

**CROSS**  **REIS**

**CROSS-disciplinary network  
for research excellence in  
Regenerative Economy  
Innovation eco-Systems**

Montenegrin  
International  
Conference  
on Economics  
& Business  
**MICEB 2024**  
CROSS-REIS  
EDITION

September 12 - 13, 2024  
Podgorica, Montenegro

BOOK OF ABSTRACTS

**GREEN ENTREPRENEURSHIP  
AND INNOVATION**



UNIVERSITY OF MONTENEGRO, FACULTY OF ECONOMICS  
as a partner in CROSS-REIS project is organizing

**Montenegrin International Conference  
on Economics & Business**  
**MICEB 2024 CROSS-REIS EDITION**

**“Green entrepreneurship and innovation”**

September 12 - 13, 2024 / Podgorica, Montenegro

**Location:** University of Montenegro, Faculty of Economics  
Jovana Tomaševića 37, 81000 Podgorica

## FOREWORD

The CROSS-disciplinary network for research excellence in Regenerative Economy Innovation eco-Systems – **CROSS-REIS** project funded by the European Union under the **Horizon 2021-2027 European Excellence Initiative**, commenced on January 1, 2024, and will continue until December 31, 2028. The project's principal beneficiary from the University of Montenegro is the Faculty of Economics in Podgorica, while the project is supported by the Environmental Protection Agency of Montenegro and the ECO FUND (Environmental Protection Fund). This project interlinks cooperation among higher education and scientific research institutions from eight countries: Serbia, Montenegro, Albania, Croatia, Slovenia, Spain, Norway, and Italy.

The CROSS-REIS project is focused on three key themes of the regenerative economy – circular economy, waste management, and urban biodiversity – with the goal of reducing the scientific research gap between highly developed EU countries and the region's countries in the field of the regenerative economy. The project aims to elevate excellence in science and create value through deeper and geographically inclusive collaboration among higher education and research institutions in 5 developing European countries and 3 leading science nations, to support the shift towards the regenerative economy paradigm.

Montenegrin International Conference on Economics & Business is organized under the framework of EU Horizon **CROSS-disciplinary network for research excellence in Regenerative Economy Innovation eco-Systems (CROSS-REIS)** project. The topic of the conference is “**Green entrepreneurship and innovation**”. The aim is to bring together distinguished scientists, researchers, international business representatives, and economic policy creators, as well as to endorse optimal practices that foster economic growth and sustainable development, through entrepreneurship and innovation.

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## RANKING EUROPEAN COUNTRIES BASED ON ENVIRONMENTAL PROTECTION INVESTMENTS: A COMPOSITE INDEX APPROACH

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### Abstract:

This paper explores the theoretical underpinnings and methodological considerations in developing a composite index to rank European countries based on their investments in environmental protection. The study is grounded in the theory of environmental economics, which posits that economic policies, particularly taxation and public expenditure, play a critical role in shaping environmental outcomes. By integrating concepts from multivariate analysis and composite index construction, this research offers a robust framework for evaluating and comparing national efforts in environmental protection.

This study aims to rank European countries based on their investment in environmental protection using a composite index. The research covers a sample of 27 European countries, with data drawn from the Eurostat database for the period 2018-2021, resulting in a total of 108 observations. Due to missing data for certain countries and years, the final analysis was limited to this selection. The selected variables: Energy Taxes, National Expenditure on Environmental Protection, and Environmental Tax Revenues are theorized to be key indicators of a country's commitment to sustainable development. The methodological approach involves data normalization, correlation analysis, and factor analysis, ensuring that the composite index accurately reflects the complex interplay between these variables. The study hypothesizes that countries with higher investments in these areas will demonstrate superior environmental performance, which can be effectively captured through the composite index.

The results show a statistically significant positive correlation among the variables, with the highest correlation observed between Energy Taxes and Environmental Tax Revenues. The study concludes with the ranking of countries, revealing Germany as the highest performer in terms of environmental protection investment, followed by France and Italy. The findings underscore the significant disparities in environmental investments across European countries, with a notable concentration of higher investments in Western European nations. This research contributes to the understanding of environmental protection efforts in Europe, offering a comprehensive evaluation of country-level performance through the use of composite indices.

The findings contribute to the broader theoretical discourse on environmental governance by providing a quantifiable measure of national environmental efforts, highlighting the significant role of economic instruments in environmental policy. This paper not only advances the theoretical understanding of environmental protection investments but also offers practical insights into the effectiveness of different environmental strategies across Europe.

**Key words:** *Environmental Protection, Sustainable Development, Public Expenditure, Composite Index*

## EXPLORING THE CIRCULAR ECONOMY POTENTIAL OF 3D FOOD PRINTING

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### Abstract:

3D food printing involves an automated additive process for creating edible structures. By precisely delivering edible ingredients according to a digital design, users can influence the finest details, making this type of printing increasingly attractive and popular in high-end restaurants.

Depending on the method of creating these edible structures, the principles of operation and printer models vary. If the food material is dispensed through the nozzle of an extrusion head, it is known as extrusion printing. This method requires the processing of traditional food into a consistency suitable for printing. Although it is a suitable way to create various shapes layer by layer, this type of printing typically results in softer food structures unless post-processing methods are applied. In contrast to extrusion printing, there are also methods like selective laser sintering, where food powders, often sugar-based, are melted using heated air or a liquid binder. This printing technique allows for the production of more compact products and has found applications in creating sweets of various shapes and designs. Unlike the aforementioned additive techniques, inkjet printing involves surface filling and decorating various surfaces. This process is done by dripping edible ingredients, where the printer head does not come into contact with the food, thus protecting it from potential contamination. With the development of increasingly sophisticated techniques and the advancement of this technology, printers become very useful in creating detailed and complex structures.

