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ACCESSION TO EU - BUSINESS COMMUNITY EXPECTATIONS

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Abstract: *This paper presents the research results on the business community of the City of Nis and its perception on the impact of European integration on the business environment in Serbia¹. Author's aim is to highlight the factors of business success that business community in the City of Nis see as crucial for development. This paper provides a statistical analysis of the research results related to the perception of the business community on this issue and adequate conclusions. At the same time, it is presented an analysis of the business community opinion in terms of positive and negative factors that are the result of European integration.*

Keywords: *Local Economic Development, European Union, Business Climate, Business Success Factors, Statistical Analysis.*

1. Introduction

Relations between Serbia and the European Union (EU) took on a different quality and character through history. Even in the period preceding the beginning of European integration, relations with the countries of the former Yugoslavia and the countries that would be the forerunner of the Union (Belgium, France, Italy, Luxembourg, Netherlands and Germany) were very diverse and generally were reflected traditional military-political alliances and rivalries of the time.

The most significant progress in relations between Serbia and of the European Union is reflected precisely in expanding and deepening economic relations. In the decade that preceded it, they came to refer it to the European Union is the largest trading partner of Serbia, that more than 50% of total Serbian exports go to the EU territory, and with over

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two billion invested grants in Serbia since 2000. The EU has the largest donor of financial resources that support political and economic reform in Serbia (according to the EU Delegation to Serbia, <http://www.europa.rs/srbijaIEu.html>).

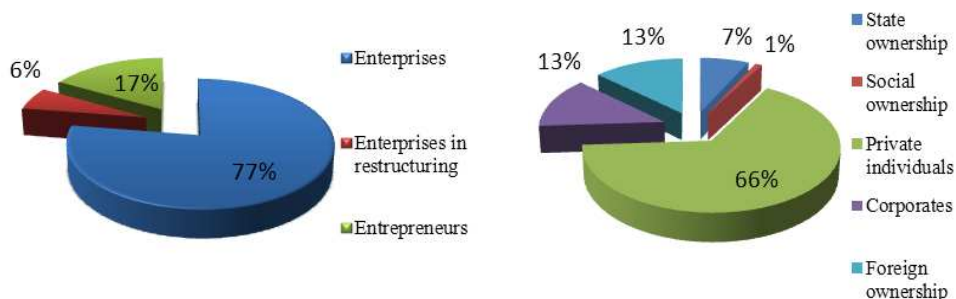
Serbia has already crossed a large part of the way to full membership in the European Union. On March 1, 2012, by decision of the European Council, Serbia became a candidate for EU membership. However, the pace of reform in Serbia is slow at the moment, not only because of the failure to adopt the law, but because of one important element, its implementation. That is why for the success of Serbia's integration into EU structures important thing is that Serbian citizens well understand what actually a process of stabilization and association means, or what brings the future role of their country in the EU.

2. The Opinion of the Business Community in the City of Nis - Sample and Research Methodology

In 2011, during November and December, the survey was conducted among employers of Nis in aim to collect information about the opinion of economic sector on a range of issues related to the problems and prospects of their business, but as well to the role of local institutions in creating a favorable business environment. The same survey was conducted in 2009 and it is possible to perform a comparative analysis of the results. This survey is part of the strategic planning efforts, and creating action plans for economic development at the community level, referring to the City's future. The novelty in survey conducted in 2011 is the set of questions relating to the impact of European integration on the business environment.

The survey included a total of 120 companies and entrepreneurs, or 100 companies, of whom 7 are in the reconstruction and 20 entrepreneurial stores (Figure 1). This pattern is formed by stratified proportional method and corresponds to the structure of employers in the City. According to the Statistical Office of Serbia 81.82% of employers in Nis are companies, while in 18.18% of cases employers are entrepreneurs (Municipalities and Regions in Serbia in 2011). In addition to general information, the respondents were asked questions related to labor, investment plans, questions about the role of local government should play in the development of the local economy, but they are also giving reviews on the business factors that are resulting from the process of European integration. For the purpose of this paper authors used a very small part of data that is related to this assessment.

