The background of the cover is a dramatic photograph of a volcanic eruption. A bright, glowing plume of orange and yellow lava or ash rises from a dark, jagged volcanic landscape. The scene is lit from below, creating a strong contrast between the dark rocks and the intense fire.

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FOREWORD

Dear readers,

the second issue of Journal of Accounting and Management is before you. It contains of the papers presented at the International Scientific and Professional Conference **Accounting and Management**, organized by the Association **Croatian Accountant** and the **RRiF College of Financial Management, Zagreb**.

As we say goodbye to 2019, we have a lot of tasks put before us in 2020. We will remain persistent in our efforts to keep creating a journal that strives to professional growth through publishing articles of wide variety of quality topics in order to provide the necessary knowledge and information to scholars, students and all other interested parties.

We will continue to publish selected articles from the Conference Accounting and Management that will be held in Poreč, Croatia from 4-5 June 2020. Besides, we invite you to use your input to contribute to our joint work and permanent endeavour to retain the quality of our Journal.

All the papers were blindly peer-reviewed, requiring the acceptance by two independent reviewers to be published in this Journal.

We thank all the authors, co-authors and reviewers for their effort.

Editor-in-Chief

Đurđica Jurić, PhD, College Professor

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Preliminary Paper
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PREDICTING BANKRUPTCY OF SHIPBUILDING COMPANIES ON THE BASIC OF FINANCIAL STATEMENT DATA

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ABSTRACT

Companies in their operation often face problems in meeting their financial obligations and are unable to settle their trade liabilities owed to creditors. As their liabilities exceed their assets, the bankruptcy is initiated. The relevance of bankruptcy prediction is a frequent topic of research by many authors. Shipbuilding in the Republic of Croatia was one of key industry sectors in light of a large number of workers, a high share in exports, and numerous sub-contractors who were directly or indirectly participating in production. Business operations of major Croatian shipbuilding companies have deteriorated in recent years. The objective of this paper is to examine if it is possible to predict company bankruptcy on the basis of data presented in shipbuilding companies' financial statements by using mathematical methods and bankruptcy prediction models.

Key words: *bankruptcy, accounting information, shipbuilding companies, prediction models*

1. INTRODUCTION

Bankruptcy proceedings have become a daily occurrence in our economy and therefore are the subject of frequent captions in the media. During the last economic crisis, a large number of companies went bankrupt as a result of the insolvency and indebtedness of the company. According to data published on the FINA website in March 2019, 18,843 business entities were blocked at the time, 38.6% of which were legal entities who were related with more than 3/4 of the total outstanding basis for payment or 78.4% of the total amount. The total value of outstanding basis for payment of business entities was 6.48 billion HRK (www.fina.hr/). „The legislation prescribes sufficiently detailed methods and conditions for initiating bankruptcy proceedings and compliance with the law would also ensure the achievement of the basic purpose of the bankruptcy proceedings - maximum settlement of creditors as the primary objective and ensuring normal conditions for business as a secondary objective.“ (Botić, 2017).

Financial reporting involves the preparation and publication of financial statements that have to be prepared in accordance with accounting principles and standards. “ Accounting is not only an end in itself, it is one of the tools that helps achieving business success and meeting the requirements of the tax authorities in accordance with that success“ (Dunković, 2010). The financial statements prepared by the companies are: balance sheet or statement of financial position, profit and loss account or statement of comprehensive income, statement of cash flows, notes to the financial statements and statement of changes in equity, relating to the period during the year or to the business year. The form and content of the financial statements should be in accordance with the provisions of International Financial Reporting Standards (large enterprises) or Croatian Financial Reporting Standards (micro, small and medium-sized enterprises). (Narodne novine, 2015). They should primarily meet the information requirements of external users - current and future investors, creditors, suppliers and other creditors, customers, the state and the public.

There are various complaints to the fact that the preparation of the basic financial statements sometimes uses “creative accounting” which means that the financial statements do not present completely accurate or that a data that benefit the company are presented. Despite these complaints, accounting has proven to be a system that, even from incomplete or falsified reports can be read much more than is apparent to the eye. (Belak, 2014).

During the past period, Croatian shipyards have been in financial distress, even though the state aids were used to deal with liquidity. Žužul states «that EU accession required restructuring and privatization of shipyards, which was necessary for their sustainability» (Žužul, 2016). A public opinion is same to

the opinion of many authors such as Karačić and Bazina who indicate in their papers that "shipbuilding is a sector of particular strategic importance for the national economy" (Karačić, 2013; Bazina, 2015). Bajo, Primorac and Hanich think otherwise and they assume that "Croatian shipbuilding industry is one of the examples of public money incinerators, with taxpayers' 30 billion HRK invested in rehabilitation and restructuring from 1992 to 2015." (Bajo, Primorac, Hanich, 2016).

The subject of this study are the financial statements of three large Croatian shipyards for the period 2013-2017. The aim was to determine, through various mathematical methods and models used in the prediction of bankruptcy, whether bankruptcy could be predicted on the basis of the information contained in the financial statements. The theoretical part gives a brief overview of the position of shipbuilding in the Republic of Croatia, financial reporting as well as a description of the models used in prediction of bankruptcy. According to certain aims of the paper, a research question was also raised: *Can bankruptcy be foreseen based on the information from the financial statements of the observed shipyards?* In the empirical part of the paper, attempt will be made to answer the afore-mentioned research question.

After the introductory part, the paper describes theoretical thesis and previous research on financial reporting in the shipbuilding industry. Bankruptcy forecasting models that were applied in the empirical part of the paper are also described. The third chapter defines the sample and methodology of the research, while the fourth chapter gives the results of the research. The concluding chapter synthesizes the results obtained.

2. THEORETICAL THESIS

Bajo, Primorac and Hanich believe that the economic operations of Croatian shipyards have not been sufficiently analysed in Croatian professional and scientific literature (Bajo, Primorac, Hanich, 2016). Bazina wrote about the impact of the shipbuilding industry on the economy of the Republic of Croatia (Bazina, 2016), while Bendeković wrote in her paper *Business performance of the shipbuilding industry in the Republic of Croatia*, about the importance of shipbuilding within the national economy and the success of the shipbuilding industry after restructuring in the Republic of Croatia. (Bendeković, 2015).

Three large shipyards 3. MAY, Uljanik d.d. and Viktor Lenac d.d. have been the subject of research by many authors over the past decade. Therefore, analysis of the financial statements for 2009 for three large Croatian shipyards (MAY 3, Uljanik and Viktor Lenac) showed poor performance on the operating activities and there was also noticed that the turnover coefficients indicated a

slow circulation of assets in the business process, which indicates poor quality management. Bendeković and Vuletić stated in their research that “shipyards should work on the more frequent usage of exchange rate hedging instruments and on the meeting delivery times in order to improve the financial results of their operations” (Bendeković, Vuletić, 2011).

Matić, in her paper *Comparative Business Analysis of Shipbuilding Companies in the Republic of Croatia*, has used financial analysis techniques to evaluate the financial position and performance of selected shipyards in the period 2011-2014. She claims that the business is not satisfactorily, that there is low liquidity, a decrease in profitability, and that activity indicators show that there is insufficient volume of business. She also claims that changes in the shipbuilding industry began with the start of negotiations on Croatia’s accession to the European Union because the EU requires that companies “should do business without receiving sectoral aid from the treasury” (Matić, 2016). Karačić claims that, with Croatian accession to the EU, as the solution “imposed the privatization of each individual shipyard and the issue of state subsidies in the process, which would bring the financial condition of the shipyard to a state of positive growth.” (Karačić, 2013) .

Pavicic also analyzed business operations of following shipyards: 3. MAJ Shipyard d.d., Viktor Lenac d.d. and Uljanik Shipyard d.d. for 2014 and 2015, indicating high indebtedness and poor liquidity of the observed companies. He also points out that the Uljanik Shipyard operates with the risk of bankruptcy even though it produces quality products (Pavičić, 2018).

Researches made by many scientists and experts have shaped different aggregated indicators models known as forecasting models for predicting financial instability such as Altman’s Z-score model, BEX index, Kralicek’s DF indicator, Zmijewski model, Springate model, Ohlson model. This paper will explore whether the data in the financial statements of the selected shipyards predicted bankruptcy using Altman’s Z-score model, Zmijewski model and BEX model, and will give a brief overview of these models below.

One of the most famous synthetic indicators is certainly Altman’s Z - Score model, which was conducted and named after Edward I. Altman. He conducted the first multivariate research of the relations between financial ratios and the likelihood of bankruptcy of companies anticipating bankruptcy within one or two years (Altman, 1968). He selected five indicators while the process of selecting indicators consisted of four steps: observing the statistical characteristics of different combinations of indicators, correlative analysis between indicators, analysis of predicted accuracy of different combinations between indicators and analytical evaluation. (Žager i sur. 2008.):

This model is represented by the following discriminant function:

$$Z = 1,2X_1 + 1,4X_2 + 3,3X_3 + 0,6X_4 + 0,999X_5$$

with:

Z – value of discriminant function,

X₁ – working capital / total assets,

X₂ – retained earnings / total assets,

X₃ – earnings before interest and taxes / total assets,

X₄ – the market value of the principal

X₅ – sales revenue / total assets.

Limit values are defined, with companies with a Z-score below 1.8 facing bankruptcy, while companies with a Z-score above 3 are financially stable, and the financial stability of companies with a value between 1.8 and 2.99 is endangered, but they have the ability to heal. Thirty years later, Altman revised the original model and developed a model for unlisted companies by replacing market value in variable X₄ with accounting value

$$Z' = 0,717X_1 + 0,847X_2 + 3,107X_3 + 0,420X_4 + 0,998X_5$$

New limiting values were also set, namely ≤ 1.23 (very high bankruptcy risk) and ≥ 2.90 (very low bankruptcy risk).

The Zmijewski model (Zmijewski, 1984) for bankruptcy forecasting was developed in 1984. He includes indicators that measure business performance, indebtedness and corporate liquidity in his calculation. Zmijewski model is based on data from 800 non-bankrupt companies and 40 bankrupt companies, and a probit analysis was used in development of the model.

$$Y = -4.336 - 4.513 X_1 + 5.679X_2 - 0.004X_3$$

with:

X₁ – net income / total assets

X₂ – total debt / total assets

X₃ – current assets / current liabilities

After calculating the value of Y, it is necessary to calculate whether the company is near bankruptcy on the basis of the expression: $P = 1/(1+e^{-\text{adjusted score}})$. „If the gained probability is greater than 0.5 then the company has a high chance of bankruptcy“ (Šarlija, 2008).

