

## The Blacklist of Legal Entities: The Importance of Administrative Authorities in Creating a Favourable Business Environment in the Serbian Market

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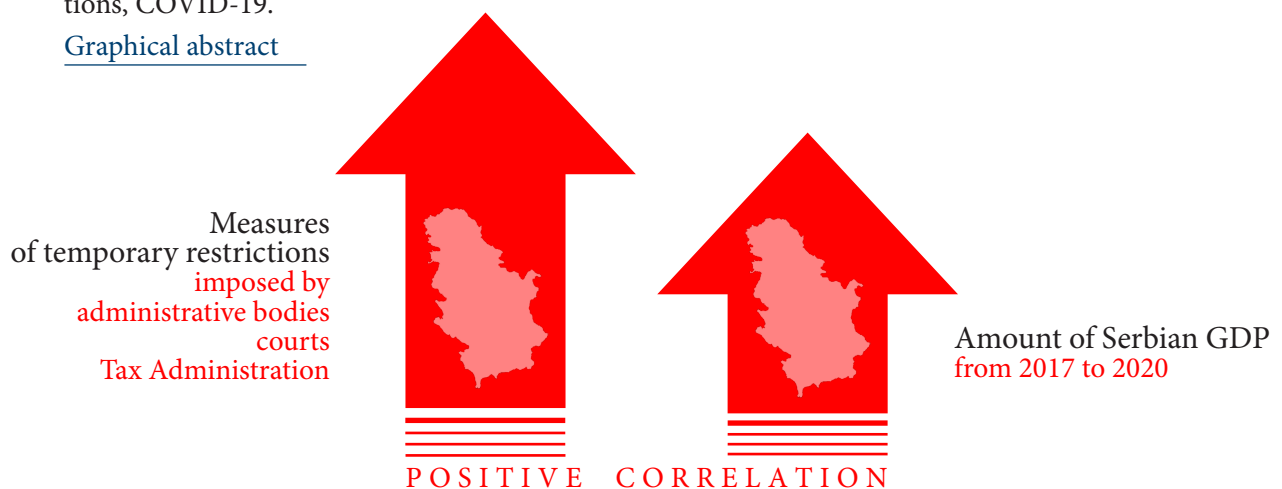
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**Abstract:** With the view to creating a favourable business environment and legal security in the market of the Republic of Serbia, a single and centralized register of business entities has been created, in which data on measures of temporary restriction are recorded. These measures are based on acts of courts, the central bank, the Tax Administration and other competent authorities. The research was conducted on a sample of 1,595 observation units (measures imposed on active business entities) found in the database of active measures of temporary restrictions and published on the website of the Business Registers Agency. The research spanned over almost five years (from 2017 until the first half of 2021). The results of the research show that a total of 1,422 measures of temporary restrictions were imposed by various decision-makers. From the aspect of administrative bodies and courts, a total of 384 measures were imposed in the observed period. The Tax Administration imposed the largest number of temporary restriction measures, with a share of almost 34% of the observed sample. Out of eight potential measures, the results of the research show that two measures of temporary restrictions are imposed in practice, of which the measure preventing the disposal of funds is present in 92.26% of cases. Starting from the main research question – *Is there a positive influence of analysed measures to macroeconomic performance measured by GDP?*, panel regression has been conducted on 1,276 observation units and results show that there is a positive relation between the number of issued measures of temporary restriction of entities from different sectors and the amount of Gross Domestic Product from 2017 to 2020 respectively.

**Keywords:** central register, Serbian Business Registers Agency, measures of temporary restrictions, COVID-19.

[Graphical abstract](#)



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## INTRODUCTION

In addition to preserving macroeconomic stability, a state apparatus has an equally important task to create an adequate business and economic environment (Vučković et al., 2016). Therefore, in order to achieve economic security and general development, the task of creating a favourable environment entails continual investment and adjustments to market rules and trends (Cvijanović et al., 2008). Furthermore, one of the key prerequisites is the existence of a legal system as an organized set of legal norms, since it enables the establishment of the rule of law (Živković, 2010). To improve entities' business transparency in the territory of the Republic of Serbia, the Law on the Central Register of Temporary Restriction of Rights of Entities Registered in the Business Registers Agency (hereinafter referred to as: the Law) introduced the Central Register of Temporary Restriction of Rights of Entities Registered in the Business Registers Agency (hereinafter referred to as: the Central Register), i.e., the so-called Blacklist of legal entities (Law on the Central Register, 2015).