3D food printing holds significant potential for advancing a circular economy within the food industry. This innovative technology can minimize food waste by utilizing surplus ingredients or by-products from food processing, which would otherwise be discarded. This aligns with the principles of a circular economy, where the focus is on maintaining the value of products, materials, and resources for as long as possible. Additionally, 3D food printing can localize food production, reducing the carbon footprint associated with transportation and storage. This decentralized approach supports sustainable consumption and production patterns, fostering a more resilient and efficient food system that can shape the future of food technology in a sustainable manner.

In addition, the ability to carefully select ingredients, combine them, and manipulate their texture makes 3D food printing a revolutionary technology in personalized nutrition. The careful selection and nutritional value of the ingredients make this technology crucial for preparing food for people with health issues. The texture of the produced food and the ability to shape it according to user needs addresses problems for those who have difficulties swallowing, thus opening a whole spectrum of possibilities for the application of this technology in medicine.

As significant attention is directed toward further research aimed at producing better 3D printers and materials, opportunities are being created for the commercialization of products from this technology, which has already gained momentum with certain large companies incorporating such products into their offerings.

**Keywords:** 3D food printing, circular economy, sustainability.

## REVITALIZATION POTENTIALS OF DEGRADED URBAN AREAS WITH GBI TO MITIGATE ENVIRONMENTAL CHALLENGES

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### Abstract:

This study investigates the potential of Green-Blue Infrastructure (GBI) to catalyze the revitalization of Functionally Degraded Areas (FDAs) in Ljubljana, while addressing environmental challenges posed by climate-related extreme events. The primary objective is to establish a methodology for evaluating the extent to which the implementation of GBI in FDAs can counteract the adverse effects of rising average temperatures. This methodology will then be applied in a case study of Ljubljana assessing its ability to address critical urban challenges, including preventing stormwater and wastewater mixing, mitigating urban flooding, and reducing urban heat islands. GIS analysis will be employed as an integral tool within the methodology. The study focuses on GBI's capacity to enhance the ecosystem services, such as air and water purification, micro climate regulation, flood mitigation, and the creation of habitats that support biodiversity. By strategically implementing GBI in FDAs, the research aspires to significantly improve the delivery of these essential ecosystem services throughout Ljubljana's urban area.

Exploring the effectiveness of GBI solutions aligns well with the principles of a circular and regenerative economy. This approach emphasizes efficient and sustainable resource utilization, including water and space, while enhancing ecological conditions in semi-natural habitats. The study examines the concept of space (FDA) as a valuable resource, exploring how repurposing it with regenerative GBI approaches can elevate the quality of the urban areas for Ljubljana's residents. Also GBI stands as a prime example of modern water management principles. It embodies the emphasis on circular economy approaches, which encompass strategies like closing material cycles, reusing resources, and actively restoring natural water resources.

We anticipate that this research will have the potential to impact the city's future development. By implementing the findings into actionable strategies, we will provide recommendations to integrate new spatial development guidelines into Ljubljana's strategic planning framework. These guidelines, supported by the research on GBI's effectiveness in revitalizing FDAs and enhancing ecosystem services, will directly contribute to fostering greater climate resilience and environmental adaptability within the city.

**Keywords:** *functionally degraded urban areas, green-blue infrastructure, ecosystem services, regenerative economy, spatial planning, resilient city.*

## PRESERVATION OF NATURAL RESOURCES – LEVERAGING TOURISM TO ENHANCE SUSTAINABILITY IN EUROPEAN COUNTRIES

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### Abstract:

In current development conditions, the risks associated with climate change, pollution, and depletion of natural resources are increasingly evident. The growing interest in natural resources from tourists highlights the urgent need for enhanced measures to protect, conserve, and regenerate these invaluable assets. Governments face the challenge of incentivising stronger measures and investments to preserve nature while balancing the need to attract more tourists, whose activities can potentially endanger these resources. The subject of this paper is the examination of institutional mechanisms and environmental protection measures within European countries. The study seeks to assess the level of protection of natural resources, specifically those that are part of the tourist offerings, to ensure their preservation for future generations and to promote sustainable tourism development. An important aspect of the analysis involves examining the alignment between the preservation of natural resources and the digital demand for them in the Western Balkans.

**Keywords:** *natural resources, tourism activities, preservation, digital demand.*

## TOWARDS A SUSTAINABLE FUTURE: CONSUMER PERCEPTIONS OF UPCYCLED FOOD PRODUCTS

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### Abstract:

In an era marked by escalating global challenges, sustainability has emerged as a paramount concern for individuals, businesses, and governments. Food, being an integral part of daily life, holds a pivotal position in the quest for a more sustainable future. With population growth, resource depletion, and climate change, addressing the wastage of food resources is not only a moral obligation, but also an economic and environmental necessity. One innovative solution to mitigate food waste while contributing to sustainable consumption is «waste-to-value» food products.