The BEX Index (Business Excellence) is a model used to evaluate the business excellence of companies, created in 2007 and designed by prof. dr. sc. Vinko Belak and dr. sc. Željana Aljinović Barać. The purpose of the indicator is to enable the assessment of current and future business excellence so that, based on the results obtained, there can be made an assessment of the present and

future financial position of the company. The BEX index is constructed in accordance with the operating conditions in the Croatian economy and applies to all capital markets and to unlisted companies (Belak, Aljinović Barač, 2008).

The BEX index is based on four indicators with fixed impact weights:

$$\text{BEX} = 0,388 \text{ ex}_1 + 0,579 \text{ ex}_2 + 0,153 \text{ ex}_3 + 0,316 \text{ ex}_4$$

The ex_1 indicator represents the profitability of the company and is calculated as the ratio between interest and earnings before taxes (EBIT) and total assets. The ex_2 indicator is based on economic benefit and represents value creation. It is calculated as the ratio of net operating profit to equity capital. The value of equity capital is calculated from the multiplication of equity and the cost of equity that owners could earn from relatively risk-free investments. The ex_3 indicator measures the liquidity of the company, which is calculated as the ratio of working capital to total assets, while the ex_4 indicator is based on the ratio of theoretically free money from all activities, which is the profit increased by amortisation and depreciation of the coverage of all liabilities with that money.

The business excellence of company is evaluated using the BEX index as follows: BEX index greater than 1 - good companies; BEX index between 0 and 1 - improvements required; BEX Index less than 0 (negative) - endangered existence (Belak, Aljinović Barač, 2008).

3. DEFINITION OF SAMPLE AND RESEARCH METHODOLOGY

Croatian shipyards have increasingly poor operating results and have recently been the subject of frequent titles in the media. Three shipyards were selected for this research, the main activity of which is the construction of ships and floating structures (NKD-30.11). These are: 3. MAY Shipyard d.d. (subsidiary in ULJANIK Group), Uljanik Shipyard d.d. and Shipyard Viktor Lenac d.d.

This study used the accounting data from the financial statements publicly disclosed on the FINE website (<http://rgfi.fina.hr/PublicAnnouncement-Web/pSubjektTrazi.do>) of observed companies for the period 2013-2017. In the case of Viktor Lenac Shipyard d.d. non-consolidated financial statements were used for the study. The financial ratios (to six decimal places) that are present in the bankruptcy forecasting models for each shipyard by year were calculated first, and at the end an appropriate model for each year was calculated to assess whether the models provided likelihood of bankruptcy for the observed companies. Altman's Z'-score model was calculated on the basis of equation:

$$Z' = 0,717X_1 + 0,847X_2 + 3,107X_3 + 0,420X_4 + 0,998X_5$$

In the case of indicator x_4 , the market value of the equity was replaced by the accounting value, and for the BEX index indicator ex_2 the capital price is

related to the average interest rate on kuna depositing at banks 3.39% (2013 4,55%, 2018. 2 , 22%).

Table 1 shows the results of bankruptcy forecasts according to the Altman model Z' - score, BEX index and Zmijew model for the period from 2013 to 2017. year for 3. MAJ Shipyard d.d.

Table 1. 3. MAY Shipyard d.d. Altman's Z'-Score Model, Zmijewski Model and BEX Index for period 2013-2017

Bankruptcy Forecasting Results	Year				
	2013	2014	2015	2016	2017
1. Z' -score	2,762058	1,02216	2,249054	2,389694	1,231279
2. BEX index	0,059695	-0,46405	0,379946	-0,42936	0,436386
3. Zmijewski Model (y)	-3,071131	-0,69219	-3,36536	-0,84709	-2,23597
Bankruptcy probability (1/1+exp(-y))	0,04431	0,33354	0,03339	0,30000	0,096557

Source: Author's calculation according to data from the annual reports and reports of the independent auditor for years 2013, 2014, 2015, 2016 and 2017 (<http://rgfi.fina.hr/JavnaObjava-web/pSubjektTrazi.do>)

The results obtained by Altman's Z'-score model indicate that shipyard 3. MAJ was in the "gray zone" through all observed periods, or that it was in risk of bankruptcy ($2.90 > Z' > 1.23$). In 2017, the situation worsened and there was a high likelihood that they would end up in bankruptcy ($Z' \leq 1,23$). The BEX index is less than 0 throughout all the observed periods and indicates that the shipyard's business is at risk, as shown also by the results of Zmijewski model which indicates bankruptcy, since the values obtained from the calculation of the probability of bankruptcy are less than 0.5.

Table 2 shows the results of bankruptcy forecasts according to the Altman Z' -score model, the BEX index and the Zmijewski model for the period 2013-2017. year for Uljanik Shipyard d.d.

Table 2. Uljanik Brodogradilište d.d.: Altmanov Z' –score model, Zmijewski model i BEX indeks za razdoblje 2013.-2017. godina

Bankruptcy Forecasting Models	Year				
	2013	2014	2015	2016	2017
1. Z' -score	0,526821	-0,46193	-0,32585	-1,01061	0,8116335
2. BEX index	-0,33314	-0,21493	-0,22779	-0,32557	0,297225
3. Zmijewski Model (y)	3,750472	4,988272	7,208794	8,972224	15,83888
Bankruptcy probability ((1/1+exp(-y))	-0,210505	0,166993	0,121821	0,100279	0,059386

Source: Author's calculation according to data from annual reports and reports of the independent auditor for years 2013, 2014, 2015, 2016 and 2017 (<http://rgfi.fina.hr/JavnaObjava-web/pSubjektTrazi.do>)

According to the results obtained, it can be concluded that in all observed years, all three models predicted bankruptcy. The BEX index is less than 0, the Zmijewski model predicts bankruptcy because values are less than 0.5, as well as Altman's Z'score model where $Z' \leq 1.23$.

Table 3 shows the results of bankruptcy forecasts by Altman's Z'-score model, the BEX index and the Zmijewski model for the period 2013-2017. year for Shipyard Viktor Lenac d.d.

Tablica 3. Brodogradilište Viktor Lenac d.d. : Altmanov Z' –score model, Zmijewski model i BEX indeks za razdoblje 2013.-2017. godina

Bankruptcy Forecasting Models	Year				
	2013	2014	2015	2016	2017
1. Z'-score	1,39593	1,312781	2,277161	1,250488	2,524249
2. BEX index	0,207464	0,179124	0,555063	0,22199	0,894913
3. Zmijewski Model (y)	-1,92503	-1,36379	-2,352955	-1,49133	-2,52326
Bankruptcy probability (1/1+exp(-y))	0,127302	0,203625	0,086831	0,183722	0,074244

Source: Author's calculation according to data from the annual reports and reports of the independent auditor for years 2013, 2014, 2015, 2016 and 2017 (<http://rgfi.fina.hr/JavnaObjava-web/pSubjektTrazi.do>)

The results obtained from the Altman's Z'-score model indicate that Shipyard Viktor Lenac was in the "gray zone" during all the observed periods or that it is susceptible to bankruptcy, but they also show that there is a possibility of avoiding bankruptcy ($Z' 2,68-1,24$). A BEX index between 0.18 and 0.89 indicates that serious improvements are needed, while the Zmijewski model indicates bankruptcy as values are less than 0.5.

4. CONCLUSION

Through the financial reporting regulatory framework and the calculations in bankruptcy forecasting models, appropriate analytical procedures were applied using mathematical methods to answer the research question posed: *Can bankruptcy be foreseen based on the information in the financial statements of the observed shipyards?* The results of the research showed that the predictions of all forecasting models applied indicate a decrease in value over the observed periods which means they indicate bankruptcy or the possibility of bankruptcy.

The contribution of this paper is based on the application of the bankruptcy forecasting models on selected shipyards in the period from 2013 to 2017, and the research should be continued by analyzing the impact of the selected shipyards business on GDP, as well as on the total exports of the Republic of Croatia.

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PREDVIĐANJE STEČAJA PODUZEĆA IZ SEKTORA BRODOGRADNJE NA TEMELJU PODATAKA IZ FINACIJSKIH IZVJEŠTAJA

SAŽETAK RADA:

U poslovanju poduzeća često imaju problema u ispunjenju novčanih obveza i nisu u mogućnosti podmirivati svoje obveze prema vjerovnicima. Njihove obveze su veće od imovine i dolazi do pokretanja stečaja. Aktualnost predviđanja stečaja česta je tema istraživanja mnogih autora. U Republici Hrvatskoj brodogradnja je predstavljala jednu od glavnih industrijskih grana zbog velikog broja zaposlenih, visokog učešća u izvozu, te velikog broja kooperanata koji su na izravan ili neizravan način sudjelovali u proizvodnji. Poslovanje najvećih hrvatskih brodogradilišta se tijekom proteklog razdoblja pogoršavalo. Cilj ovog rada je istražiti na temelju podataka iz financijskih izvještaja poduzeća iz sektora brodogradnje putem matematičkih metoda i modela u predviđanju stečaja da li su izložena stečaju.

***Ključne riječi:** stečaj, računovodstvene informacije, poduzeća iz sektora brodogradnje, prognostički modeli*

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SATISFACTION WITH SERVICE INNOVATIONS IN SERBIA

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ABSTRACT

The aim of this paper is to observe the customers satisfaction with service innovations in Serbia. Dealing with the fact that services are generating approximately 71,6 % of EU nominal GDP, it could be said that services are strongly representing the future of economy¹. In this paper will be present service innovations in context of their term, importance, classification and the both manifesting forms of service innovations: classical and contemporary. Also, the paper will point to indicate factors for service innovation's success. Empirical part of this issue obtained interviewees from the field of commerce, banking and public administration. Finally, the service innovations satisfaction degree is determined by SERVQUAL adaptive model and ANOVA application.

Key words: *service innovations, satisfaction of clients, factors of success*

¹ <https://de.statista.com/statistik/daten/studie/249078/umfrage/anteile-der-wirtschaftssektoren-am-bruttoinlandsprodukt-bip-der-eu>, retrieved 17.03.2019.

