

JEL: G41, M21

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JOB SATISFACTION OF EMPLOYEES IN ORGANIZATIONS IN RELATION TO THEIR DEMOGRAPHIC CHARACTERISTICS

Abstract

The purpose of the research is to examine whether there is a difference in the level of job satisfaction between women and men, and how much are the interrelated dimensions of job satisfaction in women and men, as well as the relative dimensions of women's and men's work satisfaction with their overall job satisfaction. The research involved public, private and non-governmental organizations. Data collection was conducted by polling. Data processing in the first step puts it in the relationship of level of job satisfaction to women and men. In the second step, the pattern was divided into female and male populations, measuring the interrelationship of the dimension of job satisfaction, and the relationship between the dimension of work satisfaction and the overall job satisfaction, especially for women and especially for men. The results of the research have shown that there is a difference in the level of satisfaction with the employment of women and men and that women are more satisfied with work than men. Also, the results of research have shown that for man population there is a positive correlation between medium and strong intensity of all dimensions of job satisfaction, and that the working atmosphere and the business environment as well as the relationship with the management contribute most to the overall satisfaction of the job. For women, all dimensions of job satisfaction contribute to the overall satisfaction of work, with the exception of material compensations that do not contribute to overall job satisfaction. Of all dimensions, non-material compensation to women contributes to overall job satisfaction, while overall satisfaction with life in women least contributes to the overall job satisfaction.

Keywords: job satisfaction, dimensions of job satisfaction, demographic characteristics, job satisfaction among the sexes.

JEL: J28, M52

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THE RELATIONSHIP BETWEEN AUTHENTIC LEADERSHIP AND WORK-LIFE BALANCE: JOB SATISFACTION AS A MODERATOR

Abstract

An important role in achieving work-life balance is played by the leadership. A leader influences the formation of family-friendly practices and practices for work-life balance and on the other hand plays an important role in the implementation of these policies and practices in practice. Also, leadership style importantly attributes to a healthy working environment in which individuals feel well and respected, as an employee as well as a person with private life. Main aim of our research was to empirically test relations between authentic leadership, job satisfaction and work-life balance. Based on an extensive literature review, we have formulated three hypotheses, which we tested in the structural model by using structural equation modelling (SEM). We have examined whether job satisfaction mediated the relationship between authentic leadership and work-life balance. The quantitative data for our analysis was collected through a survey on 164 online participants. Participants in this study were higher education lecturers from Austria, Croatia, Czech Republic, Germany, Serbia and Slovenia. The results show that job satisfaction mediates the relationship between authentic leadership and work-life balance. Implications for research and practice of our findings are discussed. Researches in the area of human resources management are of great importance for researchers and managers. Our research also contributes to the area of employee's behaviour together with understanding of the connection between authentic leadership, job satisfaction and work-life balance.

Keywords: work-life balance, job satisfaction, authentic leadership, SEM.

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STRENGTHENING THE RESEARCH OF KEY ENABLING TECHNOLOGIES FOR NEW INNOVATIONS

Abstract

The development of science and technology in recent times is hosting major changes with the emergence of new key concepts, e.g. nanotechnology, micro nanoelectronic, etc. Technologies are changing the way in which society operates and there is a need to ensure that they are used in a best possible way. The way to address these new concepts is crucial for achieving economic and social prosperity and an obvious indicator of a country's ability to maintain a sustained growth in accordance with the latest advances. In Croatia, key enabling technologies (KETs) are recognized as one of the two cross-cutting topics able to create the biggest added-value and foster the emergence of new economic activities, the rising of the productivity of the Croatian economy and the creation of new and sustainable job opportunities in the Croatian Smart Specialization Strategy. In addition, Croatian scientific and research institutions have a lot of experience in KET-related projects funded by the European Union, either as a partner in international projects or having their own project. The biggest Croatian strength in KET are open economy and relatively high-level of internationalisation of national companies, as well as the access to a pool of high-skilled workers and good quality infrastructures with substantial investments in the fields of transportation, telecommunications and energy. However, there is limited collaboration between industry and academia in R&D and there is a need to further support and train SMEs.

Keywords: innovation, research and development, KETs, international cooperation, economic development.