By establishing the Central Register, all electronic data regarding decisions, judgments and other acts are available in one place which enabled competent authorities to adopt measures by which: they prohibited or restricted performance of activities or operations; banned the disposal of money and shares in companies; banned persons holding a position of responsibility in an entity or entrepreneurs to perform duties, etc. It is important to note that until June 1, 2016, the records of data for domestic and foreign legal entities and natural persons were kept by the National Bank of Serbia through enforced collection, and after this date, the keeping of records was taken over by the Serbian Business Registers Agency (SBRA) through the newly established Central Register. On that occasion, 51 active measures of criminal records were taken over, as well as measures of restrictions, a total of 276,310 which relate to prohibitions or restrictions not allowing responsible persons or entrepreneurs to do business or jobs, dispose of funds, perform duties or practice their profession (Narodna banka Srbije, 2021; Paragraflex, 2017). According to the SBRA data on July 14, 2021, 585,030 active measures of temporary restrictions on the rights of persons registered in the SBRA (Serbian Business Registers Agency, 2020) were recorded in the Central Register, while at the end of 2020 there were 530,127 (Foreign Investors Council, 2020).

Filing in the Central Register is made in keeping with the Law, and is only possible in situations when there is a clear and unequivocal basis for that. The basis for temporary restriction of rights is in the acts issued by competent authorities (state, other bodies or legal entities entrusted with the exercise of certain public powers). In order for an act to be the basis for registration, it must contain legal facts or actions prescribed by law. Registration can be done exclusively on the basis of final or enforceable judgments, decisions or another formal act. Those obliged to submit or file data are in charge of submitting acts to the SBRA. Once the acts have been obtained, the SBRA files them in the Central Register, the legal consequence of which is reflected in the establishment of temporary restrictive measures. The primary purpose of the Central Register is to create a favourable business environment in the observed market, by introducing measures and restrictions that apply to business entities and individuals linked to their business activities.

This research focuses on the analysis of the temporary restrictive measures imposed, which are issued based on acts of various authorities. With the introduction of the Central Register



and the issuance of the mentioned measures, the importance that the administrative bodies have in achieving a favourable economic environment on the territory of the Republic of Serbia is pointed out. In this regard, the paper represents the contribution to the theory and application of economics, as well as to the wider public. Number of temporary restrictive measures according to the economic activity of restricted entities will be compared with their macroeconomic impact in terms of total Gross Domestic Product (GDP) of the Republic of Serbia. Based on the above, we can define the main research question: *Is there a positive influence of analysed measures to macroeconomic performance measured by GDP?*

## LITERATURE REVIEW

The aim of blacklisting is to register and categorize “bad” people, entities, or states (governments) as such, and the list should be disclosed in public to highlight undesirable doings and help in preventing them in repeating the undesirable actions (Espeland & Stevens, 1998; Löwenheim, 2008). The blacklist can be related to individual business entities or states, and it is a tool of policy and currently there are more than 400 blacklists used around the world, and measures can be adopted at the level of the continent, state, the European Union (EU), city, government, and the like (Liss & Sharman, 2015).

Blacklists impose a reputation on the state or business entity through stigma and/or financial costs through sanctions and restrictive measures. When it comes to the organization of the Financial Action Task Force’s (FATF’s), it made the so-called FATF’s blacklist, which has compiled a list of “naming, shaming and punishing” states that allow money laundering. This list has significantly affected their credibility and caused significant amount of financial costs, as well as reputational costs. Eggenberger (2018) in his paper points out that the blacklist is a public register of entities that are viewed negatively due to actions or practices that are not in line with international norms. Also, the author points out that some of the most prominent uses of the blacklist were in the fight against banking secrecy and non-proliferation. In this regard, blacklists are used for various purposes, as an instrument to prevent money laundering (Ferberda et al., 2019); online fraud; corruption and crime (Jacobs & Anechiarico, 1992); tax evasion (Kostić et al., 2017), and others.

Furthermore, it is important to note that there are different mechanisms that can be used on the blacklist, and as a result there will be some direct and indirect costs associated. First, imposed sanctions will lead to financial costs, and on the other hand, blacklists that provide information on business entities and individuals serve to create bad publicity and indirect costs for them in the form of reputational costs. Under certain conditions, the sum of these costs can be very high, and blacklisting can be effective. It can be said that there are three factors that contribute to the blacklist efficiency: the stigma associated with the act that led to blacklisting, the nature of all sanctions it imposes, and the legitimacy of the blacklist (Eggenberger, 2018). In a rational sense, the goal of blacklisting is to create costs that outweigh the benefits derived from the behaviour that led to blacklisting. The blacklist draws its power in part from its simplicity: the list can be quickly scanned and expanded; attracts attention; and exploits publicity of information related to wrongdoings (Pratto & John, 1991; Kelley & Simmons, 2015).