1. INTRODUCTION

Thanks to a long time underestimation of service innovations, process innovation and product innovation were taking some primacy over for a while. But still, it is impossible to study, any activity on other scientific field or discipline by omitting the service innovations. The presence of service innovations is overwhelmingly and obviously intensive in the fields of management, macroeconomy, finance, marketing, architecture, medicine, construction, pharmacy and companies such as Ikea, Amazon, Google, Aliexpress, McDonald. Actually, financial agents discovered the fact that the main part of their own success they owe to service innovations. However, the main research problem of services innovations are their non material, indivisible and heterogeneous nature: namely, they have singular entirety-formed dimension of structure, process, and result². Finally, the importance of innovation in the service domain is undeniable, due to their contributed to EU nominal GDP income of approximately 66% in a year of 2017.³

2. THEORETICAL BACKGROUND OF SERVICE INNOVATION

Some authors define as: *“ the rebundling of diverse resources that create novel resources that are beneficial (i.e., value experiencing) to some actors in a given context.”*⁴ Another authors look at service innovation as: *„the collaborative recombination or combinatorial evolution of practices that provide novel solutions for new or existing problems.”*⁵ Service innovation can be presented as: *„institutionalized change (hence, change of context) based on reconfiguration of resources, actors and institutional arrangements, enabling actors to integrate resources and create value through collaboration in new and useful ways.”*⁶ Finally, service innovation can be defined as: *„creating value for customers, employees, business owners, alliance partners, and communities through new or improved service offerings, service processes, and service business models”*⁷

² Jančetočić, M., & Erić, I. (2015). *Menadžment inovacija*. Beograd: BPS, p. 105.

³ *Ibid* as 1.

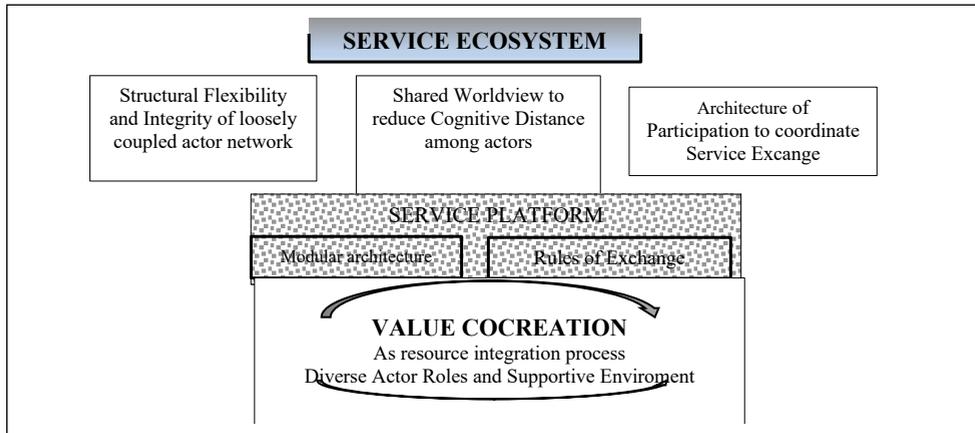
⁴ Lusch, R. F., & Nambisan, S. (2015). *Service innovation: A service-dominant logic perspective*. *MIS quarterly*, 39(1), p.161.

⁵ Vargo, S. L., Wieland, H., & Akaka, M. A. (2015). Innovation through institutionalization: A service ecosystems perspective. *Industrial Marketing Management*, 44, 63-72., p. 64.

⁶ Edvardsson, B., Frow, P., Jaakkola, E., Keiningham, T. L., Koskela-Huotari, K., Mele, C., & Tombs, A. (2018). *Examining how context change foster service innovation*. *Journal of Service Management*, 29(5), 932-955., p. 934.

⁷ Tseng, M. L., Wu, K. J., Chiu, A. S., Lim, M. K., & Tan, K. (2018). *Service innovation in sustainable product service systems: Improving performance under linguistic preferences*. *International Journal of Production Economics*, 203, 414-425., p. 415.

Picture 1.Contemporary model of service innovation



Source: Lusch, R. F., & Nambisan, S. (2015). *Service innovation: A service-dominant logic perspective*. *MIS quarterly*, 39(1), p. 612.

The core of the model is the claim that service innovation can be explained through three different processes, namely: the service ecosystem, the service platform, and value creation as the primary economic goal. The service ecosystem is made up of organizations and individuals who seek to pool their knowledge and skills to ensure the survival and effectiveness of operations. The authors define it as: „ *self-contained, self-adjusting system of mostly loosely coupled social and economic (resource-integrating) actors connected by shared institutional logics and mutual value creation through service exchange.*”⁸ The service platform, on the other hand, is a modular architecture, composed of tangible and intangible resources, which would facilitate interaction between actors and resources. Finally, value creation would relate to different processes and activities, which would foster resource integration, create internal mechanisms that coordinate interactions between different actors, and improve the transparency of resource integration into the ecosystem.

Recent scientific research showed some flaws of previous model narrowly focused on lack-of-resources assumption. As natural result of previously mentioned, managers should be bricolage – mindful oriented, as a way of having an alternative versus previously presented rigidly –formed process. Before, mentioned concept has been applied only with product innovation and process innovation, but last research has shown that this praxis is quite acceptable in case of service innovations. In that sense, there are opportunities, and they

⁸ *Ibid* as 4, p. 161.

are:⁹ 1. Actively addressing resource scarcity; 2. Making do with what is available, 3. Improvising when recombining resources, and 4. Networking with external partners. Thus, the authors have empirically demonstrated the possibility that the concept of bricolage will replace the formalized process of service innovation if there is a lack of resources.

Generally, over the years, three universal approaches have been developed that explain the evolution of understanding of service innovation over many years of research. These are the following approaches:¹⁰

1. Assimilation – is based on the assumption that service innovations can be fully analyzed by terms and tools used in the analysis of product and process innovations. The service sector is considered to be technologically intensive, as for example adoption and use of new IT technologies.

2. Demarcation – includes studies that emphasize the fundamentally different nature of service

innovation versus process and product innovation. The specifics of service innovation, such as customer-focused services, relational learning, and more, are highlighted. In particular, it points to the intangible nature of services, which greatly contributes to the growth of profits, such as tourism, cleaning and more, which need not be related to the use of technology.

3. Syntesis – By using the previous two approaches, a new, more integrative view of service innovation has been created. Economic development has been fueled by the emergence of new combinations, which are more economically viable than the previous two approaches. Thus, service innovation suggests that innovation as a perspective can be used to understand all types of innovation offerings (processes, products, organizational and others, along with service innovation, as an integral part).

Some basic features of service innovations and affirmative recommendations for their successful implementation will be point out in the extension of this paper.

3. TYPES OF SERVICE INNOVATION AND PERFORMANCE FACTORS

One of the largest groups classification of innovation is by the degree of change to radical innovations and incremental innovations.¹¹ In that sense,

⁹ Witell, L., Gebauer, H., Jaakkola, E., Hammedi, W., Patricio, L., & Perks, H. (2017). A bricolage perspective on service innovation. *Journal of Business Research*, 79, 290-298., p. 292.

¹⁰ Janssen, M. J., Castaldi, C., & Alexiev, A. (2016). Dynamic capabilities for service innovation: conceptualization and measurement. *R&D Management*, 46(4), 797-811., p.799.

¹¹ Gallouj, F., & Weinstein, O. (1997). Innovation in services. *Research Policy*, 26(4–5), 537– 556, p. 547.

radical innovations refer to brand new services offered while incremental innovations add new elements to existing supply, actually the upgrading concretely, without changing the total services supply. Furthermore, there are *interactive service innovations* and *incentive service innovations* too. Interactive service innovations are external (services concept) while incentive service innovations are internal (service offering)¹². At the end, there is distinction between *explicit service innovations* and *tacit service innovations*.¹³ Tacit service innovations, i.e. *experiential services* are known for simultaneous production and consumption, because their form is based on direct delivery in interpersonal relations (medicine, fashion, etc.). Delivery of explicit service innovations is technology based delivery, and for that cause it covers services in a field of banking, insurance, telecommunications, and other. After all, there is a classification based upon target able segments suitable for changes which could be aimed to physical objects, people, or information codification.¹⁴ Primary, physical services are services for taking care about people and goods or they transport of them. People based services as *social services* and *community services* (education, health) promote and take care about the community welfare. Likewise, these sorts of services can be focused to individual business too (hair stylists, catering). Certainly, IT services are services narrowly related with mass media, telecommunications, marketing agencies and other.

There are a number of recommendations in the literature for improving service innovation. One of the most cited is the following recommendations:¹⁵

1. Comprehensive customer-experience management;
2. Investment in employee performance;
3. Continuous operational innovation;
4. Brand differentiation;
5. An innovation champion;
6. A superior customer benefit;
7. Affordability; and
8. Continuous strategic innovation.

Thus, access to service innovation is a very complex concept, requiring the interaction of organizations, users and part of the state.

¹² Salunke, S., Weerawardena, J., & McColl-Kennedy, J. R. (2013). Competing through service innovation: The role of bricolage and entrepreneurship in project-oriented firms. *Journal of Business Research*, 66(8), 1085–97, p. 1087.

¹³ Storey, C. and K.B. Kahn. 2010. The role of knowledge management strategies and task knowledge in stimulating service innovation. *Journal of Service Research* 13(4): 397-410, p. 401.

¹⁴ Hauknes, J. (1998). Services in innovation-innovation in services. STEP Report, p. 16.

¹⁵ Berry, L. L., Shankar, V., Parish, J. T., Cadwallader, S., & Dotzel, T. (2006). Creating new markets through service innovation. *MIT Sloan Management Review*, 47(2), 56 -63, p. 60.

4. DEFINITION OF SAMPLE, HYPOTHESIS AND RESEARCH METHODOLOGY

In accordance with the research goals, the following hypotheses were made:

H1: Users of innovative services in Serbia are satisfied with them.

H2: Gender and age define the expectations and perceptions of innovative services.