JEL: O31, O32, O33, O19

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ENTREPRENEURIAL ORIENTATION OF THE COMPANIES IN BOSNIA AND HERZEGOVINA: THE IMPORTANCE OF CONTEXTUAL FACTORS

Abstract

Entrepreneurial orientation (EO) represents a firm-level construct that captures innovativeness, proactiveness, and risk-taking of the existing companies. The main focus of this paper is to present the EO of 477 companies in Bosnia and Herzegovina and to compare EO between companies operating within different contextual factors. We used descriptive statistics and statistical testing to draw conclusions. Our paper presents the mean values of entrepreneurial orientation for each NACE industry category. In addition, our results confirm that there are statistically significant differences in entrepreneurial orientation between (a) the companies operating in a more competitive environment and the companies operating in a less competitive environment; (b) the companies with acquired ISO certificates and high level of TQM practices and the companies without ISO certificates and low level of TQM practices; (c) the companies operating in predominantly export-oriented markets and the companies operating in predominantly local markets; and finally (d) the companies located in Federation of Bosnia and Herzegovina and the companies located in Republic of Srpska. However, there are no statistically significant differences in entrepreneurial orientation between the older companies (older than two, five and ten years) and younger companies; nor between companies of different sizes. By analyzing organizational contextual factors, this paper identifies key variables that may play an important role in designing more complex structural models. Additionally, this paper presents the current state of entrepreneurial orientation of existing companies in Bosnia and Herzegovina.

Keywords: entrepreneurial orientation, contextual factors, firm behavior, entrepreneurship, Bosnia and Herzegovina.

JEL: L2

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**ARE BANK MANAGERS LESS PATIENT THAN SALES MANAGERS?
RESEARCH PERSONALITY OF MANAGERS IN DIFFERENT WORKING
ENVIRONMENTS**

Abstract

The presumption of compatibility between the individual and the working environment is investigated within several models. Schneider's ASA model states that individuals are drawn to the work environment and essentially remain working in those organizations that fit their personality. Holland's RIASEC model assumes that the characteristics of the individual and the work environment are consistent as an important prerequisite for observed labor productivity. In such a constellation of relationships, it is justified to point out the expectation that managers are also included in this type of harmonization. When we look at a managerial role, it is clear that it has been elaborated through already well-known functions (planning, organizing, managing human resources, controlling and guiding). In this regard, we considered it interesting to examine the differences in the characteristics of the manager's personality, taking into account the field of work of the organizations they come from. The research was conducted on a suitable sample of BiH managers, coming from three different sectors, the financial service sector (bank managers and microcredit organizations, N = 50), the trade sector (N = 49) and the education sector (school directors; N= 50). Personality traits were tested with the help of the adapted Big Five Inventory. The results of the analysis of variance show that there are significant differences in terms of expression of the dimension of neuroticism ($F = 3.33$; $df = 2$; $p < 0.05$). Descriptive indicators and subsequent testing of differences have confirmed that a sample of managers coming from the financial sector clearly shows the emergence of higher levels of neuroticism compared to the remaining two groups of respondents. Potential reasons for such findings can be found in the specifics of the working environment of these managers as well as in the context of the time in which research data was collected.

Keywords: personality traits, managers, working environment, types of organization.

JEL: M5, M12, M54

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TRANSFORMATIONAL LEADERSHIP, JOB AUTHONOMY AND WORK ENGAGEMENT IN BOSNIA AND HERZEGOVINA – AN EMPIRICAL STUDY

Abstract

This paper focuses on transformational leadership, job autonomy, and work engagement in Bosnia and Herzegovina. These concepts have been widely studied across the world, however authors could find no such study for Bosnian labor market. Authors conducted an empirical study using a questionnaire as an instrument. The questionnaire consisted of four parts, 50 questions, dealing with three main concepts mentioned previously, in addition to demographic data. The data was collected from employees of BH Telecom, a leading telecommunications company in Bosnia and Herzegovina. A total of 286 complete responses were analyzed. Regarding work engagement, using the Kruskal-Wallis test, we found that there is a significant statistical difference in the average age between the respondents on different management levels. Regarding job autonomy, we conducted Kolmogorov-Smirnov test; it is the only variable that follows a normal distribution. Using the ANOVA test we found that this variable has a mean of 39.69, and a standard deviation of 11.72. We conclude that there is a relevant statistical difference in the mean values on the job autonomy scale for respondents working on different positions within the company. We analyzed five transformational leadership subscales and found that they are not following a normal distribution. The Kruskal-Wallis test concluded that for four out of five subscales there was no relevant statistical difference in mean values on the different subscales between respondents working in different positions within the company. A regression model was formulated to quantify the influence of the five subscales of transformational leadership and job autonomy, as independent variables, on work engagement as the dependent variable. According to the given data, statistically relevant independent variables for the prediction of work engagement as a dependent variable are: inspirational motivation and idealized influence attributed (charisma attributed) from the field of transformational leadership followed by job autonomy.

Keywords: transformational leadership, job autonomy, work engagement, labor market.

