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Unleashing the potential of the small and medium enterprise sector in Serbia

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This article focusses on the economic aspects of the private sector, on the macroeconomic environment as well as on the empirical evidence of the privatisation process and small and medium enterprises (SME) development in Serbia. The author finds that the private sector is characterised by low competitiveness, an impeded access to finance sources and an undeveloped financial market. Moreover, chronical insolvency, an inadequate labour market structure, an uneven regional distribution, an inefficient legislature, a burden of administrative procedures and a high rate of corruption in the administration make an impact on employing the potential of the SME sector in Serbia. Therefore, it is not realistic to expect that all the potentials of this sector will be well employed in the near future.

Keywords: small and medium enterprises; private sector; business environment; obstacles; opportunities; Serbia

JEL classification: M13, O31, O40, L10

1. Introduction

Small and medium enterprises (SME) are of special importance to transition countries for a number of reasons. Firstly, in any market economy the SME sector is the primary driver of economic development and employment (Radovic-Markovic, 2012). Researchers also agree that Small and medium enterprises are crucial contributors to job creation and economic growth in both high and low-income countries (Davidsson & Delmar, 1998; Radovic Markovic & Avolio, 2013; SEAF, 2007). Consequently, this statement can apply to Serbia where the appearance of the SME sector has been largely linked to privatisation and the break-up of large state-owned enterprises. Namely, in the last decade Serbia has recognised that the SME sector[1] is of key importance for economic development. In line with this, Serbia has followed the EU trend in developing this sector (Radovic-Markovic et al., 2009).

Since 2001, the transition period in Serbia has been accompanied by a number of policy adjustments and an increased urgency to re-align its economic policies to adapt to the new economic order. The reforms carried out by the government as well as many other measures were meant to support the development and improve the business environment in Serbia. Due to the implemented government reform programme to support Small and medium enterprises (SME), a lot of indicators characterising this sector improved during the period. Despite certain improvements, however, the SME

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development has not had such a favourable trend nor has it resulted in improving entrepreneurship activities in a desired manner, due to a negative macroeconomic environment in the country and the recession that hit the national economy (beginning with 2008). Namely, the private sector failed to perform its role as regards absorbing the unemployed workforce that was left redundant as a result of privatisation of state-owned companies. Furthermore, no satisfactory results have been achieved as regards new employment, nor is there any increased interest among the unemployed in trying their skills in the private sector of economy. In order that a more complete and detailed assessment of the trends in the development of the private sector in Serbia be made, this work will primarily focus upon the analysis of the macroeconomic environment, the changes in business demography in the period under consideration, the restraints in the SME development and the characteristics of the business environment. To accomplish this I used the results of my own recent research as well as others' research that include a large number of data and analyses. An integral and detailed analysis served as basis for suggestions as well as for indicating a direction in which the strategy for the improvement of this sector should be developed in order to improve the standing of Serbia and reduce the country's lagging behind others. This is of paramount importance, especially at the moment Serbia is in the EU pre-accession phase.

My research shows that privatisation has not resulted in an expected economic growth in terms of improving the efficiency of business doing and in employment rise. Besides, the privatisation process has proven to be highly sensitive to corruption and other forms of abuse. The effects of recession have additionally delayed the work on finding solutions to the major problems in the SME development. Despite all the weaknesses and constraints in the development of the private sector and entrepreneurship in Serbia, the results obtained show that in recent years Serbia has clearly achieved improvements in conducting internal reforms and creating a more favourable business climate for the development of both small and medium-size enterprises and entrepreneurship. Serbia should undoubtedly continue with its internal reforms, however, it is also necessary that the country should create firm external relationships with the countries in the region for the purpose of sharing the best practices in the legal and regulatory fields, as well as in other aspects of creating a better business practice. Firm interrelations can be stimulating and supportive in reducing the lag behind the European Union member states. What can help Serbia considerably on its path to accessing the EU is certainly the first experiences of Croatia, a country that has only recently become a member of the European Union.