Weisband (2000) and Bütthe (2012) emphasize that blacklists can be used for establishing norms and standards as well. When used for that purpose, the blacklist will have normative significance and will pose as a regulation, since it will portrait acceptable versus unacceptable behaviour (Bütthe, 2012; Davis et al., 2012). On the other hand, some authors have challenged the legitimacy of blacklisting, emphasizing that it can lead to human rights violations (Suchman, 1995; De Goede, 2011; Cameron, 2003; Eckes, 2009; Watson Institute, 2006; Cooley, 2015; Sullivan & Hayes, 2010). Keohane (2002) and Ba (2013) consider blacklisting as an instrument of imposing influence and control in relations between states; and the possibility of raising its “procedural legitimacy”. In two of his papers, Sherman (2006, 2009) points out that not too many studies deal with blacklists and the effects of measures and/or sanctions they impose, although their importance is great in critical issues of worldwide safeguard and authority.

The aim of blacklists should be in creating a favourable economic environment with transparent and regulated market. Therefore, it can be presumed that there is a positive relationship between the established blacklists and macroeconomic result of an economy. However, there are other factors that impact macroeconomic indicators, and cyclic behaviour of the market and crises might be one of them. The echoes of the global financial crisis and the global recession in 2012 were strongly reflected in international economic flows, and were particularly evident in the indebted countries in the region (Vukmirović et al., 2021). The Table 1 illustrates the development of economic activity for the entities in the territory of the Republic of Serbia in the period from 2012 to 2020. The data represent a macroeconomic analysis of the market of the Republic of Serbia in the aforementioned period, as published on the SBRA website.

**Table 1.** *Economic Activity for Business Entities Between 2012 and 2020*

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating results in € millions	3,204	3,091	3,059	3,323	4,176	4,480	4,937	4,853	5,432
Net results in € millions	-552	-203	-1,089	+1,182	+1,857	+3,690	+4,228	+3,327	+3,676
GDP in € millions	16,314	31,561	32,061	32,666	34,017	37,685	42,808	46,013	46,328
GDP growth rate	-1.7	+2.5	-1.8	+0.7	+2.7	+1.9	+4.3	+4.2	-1.0
Annual inflation rate (consumer price index)	12.2	2.2	1.7	1.5	1.6	3.0	2.0	1.9	1.3
Total losses in € millions	21,657	24,919	39,033	41,265	42,411	44,165	43,520	41,591	46,031
Number of employees in thousands	1,727	1,715	1,698	1,883	1,921	1,977	2,053	2,101	2,149
Total wages in €	505	530	508	503	514	557	581	645	704
Net wages in €	364	383	368	365	373	404	420	467	509

Source: Serbian Business Registers Agency, 2012–2020.



The period from 2012 to 2013 was marked by a decline in total domestic activity, caused by the global economic crisis and recession. Since 2015, there has been a recovery in global economic flows and an acceleration of economic growth in the post-crisis period. The period from 2016 to 2018 is the result of a favourable business and investment environment in the territory of the Republic of Serbia, which coincides with the establishment of the Central Register. Numerous factors, both internal and external, influenced the creation of a favourable environment.

Internal factors depend mostly on the will of the state to provide an adequate institutional and legislative framework for doing business, while external factors boil down to global trends, the impact of which is felt in the financial and economic market. However, the business environment created in previous years is likely to lead to poorer business results to the global crisis caused by the COVID-19 pandemic, although the data from 2020 still do not illustrate this (except in the case of the GDP rate).

#### THE CENTRAL REGISTER OF TEMPORARY RESTRICTION OF RIGHTS OF ENTITIES REGISTERED IN THE BUSINESS REGISTERS AGENCY

The legal framework for the Central Register is defined by the Law (Law on the Central Register, 2015, art. 1) that took effect on January 7, 2016, and its implementation began on June 1, 2016 (Kostić et al., 2017). Pursuant to the Law, the Central Register is a single, centralized and electronic database of individuals existing in the registers, kept by the BRA through the register, and whose right is temporarily sanctioned by an act of the competent authority (Law on the Central Register, 2015, art. 2). Within the aforementioned database, data on business entities, their owners and responsible individuals sanctioned through the imposition of various forms of restrictions are collected and stored. Sanctions imposed on legal entities and natural persons in the database can be criminal, misdemeanour or administrative. The purpose of this record is reflected in the systematic collection of data regarding business entities, their owners, directors and members of supervisory boards and other bodies within entities, all of whom face restrictive measures for their misconduct and against whom criminal, misdemeanour or administrative sanctions are imposed. Ideally, business entities should keep all market participants and all stakeholders in the loop. In this way, interested stakeholders and all other interest groups would have information that they can use in the business decision-making process, without which they would not be able to achieve utmost usefulness and positive effects of decision-making (Raghunath & Devi, 2021). The implementation of the register of temporary measures of restrictions aims to provide additional mechanisms for controlling the activities of business entities. By inspecting the data provided by this register, it is possible to check whether any of the measures of temporary restrictions have been imposed on a certain economic entity or any of its responsible persons.