In the assessment of customer satisfaction with innovation in services in Serbia used the primary data source, i.e. a survey. In the assessment of customer satisfaction with innovation in services in Serbia used the primary data source, i.e. a survey. The survey conducted in Belgrade, Novi Sad and Niš in companies, of which 4 are privately owned and 2 state-owned. These are respondents who are clients of banks, public administration and commerce.

The total number of respondents was 367, of which 141 (75 male and 66 female) belonged to banking, 101 (41 male and 60 female) to the public administration sector and 125 (68 male and 57 female) to the trade sector. Survey questions have been formulated following the most significant service innovation in the sectors mentioned over the past three years. The questions are of a Likert type, where: 1 - no; 2 - partially; 3 - completely.

A custom SERVQUAL model was used to prove the first hypothesis, since the original examines the quality of service viewed across five dimensions: tangibility, reliability, responsibility, security, and empathy. The custom model will only investigate customer satisfaction with innovative services, but will not measure service quality by dimensions.

Table 1. T test paired samples for testing significance of difference between perceived and expected service

Sector	Item		The difference of mean value	Standard error differences	t	df	p
Banking N= 141	E banking is adapted to customer requirements	Perceived - expected	0.2	0.09	2.34	140	0.021
	Money laundering is successful	Perceived - expected	0.2	0.07	2.93	140	0.004
	is good	Perceived - expected	0.9	0.06	14.32	140	0.000
Commerce N= 125	Selfservice cash register are simply for use	Perceived - expected	0.18	0.08	2.26	124	0.026
	Delivery of goods to home address is reliable	Perceived - expected	0.19	0.06	3.27	124	0.001
	E-commerce is simply	Perceived - expected	0.2	0.06	3.50	124	0.001

Sector	Item		The difference of mean value	Standard error differences	t	df	p
Public Administration N= 101	E taxes come to life	Perceived - expected	0.9	0.09	10.56	100	0.000
	E building permits come to life	Perceived - expected	0.8	0.08	11.40	100	0.000

Source: Calculation of authors

,¹⁶ ; and,¹⁷.

Two-factor analysis of variance enables the study of the individual and joint effects of independent variables (gender and age category) on dependent variables (expectation and perception) at the observed services ibtrade, p

Any worth mentioned differences for average expectation level values in banking sector which are categorized by sex are not recognizable, i.e. research-used pattern didn't prove that male and female have any differences in terms of expectation in this innovation service analysis. age, such as in a group of men and women young and middle-aged greater expectations from a group of elderly men and women of e- banking services and prevention of money laundering($p=0,001<0,05$ and $p=0,024<0,05$). Results have given in

Table 2. ANOVA for e - banking - expectation

Tests of Between-Subjects Effects					
Dependent Variable:	E banking expectation				
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	13.443 ^a	3	4.481	9.088	.000
Intercept	551.349	1	551.349	1118.205	.000
Gender	1.094	1	1.094	2.218	.139
Age	12.033	1	12.033	24.404	.000
Gender* Age	.435	1	.435	.881	.349
Error	67.550	137	.493		
Total	641.000	141			
Corrected Total	80.993	140			

a. R Squared = .166 (Adjusted R Squared = .148)

Source: Calculation of authors

¹⁶ , RS Official Gazette, Nos 36/2011 and 139/2014, Electronic Government, RS Official Gazette, Nos 27/2018

¹⁷ The categorization was done on the basis of the categorization of the RS Bureau of Statistics

Table 3. ANOVA for anti money laundering - expectation

Tests of Between-Subjects Effects					
Dependent Variable:	Antimoney laundering expectation				
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	2.686 ^a	3	.895	2.245	.086
Intercept	367.417	1	367.417	921.343	.000
Gender	.569	1	.569	1.426	.234
Age	2.086	1	2.086	5.232	.024
Gender * Age	.035	1	.035	.089	.766
Error	54.633	137	.399		
Total	426.000				
Corrected Total	57.319	140			

a. R Squared = .047 (Adjusted R Squared = .026)

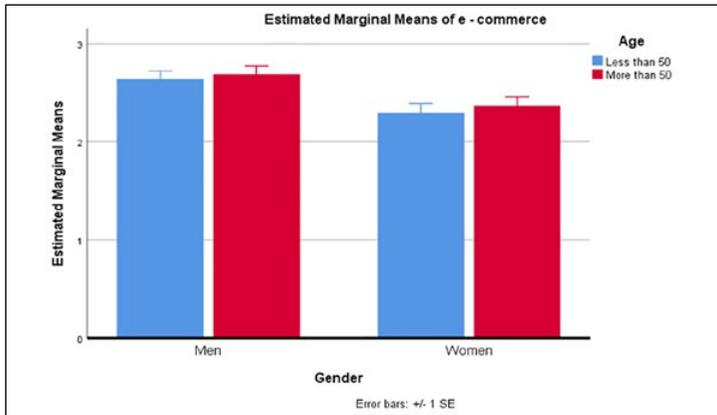
Source: Calculation of authors

The influence of interaction the observed factors for all three observed services in the banking sector is not statistically significant ($p > 0.05$) and the research shows that the influence of gender on expectations does not change depending on the age of the service users, ie that the homogeneity of variance is not in all groups. Consumer services satisfaction survey in a domain of banking didn't show any evidence that sexes (m/f) or age based factors influence on services innovation satisfaction.

During the survey period in the sector of commerce there are noticeable changes related to sex (m/f) factor criteria ($p = 0,001 < 0,01$) in that way where have much lower expectations and higher level of precaution towards e-shopping at young and middle age women than at older women. ,interaction factor ($p=0,022 < 0,05$), where we find that the influence of one factor on customer satisfaction varies with the other factor.

This means that the variance in the perceived rating of e - commerce users differs in men and women in sense that the perceived value in men with age increases, while in women, it decreases. These survey outcomes are enough qualifying proof for conclusion that the influence of age on the level of perception changes depending on whether the user is a female or a male.

Picture 2. ANOVA for e - commerce - perceptions



Source: Calculation of authors

In proving the second hypothesis in the Public Administration sector, a survey of service expectations and perceptions shows that the differences are not statistically significant, i.e. the sample did not prove that men and women of any age differed in expectations and perceptions of electronic building permits and electronic taxes.

5. CONCLUSION

The service innovations discussed in the paper began with the introduction on small doors 10 years ago in order to experience widespread use and continually development only in the last three years. Despite these facts innovations were conducted, and they were the main culprit not for above mentioned worker anxieties but for better customer satisfaction as showed survey outcomes. At the same time, analysis of variance indicated that in the examined sample, the simultaneous influence of the gender and age exist only in the perception of e - commerce. Specifically, the perceived value of e - commerce in men increases with age and in women it decreases.

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ZADOVOLJSTVO INOVACIJAMA USLUGA U SRBIJI

SAŽETAK RADA:

Cilj rada je sagledati zadovoljstvo inovacijama usluga njihovih korisnika u Srbiji. Usluge predstavljaju budućnost nacionalnih gospodarstava, s obzirom na to da su generirale 66% bruto društvenog dohotka EU-a. U radu će se prezentirati pojam, značaj, klasifikacija, klasičan i suvremeni model inovacija usluga. Također, ukazat će se na faktore koji utječu na uspešnost inovacija usluga. Empirijski dio obuhvatio je ispitanike iz područja trgovine, bankarstva i javne uprave. Konačno, primjenom prilagođenog SERVQUAL modela i ANOVA analize, utvrđena je razina zadovoljstva klijenata inovativnih usluga.

Ključne riječi: inovacije usluga, zadovoljstvo korisnika, faktori uspješnosti inovacija

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IMPLEMENTATION OF THE INVESTMENT PLAN FOR EUROPE IN THE REPUBLIC OF CROATIA

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ABSTRACT:

In order to improve the investment and financial environment in the EU and create a framework for stronger investment and sustainable economic growth, the European Commission (EC) launched the 2015 Initiative called the Investment Plan for Europe (the Plan). The legal preconditions for the adoption of the Plan have been met by the adoption of Regulation (EU) No. 2015/1017, and the key instruments for implementing the Plan are the European Fund for Strategic Investments (EFSI), the European Investment Project Portal (EIPP) and the European Investment Advisory Hub (EIAH). EFSI focuses on investment in infrastructure, energy, research, development and innovation, broadband infrastructure, education and training, healthcare and ICT. Its main function is to take over part of the risk associated with the activities carried out by the European Investment Bank (EIB) and the European Investment Fund (EIF), and therefore the EIB can invest in projects with a higher risk profile than usual. About a quarter of the fund is devoted to projects supporting small and medium-sized enterprises, as well as medium-market capitalization companies (mainly through the EIF). By the decision of the Government of the Republic of Croatia, the Croatian Bank for Reconstruction and Development (HBOR) was appointed as the National Development Bank for the implementation of the Plan in the Republic of Croatia. At 31.12.2018. funding from EFSI in Croatia amounted to EUR 222 million.

Key words: *The Investment Plan for Europe; the European Fund for Strategic Investments; the European Investment Bank (EIB); the European Investment Fund (EIF); the Croatian Bank for Reconstruction and Development (HBOR).*

1. THE INVESTMENT PLAN FOR EUROPE

In order to improve the EU's investment and financial environment and create a framework for stronger investment and sustainable economic growth, the European Commission (hereinafter referred to as "the EC") launched an initiative in 2015 called the Investment Plan for Europe (also known as "the Juncker Plan"). The Investment Plan for Europe (Plan, 2015) has three objectives: to remove obstacles to investment; to provide visibility and technical assistance to investment projects; and to make smarter use of financial resources.

As such, the plan is made up of three pillars:

- First, the European Fund for Strategic Investments (EFSI, 2015), which provides an EU guarantee to mobilise private investment. The EC works together with its strategic partner, the European Investment Bank Group (EIB).
- Second, the European Investment Advisory Hub (EIAH, 2015) and the European Investment Project Portal (EIPP, 2015) which provide technical assistance and greater visibility of investment opportunities, thereby helping proposed investment projects become a reality. The EIAH is a joint venture with the EIB Group (EIB).
- Third, improving the business environment by removing regulatory barriers to investment both nationally and at EU level.