As far as methodology is concerned, I will use the basic methodological principles, applicable to the issue I am dealing with. Thus all epistemological levels of the research will be satisfied – objectivity, system and validity of results. Consequently, I expect that this modest study will be of use to further research in this area and trigger new work. Some of prospective new research will be specifically designated here, in accordance with its importance and priority.

2. Macroeconomic environment

In the first half of 2012 Serbia experienced a serious fall in economic growth (1.6%) in the region (EBRD, 2013).

2.1. The net gross domestic product

The differences in the gross domestic product (GDP) growth in the Western Balkan countries are not negligible; they range from 2.1% in Serbia to 4.3% in Montenegro (Radovic-Markovic, Grozdanic, & Jevtic, 2013). On the basis of the Eurostat's (2013) most recent ratings, the GDPs of Serbia and Former Yugoslav Republic (FYR) Macedonia per capita amounted to 35% of the average per capita GDP in the European Union countries, whereas the per capita GDP in Montenegro in 2012 amounted to only 41% of that achieved by the EU member states. The lowest GDP, that is 28% below the EU27 average, among the Western Balkan countries was recorded in Bosnia and Herzegovina. A slightly higher per capita GDP in 2012 in comparison with Bosnia and Herzegovina was recorded in Albania (30%) (Eurostat, 2013).

2.2. Foreign exchange

In the first quarter of the current year the Serbian exports grew by 22% in comparison with the same period last year. In the January–May 2013 period, the exports of Bosnia and Herzegovina recorded an average growth of 4.2% on a monthly basis, while the imports grew by 5.6% on average (Macroeconomics, 2013). In the same period a significant progress was made in Bosnia and Herzegovina in the domain of import-export coverage that amounted to 56.5%, which is considerably more in comparison with the same period 2012. In addition, the growth in exports in Bosnia and Herzegovina in the first quarter of 2013 has boosted the growth of manufacturing industry by 9.7%. This industry 'plays a central role in the overall B&H economy' (SEEbiz, 2013).

The foreign trade in Serbia in the first six months of 2013 amounted to €12, 354.4 million, a growth by 8.6% in comparison with the same period last year (The Statistical Office of the Republic of Serbia [SORS], 2013). According to the SORS Release (2013), the value of exports amounted to €4,986.2 million in 2013, an increase of 20.3% in comparison with the same period last year. On the other hand, the value of imports was €7,368.2 million in the first six months of this year, which is an increase of 1.9% compared to the same period in 2012 (Radovic Markovic & Avolio, 2013).

The largest amount of foreign exchange was recorded with the countries with which Serbia signed free trade agreements. The European Union member-states make up 60.8% of the total exchange, which is an improvement in comparison with the same period last year, when this exchange amounted to 57.3% (Radovic-Markovic, 2012).The analysis by countries in the region shows that the largest surplus in the foreign exchange was realised in trading with Bosnia and Herzegovina, Montenegro and the FYR of Macedonia.

According to the data issued by the Statistical Office of the Republic of Serbia, the foreign exchange deficit in the first five months of 2012 amounted to €2.7 billion, which is an increase of 11.1% in comparison with the same period the previous year (Radović-Marković, 2012). In 2013, the foreign exchange deficit in Serbia (January–June, 2013) is €2,382.0 million, which is a 22.7% decrease in comparison with 2012 (The Statistical Office of the Republic of Serbia, 2013).

2.3. Investments

A significant inflow of foreign direct investments into Serbia started in 2002. The EU member states' share of foreign direct investments in the 2005–2012 period amounted to 76% of the overall foreign direct investment into Serbia (Figure 1).