Figure 1. The structure of the sample by type of legal entity and ownership

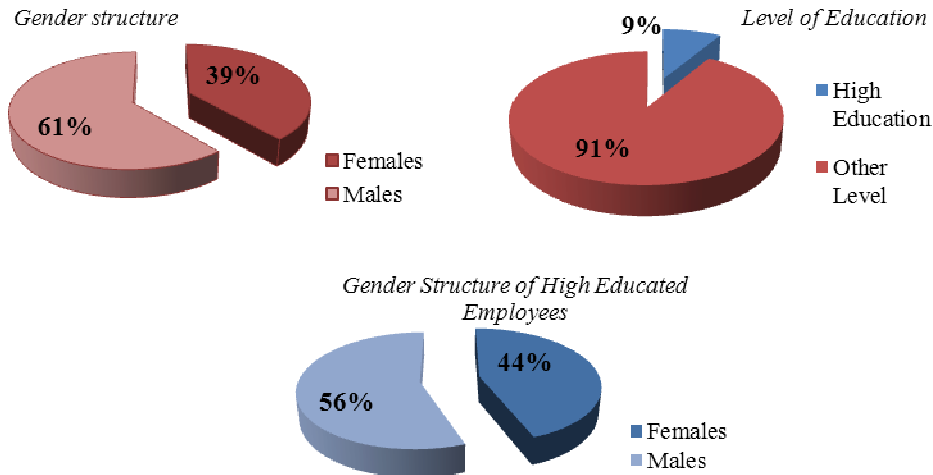


Source: Author's Preview

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The sample consists of 9818 employees of which 3801 are women. Such gender structure (women's labor force of 38.42%) corresponds to the structure of the global labor force, where women's participation is 40% (according to the International Labour Office) and the sample can be considered relevant, as well in terms of this structure (Figure 2).

Figure 2. The structure of the sample by gender and educational level of employees



Source: Author's Preview

From the standpoint of branch all enterprises and entrepreneurs were divided into four categories: (1) construction companies, (2) production companies, (3) service companies and (4) companies in the field of recycling and ecology. Strictly speaking, the recycling belongs to the field of industry and those companies should be considered as productive. However, taking into account the fact that these companies that are in the sample is relatively "young" and operate only a few years, as well as significance of recycling for the sustainable development of the city and the country in general, the authors decided to treat them as a separate group. The structure of branches in the sample is given in Table 1.

Table 1. The structure of the sample by branches

	Branches				Total
	Construction	Production	Service	Recycling	
Enterprises	5	64	23	8	100
Entrepreneurs	0	10	10	0	20
Total	5	74	33	8	120

Source: Author's calculation

The basic hypothesis in this research is the following:

H_0 : There is no statistically significant difference in respondent's opinion about key factors and priority issues related to the process of Serbian integration into European Union.

In the purpose of testing these hypotheses it was necessary to:

- Classify all enterprises and entrepreneurs in the sample into two groups, according to the market orientation.
- Explore the structure of the sample according to previous classification;
- Test the significance of attitude differences between defined groups of enterprises and entrepreneurs.

The methods which are used in order to conduct analyses listed above are: descriptive statistics, proportion difference testing.

3. Research Results

Interviewed business companies are generally oriented within the region of Nis Serbia. In the observed sample there are 36 business companies that, beside domestic market, are oriented towards EU market. The rest of the observed companies are oriented to the Serbian market, or closely region of Nis, or to the Balkan countries. The number of observed companies that are widely oriented (world market) is negligibly small. According to this criterion, the three groups of companies in the sample are defined:

- The first group named “EU market oriented companies”,
- The second group named “domestic market oriented companies”,
- The third group named “Other companies”.

The structure of the defined groups according to branches is presented on the Table 2. According to the starting hypothesis, further analysis will be based on the first two groups of countries, i.e. EU market oriented companies versus Domestic market oriented companies.