The EC and the EIB Group are jointly involved in the implementation of the Investment Plan for Europe as strategic partners. The EIB Group is comprised of the European Investment Bank and the European Investment Fund (EIF), where the EIB is responsible for the Infrastructure and Innovation Framework, ie long-term investments under the Investment Plan for Europe, and the EIF for the SME Framework. The aim of launching the Plan was to mobilize additional private and public investment by mid-2018, through the European Fund for Strategic Investments (EFSI). This would stimulate new investments of at least EUR 315 billion, increase the competitiveness of the economy and support long-term economic growth in the EU. According to EC data, by July 2018, the Plan has stimulated EUR 335 billion in investment.

2. THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS

The European Fund for Strategic Investments (EFSI) is a key instrument of the Investment Plan for Europe, aimed at fostering long-term economic growth and competitiveness in the European Union (hereinafter: the EU). The aim of this fund is to contribute to the optimal use of public funds, among other resources from the EU budget, to encourage private investment in a wide

range of projects in the EU. The EFSI is a separate and transparent entity and has a separate account managed by the EIB. The key objectives of establishing an EFSI are: to improve the risk-bearing capacity of EIB investment operations; eliminate market gaps and find solutions for under-investment levels and contribute to the generation of around EUR 315 billion in additional investments over a three-year period. The basis of the EFSI is the guarantee of EUR 16 billion secured from the EU budget and EUR 5 billion provided by the EIB (a total of EUR 21 billion). For the purpose of securing a guarantee of EUR 16 billion, in order to support investments and financial operations of the EIB, a guarantee fund of EUR 8 billion has been set up to protect the EU budget from any losses that may result from the activities of the EFSI.

For operations that are set to benefit from the EU budget guarantee under EFSI, three dedicated bodies play a significant role. Managing Director is responsible for the day-to-day management of EFSI and of supporting the Steering Board and the Investment Committee. The Steering Board decides on the overall strategy of the EFSI; EFSI risk profile; EFSI operational policies and procedures and rules applicable to investment platforms and national development banks. It makes decisions by consensus. The Investment Committee reviews the projects and decides which ones are eligible for use of the EU guarantee. It makes its decisions by a simple majority. Eligible projects must: be economically and technically viable; contribute to EU objectives; have the potential to exploit other sources of funding and be such that they need the support of the EFSI and cannot be implemented solely with the help of existing EU and EIB instruments.

EU-backed EIB investments are expected to attract private investment as well, and the EFSI, with a total value of € 21 billion (16 + 5), is estimated to have a total multiplier effect of 1:15, generating new investments worth approximately EUR 315 billion. This means that the EUR 21 billion fund enables the EIB to borrow approximately three times the amount, ie around EUR 63 billion, which will be earmarked for investment and project financing. The amount of € 63 billion available for investment is then expected to attract investment from private investors, bringing the total value to around € 315 billion. Each euro of public money used by the EFSI is expected to generate EUR 12 from private investors and EUR 3 from the EIB.

Key areas of investment within the EFSI are: strategic infrastructure, including digital, transport and energy infrastructure; renewable energy and energy efficiency; education and training, research, development and innovation; environmental and social projects and urban development projects; and support to small and medium-sized enterprises (SMEs) and mid-cap companies. The possibility of co-financing projects together with the European Structural and

Investment Funds (ESI Funds) and the co-financing of private and public projects through favorable EIB loans is envisaged, with a guarantee from the EU budget.

The EFSU is primarily a guarantee instrument that enables the EIB Group to further strengthen its lending and guarantee activities, ie: to assume greater risk by the EIB Group; direct lending to certain major projects by the EIB; stronger implementation of EIF instruments for SME projects and investment platform development (IP, 2019). As a rule, projects supported by the EFSI must have a higher risk profile than projects funded by the EIB Group under normal circumstances and without an EU guarantee. Such projects must be economically and technically sustainable, ready for financing and must mobilize the private sector capital to the greatest extent possible.

An application for EFSI financing may be submitted by:

- Entities of all sizes, including utilities, special purpose vehicles or project companies, small and medium-sized enterprises (with up to 250 employees) and midcaps (with up to 3.000 employees)
- Public sector entities
- National promotional banks (eg. Croatian Bank for Reconstruction and Development - HBOR in the Republic of Croatia) or other banks to deliver intermediated lending
- Funds and any other form of collective investment vehicles
- Bespoke investment platforms

Projects financed by EFSI will need to go through the standard EIB due diligence as well as an assessment by the EFSI Investment Committee to decide whether they are eligible for backing under the EU guarantee. They need to be technically and economically sound and match the eligible sectors laid-out in the Investment Plan. Likewise, the risk profile of the EFSU project portfolio will generally be higher than the average risk profile of other EIB projects.

2.1. ADOPTION OF REGULATION (EU) 2017/2396 ON THE EFSI AND AMENDING THE REGULATION

Encouraged by the results of the Juncker plan, the EC launched in November 2016 a process for amending the existing EU Regulation no. 2015/1017 on the EFSI and the EIAH and, the following amendments were introduced by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 (Regulation 2017):

- Extension of the EFSI to the end of 2020 (EFSI 2.0);
- Expansion of financing capacity with objective to achieve investments of EUR 500 billion;

- Increasing the EU guarantee from EUR 16 to EUR 26 billion and the EIB contribution from EUR 5 to EUR 7.5 billion, ie increasing the EFSI from EUR 21 billion to EUR 33.5 billion;
- Expanding the EFSI to more sectors, such as sustainable agriculture, forestry, fisheries and aquaculture and extending financing to other industries and services in less developed regions and transition regions;
- Introducing a limit according to which at least at least 40% of EFSI infrastructure and innovation projects will aim to contribute to climate action in line with the Paris Agreement (COP 21);
- Extension of the definition of additionality so that the EIB's specific activities supported through the EFSI should, as a rule, include subordinated financial instruments, risk-sharing, cross-border projects, increased exposure to certain risks or the like;
- Improving transparency in project selection (the EFSI Investment Committee is obliged to publicly announce its decisions for each operation and to justify the granting of support under the EU guarantee); and
- Strengthening the local presence and role of the EIAH, which provides technical support together with national development banks and other local stakeholders (in countries where there are difficulties in developing projects for the EFSI).

In addition to the above changes, the EC, after consultation with the Member States, has proposed the following amendments to Regulation (EU) 2017/2396:

- An EU guarantee may be awarded to the EIB for financing and investment that supports the objectives of the EFSI, including for security and defense projects;
- The new Regulation also gives a more detailed definition of what makes a project eligible for EFSI support, so-called "additionality";
- Easier combining EFSI funding with other EU sources of financing, including ESI Funds, with a limit of up to 90% of total project costs for less developed regions and 80% for all other regions;
- The EIB must inform the EC of its knowledge of the obstacles to investment in the Member States that have been observed in the conduct of EFSI related investment operations, and the EC should take these findings into account in the context of economic policy coordination.

3. THE EUROPEAN INVESTMENT PROJECT PORTAL (EIPP)

The EIPP is the EU matchmaking portal, enabling EU-based project promoters – public or private – to reach potential investors worldwide. The Portal is a free service offered by the European Commission and is part of the Investment Plan for Europe, which aims to mobilise investment, boost economic growth and create jobs across the EU. The Portal will boost the visibility of EU-based projects to a large network of international investors, by presenting projects in a structured and harmonized format.

To be eligible for publication on the EIPP, a project must:

- Have a total cost of at least EUR 1 million;
- Be in one of the pre-determined high-value economic sectors;
- Be expected to start within 3 years of submission (or shall have started already);
- Be promoted by a public or private legal entity established in an EU Member State;
- Be compatible with all applicable EU and national laws.

Project promoters register their projects to the EIPP online, using the form available at the link: <https://ec.europa.eu/eipp/desktop/en/index.html>. The projects are shown on the EIPP for information purposes only and have not been pre-selected for financing from the EFSI or the EU program.

4. THE EUROPEAN INVESTMENT ADVISORY HUB (EIAH)

The EIAH is a partnership between the EIB Group and the EC as part of the Investment Plan for Europe which provides targeted support to investors, project promoters, public authorities or private companies to identify, prepare and develop investment projects across the EU. The EIAH provides its services at EU and local level. It has been established to be a “single point of contact” for investors or project developers seeking advice on investment projects and their financing. The EIAH is governed by the agreement between the EC and the EIB. Both institutions financially contribute to the initiative. The EIB Group is responsible for the management of the EIAH. The EIAH’s work is based on the expertise and existing advisory services provided by the EIB and EC, such as „fi-compass“ or JASPERS. Likewise, the work of the EIAH relies on the expertise of National Development Banks (NDBs) and Institutions, as well as the governing bodies of ESIF funds. The ESCU may enter into contractual partnerships for the purpose of cooperating with NDBs and Institutions and EU Member States’ managing authorities.

Services provided by EIAH include:

- providing technical assistance to public authorities, project promoters and private companies,
- assisting project promoters to develop their projects so that they meet the eligibility criteria in accordance with the EFSI Regulation,
- improving the availability of EFSI support across the EU, by leveraging local knowledge effectively,
- functioning of the EIAH as a platform for the exchange of experience and expertise in project development.

The EIAH provides advice on:

- use of technical assistance to structure projects,
- use of innovative financial instruments,
- the use of public-private partnerships (PPPs),
- relevant EU legislation.

The Eiah also provides targeted support, taking into account the situation in Member States with less developed financial markets. ESCU's operations are financed by the EU budget (approximately EUR 20 million per year. More information on the link: <https://eiah.eib.org/>

5. THE EUROPEAN INVESTMENT FUND (EIF)

The EIF is a leading source of risk financing for innovative SMEs across Europe. Within the EFSI, financial resources are made available to SMEs (up to 250 employees) and mid-cap companies (250 to 499 employees) through financial intermediaries. Through the EFSI, the EIF provides EUR 7.5 billion to launch investments of SMEs and mid-cap companies totaling EUR 75 billion. The financial intermediaries, as partners in cooperation with the EIF within the EFSI, will provide with this financing to the real sector. Eligible financial intermediaries are guarantee and credit institutions and credit (debt) funds authorized to perform credit or leasing operations with SMEs. The eligibility requirements for EFSI projects are: the project is commercially viable and economically and technically sustainable; contributes to EU goals, sustainable growth and employment; eligible for funding; the cost of financing the project is in line with the risk taken and mobilizes private capital.