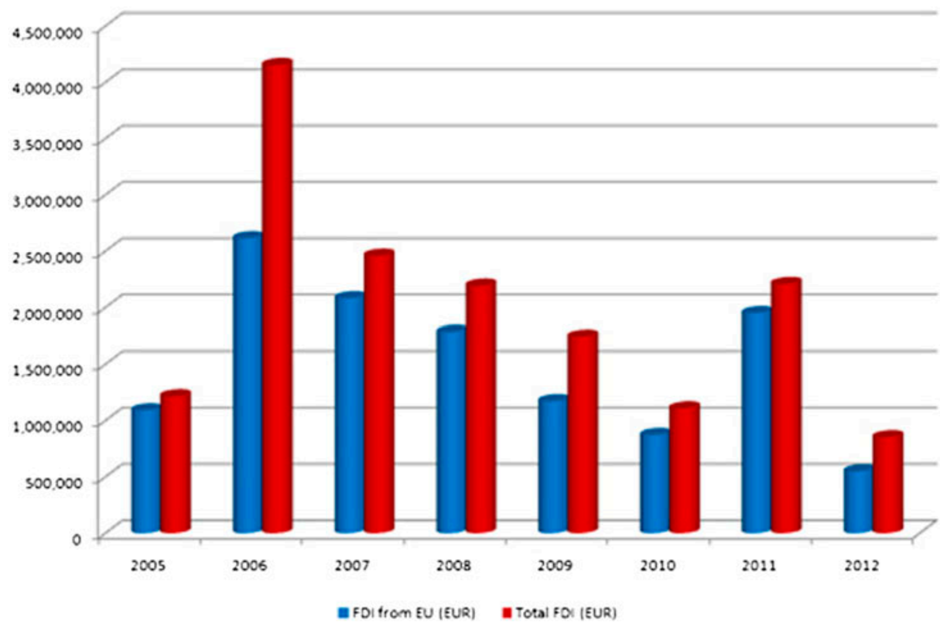

Figure 1. Foreign direct investments in Serbia (in €).
Source: Author's calculations on data provided by The National Bank of Serbia, http://www.europa.rs/srbija-i-evropska-unija/eu-srbija-trgovina/strana-direktna-ulaganja-u-srbiju.html

The inflow had a number of sources (Macroeconomics, 2013):

(a) Sales of enterprises and banks in the privatisation process;
(b) Sales of large trade companies and food and construction industry companies, etc.

The analysis of investment into Serbia by industry in the period from 2008 to 2012 shows that investments into agriculture decreased by more than six times, while the investments in the manufacturing industry tripled in the same period and doubled in case of the construction industry (Table 1).

'Serbia is a paradigm of a total absence of foreign direct investment effect on economic growth' (Macroeconomics, 2013).

The reason for this can be traced to the fact that the largest part of foreign investments achieved through the sales of enterprises and banks in the privatisation process was used to fill the budget gap, while a smaller part was oriented towards economic growth.

Table 1. Amount of investment into Serbia by industry in € (2008–2012).

	2008	2009	2010	2011	2012
Agriculture	38,227	21,025	10,221	9,829	6,169
Manufacturing industry	388,478	532,89	337,884	441,063	1,103 390
Mining industry	19,564	404,926	4,201	56,758	19,305
Construction industry	55,584	28,105	29,080	93,400	106,427
Electric energy production	2,346	4,717	8,135	12,852	10,626
trade	275,246	222,194	193,509	883,276	262,793

Source: The National Bank of Serbia, Release by Year.

2.4. Emloyment

The unemployment average on the regional level was around 22.8% in the fourth quarter of 2012, twice the average of 11.2% in the EU11 countries (World Bank, 2013). Namely, the Western Balkans experiences a certain recovery and an economic growth in the first six months of 2013, which has not reflected on the reduction of the unemployment rate yet. This proves that the conditions on the Western Balkan labour market are still rather harsh (EurActiv, 2012). In 2012, unemployment in Serbia was much higher in comparison with 2008 (Radovic Markovic & Avolio, 2013). The unemployment rate soared by 11 percentage points, this loss of jobs is without precedent so far (World Bank, 2012).

The basic labour market indicators in Serbia highlight the negative trends in the domain of unemployment rate reduction. In April 2012, the unemployment rate was around 25.5% (in the EU it amounted to 10.7%), which is by 3.3% higher in comparison with the same month the previous year, the highest since 1998 (Macroeconomics, 2013). Unemployment raised by more than 11% since the onset of the 2008 crisis with almost 600,000 people losing their jobs. This unemployment rate is the highest in Serbia in the last 14 years (EurActiv, 2012). Throughout the analysed period the unemployment rate kept rising. On the regional level, the highest unemployment rate was recorded in Montenegro, while the lowest was in Bosnia and Herzegovina. In 2012, the average number of employed persons in Serbia amounted to 1,727,138; it was reduced by 7862 people in comparison with the year 2011 (Table 2).