Such measures can serve as a warning to interested parties to pay attention to the solvency of the observed entity and can also be an indication that the business is run in keeping with law, which, in turn, can help them make adequate business or other decisions. Therefore, users have the opportunity, based on the data shown by the records, to check the type of measures of temporary restrictions that have been imposed. This provides further





insight into the ethics and legality of the work of management of entities. An important element of the register of temporary restriction measures is reflected in the fact that it serves as an instrument that ought to discourage a person in charge and owners to commit manipulations that may result in the imposition of sanctions. The very fact that business entities or their management are registered should negatively affect their reputation and credibility. Based on the above, it can be concluded that the main goal of the register is to increase business transparency and indirectly create a favourable business environment.

### BASICS OF THE TEMPORARY RESTRICTIONS OF THE RIGHTS AND STATE ADMINISTRATION AS ONE OF THE ENACTORS

The legal consequences of the temporary restrictions are determined by Article 3 of the Law. The fundamentals for temporary restriction of rights are acts of a state or other competent body or legal entity entrusted with exercising public authority. Acts contain legal facts or actions stipulated by law in the form of a final or enforceable judgment, a resolution, a decision or other formal act, and are submitted to the SBRA by the person obliged to submit or make record of the data so it could be filed in the Central Register.

Measures of temporary restriction could be imposed by courts, administrative bodies, or business entities; through orders or judgments as instruments of issuance (Law on the Central Register, 2015, art. 20). The basis for the temporary restriction of the rights of persons and making record of this in the Central Register may be the following measures (Law on the Central Register, 2015, art. 3):

- 1) Prohibition or restriction to engage in business activities or work;
- 2) Prohibition to dispose of funds;
- 3) Responsible person in the legal entity or entrepreneur are prohibited from performing duties or practicing their profession;
- 4) Prohibition or restriction to dispose of shares or some other restriction that is in keeping with the regulations that help define the legal position of entities;
- 5) A measure imposed in keeping with regulations governing the areas of tax procedure and tax administration;
- 6) A measure imposed by the inspection bodies during the procedure that falls within their competence;
- 7) Measure of revocation of authorizations, licenses, permits, approvals, concessions, subsidies, incentives or other rights determined by special laws; and
- 8) Other measures defined by law.

All state bodies that are in some way involved in the work of the system of registration of persons who have been imposed temporary restrictions of their rights are obliged to register and submit their data to the Central Register. State bodies that are involved in the system of registration of persons who have been temporarily imposed restrictions on their rights can be divided into two basic groups (Law on the Central Register, 2015, art. 8–10):

- Competent authorities that submit data or documents related to temporary restrictions of rights, prescribed by law to the SBRA in electronic form, using its electronic services, so as to have them filed in the Central Register, and



- Competent authorities that file data or documents related to temporary restrictions of rights, which are prescribed by law, in the Central Register of Temporary Restrictions of Rights of Entities through the Unique interoperability platform (hereinafter referred to as: UIP).

The state administration is an instrument of coordination and realization of the most important social plans and as such it is recognized as one of the prerequisites for the overall economic and social development. On the other hand, by abusing the basic means entrusted to the administration (physical force, economic control and communication through which it influences public opinion) – when it becomes only an instrument of coercion and rule over people, the administrative system can be transformed into its absolute negativity. Therefore, it seems that state administration can be considered one of the vital elements of modern society. In the organic sense, the administration is a set of state bodies and organizations that are defined by the highest legal acts (constitution and laws) of a state as performers of administrative activities – the so-called state administration. The scope, character and nature of administrative affairs require an optimal and coordinated internal and external organizational structure, which will enable the optimal functioning of the administrative system of a state (Dimitrijević, 2012).

One of the fundamental qualities of the state administration is the fact that it is authorized to use coercion and restrictive measures if it is necessary to ensure fulfilment of an obligation imposed on the entity through an administrative act, in case when the entity fails to do it on a voluntary basis. Execution of various and numerous administrative jobs and tasks requires a comprehensive administrative apparatus, composed of staff and financial resources, therefore administrative bodies can be observed as public servants (Vukašinović-Radojičić & Rabrenović, 2020). Interested entities consider the administration as a set of administrative bodies and an administrative service, which is only the outer side of a more complicated and complex apparatus, known as the organization of the administration.

State administration bodies which are established by the state are composed of individuals in the capacity of civil servants, as the main executors of its administrative competencies and certain non-administrative duties. The state also entrusts certain administrative tasks to the administrative bodies of territorial units, holders of public authority, the government or the parliament. The state establishes, legally regulates, finances and controls state administration bodies, which perform administrative tasks in its name and on its behalf, but for the benefit of the community and all citizens, i.e. specific common public interests (Kostić, 2016).