Table 2. The structure of the sample according to the defined groups and branches

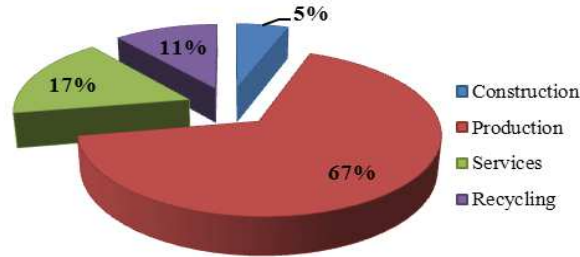
	Branches				Total
	Construction	Production	Service	Recycling	
EU market oriented	2(40%)	24(32%)	6(18%)	4(50%)	36(30%)
Domestic market oriented	3(60%)	32(43%)	27(82%)	1(12.5%)	63(52.5%)
Other companies	0	18(25%)	0	3(37.5%)	21(17.5%)
Total	5(100%)	74(100%)	33(100%)	8(100%)	120(100%)

The production companies are dominant in the first group, their share is 67%. The structure of the EU market oriented companies according to branches is presented on the Figure 4.

The first topic in which we analyze the differences in perceptions between the two groups, defined above, refers to factors that have the most negative impact on current / future product and service development. Respondents were offered 15 factors and they selected three which, in their opinion, have the most negative impact on their business activities. The obtained results are presented on the Figure 4 and Table 3.

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Figure 3. The structure of the EU market oriented companies according to branches



Source: Author's Preview

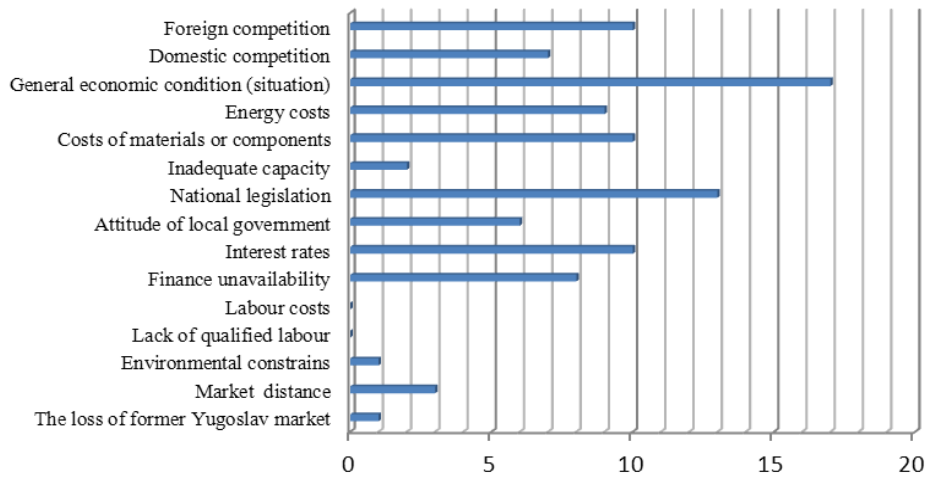
According to the data from the Table 3, the factors that have the most negative impact on current / future product and service development in the first group are:

1. General economic condition (situation),
2. National legislation,
3. Foreign competition, Costs of materials or components and Interest rates.

The managers of the observed companies which are oriented on domestic markets have similar perception about this task. Namely, the top three factors according to their opinion are:

1. General economic condition (situation),
2. Interest rates,
3. Costs of materials or components and National legislation.

Figure 4. Absolute frequencies of factors that have the most negative impact on current / future product and service development in the group of EU market oriented countries



By detailed analysis of data concerning the most important factors it is evident that there is a significant difference in the number of respondents who ranked factor General economic condition as the most important.