Each year, food processing factories generate significant amounts of fruit and vegetable by-products, which have high potential for extracting valuable ingredients. It is reported that about 14% of global food is lost or wasted from harvest to retail. This loss occurs during production, post-harvest, and processing stages, leading to economic and environmental impacts due to wasted resources like land, water, and energy. Effective management of fruit and vegetable by-products through reducing, recycling, and reusing is crucial. These by-products often contain high-value ingredients like bioactive compounds, polysaccharides, and dietary fibers, but are frequently discarded as waste. Therefore, food upcycling, a key component of the waste-to-value strategy involves the transformation of food by-products and surplus into high-quality, marketable goods, thereby extracting value from what was once considered waste.

Increasing demand for innovative food products, driven by new lifestyles, higher incomes, and better consumer awareness, has led to significant advances in the food industry over recent years. Studying consumer behaviour and attitudes towards new foods involves various aspects such as preferences, choices, buying intentions, and consumption frequency. Additionally, consumers' willingness to purchase and pay a premium are crucial for product launch, and market success. Hence, the aim of this study is researching and understanding customer perceptions and attitudes towards food that contains upcycled ingredients.

The findings reveal significant interest and familiarity with these products among younger adults. Although 60% of respondents have not previously tried waste-to-value products, a remarkable 93% expressed willingness to try them in the future. Survey showed that primary motivator for trying waste-to-value foods could be their potential superior nutritional properties and good taste, followed by the long-term positive environmental impact, while price is the least important factor. Most respondents believe that upcycled food products can address food shortages and offer health benefits. However, there is a general perception that these products might be priced higher than conventional options. On average, respondents do not believe in the pleasant taste of upcycled foods. Over half of the respondents reported feeling satisfied when purchasing upcycled food, although some expressed a lack of trust in these products.

The findings suggest a growing interest and engagement with waste-to-value food products among younger adults. The willingness to try these products, coupled with a high level of familiarity and positive attitudes toward their potential benefits, indicates a positive trend for the market of upcycled foods. However, addressing concerns about taste and trust will be crucial for wider acceptance. Future research should focus on addressing consumer concerns and enhancing the appeal of upcycled food products.

**Keywords:** *upcycled products, circular economy, sustainability, customer behaviour, food waste*

## HEDONIC PRICING FOR REAL ESTATE VALUATION IN METROPOLITAN AREAS – REVIEW OF NOVEL LITERATURE

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### Abstract:

This is a selective review paper focused on most recent explorative studies that cover widest possible set of variables that may predict housing price variability within metropolitan areas. It brings systematic classification of predicting variables into environmental, neighborhood, accessibility determinants and dwelling structural attributes. It helps research community and real-estate industry to acquire knowledge on valuation complexity of residential real estate. It is especially valuable in understanding the meaning of location in houses' valuation process. In the sense of valuation, the location of a dwelling is a position of it in the ecosystem, or position in the space dimensions, relative to various elements that may add or reduce dwelling's value.

**Keywords:** *Hedonic price model, residential real estate, metropolitan area, environment.*

## THE IMPACT OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION ON FIRM VALUE – CASE STUDY OF MONTENEGRO

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### Abstract:

The modern way of doing business, accompanied by numerous challenges that companies face on the market, imposes the need to provide quality corporate governance, on a sustainable basis, in order to ensure the continuity of the company's business in the long term. Good corporate governance, determined by the principles of transparency, responsibility and involvement of interested parties, tends to minimize the agency problem, and align the interests of management with the interests of shareholders, which indirectly affects the value of the company on the market. The recognition of the indicators of good corporate governance (GCG) as a basis for strengthening the company's value in the market becomes the motive for conducting this research. Therefore, the aim of this paper is to examine the influence of indicators of good corporate governance on the value of the company in the market. This is especially important for Montenegro, which is still in the phase of creating an adequate legal and economic environment related to this topic, and the results obtained from this analysis can serve decision makers for the effective implementation of mechanisms of good corporate governance. Additionally, for investors, GCG indicators are particularly important for assessing the company's potential and making adequate investment decisions. Therefore, corporate managers are encouraged to implement comprehensive GCG practices to maintain and increase firm value.

**Keywords:** *corporate governance, firm value, GCG indicators, Montenegro, stakeholders.*

## DIGITAL INFRASTRUCTURE AS THE CATALYST FOR SUSTAINABLE ECONOMIC DEVELOPMENT IN THE WESTERN BALKANS

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### Abstract:

The Western Balkan region is at a turning point in its economic development, with strategic infrastructure investments composed to drive growth and integration with European markets. Infrastructure is crucial for stimulating economic growth, enhancing connectivity, and boosting regional competitiveness. The region's growth strategy prioritizes decarbonization, improved energy and transportation infrastructure, renewable energy, and strong private sector development, aligning with EU interests and values.

Transportation infrastructure, including rail, roads, and waterways, is a major concern due to persistent underfunding and inadequate maintenance. Investments aim to expand current connections but often fall short of broader goals like the Green Agenda. Excessive hopes for new motorways risk inefficient investments, and many countries lack adequate road maintenance plans, questioning the sustainability of these investments.

Given the challenges and high costs of traditional infrastructure projects, the Western Balkans must consider cost-effective alternatives with economic and environmental benefits. Digital infrastructure is a viable solution, aligning with green investment goals, requiring lower capital investment, and offering rapid deployment. Enhancing digital infrastructure is essential for economic competitiveness and societal advancement, encompassing broadband networks, mobile connectivity, AI, and big data. These elements drive economic growth, improve efficiency, and promote social development, aligning with UN SDG Goal 9.