Generally speaking, state administration bodies are determined based on their institutional and functional characteristics. Institutionally speaking, each state body is a separate and organizationally independent unit, set up by a senior holder of administrative power and in its existence is independent of its change. On the other hand, a state body does not have the status of a legal entity. In functional terms, state bodies are characterized by specific competencies in the field of administrative affairs. However, it has nothing to do with their original competencies, but rather with the competencies that the state, as the supreme holder of administrative power, entrusts them with in accordance with law.

Authority of the administration is also expressed through the fact that certain state administration bodies in specific situations are authorized to use coercion, which in its extreme form manifests itself as physical coercion. State administration bodies in which employed



officials are authorized to carry and, if necessary, use weapons are called armed bodies. Their number is determined very restrictively and is reduced to those of the army, police, security services and customs. Therefore, these are the bodies that are primarily in charge of preserving internal and external order, peace and security, but are at the same time authorized to use physical coercion if necessary to execute decisions made by other state bodies.

Civilian authorities are all other state administration bodies, which are not authorized to use physical coercion, and they are neither required nor allowed to carry weapons. If we analyse all administrative bodies from the aspect of the form in which they exist, we talk about the forms of these bodies. They differ primarily in whether those performing administrative tasks are part of the structure of state power or not. If they are, we talk about state administration bodies, while others qualify as non-state subjects of administration. The most commonly represented state administration bodies are ministries, administrative bodies within them and special organizations (Kostić, 2016).

## THE CONTENT OF CENTRAL REGISTER

Article 20 of the Law on the Central Register of Temporary Restriction of Rights defines that identification data on all legal entities subject to temporary restriction of rights shall be published as a separate section of the SBRA website. The data contained in the Central Register, which are related to natural persons against whom a prohibition order and security measures have been imposed in court proceedings are not made public. Access to these data can be provided only in situations when it is in line with the provisions of the law with the help of which keeping of criminal records is organized (Law on the Central Register, 2015, art. 7).

The date of its entry in the Central Register shall be taken as the beginning of the validity date for the temporary restriction, while the date when the restriction of rights has been deleted from the Central Register shall be considered as the end of validity. The law defines that the following data are kept within it (Law on Companies, 2019, art. 8):

- 1) Identification data of the person against whom the temporary restriction has been made;
- 2) Data on the date when the temporary restriction was filed in the Central Records;
- 3) Data regarding date and one of the four types of recording (entry in the records, correction of a technical error, change or deletion of data from the records);
- 4) Data related to the basis of the temporary restriction, which must contain the type of act by which the temporary restriction was imposed, its number, date of enactment, date of finality, i.e., enforceability and nomenclature necessary for the restriction to be adequately classified;
- 5) Data on the date of commencement and termination of the temporary restriction;
- 6) Identification data on the registration of the obligor and the authorized person; and
- 7) Data prescribed in the act based on which the classification of the grounds for the implementation of the temporary restriction is determined.

It is important to note that a person registered in the SBRA is a natural person or legal entity registered as a founder, member of the governing body, supervisor, director, legal representative or other representative in entities, cooperatives, association of cooperatives,





public companies, branches or representative offices of foreign entities or as an entrepreneur. A person registered in the SBRA may also be another legal entity that performs a registered business activity where, in line with the act of the competent authority, grounds for temporary restriction of rights have occurred.

Persons obliged to submit data are required to do so in the Central Register within a period that may not be longer than three working days from the day when the basis for the temporary restriction occurred. This is done through the UIP, where it must be completed within three working days, or the next working day if the deadline has expired on a non-working day or on a public holiday. If the court in charge has made a restriction order or a security measure, it shall be submitted to the SBRA, whereby the registrar is given a deadline of five working days to register, unless it falls on a non-working day or a public holiday in which case it is moved to the next working day.

A large number of different state bodies take part in the work of the Central Register, such as courts, inspections, the National Bank of Serbia, the Ministry of Internal Affairs and the like. The above-mentioned bodies carry out activities regarding the Central Register *ex officio*. The timeliness of data exchange with regards to business entities, their members and bodies should be the basis for the work of competent authorities, which ought to improve the efficiency of the Central Register and result in an increase in the number of persons registered in it. Nevertheless, the research conducted by the Foreign Investors Council shows that due to the state of emergency in the Republic of Serbia caused by the COVID-19 pandemic, the work of the competent authorities, which are obliged to provide data on persons against whom temporary restrictions were made, has become more difficult and slower, which is why the greatest impact of COVID-19 on this area is reflected in the timeliness of data in the Central register (Foreign Investors Council, 2020).

## RESEARCH METHODOLOGY

In order to provide an answer to the research question previously defined, this research has been conducted related to the issued measures, industry sectors of sampled entities and total amount of GDP according to the sector. The research sample consists of a total of 319 active entities, i.e., 1,595 observation units (measures imposed on active entities). The observed research period is almost five years (from 2017 to the first half of 2021), which should be an adequate period to analyse the trend of the imposed measures of temporary restrictions. According to the Law on Companies, there is a distinction between the following legal forms of entities: partnership, limited partnership, limited liability company and joint stock company (Law on Companies, 2019, art. 8). Therefore, the database has been searched for each type of the mentioned legal forms, and from each search of active measures 100 legal entities have been randomly selected per type. Exception from the previous were limited partnerships where a total of 19 entities were registered in the database, which is why the sample consists of all possible active measures of that legal form. All business entities were categorized based on the industry sector within which they perform their activities.