JEL: M5, D9

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LOCAL POLICIES TO ATTRACT UNIVERSITY STUDENTS TO TOWNS AND CITIES: EXAMPLES FROM POLAND, CZECH REPUBLIC AND UKRAINE

Abstract

Discussions on the role of higher education institutions present them as playing an essential role in creating intellectual potential and providing the valuable backup for innovation processes, which shape local economy based on knowledge. For some towns and cities, higher education institutions and academic functions may be seen as one of the most important factors stimulating local development. This applies especially to those which, due to their location or functions, are characterised by less favourable development conditions and to those which struggle with economic, social and demographic problems. Therefore, some universities and local governments have made efforts to attract potential students to the university and the towns and cities and provide programs aimed at encouraging them to stay and work local after graduation. The aim of the article is to analyse local strategies focused on attracting students to cities and those programmes which encourage them to stay and work local after graduation. In the article some results of research conducted among representatives of city councils and higher education institutions in Opole in Poland, Karvina in the Czech Republic and in Ternopil in Ukraine are presented. The results show that some towns and cities which have not experienced the decline of number of students do not conduct local strategies attracting potential students to take up studies and policies increasing graduates retention. Opposite situation have occurred in those towns and cities which experienced shrinking number of students and depopulation.

Keywords: students migration, local policy, local strategies for attracting students, graduates retention policies.

JEL: I25, J11, J18

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REDUCING BARRIERS FOR TOURISM ENTREPRENEURSHIP DEVELOPMENT IN FUNCTION OF LOCAL ECONOMIC DEVELOPMENT

Abstract

There is a widespread agreement that entrepreneurship contributes to economic development which is why it is in the focus of the most policy makers who have recognized the importance of fostering entrepreneurship in (local) economic development. The economy of the city of Tuzla in the 20th century was based on industrial production and locally available natural resources (salt, coal, iron and alike). Recognizing tourism as an opportunity, a number of projects have been implemented since 2003, that contribute to tourism and thus local economic development. Local economic investment initiatives for tourism can boost tourist demand and increase property value, and thus improve the sustainability of surrounding and inland businesses. Further development and increase of tourism revenue requires diversification of tourist offer, creation of package of services and stronger promotion of cultural, sports, spa, health, business and congress tourism. Creating new services and/or packages of services in the tourist offer, requires the engagement of existing, but also the involvement of a significant number of new entrepreneurs and new business ventures. Number of business ventures in tourism in Tuzla in the period 2012-2017 is increased by 5%, while this growth rate stagnated after 2017. Objective of this research is to identify barriers faced by entrepreneurs in tourism in Tuzla which will be used as basis for creation of recommendations for policy makers at the local level aimed at the sustainability and development of existing and establishment of new business ventures in the field of tourism, and thus local economic development.

Keywords: entrepreneurship, tourism, local economic development, entrepreneurship development support policies, barriers to entrepreneurship development.

JEL: L26, J11

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CONTEMPORARY MANAGEMENT CONCEPTS IN CURRENT PUBLIC ADMINISTRATION REFORM IN BOSNIA AND HERZEGOVINA

Abstract

In the past two decades, there has been a demand for an increased public sector organizations efficiency, effectiveness, transparency and accountability, which imposes the need to find and apply an appropriate managerial approach in this sector. Public sector organizations in BiH are exposed to different trends that impose a change in the way these organizations are managed. The globalization process has significantly contributed to the intensification of organizational change in the public sector. However, in BiH, the transition process, as well as other trends in the environment, influenced the inevitability of applying new ways of governance in these organizations. Moreover, these changes are requested solely from a financial point of view - in the context of rationalizing consumption. However, the key requirement for public sector organizations is to increase organizational efficiency, adequate human resource management, improve knowledge, improve services and other aspects of managing these organizations with respect to social responsibility, which is a significant determinant of the performance of these organizations. Finding the right governing concept in the public sector is not an easy task for any country, especially for a transitional country like BiH. The traditional, bureaucratic way of managing these organizations needs to be changed, increase the flexibility of these organizations and increase their efficiency. Management by results (MBR) is the result of the evolution of different managerial concepts, in particular the improvement of the management concept towards goals, and is a management strategy aimed at implementing appropriate organizational changes, improving organizational operations in order to improve the efficiency of these organizations. We present the results of a survey conducted in public administration in BiH to explore the possibility of applying the aforementioned concept. The research results imply that with the current organizational and managerial characteristics of public administration, it is not possible to implement this concept.

Keywords: contemporary management concepts, management by results, public sector management, public administration, BiH.

JEL: D02, H11, L20

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EFFECTS OF EMOTIONAL INTELLIGENCE ON STUDENTS' ENTREPRENEURIAL INTENTION

Abstract

Emotional intelligence is a series of interconnected emotional, personal, and social competencies and skills which affect someone's ability to successfully manage their circumstances in any given environment. It impacts every aspect of human life, and thus, entrepreneurial intention itself. Entrepreneurial intention is defined as a state of mind which allows an individual to strive towards starting a new business venture or creating a new value driver in an already established business. Research conducted on two Faculties of Economics in Bosnia and Herzegovina revealed that elements of emotional intelligence have a positive impact on entrepreneurial intention among college students of the first cycle degree programme.