6. HBOR'S ROLE IN THE IMPLEMENTATION OF THE INVESTMENT PLAN FOR EUROPE IN THE REPUBLIC OF CROATIA

Pursuant of the Decision of the Government of the Republic of Croatia on 24 September 2015 (Decision,2015) on entrusting the activities relating to the cooperation on the implementation of the Investment Plan for Europe with the EIB and the EIF, the activities relating to the cooperation with the EIB and the EIF for the purpose of implementation of the Investment Plan for Europe have been entrusted to the Croatian Bank for Reconstruction and Development (hereinafter: HBOR).

The Decision entrusted HBOR with the following tasks:

- participation in the implementation of the Investment Plan for Europe (hereinafter: the Plan) through cooperation at the level of investment platforms and individual projects and direct contacts with EIB Group members;
- acting as a national access point for potential clients and stakeholders and creating new financial products in line with the needs of the Croatian economy;
- identification of economically and technically viable projects in key sectors, which will be proposed for EFSI financing;
- attracting private entities to invest in combination with public resources, participating in financing infrastructure and SME projects through various programs aimed at promoting economic growth;
- establishment of the Croatian Investment Projects Portal (hereinafter: CIPP);
- acting as a national contact point for cooperation with the EIAH; and
- establishing cooperation with other national development banks in the implementation of the Plan.

By the same Decision, the Ministry of Regional Development and Funds of the European Union (hereinafter: MRRFEU) has been appointed Chief Coordinator of the work of the competent state administration bodies, agencies and other legal entities, while ensuring their co-operation with HBOR in the implementation of the Plan.

7. IMPLEMENTATION OF THE INVESTMENT PLAN FOR EUROPE IN REPUBLIC OF CROATIA

As mentioned earlier, the EFSI is primarily a guarantee instrument that provides EIB Group additional lending and guarantee activity, with key areas of investment being infrastructure, education, research and innovation and risk financing for SMEs.

There are neither regional nor sectoral quotas within the EFSI and the allocation of project support is adjusted to market demand. Within the framework of the EFSI, the Republic of Croatia is currently benefiting from agreements on SMEs and mid-cap companies.

So far, seven projects have been approved in the Republic of Croatia:

1. Risk sharing for mid-cap companies and other priorities (HBOR),
2. InnovFin SME Guarantee Facility (HBOR),
3. Development of the Istrian Riviera - Investing in Tourist Facilities (Valamar Riviera d.d.),
4. KKE EL-TO Zagreb - High Efficiency Combined Cogeneration Power Plant (HEP d.o.o.),
5. Guarantees under the COSME Program (Privredna banka Zagreb d.d.),
6. InnovFin Guarantee Instrument for SMEs (Zagrebačka banka d.d.),
7. InnovFin Guarantee Instrument for SMEs (Erste & Steiermärkische Bank and Erste & Steiermärkische S-Leasing).

To facilitate access to EIAH services at national and local level, the EIB has signed a cooperation agreement with HBOR to better adapt advisory services to local needs and to bring them closer to end users in the Republic of Croatia. At the end of May 2017, the MRRFEU requested EIAH to improve processes and procedures related to investment planning and implementation. In March 2018, an Agreement was signed between MRRFEU and EIB to provide advisory services to Croatian public institutions for the purpose of identifying, preparing and developing investment projects. The agreement is fully funded by the EIB and will contribute to the establishment of more efficient planning and implementation of investment projects. The EIAH advisory services have been used so far by KBC Rijeka in the project New Hospital.

The Plan also includes EIPP, as an online platform that connects project promoters to potential investors. At the end of 2018, EIB financing under the Plan in the Republic of Croatia amounted to EUR 222 million. It is expected that this financing will stimulate EUR 890 million in total investments. Croatia currently ranks 16th in EFSI-backed investment in GDP (Report 2018). The follow-

ing are successful examples of structuring EFSI funding for two projects in the Republic of Croatia. The first example is financing of investments in new tourist capacities (Valamar Riviera d.d.), and the second example is financing of the project of investment in public infrastructure (Rijeka Clinical Hospital centre).

8. AN EXAMPLE OF COMPANY LENDING IN THE REPUBLIC OF CROATIA BY THE EIB WITH THE SUPPORT OF A GUARANTEE THROUGH THE EFSI

Valamar Riviera Company (Valamar) signed on March, 6th 2018, EUR 16 million loan agreement with the EIB. This is the first EIB transaction in Croatia involving the direct financing of a private sector company that benefits from the support of the EU budget guarantee under the EFSI, the financing component of the Investment Plan for Europe, also known as the Juncker Plan. The EIB loan co-financed the completion of Valamar Girandella Resort with the construction of the first five-star Kinderhotel in Valamar Riviera's portfolio. With the Valamar Collection Maro Suites 5* hotel opening in April 2018, the process of repositioning destination Rabac as a leading leisure destination for high-end guests was completed successfully (Bereš N., 2019).

In order to qualify for the loan, Valamar went through rigorous procedures in which he had to prove that he was operating in accordance with EIB policies. Above all, this is about the coherence of policies that take care of the environment, contribute to the local community and develop a destination. Valamar has also undertaken the obligation to report according to the EIB standards for the duration of the loan agreement. The collateral for the loan fully complied with the collateral requirements for transactions of the same size as the commercial banks. By this direct loan from the EIB, Valamar has completed the project of the repositioning of the destination Rabac with a total value of EUR 130 million.

The total sources of project financing and their structure are presented below (Table 1). The loan from the EIB to Valamar was complementary to an intermediated loan of EUR 44 million granted to Valamar through HBOR in March 2017. In this way, the EIB financed the entire project directly and indirectly (through the HBOR loan) with a total of EUR 60 million (46.15%). Given the EIB's restrictions on the financing of individual projects (the EIB can finance a maximum of 50% of an individual project), Valamar provided additional sources of financing worth a total of EUR 70 million (53.85%). Own funds amounted to EUR 32 million (24.62%) and a long-term loan from commercial bank amounted to EUR 38 million (29.23%).

Table 1: Sources of financing of the Project Valamar Girandella Resort in destination Rabac, Istria, Croatia

Sources of financing	Amount (million EUR)	Percentage (%)
EIB Loan agreement	16,00	12,30%
HBOR Loan (intermediated loan from EIB)	44,00	33,85%
Valamar own capital	32,00	24,62%
Long-term loan from commercial bank	38,00	29,23%
TOTAL:	130,00	100,00%

Source: Bereš N.: *Valamar Rivijera*; processing by the Author

9. FINANCING OF THE CONSTRUCTION OF THE RIJEKA CLINICAL HOSPITAL CENTRE (KBC RIJEKA)

The Rijeka Clinical Hospital Centre is one of five comprehensive care hospitals in Croatia. The center is spread out over three locations, with more than 3,200 staff offering specialized care to a population of about 600,000 people in Rijeka, Primorsko-Goranska County, and the surrounding counties in western Croatia. The hospital treats around 45,000 inpatients and 650,000 outpatients and day hospital/day surgery patients per year and serves as an important educational and research center. It is the main teaching base for the University of Rijeka's School of Medicine. The main challenge is the fact that the hospital's buildings are scattered across Rijeka, and they are old, inefficient and outdated. The poor conditions put a severe burden on staff and patients, and this affects the efficiency of care and lowers patient and staff comfort. A few years ago, the Rijeka Clinical Hospital Center (KBC Rijeka) entered into a strategic investment project called "Hospital under one roof" (hereinafter: the Project), which plans to relocate hospital units scattered throughout the city of Rijeka to a unique location on the site Sušak. The construction of the Rijeka Clinical Hospital Centre is a capital investment by the Ministry of Health and the Government of Croatia, which will mark the future and quality of medical care for citizens of this part of Croatia. Completion of this project will provide medical and university staff at KBC Rijeka with more efficient organization, adequate working conditions and higher productivity, and improved quality of medical services and numerous technological and clinical improvements to patients. The project consists of several stages. In the first phase, the Center for Hemodialysis (2009) and the Center for Underwater and Hyperbaric Medicine (2016) were opened and the surgical activities of KBC Rijeka were located at the Sušak site.

9.1. FINANCING STRUCTURE OF THE SECOND PHASE OF THE PROJECT

The second phase of the project is an investment in the construction of a Mother and Child Care Centre, consisting of a Pediatric Clinic, a Pediatric Surgery Clinic, and a Gynecology and Obstetrics Clinic. In addition to the aforementioned facilities, it is planned to build a central kitchen, laundry, thermal power block and multi-storey car park. The estimated total investment in Phase 2 of the Project, expected to be completed by the end of 2021, is EUR 100 million (approx. HRK 750 million). The investment is structured in such a way that the entire amount of funds will be channeled to KBC Rijeka through HBOR loan. The first loan agreement with HBOR worth EUR 9.3 million has already been signed and is in use. The remaining EUR 90.7 million will also be approved through the HBOR loan. The Government of the Republic of Croatia approved a loan guarantee for KBC Rijeka in favor of HBOR of HRK 680 million at its session held on July 5, 2018 (Guarantee, 2018). At the back of this credit facility are loans to be granted to HBOR by the EIB in the amount of EUR 44 million and from the Council of Europe Development Bank (CEB) in the amount of EUR 46.7 million. The EIB will grant HBOR a loan backed by a guarantee from the EFSI, and CEB will credit HBOR for risk sharing with the EIB. Therefore, the Agreement between HBOR and KBC Rijeka will include the rights and obligations of the EIB and CEB, which will finance HBOR, but will, in turn, require monitoring of project implementation.

9.2. TECHNICAL ASSISTANCE TO THE RIJEKA CLINICAL HOSPITAL CENTRE (KBC RIJEKA)

The prerequisite for the loan arrangement of the EIB and CEB with HBOR, which represented *the conditio sine qua non* of financing phase 2 of the project, was a strategic approach to the future development of KBC Rijeka with the support of the EIB. The EIB, through the EIAH, provided KBC Rijeka with technical assistance in the form of the involvement of top health and healthcare management experts. The hospital asked the EIAH for help in building a modern, integrated hospital complex on a central site located in Sušak. As a first step in the planning of the project, the EIAH helped the staff create a long-term strategic development plan for hospital services. This plan serves as the roadmap for the future organisation of the hospital and it encourages the design and layout of buildings according to the principle of "form follows function". The EIAH also helped the hospital develop an investment programme for the project for the

period 2017-2025. This document integrates a long-term investment program and contains a clear and concise strategy for the development of the New Hospital and defines medical and non-medical goals, measurable performance indicators and methodology for evaluating results. The prerequisite for the loan arrangement with HBOR and thus the indirect financing of KBC Rijeka was the approval of the investment program by the management board of the EIB and CEB (Slemensek M.).