During the research, all data were taken from the SBRA website based on the ID numbers of the sampled legal entities. For each legal entity encompassed by the survey, the data





**Table 2.** Analysis of the Measures of Temporary Restrictions Imposed by Various Competent Authorities

Competent body		Tax Administration	Commercial Court	Municipality	Enforcement officer	Misdemeanour Court	District Court	Customs	Higher Court	Total
Year										
2017	A	21	1	4	5	3	0	0	0	34
	B	5	0	0	1	0	0	0	0	6
	C	24	20	10	29	6	16	0	1	106
	D	21	4	3	5	0	2	1	0	36
	Total	71	25	17	40	9	18	1	1	182
	(%)	(39.01)	(13.74)	(9.34)	(21.98)	(4.95)	(9.89)	(0.55)	(0.55)	(100)
2018	A	28	4	2	9	5	2	0	0	50
	B	11	0	0	2	1	0	0	0	14
	C	38	19	17	39	12	19	2	1	147
	D	30	6	3	15	0	1	0	0	55
	Total	107	29	22	65	18	22	2	1	266
	(%)	(40.23)	(10.90)	(8.27)	(24.44)	(6.77)	(8.27)	(0.75)	(0.38)	(100)
2019	A	30	13	3	10	2	0	0	0	58
	B	5	0	1	1	1	0	0	0	8
	C	40	31	10	44	16	19	0	1	161
	D	41	4	1	18	8	1	0	0	73
	Total	116	48	15	73	27	20	0	1	300
	(%)	(38.67)	(16.00)	(5.00)	(24.33)	(9.00)	(6.67)	(0.00)	(0.33)	(100)
2020	A	33	12	4	16	6	1	0	0	72
	B	0	0	0	1	0	0	0	0	1
	C	51	34	14	48	19	23	1	0	190
	D	67	10	5	25	10	2	0	0	119
	Total	151	56	23	90	35	26	1	0	382
	(%)	(39.53)	(14.66)	(6.02)	(23.56)	(9.16)	(6.81)	(0.26)	(0.00)	(100)
2021	A	12	0	0	4	2	0	0	0	18
	B	1	0	0	1	0	0	0	0	2
	C	54	15	9	48	6	10	0	0	142
	D	98	4	2	14	10	1	1	0	130
	Total	165	19	11	67	18	11	1	0	292
	(%)	(56.51)	(6.51)	(3.77)	(22.95)	(6.16)	(3.77)	(0.34)	(0.00)	(100)
Total		610	177	88	335	107	97	5	3	1422
(%)		(42.90)	(12.45)	(6.19)	(23.56)	(7.52)	(6.82)	(0.35)	(0.21)	(100)

Note: A – Partnership, B – Limited Partnership, C – Joint Stock Company, D – Limited Liability Company.



The Table 2 shows that a total of 1,422 measures of temporary restrictions were imposed by various competent bodies (decision makers). When it comes to administrative bodies and courts (commercial, misdemeanour, district and higher courts), it can be seen that they imposed 384 measures in the observed period, which accounts for 27% of the total number of measures imposed. From the aspect of the number of measures imposed, it is noticeable that the Tax Administration imposed the largest number of measures of temporary restriction with a share of almost 43%, followed by enforcement officers (23.56%), and finally other decision makers with a share of almost 34% of the observed sample. In addition, it can be noticed that the Tax Administration imposed the largest number of measures to joint stock companies and limited liability companies, as well as that the number of measures rises on a yearly basis.

In the enforcement procedure, enforcement officers forcibly settle claims of executive creditors in line with executive and authentic documents. Therefore, it is interesting to note that only during the first half of 2021 the largest number of temporary restriction measures was issued compared to all previous periods. It should be borne in mind that the research covered the period up to the first half of 2021 (the moment when the research was conducted), so the data for 2021 refer only to the first six months, and not to the entire year. If the trend of adopting measures continued in the second half of 2021, the Tax Administration would still have the largest share in the adopted measures, and the enforcement officers would be in the second place.

It is important to emphasize the fact that the legal forms of companies such as joint stock companies and limited liability companies are the most common forms of the entities established in the Republic of Serbia. For instance, in 2017, 80% of newly established companies were limited liability companies, which is why it is not surprising that they have the largest share in the total number of measures (Aktiva sistem, 2018).