Keywords: emotional intelligence, entrepreneurial intention, entrepreneurship.

JEL: L26, D91

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THE IMPACT OF TECHNOLOGICAL CHANGES ON EMPLOYEE RESISTANCE TO CHANGE IN MODERN ORGANIZATIONS

Abstract

The purpose of this paper is to point out the impact that technological change has on the emergence of employee resistance in business organizations. Since the last century, there has been a revolution in technology and its use in the workplace. Business organizations have recently been facing processes of change and development, which aims to increase their ability to survive, grow and adapt to new business conditions, and is a particular challenge to foster employee collaboration and reduce resistance to introduction of new technological solutions. Implementing technological change into business processes and how employees adopt and apply them in the workplace is not always a simple process. Resistance to change affects the speed at which innovations are adopted, as well as attitudes, productivity, quality and employee relationships. In today's turbulent times, innovation in business is necessary to achieve a competitive advantage. New technologies contribute these constant advancements and bring about a wealth of new investment opportunities and a more favorable business environment, not only in countries that developed modern technologies but also in many developing economies. The aim of the paper is to analyze through the literature the importance of understanding the impact of technological change on the the appearance of employee resistanceto change so that the process can be successfully and properly implemented. The importance of successful technological change is multiple and contributes to increasing competitiveness and maximizing the profits that a business organization makes.

Keywords: technological changes, business organization, resistance to change, competitiveness, profit.

JEL: L10, M20

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KEY DETERMINANTS AND MANAGERS BEHAVIOUR IN A CRISIS SITUATION: IN-COMPETENCE OF MANAGERS IN DIFFERENT STAGES OF CRISIS DEVELOPMENT

Abstract

The vast majority of businesses are constantly at some stage of the business crisis. Crises represent unplanned and unwanted processes aimed at substantially endangering the business of an enterprise. Such situations necessarily impose a change in business environment that significantly determines the behavior of managers. Their behavior involves quick reaction and deciding whose consequences most often have an ambivalent outcome. Managers' reactions to a crisis depend on the person to the person on the one hand and from crisis to crisis on the other. The onset of a crisis enhances the activities of managers, while prolonged stress reduces the ability to solve problems, but consequently reduces the amount of time reserve. Some crisis-affected individuals reduce the quality of their decisions, but such managers will end up as crisis managers rather than insolvency managers. The aim of this paper is to research what key determinants and forms of managerial behavior we identify in crisis situations. The survey was conducted on a reference sample of furniture companies. As a sub-sample, enterprises of various sizes that do not belong primarily to the furniture industry (companies from the metal, purpose, processing and other industries) were investigated with the aim of investigating the existence of disproportion in business. The predefined endogenous and exogenous variables were measured using scales that express the views of the respondents. The measurement scales were taken from the studied literature, which is related to the topic of this paper and as such they are not (or slightly) modified, which in the end did not change the structure and method of the research itself, nor the values and validity of the obtained results.

Keywords: business crisis, crisis management, behavior model.

JEL: M10, M20, M21, H12

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LEVEL OF ENTREPRENEURSHIP DEVELOPMENT AND POPULATION (E)MIGRATION OF WESTERN BALKAN COUNTRIES

Abstract

According to relevant indicators, Western Balkan countries are countries with high emigration rates. Palát distinguishes two categories of reasons why people emigrate - because of financial and non-financial reasons. Similarly, Martin explains three factors influencing the decision to emigrate: demand factors in the destination country or the so-called "pull" factors, supply factors in the country of origin, so-called „push" factors and the networking factors. In addition to economic problems, emigration for the Western Balkans countries is a very significant demographic problem since it is one of the main causes of a large population decline. The paper starts from the premise that economic causes are an important reason why emigrations are intensified in the last decade. At the theoretical level, we consider the correlation between the level of entrepreneurship development, unemployment and population emigration, questioning the assumption and presence of the two, in economic theory, dominant approaches, on the example of Western Balkan countries. The first approach is known as "the refugee effect", which affects that unemployment forces people to start their own business. The second approach refers to the "Schumpeter's effect", whereby the increase in the level of entrepreneurship leads to an increase in employment rates and economic growth. In this paper, we present the results of the research that point to the relation between the level of entrepreneurship development and the rate of population emigration, especially of the economically active population in the Western Balkans countries. We propose guidelines and measures to improve entrepreneurship development policies in order to reduce the emigration rate and to achieve numerous benefits from the retention of the economically active population, especially young, highly educated persons.

Keywords: entrepreneurship, population (e)migration, economic consequences of emigration, entrepreneurship development policies.