The analysis by gender shows that the number of employed men was reduced by 15,394 during 2012 (from 945,449 to 930,055 people), while the number of women was reduced by 3,696 (from 8,000,698 to 796,993 people). The number of men was reduced both in legal entities and in the entrepreneurial sector, whereas the number of women increased in the legal entities but was reduced in the entrepreneurial sector (Macroeconomics, 2013).

The average employment rate of the 15 to 64-year-old population in the EU is 64.1%, while in Serbia it is 45.8% (2012). This rate is lower only in FRY Macedonia (44%) and Bosnia and Herzegovina (36.7%) (Federal Agency for Statistics of BIH, 2012). It also shows that the unemployment rate for men in the EU is 10.4%, while in Serbia it amounts to 23.1%, in Montenegro it is 23.6%, in Bosnia and Herzegovina it is

Table 2. Employment and unemployment trends in Serbia, 2000–2012.

Year	Total number of employed	Total number of unemployed
2000	2,097	722
2001	2,102	769
2002	2,067	843
2003	2,040	947
2004	2,050	945
2005	2,069	992
2006	2,021	1,005
2007	1,991	850
2008	1,990	793
2009	1,857	730
2010	1,775	730
2011	1,735	745
2012	1,727	775

Source: Radović-Marković, 2012.

26.4% and in FYR Macedonia it amounts to 30.7%. In the case of women, the unemployment rate in the region is considerably higher in comparison of that for men. Namely, the unemployment rate for women in Serbia, BYR Macedonia and Bosnia and Herzegovina (27.3%, 28.6% and 30.4% respectively) is several times the rate in the EU which was 10.5% in 2012 (Federal Agency for Statistics of BIH, 2012).

2.5. Competitiveness

The positioning of the Western Balkan Countries on the global competitiveness lists is presented for the period from 2010 to 2013 (Table 3).

The rating of the business environment in Serbia for the year 2013 is more favourable in comparison with the previous year (86th place in 2013). The performance of Serbia, according to the EBRD report exceeds the regional average since the country made a substantial progress in a majority of fields. Especially stressed in the report is that the innovation strategy in Serbia is one of the most advanced in the region. According to the World Bank report on the conditions for business doing, the procedure for setting up new firms is shortened. This is corroborated by the most recent data according to which six procedures should be completed for this purpose and the process now takes 12 days in total (Economy, 2013). In addition, Serbia has significantly reformed its policy in the field of small and medium-size enterprises to include regional development elements. The National Agency for Small and Medium-size Enterprises has also been transformed into the National Agency for Regional Development, thus integrating the Development and the Guarantee Funds to ensure guarantees for the credits and capital to start business (EurActiv, 2012). Serbia has also simplified the procedures regarding insolvency in that it introduced a number of measures. These measures primarily include introducing private bailiffs and accelerating the procedures of legal summons delivery. Furthermore, setting up firms is facilitated in that the condition of minimum capital payment was abolished.

The position of Serbia on the global competitiveness lists shows that the country lags behind the EU countries to a considerable degree. Namely, it can be concluded on the basis of the global competitiveness index (GCI) that Serbia remained at the same place in the periods 2011–2012 and 2012–2013, that is, the 95th place. This is a significantly poorer ranking in comparison with the best positioned European countries such as Switzerland (5.77), Finland (5.55), Sweden (5.53), the Netherlands (5.50), Germany (5.48) and Great Britain (5.45) (Schwab, 2012). Such a difference corroborates the fact that this may have negative implications on Serbia's accession to the European Union countries and its participation in the European integration activities. In order that this lag should be reduced, it is necessary that national economic policies be implemented to

Table 3. GCI for Western Balkan countries.