Robust broadband networks and extensive mobile connectivity are foundational for economic progress. Investments in these areas contribute to GDP growth by enabling communication, market access, and innovation. The development of 5G networks is set to revolutionize industries with applications in logistics, remote operations, and smart manufacturing. Emerging technologies like AI and big data analytics improve decision-making and productivity, enhancing public services, and supporting environmental sustainability.

Digital infrastructure fosters social development by creating high-skilled jobs, promoting e-learning, increasing transparency, and reducing corruption. Despite promising prospects, challenges include disparities in digital development, limited investment, and the need for new regulatory frameworks. Coordinated efforts from governments, private sectors, and international organizations are required. Leveraging human capital and technological initiatives can accelerate digital transformation.

Finally, digital infrastructure, including broadband networks, AI, and big data capabilities, requires relatively lower capital investment compared to large-scale transport projects such as highways and railways. Strategic policies promoting digital inclusion, innovation, and environmental sustainability are essential for realizing the potential of digital infrastructure. Enhanced digital connectivity drives economic growth, fosters innovation, improves market access, and attracts knowledge-intensive industries. The scalability and rapid deployment of digital technologies also mean that their positive impacts can be realized more quickly than the long-term development timelines associated with traditional forms of infrastructure.

**Keywords:** *infrastructure, sustainable development, digital infrastructure, Western Balkans*

## BARRIERS & ENABLERS TO CIRCULAR ECONOMY TRANSITION: COMPARATIVE ADVANCEMENTS IN THE WB & VISEGRAD COUNTRIES

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### Abstract:

Achieving circularity in the economy requires not only an appropriate regulatory framework in place but also the development of robust business models driven by innovation to meet the evolving demands of increasingly more aware consumers and service users. These models may involve circular product design, extending product lifespan, product reuse and repair, and material recycling, among other strategies. However, these models must also align with the primary goal of economic entities: creating profit and enhancing competitiveness. Furthermore, aligning infrastructure and local community functions with circular economy principles requires multidisciplinary collaboration among decision-makers, economic entities, research organizations, and civil society at an elevated level.

Currently, Western Balkan countries are taking gradual steps towards adopting circular economy practices, aligning with the region's commitment to the green agenda, Sustainable Development Goals (SDGs), and the EU Green Deal, among others. These efforts are reflected in the drafting of policies, legislation, and the development of systemic approaches aimed at integrating circular principles into national frameworks. Initiatives include enhancing resource efficiency, promoting sustainable production and consumption patterns, and fostering innovation in waste management and recycling. While still in the early stages, these initiatives mark a significant shift towards sustainable development and environmental stewardship in the region. In this context, the paper will provide a comparative analysis of circular economy advancements between the Western Balkans and the Visegrád countries. It will comprehensively review policies, strategies, stakeholder engagements, and empirical evidence of circular/green business and initiatives in both macro-regions, building upon findings of the *International Visegrad Funded Project, "Towards Regional Circular Supply Chains: Knowledge exchange from V4 to WB"*.

The analysis aims to highlight the progress made by Visegrád countries in implementing circular economy practices and draw parallels to the challenges faced by the Western Balkans. By identifying systemic approach needs and comparing policy frameworks, the paper aims to provide a set of recommendations and a framework for indicative actions that could guide the smoother transition to a circular economy in the Western Balkans, fostering regional cooperation, promoting sustainable resource use, and creating local know-how and employment opportunities through innovative waste management and circular supply chain measures.

**Keywords:** *circular supply chains, Visegrad Countries, Western Balkan, Green Agenda for the Western Balkan.*

## IMPACT FINANCING SCHEMES TO PROMOTE REGENERATIVE AGROFORESTRY BUSINESS IN EUROPE: THE CONTRIBUTION OF THE REFOREST PROJECT

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### Abstract:

With the growing ambition of the European Green Deal to address current challenges of climate change, environmental degradation and food security, policy initiatives and sustainable practices are needed to transform the European Union (EU) into a more integrated and resource-efficient economy. Agroforestry, as a multifunctional land use, could be at the center of this transition due to its environmental, economic and social benefits.

In recent decades, agroforestry has received considerable attention from the scientific community and is recognised as a multifunctional land use practice that can help mitigate climate change, protect soils, enhance biodiversity and water quality, and improve the overall condition of the landscapes (Jose, 2009). To promote the diffusion of agroforestry and other regenerative agriculture practices, recent studies have revealed the need for a policy framework that links food systems, agriculture, forestry and rural development for a holistic approach to environmental, economic and social sustainability (e.g., Donham et al., 2022; Hajdukovic, 2023). Now, to concretely trigger and sustain a wide uptake of agroforestry in Europe – including EU and Western Balkan countries – it is essential to develop innovative financial instruments and policies based on payments for ecosystem services, which recognise the co-benefits of regenerative agroforestry practices and reward farmers for providing them.