10. CONCLUSION

In order to improve the investment environment in the EU and create a framework for stronger investment and sustainable economic growth, the EC launched 2015 the Investment Plan for Europe (Plan). The key pillars of the Plan are the European Fund for Strategic Investments (EFSI), the European Investment Project Portal (EIPP) and the European Investment Advisory Hub (EIAH). EFSI focuses on investment in the propulsive sectors (such as infrastructure, energy, research, development and innovation, broadband infrastructure, education and training, healthcare and ICT). Its main function is to take over part of the risk associated with the activities carried out by the European Investment Bank (EIB) and the European Investment Fund (EIF), and therefore the EIB can invest in projects with a higher risk profile than usual. About a quarter of the fund is devoted to projects supporting small and medium-sized enterprises, as well as medium-market capitalization companies (mainly through the EIF).

By the decision of the Government of the Republic of Croatia, the Croatian Bank for Reconstruction and Development (HBOR) was appointed as the National Development Bank for the implementation of the Plan in the Republic of Croatia.

According to the latest MRRFEU report (which is the main coordinator of the work of the competent state administration bodies) to the Government of the Republic of Croatia, 7 projects have been approved by the EFSI so far in the Republic of Croatia. At the end of 2018 funding from EFSI in Croatia amounted to EUR 222 million. It is expected that this financing will stimulate EUR 890 million in total investments.

Cooperation was established with the EIAH, through which the EIB provided free technical assistance for quality project preparation in the Republic of Croatia. Also, the first steps were taken to establish the Croatian Investment Projects Portal (CIPP).

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PROVEDBA PLANA ULAGANJA ZA EUROPU U REPUBLICI HRVATSKOJ

SAŽETAK RADA

Kako bi se poboljšalo investicijsko i financijsko okruženje na prostoru EU i stvorio okvir za snažnije investicije i održiv gospodarski rast, Europska komisija (EK) pokrenula je 2015. inicijativu pod nazivom Plan ulaganja za Europu (Plan). Zakonske pretpostavke donošenja Plana ispunjene su usvajanjem Uredbe (EU) br. 2015/1017, a ključni instrumenti provedbe Plana su Europski fond za strateška ulaganja (EFSU), Europski portal projekata ulaganja (EPPU) i Europski savjetodavni centar za ulaganja (ESCU). EFSU se fokusira na ulaganja u infrastrukturu, energetiku, istraživanje, razvoj i inovacije, širokopojasnu infrastrukturu, obrazovanje i osposobljavanje, zdravstvo te u IKT. Glavna funkcija mu je preuzimanje dijela rizika povezanog s aktivnostima koje provode Europska investicijska banka (EIB) i Europski investicijski fond (EIF) te stoga EIB može ulagati u projekte s višim profilom rizika od uobičajenog. Oko četvrtine fonda posvećeno je projektima kojima se podupiru mala i srednja poduzeća, kao i poduzeća srednje tržišne kapitalizacije (uglavnom putem EIF-a). Odlukom Vlade RH imenovan je HBOR kao Nacionalna razvojna banka za provedbu Plana u RH. Krajem 2018. godine financiranje iz EFSU-a u RH iznosilo je 222 milijuna EUR.

Ključne riječi: *Plan ulaganja za Europu; Europski fond za strateška ulaganja; EIB; EIF; HBOR.*

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SPECIFICITY OF GOLD TRADE

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ABSTRACT:

Investment gold encompasses gold in the form of levers or weight plates accepted on the market of precious metals, of a purity equal to or greater than 995 thousand and gold coins of a purity equal to or greater than 900 thousand that meet the prescribed conditions. If the sale of investment gold is carried out by the taxpayer of value added tax, exemption from value added tax applies. The investor gold dealer is obliged to keep the prescribed records. Investing in investment gold is a relatively safe investment whereby no natural person taxes the earned income.

Key words: *investment gold, gold bullion, gold plate, VAT exemption*

1. INTRODUCTION

Investing in gold as a precious metal has always been a relatively safe investment and it comes in various forms (eg golden jewelry or levers). From trading point of view the most important form is investment gold.

The definition of investment gold, from a tax point of view, is regulated by the Act on Value Added Tax (hereinafter: VAT Act), Council Directive 2006/112 / EC of 28 November 2006 on the common system of value added tax (hereinafter: Council Directive 2006/112 / EC) and Council Implementing Regulation (EU) no. 282/2011 of 15 March 2011 laying down implementing measures for Directive 2006/112 / EC on the common system of value added tax (hereinafter: Council Implementing Regulation No 282/2011).

2. WHAT IS INVESTMENT GOLD?

In accordance with Art. 113 (1) of the VAT Act, investment gold, is considered to be gold in levers or weight plates and gold coins. It is stated that gold in levers or weight plates must be expressed in weights accepted in the precious metals market with a purity equal to or greater than 995 thousandths. Gold in levers or weight plates may or may not be represented by securities.

In Art. 344 of the Council Directive 2006/112 / EC is stated that investment gold is:

Gold, in the form of levers or weight plates, of a weight accepted on the precious metal market, of a purity equal to or greater than 995 thousandths, whether or not represented by securities

Gold coins of purity equal to or greater than 900 thousand, which are minted after 1800is and are or were legal means of payment in the country of origin and are normally sold on an open market at a price not exceeding 80% of the value of the gold contained in the coins. These coins are considered not to be sold for numismatic purposes.

Beginning from 1999, each Member State is obligated to notify the Commission, by 1 July each year, of coins which meet the criteria stated in point. 2 Art. 344 (1) and are traded in that Member State¹. Furthermore, the Commission is obliged, before 1 December each year, to publish a list of all the coins in the 'C' series of the Official Journal of the European Union and it is considered that the coins included in the publication meet the set criteria throughout the year for which the list was published.

The stipulation for the publication of the list of gold coins is incorporated in Art. 192 (2) of the Regulation on value added tax (hereinafter: VAT Regulation). Council Implementing Regulation no. 282/2011 brings clarifications regarding the weights accepted in the gold market. Specifically, in Annex III. of the said Regulation it is stated that the following units and weights are permitted in the gold market:

Unit	Tradeable weights
kg	12,5/1
gram	500/250/100/50/20/10/5/2,5/2
ounca (1 ounce = 31,1035 g)	100/10/5/1/1/2/ 1/4/
tael (1 tael = 1,193 unce) ²	10/5/1
tola (10 tola = 3,75 unce) ³	10

¹ Art. 345. Council Directive 2006/112/EC

² Tael = traditional chinese weight mark. Nominal fineness of the Hong Kong tael leveris 990, but in Taiwan the 5 and 10 tael levers can be of 999,9 fineness.

³ Tola = traditional indian weight mark for gold. The most popular lever is the size od 10 tola, fineness of 999.

The Ministry of Finance, in its opinion from 25/02/2015 (Class: 410-01/13-01/4238) has presented special procedures regarding taxation of investment gold and distinguishing commemorative coins and gold bullion or weight plates.

In its opinion they state: *„According to the provisions of Art. 113 of the Value Added Tax Act (Official Gazette 73/13, 99/13 - Decision of the USRH, 148/13 and 153/13 - Decision of the USRH) by “investment gold” within the meaning of that Act, gold is considered to be bullion or tile, weights accepted in the precious metals market, of purity equal to or greater than 995 thousandths, whether represented by securities or not, gold coins of purity equal to or greater than 900ths, minted after 1800is and are or were legal means of payment in the country of origin and are normally sold on an open market at a price not exceeding 80% of the value of the gold contained in the coins. These coins are considered not to be sold for numismatic purposes. In accordance with Art. 345. by EC Directive 2006/112, each Member State shall notify the Commission by 1 July each year of coins which fulfill the criteria laid down in Art. 344 (1) 2. of that Directive and marketed in that Member State. Each year, the European Commission publishes in the Official Journal of the European Union a list of gold coins that are considered investment gold in all Member States. Given that the relevant gold coins in question are not on the above list, we are of the opinion that they cannot be subject to the special taxation procedure for investment gold. Since the Republic of Croatia may, through the Croatian National Bank, propose that the commemorative gold coins of purity 999/1000 thousandths be included in the said list, the taxpayer may ask the Croatian National Bank to inquire whether the respective gold coins in question are considered investment gold in the Republic of Croatia. Regarding the part of the inquiry about what records of transactions with investment gold should be kept, please note that under the provision of Art. 117 of the Value Added Tax Act, taxpayers must issue invoices and keep records of transactions in investment gold. Taxpayers must keep information on this, including customer identity information, within the time limits prescribed by the General Tax Act.*

Consequently, although the Act on Value Added Tax and the Ordinance on Value Added Tax (Official Gazette 79/13, 85/13 - Amendments and 160/13) do not specifically prescribe the form and content of transactions with investment gold must be provided by the taxpayer in his bookkeeping or off-balance sheet records on the basis of proper and credible bookkeeping documents.”

3. ADVANTAGES OF INVESTING IN INVESTMENT GOLD

From the investors point of view, eg. an individual, there are numerous advantages of investing in investment gold. The main advantage is high level of security because throughout history it has been proven that its value increases

during crisis. The price of gold increases annually 7% (average growth over the last 20 years). It is documented that during the recession the price of this metal had a growth of 30% per year.⁴

Furthermore, increase in the price of gold will not lead to taxation because it is not classified as income in the provisions of the Income Act.⁵ Also, when the gold is sold there is no taxation and therefore it is a good investment from a taxation aspect.

4. APPLICATION OF SPECIAL TAXATION PROCEDURE FOR INVESTMENT

The provisions of VAT Act, Art. 113. – 117. regulate a special procedure of investment gold taxation. There are various reasons for implementing a special procedure for investment gold taxation and they mainly stem from the fact that investment gold transactions should be equated with other financial instruments or services that are subject to exemptions - as explained in the Council Directive 2006/112 / EC.