Country	GCI 2010–2011		GCI 2011–2012		GCI 2012–2013	
	Value	Rank	Value	Rank	Value	Rank
Serbia	3.84	96	3.88	95	3.90	95
Macedonia	4.02	79	4.05	79	4.04	80
Bosnia and Herzegovina	3.70	102	3.83	100	3.93	88
Albania	3.94	88	4.06	78	3.91	89
Montenegro	4.40	49	4.30	60	4.10	72

Source: Schwab (2012).

reduce high costs of business doing, high taxes, substantial public debt, to reduce the presently high unemployment rate, the difficulties in the firm liquidation and to create a positive business climate that will stimulate the increase in innovation and the companies' competitiveness in the global market.

2.6. A low level of activity related to innovation

In comparison with other countries, Serbian innovative activities, according to the data brought by the World Economic Forum's Global Competitiveness Index Rank of 2010 to 2011 (ranking of 139 countries) are rather poor, for example, by the capacity for innovation it is ranked 82nd, by the quality of its scientific research institutions it is ranked 56th, by the corporate spending on R&D the country is ranked 108th, in the field of collaboration between university and industry in R&D it is ranked 71st, by the availability of scientists and engineers it is ranked 92nd, by the utility patents per million of population this country is ranked 78th, by the availability and employment of the latest technologies it is ranked 117th and by the firm-level technology absorption it is ranked 134th. In this context, innovation seems to be a development problem in Serbia (Radović-Marković, 2012).

3. Privatisation in Serbia and SME development

The privatisation process was accompanied by numerous reforms conducted by the state. Namely, since 2001, the transition period in Serbia has been accompanied by a number of policy adjustments and an increased urgency to re-align their economic policies in order that they should adapt to the new economic order. The Serbian reform programme addressed, among others, the task of reviving economic growth through re-orientation of the country from a public sector-led economy towards increased private sector participation. In line with this, Serbia has followed the EU trend by developing the SME sector in order to reduce the lag in the development of the private sector in comparison with the EU member states.

Three Laws on Privatisation have been adopted in Serbia in the last two decades. The first Law on Privatisation was adopted in 1991, the second was adopted in 1997, whereas the current Law on Privatisation was enacted in 2001. So far, this Law has been amended several times. Enacting the Law on Privatisation in Serbia in mid-2001 the key principles of privatisation and the procedures in changing the ownership over the socially-owned and the state-owned capital were adopted. Furthermore, both above-mentioned types of privatisation (privatisation of state-owned enterprises and setting up small and medium-size enterprises) were implemented equally, which boosted the private sector in Serbia and helped it spread further.

In the privatisation of its companies Serbia implemented the so-called joint venture model, the so-called 'flexible model'. This model promotes privatisation through strategic partnerships and aims to ensure new investments, modernisation, employment growth, and exports. In this context, the completion of the privatisation of large systems in each of the economic spheres and a more intensive inclusion of Small and medium enterprises (SME) are expected to foster the advances in the private sector and have positive effects in the improvement of competitiveness, innovation and export performance of the Serbian economy (Radovic-Markovic & Char, 2010).

After more than a decade since the privatisation process began, the state-owned and the socially-owned companies can still be found in the Serbian economy, which indicates that the privatisation process in Serbia has not been completed yet. Estimates are that 1300 state-controlled companies with around 280,000 employees still did business in 2012, either in the state majority ownership or on the basis of an effective management control (companies in the restructuring process) (Arsic, 2012). Namely, due to the impact of various factors, the privatisation of the remaining public companies and the public sector is constantly being delayed. Despite these delays however, the privatisation process in Serbia is about to be completed (it was originally planned to be completed by 2012).

Since the beginning of the privatisation process 2500 companies have been privatised in the period 2002–2008, 320 companies on an average, whereas in the 2009–2011 period the average was no more than 32 companies annually (Arsic, 2012). In 2010 only 32 companies were sold, while a year before, in 2009, the number of companies sold amounted to 97, that is, three times as many. In the last couple of years the privatisation process in Serbia has almost stopped. For example, in the first five months of 2013 the Agency for Privatisation has not sold a single company, and the score was not much better in the two previous years, during which only seven companies were sold.