In this context, the EU-funded ReForest project<sup>1</sup> proposes a **sustainable financing scheme for agroforestry** that integrates ex-ante payments, action-based payments, result-based payments, and advisory services. The scheme aims to overcome financial and knowledge barriers, while being practical and flexible, to accommodate various scenarios and project scales. The scheme describes the prototype of a five-year agroforestry project, including phases and iterative steps, which is expected to serve as a practical guide for future agroforestry initiatives. It then proposes a methodological approach for designing a sustainable financing scheme for agroforestry. Key steps involve identifying environmental results related to ecosystem services, mapping land management practices, estimating associated costs, developing measurable indicators, identifying financing mechanisms and setting payment rates based on an economic valuation of ecosystem services. A key element for the development of the financing scheme is the establishment of robust monitoring, reporting and verification (MRV) systems to ensure that agroforestry practices have real, positive and measurable environmental impacts and provide ecosystem services, such as carbon sequestration, enhanced biodiversity, and improved soil fertility and water quality.

To increase the uptake of agroforestry across Europe, it is essential to actively involve farmers and policymakers in the design of the scheme. Their involvement will allow to gain insights from their practical knowledge and experience, understand their challenges and needs, ensure contextual relevance, assess the feasibility of the scheme and co-create effective solutions. The practical application of the scheme in living labs will ensure real-world case studies and thorough testing of the scheme to tailor it to the needs and local conditions of agroforestry practitioners.

In summary, the scheme prioritises farmer involvement, flexibility, adaptability and innovation in land management practices, with the aim of achieving long-term agricultural and financial sustainability for farmers, and environmental sustainability at both national and European level.

**Keywords:** Agroforestry, Regenerative Agriculture, Carbon Farming, Green Finance.

<sup>1</sup> <https://agroforest.eu/>

## URBAN ECOSYSTEM ACCOUNTING IN CROSS-REIS COUNTRIES: TOWARD A SOCIOECONOMIC VALORIZATION OF ECOSYSTEM SERVICES

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### Abstract:

The EU's increasing policy momentum regarding urban ecological health is reflected in various programs and laws, ranging from the EU Biodiversity Strategy 2030 to the Nature Restoration Law (NRL), and proposed amendments to the regulation on Environmental Accounts. These policies mandate ambitious urban greening plans, looking for a long-term increase of green spaces and tree cover in cities, guided by the knowledge that citizens' quality of life depends on the socioeconomic benefits provided by urban nature. Extending research deepened within the Italian NBFC, this research explores the development of pilot thematic urban ecosystem accounts for countries involved in the CROSS-REIS Horizon project (Slovenia, Croatia, Serbia, Montenegro and Albania) aligned with the SEEA-EA standards of the United Nations. We create accounts for ecosystem extent, four ecosystem condition variables (green space, tree cover, imperviousness, and particulate matter concentration), and air filtration by vegetation ( $PM_{10}$ ) for the most recent year in records (2018), using Copernicus Land data. Indicative monetary values for air filtration are here estimated from biophysical values and making use of the average national marginal damage cost per unit mass of  $PM_{10}$ . We compare the results from the focal widening countries to those of other European countries. Results show a positive relationship between certain urban ecosystem condition variables (urban green spaces and tree cover) and higher air filtration effectiveness ( $PM_{10}$  deposition per land unit), highlighting the regenerative socioeconomic potential of good urban ecosystem conditions due to benefits derived from natural capital. This pilot study benchmarks urban ecosystem accounting values of widening countries within CROSS-REIS against those of wider Europe. Benchmarking the performance of CROSS-REIS countries against the rest of Europe can help to anticipate the need for investment in urban restoration and management actions, and the expected benefits derived from these efforts.

**Keywords:** *natural capital; ecosystem accounts; ecosystem services; urban areas; urban biodiversity; sustainable development.*

## CHALLENGES OF THE GREEN TRANSITION IN ACCOUNTING – A COMPARATIVE OVERVIEW OF COMPANIES IN SLOVENIA AND MONTENEGRO

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### Abstract:

Green transition at all levels of activity in modern conditions is becoming a necessity. As such, it becomes a constant that has undoubtedly affected the accounting profession, which has been undergoing a significant reorganization, especially in the past decade. Namely, the Sustainable Development Report through the requirements imposed by the new Directive 2022/2464 represents a fundamental reform in the system of corporate reporting. The aforementioned reform, without precedent, will become an inevitability through the national legislation. In this regard, the stated paper aims to make a comparative presentation through collected secondary data about the situation, challenges and limitations faced by Slovenia, as a full member of the EU, and Montenegro, as a country that wants to join the community of European countries. Is the corporate awareness of the green transition of these two countries similar or are they at different levels of development? Has the presence of a new form of crime been observed due to the pressure to achieve ESG (Environmental, Social, Governance) goals? The authors of the paper will try to provide answers to the above, as well as to other related questions related to this topic, and, based on the comparison of the obtained data, construct certain conclusions, that is, recommendations.

**Keywords:** *The Sustainable Development Report, environmental crime, Slovenia, Montenegro.*

## CIRCULAR ECONOMY PRACTICES AND INSURANCE CHALLENGES: PERSPECTIVES FROM MONTENEGRO

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### Abstract:

Montenegro, amidst its efforts towards sustainable development, is increasingly embracing circular economy principles to reduce waste, conserve resources, and promote environmental sustainability. This paper explores the intersection of circular economy practices and the challenges and opportunities for insurance providers in Montenegro.