A special taxation procedure for investment gold with VAT exemptions:

- delivery of investment gold,
- the acquisition of investment gold within the EU and
- import of investment gold from third countries.

The specificity of special taxation procedure of investment gold is the VAT exemption. In accordance with the Art. 114 of VAT Act, VAT exemption applies on delivery, acquisition within the EU and import of investment gold including investment gold in the form of certificates of individual or group gold storage, gold traded through trading gold account including loans and swap in gold that include transfer of ownership or receivables regarding investment gold, as well as investment gold transactions involving future contracts that result in the transfer of ownership or claims to investment gold.

VAT is also exempt from the services of intermediaries acting on behalf of others if they mediate in gold delivery for their client.

However, exceptionally of Art 114 VAT Act, taxpayer who produces gold or converts gold into investment gold has the right to choose will his deliveries of investment gold be taxed.

Equally, the right to apply the taxation of investment gold in accordance with Art 113 (1) 1 of VAT Act (golden levers or weight plates) has the taxpayer who is a supplier of industrial gold to another taxpayer. Investment gold man-

⁴ www.bankazlata.com

⁵ Official Gazette., no. 115/16. i 106/18.

ufacturers, who sell their gold as goods, not investment gold, to other taxpayers can apply for the regular taxation process and charge VAT. In that case, they have the right to tax deduction on the deliveries received.

If the supplier of gold decides to tax his deliveries than the broker for gold mediation services has the right to choose for taxation. In accordance with art 193 (1) of the VAT Rulebook the taxpayer delivering the gold for industrial purposes to another taxable person and the intermediary shall be obliged to inform the competent office of the tax authorities of its decision which taxation model will they apply..

Those entities are entitled to taxation of their deliveries from the first day of the month following the month in which they notified the tax authorities.

However if the decision is not to tax the deliveries the exemption will be applied in accordance with the art 114 of VAT Act. According to art 115. (4) of VAT Act the taxpayer carrying the deliveries of gold material or gold semi manufactures products finesses of 334 thousand or greater will transfer of tax liability to the recipient.

4.1. WHO CAN APPLY THE SPECIAL TAXATION PROCEDURE FOR INVESTMENT GOLD

Entrepreneurs who are subject to value added tax may apply a special taxation procedure for investment gold. In principle, deliveries of investment gold are exempt from VAT in accordance with Art. 114 of the VAT Act, and therefore the taxpayer (the supplier) is not entitled to deduct the input tax on the goods and services used to make the said deliveries. However, Art. Article 116 (1) of the VAT Act regulates the right to deduct tax prepayment for taxpayers (suppliers of investment gold or gold producers) when they have not opted for the regular method of taxation.

The taxpayer is entitled, in accordance with Art. 116 (1) of the VAT Act to deduct the VAT paid or levied for:

- investment gold delivered to him by a person who has chosen taxation under Art. 115 (1) and (2) of the VAT Act,
- procurement or acquisition within the EU or for the importation of gold, other than investment gold, which he himself has made and subsequently converted into investment gold by a taxpayer or someone on his behalf,
- services rendered to him, consisting of a change in the shape, weight or purity of the gold, including investment gold.

In accordance with Art. 116 (2) of the VAT Act, a taxpayer who produces investment gold or converts gold into investment gold has the right to deduct the VAT paid or levied on for goods delivered or acquired within the EU, imported goods or services rendered in relation to the production or conversion of that gold, which is exempt from VAT under Art. 114. (a) VAT Act, taxable.

With regard to the application of the preceding provision, the Ministry of Finance - Tax Administration expressed its position on 28 September 2015 (Class.: 410-01 / 15-01 / 1402), from which we extract: *"Therefore, the delivery of gold coins that can be considered investment gold, because they satisfy the conditions prescribed in Art. 113 (1) 2 of the Act, is exempt from VAT without the right to deduct tax in accordance with the provisions of Art. 58 (4) 1 of the Act.*

Considering that for the above mentioned gold coins, the taxpayer withheld the pre-tax upon purchase, and the delivery of the same was exempt from VAT without the right to deduct, the taxpayer must correct the pre-tax deduction in accordance with the provisions of Article 63, (1 and 2) of the Act. Since it is a taxpayer who makes deliveries for which a tax deduction is allowed and deliveries for which a tax deduction is not allowed, deliveries of VAT-exempt gold coins without the right to deduct tax are included in the denominator for the calculation of the amount of pre-tax the supply of goods and services for which a deduction of tax is allowed in accordance with the provisions of Art. 62, paragraph 1 of the Act.

In the case of joint sale of different coins that are individually subject to VAT, with certain coins subject to VAT and others exempt from VAT, it is necessary to determine the tax base for each individual coin as well as the amount of VAT calculated on coins that are taxable."

In order to be able to fulfil the conditions explained in the previous position, the entrepreneur should keep separate records.

4.2. OBLIGATIONS OF THE INVESTMENT GOLD SELLER

The taxpayer engaged in the sale of investment gold is obliged, in accordance with Art. 117 of the VAT Act, to keep records of transactions with investment gold and keep information about it, including information on customer identity, in line with deadlines prescribed by the General Tax Act.⁶

The contents of the records of transactions with investment gold have not been defined in detail in the VAT Act and the VAT Regulations, which means that the taxpayer can establish the required records himself. We are of the opinion that an investment gold dealer could establish a record of investment gold transactions in such a way that it contains the following information:

⁶ Official Gazette., no. 115/16. and 106/18.

- information about the investment gold dealer (name, headquarters address, PIN)
- information on the supplier (s) of investment gold (name, address, PIN or VAT identification number)
- date and number of the invoice received (incoming invoice)
- information on investment gold at the time of purchase (type of gold, quantity / weight, value and information on gold finesse)
- customer information (name, address, PIN)
- date and number of the issued invoice (outgoing invoice) and
- information on investment gold at the time of sale (type of gold, quantity / weight, value and information on gold finesse).

An entrepreneur - an investment gold dealer shall set up records in accordance with the information required for the business and in accordance with the provision of Art. 193 (3) of the VAT Regulations.

4.3. COMPULSORY ELEMENTS OF INVESTMENT GOLD INVOICES

The compulsory elements of a VAT payer's invoice are determined by several regulations. However, when it comes to the trade in investment gold, the mandatory invoice elements specific to this type of transaction are contained in the VAT Act. Since this is an application of VAT exemption, the invoice should include the note "Delivery exempt from VAT in accordance with Art. 114 of the VAT Act." In the part of the invoice relating to the entry of data on the trade name of the goods, the type of investment gold (eg Alkar gold coin), country of origin, finesse and weight in grams must be indicated. It is advisable to include in the invoice the information that the coins are on the list of gold coins published in the Official Journal of the European Commission.

When investment gold is sold to an individual (citizen), the provisions of the General Tax Act on cash invoice apply regarding the content of the invoice. However, in view of the dealer's obligation to keep the customer's identity information, we believe that the account must include the name (first and last name) of the individual.

4.4. SPECIFIC FEATURES OF ACCOUNTING MONITORING OF INVESTMENT GOLD TRADE

Investment gold for a dealer engaged in its sale is a commodity that is recorded on acquisition as a current asset. However, investment gold is specific because of its tax status from the point of view of the VAT Act, but also because of its natural characteristics. It is a commodity of great value, and therefore,

companies engaged in the trading of investment gold must provide a high level of protection, which requires additional operating costs.

An investment gold dealer in the Republic of Croatia can purchase gold from domestic entrepreneurs involved in the production of gold bullion or gold coins, from entrepreneurs from other EU Member States and from imports. When investment gold is sourced from another EU Member State, that transaction is not recorded in the VAT form or in the VAT -S form because it is exempt from VAT.

The invoice received is also not recorded in the Invoice Book (Form U-RA) as it is not obligated to record incoming invoices for exempt deliveries. Purchased gold is recorded as a commodity within Class 6, Calculation Group 66 - Goods at purchase price. In the analytical records of goods, each type of coin or gold bullion is kept separately. Given the specifics of investment gold, a trader engaged in its sale may deposit the purchased gold with the seller. In that case, they will receive a receipt for individual or group gold storage for the purchased gold, which may also be resold.

A company that buys investment gold will make the appropriate entries of the business event, depending on whether the gold was purchased for resale or as an investment with a view to holding for more than a year. If the gold was purchased for resale, the records are kept under Grade 6 within Account Group 66 - Commodity and if the gold was purchased for the purpose of holding for more than a year, the cost of investment gold would be recorded under Account Group 06 - Long-Term Financial assets. An investment gold trading company may also offer the storage of the gold. The said service is subject to VAT at the rate of 25% and is separately contracted.

5. CONCLUSION

A special procedure for taxing investment gold was introduced with the intention of equalizing the use of gold as a financial instrument in the tax treatment, from the point of view of the VAT Act, with other instruments for which exemption is prescribed. The VAT Act regulates what is considered investment gold, the manner in which the special taxation procedure is implemented and the possibility of exercising the right to opt for taxation. An investment gold dealer should keep records of the purchase and sale of investment gold. The invoice has to have the reference about the VAT exemption.

LITERATURE:

1. Direktiva Vijeća 2006/112/EZ od 28. studenog 2006. o zajedničkom sustavu poreza na dodanu vrijednost
2. Pravilnik o porezu na dodanu vrijednost (Nar. nov., br. 79/13. – 1/19.)
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SPECIFIČNOSTI TRGOVINE INVESTICIJSKIM ZLATOM

SAŽETAK RADA:

Investicijsko zlato obuhvaća zlato u obliku poluga ili pločica težine prihvaćene na tržištu plemenitih kovina, čistoće jednake ili veće od 995 tisućinki i zlatne kovanice čistoće jednake ili veće od 900 tisućinki koje ispunjavaju propisane uvjete. Ako prodaju investicijskog zlata obavlja obveznik poreza na dodanu vrijednost, primjenjuje se oslobođenje od poreza na dodanu vrijednost. Trgovac investicijskim zlatom obvezan je voditi propisane evidencije. Ulaganje u investicijsko zlato predstavlja relativno sigurno ulaganje kod kojeg, fizičke osobe, ne plaćaju porez na ostvarenu zaradu.

***Ključne riječi:** investicijsko zlato, zlatna poluga, zlatna pločica, oslobođenje od PDV-a*

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