The privatised companies increased their incomes by 69% in the period under consideration, whereas the income of the companies that failed to be privatised remained on the same level. One characteristic of the observed period was a gradual decrease in the number of cancelled privatisations. Also, the income of the employed per capita increased 4.3 times in privatised companies. The largest numbers of companies sold in Serbia was in 2003 (Radovic Markovic & Avolio, 2013).

The success of the privatisation can best be assessed by surveying the number of offered vs the number of sold companies on an annual level (Figure 2).

According to the data obtained from the Autonomous Trade union of Subotica, the sales in 2010 brought in 17.4 million euros and 714 million dinars. The income earned from the sales of the Equity fund shares in 58 companies amounted to € 5.6 million. In 2010, the entire property of 32 companies in bankruptcy was sold, as well as sections of 77 companies. It was in this way that the sum of 1.76 billion dinars was collected (Federation of Independent Trade Unions of Subotica (FITUS), 2010) (Figure 3).

The problem lies in the fact that the most profitable enterprises were privatised first, and their workers have enjoyed a rapidly increased real wages. The remaining socially-owned and state-owned enterprises are making large losses, and are supported by

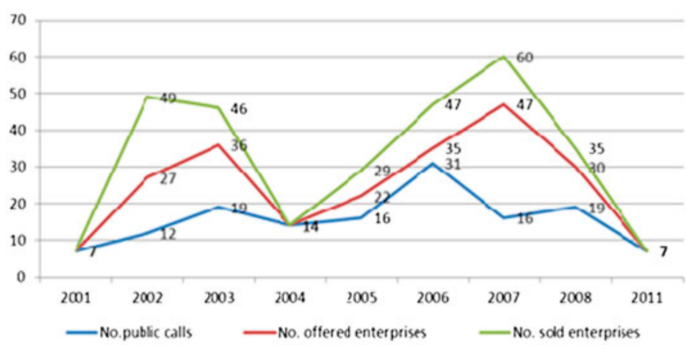

Figure 2. Enterprises sold in Serbia, 2001–2011.
Source: Author's calculation on data from the Privatisation Agency, Serbia.

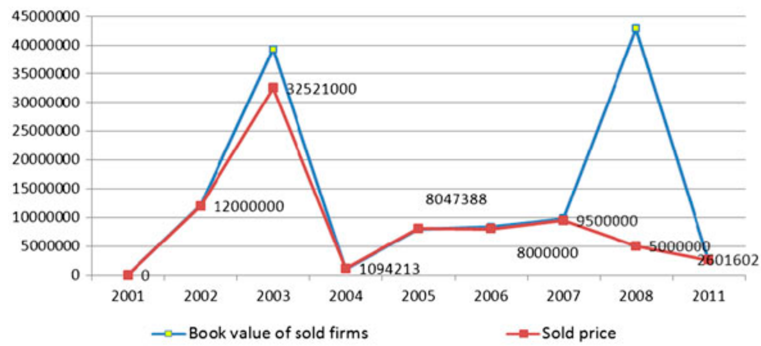

Figure 3. The book and final value/price of enterprises sold in Serbia (in RSD).
Source: Author's calculation on data from the Privatisation Agency, Serbia.

subsidies which reduce the resources available for the needed social expenditure. Due to a large number of different basic models and laws, this process has not been successfully completed in Serbia, even after almost two decades. The key strategic ways of privatisation through restructuring are implemented through the following:

- Financial restructuring (reducing indebtedness)
- Labour restructuring (reducing the number of employees)
- Organisational restructuring (fragmentation, spin-off of 'non-core' activities).

Unfortunately, out of around 90 economic subjects that initially entered the process of restructuring, this process was successfully implemented in 35 of enterprises that were privatised. The success of privatisation through restructuring was largely helped by financial restructuring, i.e. economic and financial consolidation, first of all through the reduction of the level of indebtedness by writing off the debts of the state creditors, and restructuring of labour, i.e. by social programmes funded by the state. Practically, social programmes were implemented in all the enterprises that were privatised through restructuring, and the implementation of these considerably reduced the number of redundant people as well as the accrued costs of unpaid salaries. However, the achieved results are still inadequate and vigorous actions are needed. A substantial effort has to be made towards greater technical and technological modernisation and implementation of the modern way of doing business, that is towards undertaking certain activities in the field of technological restructuring.