The central idea behind analysing the number of imposed measures of temporary restrictions is to single out the legal forms of companies to which certain types of measures were imposed, and which were the basis for entering data into the Central Register. Therefore, the results of this analysis may indicate the type of violations that have been committed, which provides a transparent insight into the reasons why the observed companies ended up in the register. The measures entered in the register can clearly and unambiguously indicate the existence of various irregularities or work-related problems. With the help of these data, shareholders, employees, business partners and other stakeholders can clearly see the kind of problems experienced by the observed companies and can get acquainted with the different types of violations and abuses that have occurred in doing business. The Table 3 shows the results of the research from the aspect of the temporary restriction measures type imposed for all legal forms of entities.

The Table 3 illustrates that only two types of imposed temporary restriction measures (out of potentially eight types of measures) were singled out in the sample, namely: the measure prohibiting the disposal of funds and the measures imposed in the regulations regarding the tax procedure and tax administration. Nevertheless, it can be noticed that the share of measures which prohibits funds disposal is dominant (92.26%), in comparison with the measure regulating the tax procedure and the tax administration, which accounts for 8% of the total sample. It is also noticeable that the imposition of the measures prohibiting the disposal of funds is showing a rising annual trend and that its share in the sample is 88% and above.



**Table 3.** *Analysis of the Types of Temporary Restriction Measures Imposed*

<b>Imposed measures</b>	<b>Fund disposal prohibition</b>	<b>Measure imposed in the regulations pertaining to tax procedure and tax administration</b>	<b>Total</b>	
<b>Year</b>				
2017	A	32	2	34
	B	6	0	6
	C	106	0	106
	D	35	1	36
	Total	179	3	182
	(%)	(98.35)	(1.65)	(100)
2018	A	37	13	50
	B	7	7	14
	C	135	12	147
	D	54	1	55
	Total	233	33	266
	(%)	(87.59)	(12.41)	(100)
2019	A	44	14	58
	B	7	1	8
	C	157	4	161
	D	72	1	73
	Total	280	20	300
	(%)	(93.33)	(6.67)	(100)
2020	A	62	10	72
	B	1	0	1
	C	181	9	190
	D	111	8	119
	Total	355	27	382
	(%)	(92.93)	(7.07)	(100)
2021	A	14	4	18
	B	2	0	2
	C	130	12	142
	D	119	11	130
	Total	265	27	292
	(%)	(90.75)	(9.25)	(100)
<b>Total</b>	<b>1312</b>	<b>110</b>	<b>1422</b>	
<b>(%)</b>	<b>(92.26)</b>	<b>(7.74)</b>	<b>(100)</b>	

Note: A – Partnership, B – Limited Partnership, C – Joint Stock Company, D – Limited Liability Company.

When it comes to research related to the relation between the measures of temporary restrictions issued and the values of GDP per sector, the Table 4 shows sampled entities grouped by industry sectors within which they perform their business and their legal form.





**Table 4.** *Research Sample According to the Industry Sector and Legal Form of Entities*

Industry sector	A	B	C	D	Total	%
Agriculture, forestry and fishing	2	1	6	4	13	4.08%
Mining	0	0	0	0	0	0.00%
Manufacturing industry	18	0	33	19	70	21.94%
Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0.00%
Water supply and waste water management	1	0	2	0	3	0.94%
Construction	7	3	16	10	36	11.29%
Wholesale and retail trade and repair of motor vehicles	35	7	17	35	94	29.47%
Traffic and storage	9	2	5	14	30	9.40%
Accommodation and food services	1	0	4	3	8	2.51%
Information and communication	3	4	3	2	12	3.76%
Financial and insurance activities	0	1	4	0	5	1.57%
Real estate	0	0	4	2	6	1.88%
Professional, scientific, innovation and technical activities	6	0	4	8	18	5.64%
Administrative and support service activities	2	0	1	1	4	1.25%
Public administration and defence	0	0	0	0	0	0.00%
Education	9	1	1	1	12	3.76%
Health and social work	0	0	0	1	1	0.31%
Art, entertainment and recreation	1	0	0	0	1	0.31%
Other service activities	1	0	0	0	1	0.31%
Household sector as an employer	5	0	0	0	5	1.57%
Activities of extraterritorial organizations and bodies	0	0	0	0	0	0.00%
Total	100	19	100	100	319	100%

Note: A – Partnership, B – Limited Partnership, C – Joint Stock Company, D – Limited Liability Company

Independent variable in this research will be the number of measures of temporary restrictions issued per each sector, while the value of GDP per sector in corresponding year will serve as a dependent variable. Panel regression results show that there is a positive relation between the variables which is statistically significant. The Table 5 shows the results.



**Table 5.** *Panel Regression Research Results*

Parameter	Coef.	Std. error	t	P > (t)	(95% Conf. interval)	
Intercept	5.162292	.0072841	705.72	0.000	5.147716	5.176867
Explanatory variable	.0001556	.0000747	2.53	0.014	.0000393	.0003383

The first column in the Table 5 shows the raw Intercept and the independent variable, which is the number of measures of temporary restrictions issued per each sector. It is important to notice that results are significant at the level .014, having in mind that confidence interval was set at 95%.