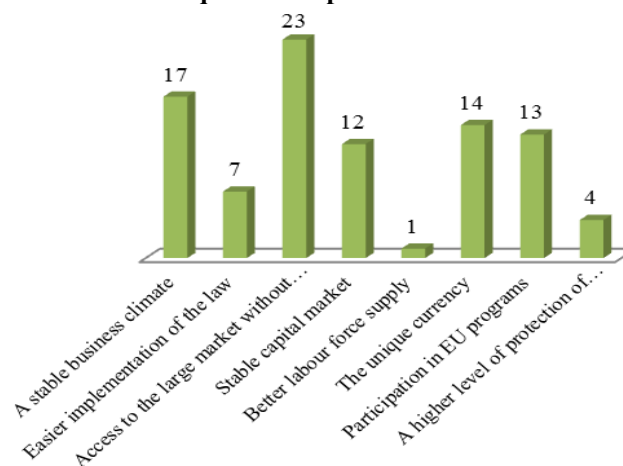
Table 3. Frequencies of factors that have the most negative impact on current / future product and service development – comparative preview

	Factor	EU market oriented		Domestic market oriented	
		Frequencies	Share	Frequencies	Share
1.	Foreign competition	10	27.78%	10	15.87%
2.	Domestic competition	7	19.44%	14	22.22%
3.	General economic condition (situation)	17	47.22%	50	79.37%
4.	Energy costs	9	25.00%	11	17.46%
5.	Costs of materials or components	10	27.78%	15	23.81%
6.	Inadequate capacity	2	5.56%	7	11.11%
7.	National legislation	13	36.11%	15	23.81%
8.	Attitude of local government	6	16.67%	10	15.87%
9.	Interest rates	10	27.78%	18	28.57%
10.	Finance unavailability	8	22.22%	14	22.22%
11.	Labour costs	0	0.00%	9	14.29%
12.	Lack of qualified labour	0	0.00%	1	1.59%
13.	Environmental constrains	1	2.78%	0	0.00%
14.	Market distance	3	8.33%	3	4.76%
15.	The loss of former Yugoslav market	1	2.78%	4	6.35%

The participation of companies that have defined this factor as one of the most negative for current / future product and service development in the EU market oriented companies is 47.22%, while in the second group is 79.37%. Application of z-test in the proportion difference testing resulted with the conclusion that this difference is statistically significant (p-value 0.001). That means that companies which are oriented strictly on domestic market are more affected by the difficult economic conditions in the country.

The next task that was the subject of the analysis was factors which are most important for the company if Serbia joins the EU. These factors were classified into two groups: positive and negative. Each group consists of eight factors and respondents were able to choose three which are, according to their opinion, most significant among them. The results related to the positive factors for the EU market oriented companies are presented on the Figure 5.

Figure 5. Absolute frequencies of positive factors in the first group



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The comparative analysis of number of respondents and their proportion within the group is presented on the Table 4. According to the data from this table the top three factor which are the most important for the company if Serbia joins the EU in the first group are:

1. Access to the large market without tariffs and other barriers,
2. A stable business climate,
3. The unique currency.

The managers from the group of domestic market oriented companies have different expectations. Namely, the most important positive factors according to their opinion are:

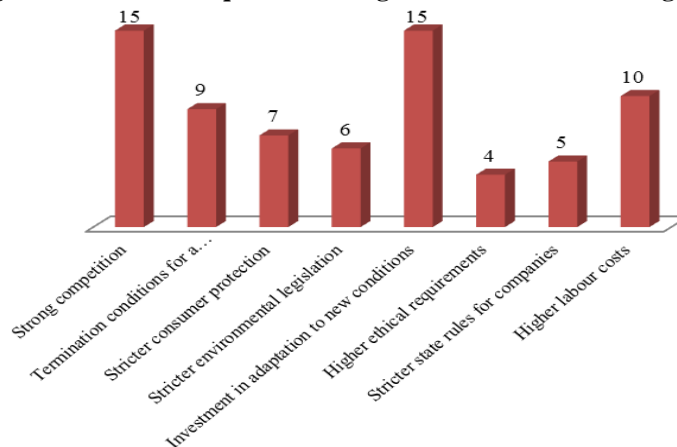
1. A stable business climate,
2. Access to the large market without tariffs and other barriers,
3. Easier implementation of the law.