The number of institutions in the financial sector has changed since the beginning of the process of reforms, due to processes of restructuring and privatisation in the banking and insurance sectors, as well as due to the appearance of institutions which did not exist before, such as investment funds and private pension funds and leasing companies.

3.1. Post-privatisation restructuring

The restructuring of 127 companies, or about 14% of the total number of enterprises to be privatised (for the first time or after the termination of a contract). The industry sector recorded a highest degree of such 'restructuring' – only 20% of the companies from this sector remain to be privatised. It is the construction companies where privatisation is the smallest (5%) (Radovic-Markovic et al., 2013).

A comparison of the results of development of the private sector in Serbia through the privatisation process, for the period 2000–2011, can be illustrated by further ranking Serbia to EU new member states (Figure 4).

The analysis of the privatisation process in Serbia reveals the privatisation in the Serbian economy did not bring really significant change in its structure, primarily because of the negative effects of the global crisis that considerably devalued the ownership transformation effects. Besides, the interest in the firms that are in the restructuring process is still rather low in Serbia. One reason is probably the fact that these are mainly the companies that have lost their markets, are burdened with obsolete technology and suffer substantial losses. Hence the chances that they may obtain new equipment and technologies are rather thin. Consequently, much effort has to be made to improve the technical and technological modernisation and implement modern ways of business doing, which all call for taking appropriate steps with regard to technological restructuring.

Towards the end of 2012, for the purpose of improving the control and transparency of the privatisation process, the Anti-Corruption Agency, together with other ministries, started developing a strategy to regulate all the areas related to the privatisation process (SETimes, 2013). This strategy should ensure an efficient and regular completion of privatisation in Serbia.

3.2. Progress in the transition processes in Serbia and the Western Balkan countries and privatisation efficiency assessment

The progress of Serbia and the Western Balkan countries in the transition process can be presented through transition indicators published by the European Bank for Reconstruction and Development (EBRD). The progress of individual countries is assessed according to the transition indicators of the overall score on a scale from 1 (little or no progress) to 4 (excellent progress) with certain sub-ratings (plus and minus). These are used to assess the progress of all the analysed countries in the region (Table 4).

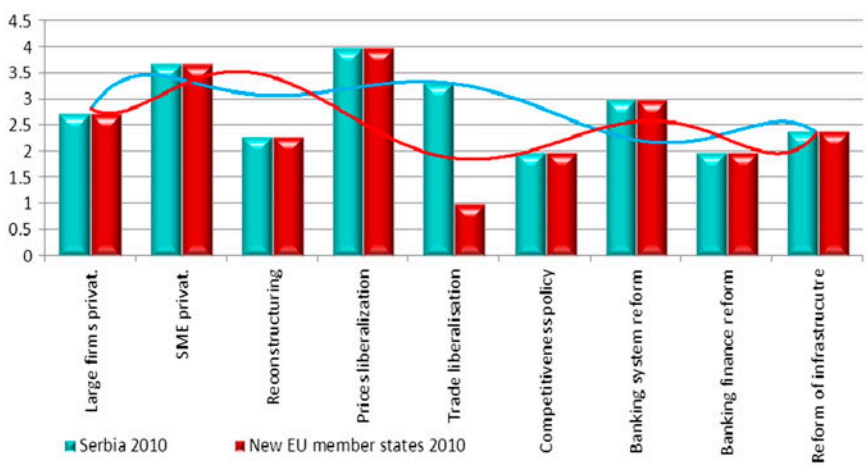

Figure 4. Ranking the Serbian privatisation process to EU new member states.
Source: Transition Report, EBRD, 2012.

Table 4. Basic transition indicators for the Western Balkan countries in 2012.

Indicators/Country	Serbia	Montenegro	Bosnia and Herzegovina	Macedonia	Albania
Large scale privatisation	3–	3+	3	3+	4–
Small scale privatisation	4–	4–	3	4	4
Corporate governance and enterprise restructuring	2+	2+	2	3–	2+
Price liberalisation	4	4	4	4+	4+
Trade and foreign exchange system	4	4+	4	4+	4+
Competition policy	2+	2	2+	3–	2+

Source: Transition Report 2012, European Bank for Reconstruction and Development (EBRD).