The paper discusses initiatives and policies promoting waste reduction, resource efficiency, and the shift towards sustainable production and consumption patterns. The study identifies specific insurance challenges arising from circular economy practices in Montenegro. These include assessing new risks associated with recycled materials and products, determining liability frameworks for extended producer responsibility, and addressing uncertainties in product lifecycle management.

Furthermore, the paper examines innovative insurance solutions tailored for circular economy initiatives. It explores potential products such as coverage for circular design processes, liability insurance for eco-friendly product recalls, and financial tools to support sustainable supply chains. Also, the paper discusses the economic implications of integrating insurance into Montenegro's circular economy agenda. It evaluates the role of insurance in mitigating financial risks, enhancing investor confidence in sustainable projects, and promoting resilience against environmental challenges.

It is evident that substantial efforts are needed to raise awareness, develop comprehensive policies, and foster collaboration between the private sector, government, and insurance providers. These steps are crucial to overcome current barriers and fully realize the potential benefits of a circular economy in Montenegro. By addressing the intersection of circular economy practices and insurance challenges in Montenegro, this paper aims to contribute to broader discussions on sustainable economic development and environmental stewardship in the region.

**Keywords:** *circular economy, sustainable development, insurance, innovation.*

## FOCUS OF STATE AUDIT IN THE IMPLEMENTATION PROCESS OF AGENDA 2030 AND SDGS

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### Abstract:

By adopting the UN Agenda 2030 in 2015, UN members committed themselves to the implementation and realization of 17 sustainable development goals (SDGs) derived from the Millennium Declaration and the Millennium Goals 2000-2015, and at the same time numerous international organizations and institutions were mobilized to help national governments. Out of a total of 193 UN member states, 170 UN member states are currently in the process of implementing the 2030 Agenda. In the process of implementing the 2030 UN Agenda, Supreme Audit Institutions (SAIs) are recognized at the global level as an independent control and advisory mechanism that provides support to national governments in this process. The International Organization of SAIs (INTOSAI), which gathers SAIs around the world, is also involved in this process by activities on the development of guidelines for SAIs in carrying out special types of performance audits (2030 Agenda preparedness performance audit and progress in SDGs performance audit). SAIs in 73 UN member countries, in 7 regions (AFROSAI-E, ASOSAI, CAROSAI, CREFIAF, EUROSAI, OLACEFS, PASAI), have preparedness performance audit, and most of them have started with the development of special types of SDGs performance audit. The research objective of this review is set in three directions. First, to investigate the extent to which the UN countries managed to establish the institutional framework and mechanisms for the implementation of the 2030 Agenda and progressed on the way to achieving the SDGs. Second, to identify the activities of INTOSAI and its competent bodies (INTOSAI Development Initiative (IDI), Knowledge Sharing and Knowledge Services Committee (KSC) and others) that are helpful to the SAIs in developing new types performance audit that follow the implementation of the 2030 Agenda. Third, to look around to what level Serbia has reached in the implementation of the 2030 Agenda and in which fields the SAI in Serbia managed to be included as a control and advisory mechanism in that process by conducting performance audits, with a comparison with the scope of SAIs in the Western Balkans region and EUROSAI countries.

**Keywords:** *Agenda 2030, SDGs, INTOSAI, Supreme audit institutions, performance audit.*

## THE INTERNAL AUDIT EFFORTS IN THE FIELD OF SUSTAINABILITY REPORTING: EVIDENCE FROM MONTENEGRIN BANKING SECTOR

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### Abstract:

Environmental, social and corporate governance issues (ESG factors) – have been a ubiquitous topic in the corporate world for many years. However, climate change, social differences and unrest, as well as irresponsible business practices, are phenomena that have recently caused changes in the way organizations function. By facing the aforementioned challenges, internal management mechanisms play a key role in aligning the company's operations with sustainability principles, creating sustainability reports and improving socially responsible code of conduct. In this regard, as the most important driver of a country's economy, the banking sector is the basis for the progress and prosperity of other economic branches through its investment and lending activities, which support environmental and socially responsible initiatives of many companies. In order to strengthen corporate values, banks should have an established management structure that implements an ESG strategy. The role and responsibilities of the internal audit, the scope of its work and the demands placed on it have changed in the context of the creation of ESG initiatives and company strategies. Hence, in this paper the authors try to analyze the main responsibilities of the internal audit sector in implementing ESG principles, according to international reporting standards and directives concerning sustainability reporting in the EU. Additionally, the goal of empirical analysis is to determine what responsibilities the internal audit sector has in this area, through a survey questionnaire with the internal auditors of the banks in Montenegro. In this way, this research should be the basis for raising awareness among corporate leaders and auditors about the importance of ESG factors and their role in long-term sustainable business operations. Also, the research points to the need for regulation and standardization of practices in the field of ESG reporting and management, which can be an incentive for the further development of future legislation and regulatory initiatives in Montenegro.

**Keywords:** *internal audit, ESG, sustainability, banks, sustainability report.*

## WHY XBRL AND ESEF ARE ESSENTIAL FOR BUSINESS REPORTING

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### Abstract:

Without standards for exchanging information via the Web, the accounting profession has long been burdened with inefficient reporting processes – based on a large number of different software applications that reproduce financial statements in different formats (pdf, xls, html, doc), which are often incompatible with each other. As in the case of the adoption and implementation of international accounting standards, where the accounting community recognized the need to harmonize around eighty different packages of accounting standards, it was only a matter of time when there would be a similar standardization in the exchange of business information.