Table 4. The frequencies of positive factors which are the most important for the company if Serbia joins the EU – comparative preview

	Factor	EU market oriented		Domestic market oriented	
		Frequencies	Share	Frequencies	Share
1.	A stable business climate	17	47.22%	44	69.84%
2.	Easier implementation of the law	7	19.44%	23	36.51%
3.	Access to the large market without tariffs and other barriers	23	63.89%	26	41.27%
4.	Stable capital market	12	33.33%	20	31.75%
5.	Better labour force supply	1	2.78%	4	6.35%
6.	The unique currency	14	38.89%	19	30.16%
7.	Participation in EU programs	13	36.11%	15	23.81%
8.	A higher level of protection of economic competition	4	11.11%	9	14.29%

Besides the difference in the rank, the opinion about factor named A stable business climate is statistically significant. This difference is confirmed by z-test also (p-value 0.0125). Such difference in perceptions leads to the conclusion that respondents have a significantly different expectation from Serbian integration into EU.

Figure 4. Absolute frequencies of negative factors in the first group



The negative factors which are most important for the company if Serbia joins the EU and their frequencies in the group of EU market oriented companies are presented on the Figure 4.

Comparative previews of absolute and relative frequencies for the negative factors between groups are presented in the Table 5.

Table 5. The frequencies of negative factors which are most important for the company if Serbia joins the EU – comparative preview

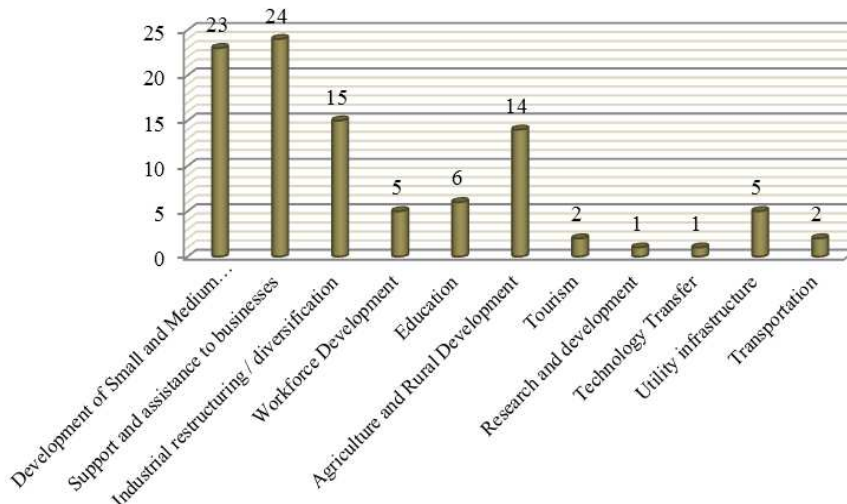
	Factor	EU market oriented		Domestic market oriented	
		Frequencies	Share	Frequencies	Share
1.	Strong competition	15	23.81%	29	46.03%
2.	Termination conditions for a competitive price	9	14.29%	10	15.87%
3.	Stricter consumer protection	7	11.11%	12	19.05%
4.	Stricter environmental legislation	6	9.52%	11	17.46%
5.	Investment in adaptation to new conditions	15	23.81%	25	39.68%
6.	Higher ethical requirements	4	6.35%	9	14.29%
7.	Stricter state rules for companies	5	7.94%	8	12.70%
8.	Higher labour costs	10	15.87%	18	28.57%

According to the data presented in the table above, it is possible to extract top three negative factors in the each group. The negative factors that have the highest frequencies in the both group are:

1. Strong competition
2. Investment in adaptation to new conditions
3. Higher labour costs

Such results tell us that the managers from the both groups are equally concerned at their business in the future

Figure 5 Absolute frequencies of priority issues in the first group



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The last task that will be analysed in this paper is related to the most critical priority issues that need to be engaged in a strategic plan for economic development of municipality of Nis. Respondents were offered 11 subjects, from which they could choose three.