According to the progress made in the ownership transition, Macedonia and Albania are slightly better positioned in the domain of the 'small scale privatisation' (4) in comparison with the other countries in the region. The lowest positioned in this domain is Bosnia and Herzegovina (3). In the domain of the 'large scale privatisations', the rate 3+for Montenegro and Macedonia shows that a large portion of state-owned property privatisation is completed. All the countries in the region have extremely low rates and the lowest score in the domain of corporate governance and enterprise restructuring, which shows that privatisation itself does not guarantee higher efficiency in the privatised companies' business doing. This has proved to be a rule in the transition countries. 'The relationship between progress in privatisation, on the one hand, and the efficiency of corporate governance and enterprise restructuring, on the other, reveals the efficiency of the transition in the privatisation domain' (Lojpur, 2008). The domain in which all the countries in the region have also achieved a very low score is the company competition, which indicates that even after being privatised, these companies have not significantly improved their market positions. It is Macedonia that has advanced most in comparison with the other countries in the region.

Finally, a conclusion can be drawn that privatisation has not resulted in significant changes in the enterprise structure. The business environment remains insufficiently attractive for setting up new firms, and an unequal market competition and a high corruption level make business doing difficult not only for the existing private sector, but also for those who do not plan to start new businesses and even continue doing business in the so-called grey sector. Simultaneously, even in so unfavourable an environment, the majority of new jobs are created in the newly emerging private sector, not in the privatised companies. It is evident that no significant improvements have been achieved in the enterprise restructuring in order to raise their productivity and efficiency in both the domestic and export markets, which was set as the ultimate goal of the privatisation process. Besides, I am confident that recession, together with other factors of constraint (elaborated on in this article), have hindered the development of the private sector and devalued the results achieved both in Serbia and in the Western Balkan countries.

4. Conclusion

The process of privatisation in Serbia has not been successfully completed even after almost two decades of since the privatisation process started, due to a large number of different basic models and laws. This statement is supported by the results of the research. Namely, the rating of the business environment in Serbia for the year 2013 is higher in comparison with the year before, that is, it improved by 6 positions. Namely, according to the EBRD report, Serbia exceeds the regional average since the country made a substantial progress in a majority of fields. The innovation strategy in Serbia is one of the most advanced in the region. My research also shows that the conditions are changed for business doing (the procedure for setting up new firms is shortened). In addition, Serbia has reformed its policy in the field of small and medium-size enterprises to include regional development elements. Serbia has also significantly simplified the procedures regarding insolvency in that it introduced a number of measures which include introducing private bailiffs and accelerating the procedures of legal summons delivery. Furthermore, setting up firms is facilitated in that the condition of minimum capital payment was abolished. In assessing the positive and the negative aspects of the business environment, however, it is important to point out that the indicators implemented cover certain aspects of the regulatory and legal environment in 10 policy areas, while still other aspects of investment climate and business practices remain that can be important for investments and growth (e.g. quality of infrastructure and unequal tax treatment of formal and non-formal firms, which can be a serious obstacle to domestic and foreign investments) (World Bank, 2013).

Finally, a conclusion can be drawn that essential change is yet to be made in Serbia, and that includes orientation of resources from the old to the new activities (through bankruptcies combined with setting up new companies) and company restructuring (through rationalisation of labour, changing the product type and new investments).

Note

1. Classification of legal entities in Serbia into small, medium-sized and large was made in line with the provisions of the Law on Accounting and Auditing of Serbia [Law on Accounting and Auditing, No. 46/06 (2006) and 111/09 (2009)] depending on the number of employees, the annual income and assets value determined on the day the financial statement is produced for the financial year in the following way: small enterprises are those that have no more than 50 employees, whose annual income does not exceed 2.5 million euros and whose average business assets value does not exceed 1 million euros; medium-sized enterprises are those that that employ no more than 250 persons, whose annual income does not exceed 10 million euros and whose average assets value is not higher than 5 million euros.

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