## DISCUSSION

The results of the research conducted in this paper has shown that administrative bodies and courts play an important role in setting up a favourable business environment in Serbian economy. One third of total measures of temporary restriction were issued by Tax Administration, with almost every single one of them being prevention of disposal of funds. When it comes to legal forms of sampled entities, joint stock companies are most likely to face the measure prohibiting disposal of funds. As a rule, the declaration of the measure is filed in the Central Register in situations when an entity's account is blocked due to forced collection.

Quite often, the measure prohibiting disposing of funds is a direct consequence of the fact that the entity has failed to collect its receivables from debtors, and therefore should not be the only indicator considered in analysing its business, with the help of data from the Central Register. A legal entity or an entrepreneur against whom a measure of prohibition to dispose of funds has been imposed loses the Tax Identification Number, which is confiscated by the Tax Administration if the prohibition has been in place for more than a year (Law on Tax Procedure and Tax Administration, 2020, art. 66, 87). On the other hand, the measure imposed in the regulations governing the tax procedure and tax administration should indicate significant violations of the observed entities, which is why their publication in the Central Register significantly contributes to improving business transparency and the importance of administrative bodies in achieving a favourable business environment in the market of the Republic of Serbia. Furthermore, this has been proven by the results of panel regression analysis, which showed that there is a positive relation between the number of issued measures of temporary restrictions and the total amount of GDP per sector.

It can be presumed that sectors with the highest number of business entities operating within them will have the highest number of measures of temporary restrictions issued, but these results actually prove that is the case in Serbia. Namely, opposite results would mean that there are business entities that do not perform their business according to laws and business ethics and go unpunished. Likewise, it can be presumed that sectors with



the best business climate will produce the highest values of GDP and therefore will attract capital investors with unethical behaviour. Likewise, the role of administrative authorities is in thwarting their actions by controlling their activities and legally preventing actions that could harm growth of particular industry sector. Still, these research results should be taken with caution, since if the research sample included more business entities, and if more factors were taken into consideration that could be one of the most important influencers of the macroeconomic result observed at the level of industry sectors, results could have been different.

## CONCLUSION

To improve the business and legislative framework of the economic environment of the Republic of Serbia, the blacklist was introduced based on the Law on the Central Register of Temporary Restriction of Rights of Entities Registered in the SBRA. The Central Register consolidates all electronic data on decisions, judgments and other acts on the basis of which the competent authorities have adopted certain measures of temporary restrictions. The goal of the Central Register is reflected in the desire to improve the level of discipline in the entities in the Republic of Serbia, but also in pointing out the importance that administrative bodies have in helping achieve a favourable business climate. Since its inception, it has proven to be an effective instrument for pointing out to all individuals and economic entities whose business ethics fails to comply with the laws prescribed by the Republic of Serbia.

The research was conducted on a sample of 1,595 observation units which were found in the database of active measures of temporary restrictions, published on the website of the SBRA. The research covered a period of almost five years (from 2017 to the first half of 2021). The results of the research indicate that a total of 1,422 measures of temporary restrictions were imposed by various decision-makers. When it comes to administrative bodies and courts (commercial, misdemeanour, district, and higher courts), it was noticed that they imposed 384 measures in the observed period, which accounts for 27% of the total measures imposed. In terms of the number of total measures imposed, it is noticeable that the Tax Administration issued the largest number of temporary restriction measures with a share of almost 43%, followed by enforcement officers (23.56%), and finally other decision makers with a share of almost 34% of the observed sample. Of eight potential measures, the results of the research show that in practice, only two measures of temporary restrictions are imposed, of which the measure prohibiting fund disposal is present in 92.26% of cases. Therefore, the question arises as to why the competent authorities are almost one hundred percent opting for the measure which prohibits fund disposal, and neglect the other seven legally prescribed measures?

Authors believe that the following measures: prohibition or restriction to perform any sort of business related activities, prohibiting a person in a legal entity or an entrepreneur to do the job or practice profession, a measure imposed on the basis of regulations governing the areas of tax procedure and tax administration; measures of revocation of authorizations, licenses, permits, approvals, concessions, subsidies, incentives or other rights determined by special laws, further improve the purpose of the blacklist. This would en-



sure continual improvement of the business and legislative framework of our country's economic environment. Finally, it is important to mention research limitations that could lead to different results if the research sample included more business entities, and if more factors were taken into consideration that could be one of the most important influencers of the macroeconomic result observed at the level of industry sectors. Also, since research covers period of four years and there a modest amount of data, there is a possibility that the results and regression model are too fitted, therefore interpretations should be used with caution.

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