JEL: L26, J11

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SUSTAINABILITY OF THE MIGRATION FROM BOSNIA AND HERZEGOVINA: CAUSES, FORMS, CONSEQUENCES AND POSSIBLE MEASURES

Abstract

Migration from Bosnia and Herzegovina (BiH) takes place in three stages, the first in the war period 1992-1995, the second in the post-war period until the visa liberalization 1996-2015 and the third from 2015, when the visa liberalization started. Migrations are the result of push and pull factors, accompanied by aggressive marketing by the European Union (EU) countries in attracting foreign workers. Basically, migrations from BiH are the result of differences in the quality of life and business environment, and are encouraged by the political freedoms of the people's mobility. These differences are particularly compounded by the stalled reform in BiH. Massive migration has numerous demographic, economic, political, social and cultural-psychological consequences. These consequences create negative as well as positive effects. The negative effects dominate, while the positive ones, apart from BH diaspora remittances, are latently positive (strengthening work skills, acquiring new knowledge, investing in BiH, transferring development, technological, marketing and management knowledge to the homeland). The central research question in the article is whether it is possible to change the dynamics and direction of migration from BiH and what are the policies and measures that can improve the sustainability of the migration in BiH. In response to this question, a theoretical framework of migration based on a combination of neoclassical and recent theoretical frameworks of migration will be used. Segmentation of the migrant population into three segments will be applied as follows: (1) those who are considering emigration, (2) those who make up the diaspora, and (3) those who are ready to invest in BiH. Data for this research will be obtained through a primary survey of the perceptions and attitudes of the migrant population from BiH as well as from secondary sources. Since the migrations are largely driven by the lack of a European perspective on BiH, measures and policies for the sustainability of the migration can be categorized as diaspora-oriented measures, EU-directed measures, and measures focused on improving the country's life and business environment.

Keywords: sustainability of migration, push and pull factors, diaspora remittances and investments, EU, BiH.

JEL: J11, J60

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THE FACTORS AFFECTING EMIGRATION AND ITS IMPLICATIONS ON THE SKILLS SHORTAGES: EVIDENCE FROM THE REPUBLIC OF NORTH MACEDONIA

Abstract

The outward migratory flows from the Republic of North Macedonia to more developed countries have been characteristic for the entire process of transition. The high unemployment rate associated with a significant increase in poverty and social exclusion among several population segments have been considered as most important “push” factors for emigration. According to the theoretical hypothesis, the outward migration movements affect the home country by causing a number of negative as well as positive implications. In this context, we are particularly interested about the labour market outcomes mainly due to the effects of emigration on unemployment reduction and possible generation of skills shortages. Hence, the aim of this paper is first to assess the “push” factors affecting migration from the Republic of North Macedonia and, second to identify whether it potentially causes skills shortages in the Macedonian labour market. The obtained results confirm theoretical assumptions that emigration flows are pronounced for those occupations with low average wage and modest employment opportunities in the domestic labour market. However, the labour market implications of emigration are not clear-cut since reduced labour market pressure for some occupations is potentially coupled with increased skills shortages.

Keywords: emigration, push factors, labour market, skill shortages.

JEL: J24, J61

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WATER AND ECONOMIC GROWTH OF SOUTHEASTERN EUROPEAN COUNTRIES

Abstract

Water is natural resource necessary for the growth of every economy and it is found at the center of social and economic development. It is significant for human health and food production, environmental management and creation of new work places. However, if its availability and quality are not sufficiently taken into account, there are negative repercussions on the economy and population. Only 0.26% of the total amount of fresh water on Earth is found in lakes and river systems. In other words, only 0.26% of the total fresh water quantity is available for economic purposes and it is vital for water ecosystems (UNESCO). Global fresh water resources are limited and not equally distributed around the world and, as such, put management challenges for those with too much drinking water, and especially for those with too little drinking water. The world is increasingly facing water scarcity. More worrying is the fact that more than 40% of people in the world are affected by water scarcity. With the rise in global temperature resulting from climate changes, it is estimated that this percentage will continue to rise. Given the close cause-effect relationship between water and economic growth, the question is whether water scarcity can limit the economic growth of countries. There is little research on this in the Southeastern Europe. Therefore, the main aim of this research is to determine the connection between fresh water and the economic growth of the Southeastern European geospatial area, and to make a recommendation whose implementation could affect the preservation and increase of its availability in the mentioned group of countries. The research results indicate that there is a link between economic growth and renewable fresh water sources in the countries of Southeastern Europe.

Keywords: water, water scarcity, economic growth, Southeastern European countries.

