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## **MEASURING THE QUALITY AND CHARACTERISTICS OF SYSTEM OF CORPORATE GOVERNANCE IN BOSNIA AND HERZEGOVINA**

*Preliminary communication*

### **Abstract**

*An effective system of corporate governance is a fundamental prerequisite for sustainable economic growth in a national economy, increasing the efficiency of the economic system and the guarantee of easier access to external sources of capital. For the banking system in Bosnia and Herzegovina, we can say that dominate the financial system in Bosnia and Herzegovina. The specificity of the banking sector is that it is largely foreign-owned, and is characterized by a very high concentration of ownership, inconsistent with international transparency standards and containment system of corporate governance.*

*Successful corporations to efficiently and effectively manage, because the development of good corporate governance practices conditio sine qua non for corporations that want to prosper in the market. Measuring corporate governance provides a clear picture of the strengths and weaknesses of corporate governance in banks, as well as other companies and is the foundation of long-term sustainable and socially responsible development and growth in the banking system and the economic system in BiH.*

**Keywords:** *corporate governance, the corporate governance system in Bosnia and Herzegovina, transparency, criteria and categories of quality of corporate governance, quality of corporate governance, BHCog*

**JEL:** **G28, G34, K20**

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## **ENTREPRENEURIAL ORIENTATION AND ITS IMPORTANCE IN THE DETERMINATION OF COMPANY STRATEGIC OBJECTIVES - ANALYSIS OF CROATIAN, BOSNIA AND HERZEGOVINA AND SERBIAN COMPANIES**

*Preliminary communication*

### **Abstract**

*Entrepreneurial orientation is closely related to strategic management. Although the top management does not impose it, an entrepreneurial orientation reflects the strategic direction of the various levels of management and also determines how companies adapt to changing business conditions. Furthermore, entrepreneurial orientation, through the definition of business strategies, can help the company to resolve internal conflicts between integration, flexibility and innovation. The aim of this paper is to analyze empirical research and to determine which strategic objectives entrepreneurs consider most important for the success of the business. The empirical research was carried by a questionnaire on a sample of enterprises from Croatian, Bosnia and Herzegovina and Serbia. After analyzing each of the surveyed countries, an analysis was made of differences and similarities between countries.*

**Ključne riječi:** *entrepreneurship, leadership, strategic objectives, success of the business.*

**JEL:** D22, L21

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## **TREND MODEL AND LIFE INSURANCE RISK IN BIH**

*Review*

### **Summary**

*Despite the global economic crisis, life insurances in BiH are being in positive trend and their number rises. Risk control and associated policies as well as procedures in life insurance companies in BiH are defined in 90% of companies. The most usual risks defined by insurance companies are the following: liquidity risk, risk of change in price of financial real and other assets and foreign exchange risk. They often protect themselves by harmonization of terms, decisions on the type of risk insurance are made by the management. Limitation in risk insurance system development points out undeveloped insurance market and lack of necessary knowledge and skills.*

*Trend model has a form of increasing linear function in both entities, and that proves positive trend-model in the whole BiH. Linear trend models are representative ones and they are a good way to describe movement of life insurance premiums during the last decade. The representativeness is proved by coefficient of determination and coefficient of linear correlation whose values are higher than 0.90. On the contrary to growing trend premiums indicator of ROE and ROA are described by trend-model in the form of decreasing linear function.*

**Keywords:** *life insurance, risk, market developments*

**JEL:** G22, G32

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## **EMPIRICAL RESEARCH ON THE USE OF TRANSFER PRICING IN RELATED COMPANIES IN CROATIA**

*Review*

### **Abstract**

*Transfer pricing within a group of related companies affected by the redistribution of consolidated profit, which is especially important at the international level when related companies operating in different tax systems, transfer pricing system can use the tax advantages and disadvantages of individual tax systems. Research affiliates in Croatia found that transfer pricing is still not given sufficient attention. Systems to determine the transfer price have those related companies in the Republic of Croatia who are members of international groups. Subsidiaries in the Republic of Croatia do not have autonomy in determining transfer pricing, but transfer prices are determined by the parent company. Research has found that the related companies in the Republic of Croatia for the determination of transfer pricing methods commonly used cost method due to its simplicity and transparency. From the OECD method of determining and the control of transfer pricing, related companies (parent company) in Croatia often applied method of trading prices, while subsidiaries mainly apply method of adding gross profit to the cost. Documentation of determination of transfer price they are prepared mainly parent companies that are members of the group at the international level.*

**Key words:** *transfer pricing, related companies, group, parent company, subsidiary company*

**JEL:** M40, M41

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## **FUNDING OF THE PENSION SYSTEM OF THE REPUBLIC SERBIANIN: PROBLEMS, CAUSES, AND REFORM**

*Review*

### **Abstract**

*The subject of research of the system of financing intergenerational solidarity in the entity Serbian Republic of Bosnia and Herzegovina. In a separate part of the paper will try to identify the problems pension - disability system and their causes. Negative trends fundamental parameter indicators pension are alarming and have become financially and socially unsustainable. Basic pension does not cover their basic needs, and according to estimates by more than a third of pensioners live below the poverty line. And despite running parametric reforms of the state pension system has not changed, and the reform of social security contributions have yielded only partial results.*

*Therefore the aim of the last part of the study was to show the relevant institutions need to initiate structural reforms in order to maintain the system and respond to the pressure of negative demographic trends. Substantial reform of the pension system depends on the introduction of II pillar pension funds and mandatory funded in response to negative demographic trends.*

**Keywords:** *pension scheme, pension funding, pension reform.*

**JEL:** H55, G22, E24, S23

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## **BUDGET TRANSPARENCY IN BOSNIA AND HERZEGOVINA: COMPARATIVE ANALYSIS AND RECOMMENDATIONS FOR IMPROVEMENT**

*Review*

### **Summary**

*Budgets are of great importance in public service provision. Nowadays, budget transparency is seen as a pillar of good governance. Access to the information on publicly financed activities gives citizens not only understanding of political and economic decisions that affect their everyday life, but allows them to participate in making those decisions. Citizens' participation in budgeting process increases control over government activities. This makes it possible for citizens to hold their government accountable for its management of public's money.*

*Concerning the problems that governments face in achieving budget transparency, the aim of this paper is to point out the importance of budget transparency as well as to address gaps in budgeting procedures. This paper gives brief transparency and accountability overview in Bosnia and Herzegovina and selected countries, reviews open budget surveys over time, emphasizes certain problems in achieving budget transparency and offers particular recommendations to improve open budgeting.*

**Key words:** *budget transparency, Open Budget Index, public participation*

**JEL:** H61