The implementation of XBRL (eXtensible Business Reporting Language) in the first place provides the possibility of reaching agreement on how information will be exchanged. Today, the XBRL standard serves as a kind of *Rosetta Stone* in the exchange of business information, since it simplifies the exchange of data between different business systems.

On the other hand, the global acceptance of XBRL by the accounting community has affected the idea of developing a single European electronic format (European Single Electronic Format – ESEF). In that sense, ESEF actually originates from the Transparency Directive from 2004, finally confirmed in 2019, added a requirement for filers to prepare their annual financial statements in a unified electronic reporting format. Namely, companies listed on the EU capital markets that prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) are required to report in a single European electronic format, which is basically based on the XBRL format. If we look at the Western Balkan Region, Croatia and Slovenia are applying XBRL mandatorily from 2020, and the only, possible and best way for the Montenegro is to accept without restrictions and adapt the EU regulations for XBRL-ESEF.

This paper provides an indication of the guidelines for public authorities, associations of accountants, as to what is immediately needed and what must still be done in order to create a favorable regulatory environment for the implementation of the latest standards of digital financial reporting, which would finally result in improving the quality of reporting.

**Keywords:** ESEF, XBRL, digitization, accounting standards, management, financial reporting.

## ENVIRONMENTAL RISK AS A CHALLENGE FOR THE MONTENEGRIN BANKING SECTOR

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### Abstract:

Environmental, Social and Governance risks (ESG) are increasingly important for the long-term sustainability and reputation of banks. Banks integrate these risks into their strategies to ensure compliance with regulatory requirements and attract socially responsible investors. Effective management of ESG risks enables them to position themselves as leaders in sustainable finance and avoid potential losses.

This paper aims to examine the impact of environmental risk on the operations of banks in the Montenegrin market. It analyzes key guidelines and areas where environmental risk affects the operational and strategic activities of banks. The main challenges banks face due to environmental risk, as well as possible approaches for managing these challenges, are discussed. Special emphasis in the paper is placed on the inclusion of environmental risk in credit risk assessment.

Credit risk assessment in banks is crucial for ensuring their stability and profitability. The credit risk assessment process consists of qualitative and quantitative analysis, based on which the final lending decision is made. The inclusion of environmental risks in the credit risk assessment process is becoming increasingly important due to heightened awareness of the impact of environmental risks on a country's financial system and, consequently, on the banking sector. The assessment of environmental risks would predominantly involve qualitative analysis and require additional client data. Additional client data for environmental risk assessment includes information on environmental policies, practices, and standards applied by the client, environmental impact reports, including CO<sub>2</sub> emissions, resource use, and waste management, as well as compliance with environmental laws and regulations, including any fines or legal disputes related to environmental issues. Environmental risk can be considered an intermediate risk as it exhibits characteristics that bridge traditional financial risks and new, non-financial risks that are becoming increasingly relevant to business and financial stability.

Therefore, this paper discusses the readiness of Montenegrin commercial banks to include environmental risk assessment in their operations. Specifically, it seeks to show the current level of awareness of environmental risks among banks in Montenegro and whether they implement ESG-related regulations in credit risk assessment, with an emphasis on the environmental component. Effective management of these risks enables Montenegrin banks to align with regulatory requirements, attract socially responsible investors, and position themselves as leaders in sustainable finance. In this way, this paper provides significant scientific and practical contributions.

**Keywords:** *environmental risk, credit risk, banking sector, Montenegro.*

## ACCOUNTING STANDARDS OF SUSTAINABILITY IN THE FUNCTION OF ENCOURAGING SOCIALLY CONSCIOUS OPERATIONS OF COMPANIES IN MONTENEGRO

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### Abstract:

The International Sustainability Standards Board ISSB (International Sustainability Standards Board) as a specialized body of IFAC (International Federation of Accountants) published new international accounting standards on sustainability in 2023 – IFRS S1 and IFRS S2. The reasons for the creation of these two, as well as the other ten standards in the making, are the need for consistency and a uniform reporting methodology, which should ultimately provide companies with comparable and relevant information about sustainable business. The paper aims to investigate the requirements brought by the new international sustainability accounting standards, their positive effects on socially responsible business operations of companies, but also potential challenges during their implementation. In this way, the conducted research aims to indicate the connection between sustainability accounting standards and socially responsible business operations of companies, in general, but also with reference to Montenegro.

**Keywords:** *sustainable development, non-financial information, socially responsible business, Directive 2022/2464, IFRS S1, IFRS S2.*

## THE IMPORTANCE OF IMPLEMENTING SUSTAINABLE DEVELOPMENT ACCOUNTING IN MODERN BUSINESS CONDITIONS

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### Abstract:

With the collective development of awareness on a global level about the necessity of applying the concept of sustainable development, individual awareness of how we as individuals or smaller groups can contribute to its implementation began to develop. Understanding and applying that concept resulted in significant changes when we talk about business conditions. With the change in business conditions, there was a need for further improvement of accounting as a discipline. Throughout history, accounting managed to adapt to dynamic changes and maintain its importance in new business conditions, and so it was this time, when accounting was put into the function of sustainable development through its new concept called sustainable development accounting. Through this scientific-research work, an overview of the mentioned problem was given and the importance and necessity of changing the corporate culture of behavior in the direction of integrating the concept of sustainable development was pointed out. What represented the motive and goal of the research was to look at the benefits that companies have by applying sustainable development accounting, the benefits that its application brings for the overall environment in the market economy, but also the individual benefits that the application of this system has on companies and other interested parties. Also, the goal of this research, in addition to the part on sustainable development accounting, is to present the goals and advantages that are to be achieved by reporting on sustainability. In the context of the above, through the research that was conducted, answers were found to the questions at which level the awareness of the concept of sustainable development accounting has been developed, as well as to what extent this concept is present in companies operating in Montenegro. Also, answers were received to the questions whether the implementation of the idea integrated within the concept of sustainable development affects the business performance of companies in Montenegro, as well as whether the orientation of those companies towards the application of this concept produces positive implications for the company itself and the wider business community. In addition to the educational role, the work itself provides a critical overview of the insufficient understanding and application of this concept in Montenegro, all with the aim of initiating a wider dialogue about this model, which represents the basis for the development of accounting and finance in the direction of sustainability, and therefore business as a whole.

**Keywords:** *Sustainable Development, Sustainable Development Accounting, Sustainability Reporting, Profitability and Corporate Sustainability, Global Reporting Initiative.*

## THE IMPORTANCE OF SYNERGY BETWEEN FINANCIAL AND NON-FINANCIAL REPORTING

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### Abstract:

The world has been characterized by numerous challenges in the economic, environmental and social fields for decades. The downfall of large global corporations has occurred because of the problem of social irresponsibility, neglect of non-financial performance, as well as excessive focus on finances.

Financial information because of the restrictions that accompany them, as well as the conditions imposed by the modern market are not sufficient in the business process. Problems such as environmental protection, attitudes towards employees, management methods and many others that accompany modern business caused a change in focus from financial to non-financial information. One more problem that occurs as part of the aforementioned and which causes the occurrence of environmental costs are negative externalities. As a consequence of the previously mentioned, there is a need for socially responsible business and non-financial reporting, which is a relatively new way of reporting.

Considering that more attention is paid to the social and environmental dimension of business, as well as to the goals of sustainable development, it is necessary to measure non-financial performances and present them in the form of non-financial reports increasingly demanded by stakeholders. Many corporate crises and scandals that appeared as a consequence of the absence of ethics and social responsibility, as well as the deterioration of the quality of financial reports, resulted in a great interest in non-financial reports. Therefore, we conclude that an adequate way of corporate reporting would be if companies disclosed financial and non-financial reports. Qualitative and quantitative information provide an opportunity for interested parties to see the entire business of the company, taking into account not only the financial, but also the social, environmental and management dimensions of business. This way of business promotes the importance of sustainable development, through the protection of the environment, the protection of workers' rights, as well as the overall improvement of the social and ecological system.

Because of the mentioned reasons, the goal of this work is to show how the synergy of financial and non-financial reporting affects the entire business of a company, and how to overcome the information gap. Also, the goal is to raise awareness of very important issues such as: excessive use of natural resources, environmental pollution, protection of the poor, problems of climate changes, emissions of harmful gases, etc.

**Keywords:** *financial reporting, non-financial reporting, socially responsible business, sustainable development.*

## GREEN ACCOUNTING, TOOL FOR IMPROVING COMPANY PERFORMANCE – FOCUS ON MONTENEGRO COMPANIES

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### Abstract:

Violation of the quality of the environment, all over the world, has become an everyday thing. The irresponsible behavior of business entities and their desire to achieve wealth have caused the state of the environment to be put on the back burner, that is, to be neglected. In the last few years, due to the negative consequences that previous behavior has left behind, awareness has begun to arise about the need to follow the path of socially responsible business and sustainable development. In addition to all that, the emergence of green accounting gave hope for the possibility of solving problems related to the environment, without jeopardizing the business results of business entities. Moreover, green accounting helps the country on its way to the European Union, making it possible to meet the conditions covered by chapter 27. However, despite everything, the number of countries that apply green accounting in their daily business is quite low. Society is still insufficiently informed about the benefits that result from the application of this concept. Therefore, it is important that all companies that have already adopted this concept, through their annual green reports, encourage other companies to do the same.

With our work, we wanted to show the problems that nature is exposed to, both, at the international and national level, as well as potential solutions to them. The subject of our observation was, primarily, Montenegro. The knowledge we obtained showed us the worse state of the environment today compared to previous periods. Nevertheless, one of the positive findings we have come to is the increased commitment of Montenegrin businessmen to improving the existing state of nature, primarily through the use of circular economy and ecological innovations, as popular solutions for the mentioned problem.

The main place of our work, however, belongs to the concept of green accounting. Our main goal was to discover the degree of application of green accounting in companies in Montenegro. For this reason, we conducted a survey that included larger Montenegrin companies.. The findings we obtained indicated that, the number of companies that have implemented green accounting, in their business processes, is at an extremely low level. In addition, companies that apply the concept do so only partially, or, in other words, apply only some elements and rules of the concept. Therefore, browsing domestic and foreign literature and observing examples from practice, we tried to show a large number of advantages that the application of green accounting brings to companies, but also to the entire environment, believing that in this way we will encourage them to start applying this concept in their business.

**Keywords:** *Environment, Corporate Social Responsibility, Sustainable Development, Green Accounting, Chapter 27, Green Reporting.*

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