JEL: Q01, O10, O44

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LABOUR PRODUCTIVITY COMPARISON IN BOSNIA AND HERZEGOVINA AND SERBIA

Abstract

Labour productivity, as partial factor productivity, has been analysed in this paper in period 2014-2018. Data related to labour productivity is disaggregated and explored in three ways, first as economic activities (from A to U), second as different economic sectors, and third as sectors of tradable and non-tradable goods. Purpose of the paper is to investigate labour productivity in two countries, Bosnia and Herzegovina and Serbia, focusing on the direction of change in labour productivity with discussion about potential reasons behind the change. It has been observed that manufacturing and wholesale and retail sectors (that is primary and quaternary sectors) create the highest share of value added in the income accounts in Bosnia and Herzegovina and Serbia. Labour productivity is higher in sector of tradable goods in Serbia in comparison with BiH. Increase in labour productivity of a country in relation to its trading partners improves its competitiveness which together with adequate exchange rate might lead to higher export boosting economic growth, employment, and real convergence. In terms of economic development, it brings about rise in living standard and decrease in poverty.

Keywords: labour productivity, gross value added, competitiveness, international trade.

JEL: F14, O4, J24

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SECTOR EMPLOYMENT DISPERSION AS A DETERMINANT OF JOB CREATION: THE CASE OF THE FEDERATION OF BIH**Abstract**

The aim of this paper is to analyse and explain the influence of the width of the economic structure, i.e. the dispersion of employment by sectors, on employment changes over time in the cantons in the Federation of BiH. This paper examines whether the concentration of employment in a small number of sectors or the dispersion of employment in a number of economic sectors allows for faster employment growth. The location coefficient is used for the analysis of the economic growth of particular cantons, which allows examination of the dispersion of employment at the cantonal level, as well as at the level of Federation of BiH. The paper also uses the shift-share analysis that analyses the employment change over time under the influence of three components: national competitiveness, the competitiveness of the region (canton) and the mix component. Using the methodology defined in the work, conclusions have been made about the effects of each component of the share-shift analysis on changes of employment in cantons with greater employment dispersion compared to cantons in which the employment is concentrated in just a few sectors.

Keywords: shift-share analysis, location coefficient, unemployment, employment, economic structure.

JEL: J22, J64, O11

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CONCEPT OF SOCIAL RESPONSIBILITY: CONVENTIONAL ECONOMICS VS. ISLAMIC ECONOMICS

Abstract

Starting from the fact that companies are not closed but open systems, that is, that there is a propulsion of the boundaries between the companies and the society, the conventional economics is dominated by a general view point that states that modern companies cannot exclusively turn to the realization of their business goals, but have a duty to act in accordance with the interest soft heir stakeholders (employees, customers, suppliers, community, environment, etc.). The concept of corporate social responsibility (CSR) is also present in literature in the field of Islamic economics and finance. This concept is based on the principles of the Sharia's and is in accordance with the Islamic view of the world expressed in the Ihsan. The main aim of this paper is to explore and analyse the theoretical and practical aspects of CSR from the perspective of conventional economics, on the one hand, and Islamic economics and finance, on the other. Research results show that there is no significant deviation of principles of Islamic economics and finances versus conventional principles of CSR. The only difference is that the first involves a higher degree of ethical principles that should result in the greater moral and ethical economic development of society.

Keywords: social responsibility, conventional economics, Islamic economics.

JEL: M14, P51, Z12

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THE EUROPEAN UNION LABOUR MARKET IN THE POSTRECESSION PERIOD

Abstract

The financial crisis in the United States in mid-2007 spilled into the real sector of the US economy quickly and, thanks to the pronounced internationalization of financial flows, spread to other regions, especially to Europe. In addition to disruptions in the European financial market, the crisis has produced serious problems in the real world. The economies of many members entering the phase of long-term recession with all negative implications. Consequently, the recession left a mark on the labour market of the EU, affecting not only the absolute or relative increase of the unemployed and the fall of the employed persons in the short term, but also the essential changes in its composition, size and dynamics, which is the focal point of the subject matter. Also, the recession revealed the structural weaknesses of the labour market and pointed to the need for its restructuring. It should be emphasized that the reactions of individual labour markets within the Union, were not of the same intensity. In addition to the effects of the recession, the European labour market is currently facing a current migrant crisis, which exerts additional pressure and poses new challenges for government officials. According to the above, the subject of research is the EU labour market after the global recession and in the light of the current migrant crisis. The main goal of the paper is to identify the changes in the post-secession period of the EU labour market, analyse the activities and measures taken to address the underlying weaknesses, improve performance and respond to new structural challenges for the labour market in order to make it more resistant to possible future recessions. Secondary data will be collected from relevant sources, and in their processing, certain methods of descriptions and statistical methods will be applied.

Keywords: changes, EU labour market, post-recession period, global recession, migrations.