The absolute frequencies of the most critical priority issues in the group of companies which are oriented to the EU market are presented on the Figure 5. A comparative analysis between groups is presented in the Table 6.

Table 6 The most critical priority issues that need to be engaged in a strategic plan for economic development of municipality of Nis

	Priority Issue	EU market oriented		Domestic market oriented	
		Frequencies	Share	Frequencies	Share
1.	Development of Small and Medium Enterprises	23	63.89%	41	65.08%
2.	Support and assistance to businesses	24	66.67%	34	53.97%
3.	Industrial restructuring/ diversification	15	41.67%	25	39.68%
4.	Workforce Development	5	13.89%	6	9.52%
5.	Education	6	16.67%	8	12.70%
6.	Agriculture and Rural Development	14	38.89%	18	28.57%
7.	Tourism	2	5.56%	3	4.76%
8.	Research and development	1	2.78%	2	3.17%
9.	Technology Transfer	1	2.78%	1	1.59%
10.	Utility infrastructure	5	13.89%	11	17.46%
11.	Transportation	2	5.56%	1	1.59%

On the basis of data presented in the Table 6, the top three priority issues in the both groups are:

1. Support and assistance to businesses
2. Development of Small and Medium Enterprises
3. Industrial restructuring/ diversification

There is no statistically significant difference in respondent's opinion between groups. Based on that fact, it is possible to conclude that, regardless of the market placement, interviewed managers have similar, even the same perception about the business requirements in the municipality of Nis.

4. Conclusion

Economic relations between Serbia and the European Union have intensified in the past 10 years. This is particularly evident after the signing of the Stabilization and Association Agreement (SAA) and the Interim Trade Agreement in 2008. The agreement creates a free trade area between the EU and Serbia in a transitional period of six years. Serbia's obligation consists in the gradual abolition of tariffs on imports from the European Union in the interim period. On the other hand, the European Union this contract confirms free access to goods from Serbia to the EU market.

However, this intensified cooperation impact on series of business factors and has direct influence on enterprises in Serbia. The results of the opinion of business community

of the City of Nis are presented in this paper. These results are related to the positive and negative factors of business when it comes to the impact of EU integration.

The results show that most of the enterprises in the sample are oriented toward the domestic market (52.5%), and that only 30% has experience in dealing with the European Union. The difference in the perception of opportunities and threats brought by the opening of the EU market for Serbia is evident also.

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PRIKLJUČENJE EVROPSKOJ UNIJI - OČEKIVANJA POSLOVNE ZAJEDNICE

Rezime: U radu su prezentovani rezultati istraživanja o mišljenju poslovne zajednice Grada Niša i percepcije privrednika o uticaju evropskih integracija na kreiranje poslovnog okruženja u Srbiji. Ovaj rad ima za cilj da ukaže na faktore uspešnosti poslovanja koje privrednici na teritoriji Grada Niša vide kao ključne za svoj razvoj. U radu je data kvantitativna analiza rezultata istraživanja koji se odnose na percepciju privrednika o ovom pitanju, kao i zaključci zasnovani na adekvatnoj statističkoj analizi. Istovremeno, prezentovana je analiza mišljenja poslovne zajednice po pitanju pozitivnih i negativnih faktora koji su posledica EU integracija. Takođe, cilj rada je da kvantifikuje percepciju preduzetnika i privrednih društava o pitanjima koje smatraju relevantnim da budu uključena u strateški plan razvoja Grada u budućem periodu.

Keywords: Lokalni ekonomski razvoj, Evropska unija, poslovna klima, faktori uspešnosti poslovanja, statistička analiza.