JEL: F15, F 22

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IMPACT OF EXCHANGE RATE VOLATILITY ON IMPORT/EXPORT BALANCE: THE CASE OF US DOLLAR AND TURKISH LIRA

Abstract

This research is examining the influence of movements between US Dollar and Turkish Lira on Turkish economy, with a special focus on impact on balance of import and export in Turkey. Turkish companies are exposed to foreign currency denominated costs in the forms of liability dollarization. This can lead to a limitation in competitive effects of currency depreciation on exports. Research is mainly focused on analysis of relationship between the real exchange rates, calculation of the nominal and real effective exchange rate of lira that jeopardized Turkish exports. Secondary data is collected from trusted government sites and statistical analyses such as Unit Corrosion Test, ANOVA, and correlation were performed in SPSS. Analysis showed that fluctuation of Turkish lira has positive impact on export, meaning that exports are not much sensitive to real exchange rates, but a depreciation of lira is boosting external competition for companies in general, but not for large, stable, and hedged companies.

Keywords: exchange rate, macroeconomic effects, import export balance, currency volatility.

JEL: F20, F51, G38

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A STRUCTURAL MODEL OF TOURISTS' SATISFACTION WITH THE DESTINATION'S OFFER: THE CASE OF OPATIJA RIVIERA

Abstract

The purpose of this study is to develop and test an integrated model, that combines the measurement and the structural model, of tourists' satisfaction with a destination. The research was conducted in the destinations of Opatija Riviera by using a structured questionnaire. Besides socio-demographic variables, the questionnaire addressed following factors: traffic infrastructure, accommodation capacities, organization of a destination, gastronomic offer, natural resource, destination's cultural resources, attractions, sports activities, etc. To gain better understanding of the factors that determine tourists' satisfaction with a destination we used a structural equation modelling approach. Prior to that, and for construction and validation of the constructs, confirmatory factor analysis was used. The theoretical model was evaluated based on the fit indices and the statistical significance of the estimated coefficients. The results have revealed statistical significant impact of gastronomic offer and novelty on overall tourists' satisfaction with the elements of the destination's tourist offer. Besides, there is statistically significant evidence of impact of overall tourists' satisfaction on the return intention. Based on the findings acquired within this paper the authors proposed the guidelines for tourist offer improvement with a goal of increasing the satisfaction with the tourist offer of Opatija Riviera.

Keywords: satisfaction with the destination's tourist offer, structural equation modelling, Opatija Riviera.

JEL: C3, C83, L83

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THE IMPACT OF BEHAVIORAL FACTORS ON PROPENSITY TOWARD INDEBTEDNESS AMONG YOUTH: A STRUCTURAL EQUATION MODELLING APPROACH

Abstract

Indebtedness is the phenomenon that is an issue of extreme importance when it comes to young women and men because it may reduce their opportunities for a lifetime. However, being in debt does not necessarily refer to a negative outcome. The purpose of this study is to construct an integrated model, that combines the measurement and the structural model, of a propensity toward indebtedness among youth by using behavioral factors. To gain a better understanding of the propensity toward indebtedness among youth we use a structural equation modelling approach. Prior to that, and for construction and validation of the constructs, confirmatory factor analysis is used. The theoretical model is evaluated based on the fit indices and the statistical significance of the estimated coefficients. The analysis results have revealed that propensity toward indebtedness among youth is mainly driven by the behavioral factors, i.e. risky behavior. It has been confirmed that the value of money significantly predicts materialism and that risk behavior significantly predicts responsible financial behavior. The results of this study are revealing the possible methodology of early detection of vulnerable young women and men when it comes to their propensity toward indebtedness. These results may produce useful pieces of information which might be helpful for decision-makers in the process of creating specific financial education programs tailored for young people and aimed at preventing their potential over-indebtedness.

Keywords: propensity toward indebtedness, youth, behavioral factors, structural equation modelling.

JEL: C3, C83, G40

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THE ROLE OF PUBLIC PRIVATE PARTNERSHIP IN DEVELOPING CATASTROPHE INSURANCE MARKET

Abstract

Natural and man made disasters cause severe human, physical and economic damage, both for the economy and for the population. There is a widespread perception that property insurance is the most efficient and economical way to protect against financial losses caused by natural disasters. Regardless of this fact, in many countries in the world, natural disasters insurance is poorly developed, both on the supply side and on the demand side. The analysed trends in the coverage of the damage from the catastrophic risks on a global level in the period from 2000 to 2016 show that on average only 28.8% of the total damages are covered.

Effective strategies for financing catastrophic risks must be tailored to the needs and capabilities of each country. For these reasons, the paper analyses various world experiences taking into account countries with different degrees of development and systems (Australia, Austria, the UK, the Caribbean, China, Romania, Russia, USA, Spain, France, Turkey and Romania). A special survey was conducted in North Macedonia, which was taken as a case study. The conclusions suggest that the insurance of catastrophic risks should be organized as compulsory insurance for households in urban areas. Regarding the risks, we consider that earthquake risk should be compulsorily followed by flood, although at the individual level the consequences of the flood affect relatively a smaller population coverage. Making a legally binding solution must be well thought out in the area of law enforcement. Regarding the operational aspects of implementing a legally binding solution, the principles of insurance should be used, and the world practice indicates that it is possible only with the involvement of the insurance companies.

Keywords: catastrophe risk, insurance, public private partnership.

JEL: G22, G32

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WHY YOUNG PEOPLE WANT TO LEAVE BOSNIA AND HERZEGOVINA: ASPIRATION OR DESPERATION?

Abstract

One of the major problems in Bosnia and Herzegovina is youth emigration which, in a simple definition, is the act of leaving a resident country with the intent to settle elsewhere. Young people from Bosnia and Herzegovina mainly emigrate to European countries in search of better living conditions. Emigration from Bosnia and Herzegovina is a continual process that is caused by many factors. The purpose of this study is to determine key factors that motivate young people to leave Bosnia and Herzegovina. In that respect, we use USAID MEASURE-BiH National Youth Survey (NYS) data set that consists of 4,500 randomly selected respondents from Bosnia and Herzegovina. The data collection took place in the period January-February 2018. Data were collected by using a survey questionnaire that, besides socio-demographic variables, addresses several factors such as education, employment, training, social capital, emigration, etc. The results of the probit model have revealed that push factors, such as employment opportunities, household income, living standard and experience with the corruption determine emigration decisions of young people from Bosnia and Herzegovina. Presented results may produce useful pieces of information which might be helpful for relevant decision-makers in Bosnia and Herzegovina in the process of creating such a model of economic and social policy that will mitigate the emigration of young people.

Keywords: youth, emigration, probit model, BiH.

JEL: C80, F22, J13

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THE INDICATORS AND IMPLICATIONS OF DEMOGRAPHIC AGEING IN BOSNIA AND HERZEGOVINA

Abstract

The research and knowledge of demographic factors (fertility, population ageing, migration, etc.) of certain population is important because of their relevance in determining the direction of socio-economic development. One of the characteristic demographic processes in Bosnia and Herzegovina is the process of the population's demographic ageing. The process of demographic ageing is a demographic problem that has an impact on almost all the spheres of socio-economic life, like the pension, health and education system, as well as a labor market. The numerical reduction and the working contingent's ageing bring in question faster economic development of a country. It is important to note that the process of demographic ageing is closely linked to natural movement of population. Namely, the decrease in birth rate affects the reduction of the young population's, reduces the number of the most reproductive, mature and work ready population. As a consequence of these demographic changes, there is an increase in the proportion of old people in the total population, as well as an increase in the total population's ageing. Regarding to that, the subject matter of the research relates to the process of demographic ageing in Bosnia and Herzegovina, while the main aim of the work is to identify the main reasons and consequences of the demographic ageing in Bosnia and Herzegovina. The planned research will be realized on the basis of the scientific methods of internal research (desk research). Statistical methods (descriptive and inferential statistics) will be used for the analysis and elaboration of the collected data.

Keywords: demographic statistics, demographic ageing, age structure, ageing index, Bosnia and Herzegovina.

JEL: J11, J14, C22

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**IMPACT OF THE PERFORMANCES OF EXPERIENTIAL QUALITY ON
THE TELECOMMUNICATION SERVICE USERS SATISFACTION IN
BOSNIA AND HERZEGOVINA**

Abstract

In the companies with the high number of users, such as telecommunication operators, it is very important to quickly adapt it to the new business conditions and fulfil on time user requirements. An eclectic subjective quality evaluation involves conducting research in the real environment with service users. The goal of the research is to determine basic scientific methods, the intensity and direction of the impact of performances of experiential quality on the level of satisfaction of the telecommunication service users in Bosnia and Herzegovina. Empirical research was based on the primary data collection by doing a field research via test method, and by using highly structured questionnaire as an instrument for data collection. Data collection was done on the basis of a randomly stratified sample, according to the share of mobile operators within the total number of users. A review of all the variables included in this research is based on the views of the users of telecommunication services. A multiple regression analysis was used to examine the impact of the independent variable X (the experiential quality performance) on the dependent variable Y (satisfaction of the telecommunication service users). The generated research results indicated that there is a statistically significant impact of four out of five performances of experiential quality on the level of telecommunication service users' satisfaction, namely: context of use, subjective assessment, usability and technology performance, while results for performance expectations did not indicate that there is statistical significance. All this implies on the conclusion that it is necessary to constantly have an insight into the users experience regarding the use of telecommunications products or services.

Keywords: telecommunication services, quality of service (QoS), quality of experience (QoE), the performances of experiential quality, the telecommunication service users satisfaction.

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