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THE POSITION AND FACTORS OF CAPITAL MARKET DEVELOPMENT IN THE FINANCIAL SYSTEM OF THE REPUBLIC OF SERBIA

Abstract

In the financial system of the Republic of Serbia, the capital market does not play a significant role - it practically does not perform one of its basic functions - the transfer of resources from surplus to deficit sectors. The Belgrade Stock Exchange, as the only organizer of the Regulated Market and MTP in the country, played a one-time role of transfer and concentration of ownership in the first years of privatization. After that, and considering the significant costs and reporting obligations of listed companies, the delisting process followed - only companies that had to do so by force of law remained on the stock exchange. Also, although the last two decades have been marked by significant regulatory improvements (from shareholder protection, takeover obligations, transparency of public companies' operations), the trading platform is aligned with the practice of regional markets, new market participants are included in the market game (such as investment funds), the domestic capital market has all features of underdeveloped markets. The aim of this paper is to establish how the market participants themselves perceive the factors of capital market development. For this purpose, research was conducted by sending a Google questionnaire to the addresses of all members of the Belgrade Stock Exchange and all registered investment fund management companies. Participants in the research declared themselves on twelve statements that were formulated in such a way as to establish a connection between certain factors and the development of the capital market. The results of earlier research, which represent the basis for the formulation of said claims, are listed in this paper. In addition to the results of earlier research, the formulation of the mentioned claims was also conditioned by the appreciation of the specifics of the domestic capital market, as well as the author's knowledge based on many years of experience in dealing with securities. A five-point Likert scale of attitudes was established for each statement (from 1 to 5), which refer to the determination of respondents regarding the circumstances of the development of the capital market. Respondents were offered a choice between five answers from "Completely dissatisfied", "Partially dissatisfied", "Neither dissatisfied nor satisfied", "Partially satisfied" to "Completely satisfied". The results of the research are presented through frequencies and percentage representation for each claim. Concluding considerations stem from the created descriptive statistics. The results of the survey showed the highest degree of conviction of the respondents when they declare the conditionality of the development of the capital market on the one hand and good mechanisms for informing the investment public on the other. At the same time, the respondents were the most reserved when

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considering the relationship between foreign portfolio investments and the development of the capital market, that is, the chosen model of privatization and development of the capital market. The research concept represents a new approach in the study of the domestic stock market, with the basic intention to perceive the factors of capital market development from the perspective of the market participants themselves. The intention is to determine their value judgments on the basis of the views of the respondents, in relation to the twelve formulated claims, but also to provide guidelines for future research and potential improvements of the domestic capital market. Each individual claim provides a basis for specific further research, and longer time series data are a solid statistical basis for correlation and regression analysis of defined variables.

Key words: capital market, privatization, regulation, development

JEL classification: G1, G2

POZICIJA I FAKTORI RAZVOJA TRŽIŠTA KAPITALA U FINANSIJSKOM SISTEMU REPUBLIKE SRBIJE

Apstrakt

U finansijskom sistemu Republike Srbije tržište kapitala nema značajnu ulogu – praktično ne obavlja jednu od osnovnih funkcija – transfer resursa od suficitarnih ka deficitarnim sektorima. Beogradska berza, kao jedini organizator Regulisanog tržišta i MTP u zemlji, odigrala je jednokratnu ulogu transfera i koncentracije vlasništva u prvim godinama privatizacije. Nakon toga, a s obzirom na značajne troškove, te obaveze izveštavanja kotiranih kompanija, usledio je proces delistiranja – na berzi su ostale samo kompanije koje su to morale po sili zakona. Takođe, iako su poslednje dve decenije obeležile bitna regulatorna unapređenja (od zaštite akcionara, obaveze preuzimanja, transparentnosti poslovanja javnih društava), trgovačka platforma usaglašena sa praksom regionalnih tržišta, u tržišnu utakmicu uključeni novi tržišni učesnici (poput investicionih fondova), domaće tržište kapitala ima sve osobine nerazvijenih tržišta. Cilj ovog rada je da se ustanovi na koji način sami tržišni učesnici sagledavaju faktore razvoja tržišta kapitala. U tu svrhu sprovedeno je istraživanje upućivanjem Google upitnika na adrese svih članova Beogradske berze i svih registrovanih društava za upravljanje investicionim fondovima. Učesnici u istraživanju su se izjašnjavali o dvanaest tvrdnji koje su formulisane na način da uspostavljaju vezu između pojedinih faktora i razvoja tržišta kapitala. Rezultati ranijih istraživanja, koji predstavljaju osnovu za formulisanje rečenih tvrdnji, navedeni su u ovom radu. Pored rezultata ranijih istraživanja, formulisanje pomenutih tvrdnji bilo je uslovljeno i uvažavanjem specifičnosti domaćeg tržišta kapitala, kao i saznanjima autora temeljenih na dugogodišnje iskustvu u poslovima sa hartijama od vrednosti. Ustanovljena je petostepena Likertova skala stavova za svaku tvrdnju (od 1 do 5), koje se odnose na opredeljenje ispitanika u vezi sa okolnostima razvoja tržišta kapitala. Ispitanicima je ponuđeno optiranje između pet odgovora od „Potpuno nezadovoljan“, „Delimično nezadovoljan“, „Niti nezadovoljan niti zadovoljan“, „Delimično zadovoljan“ do „Potpuno zadovoljan“. Rezultati istraživanja su iskazani kroz frekvencije i procentualnu zastupljenost za svaku tvrdnju. Zaključna razmatranja proishode iz kreiranih deskriptivnih statistika. Rezultati ankete pokazali su najviši stepen uverenja ispitanika kada se izjašnjavaju o uslovljenosti razvoja tržišta kapitala sa jedne strane i dobrih mehanizama informisanja investicione publike sa druge strane. Istovremeno, anketirani su najzdržaniji kada sagledavaju odnos između stranih portfolio investicija i razvoja tržišta kapitala, odnosno izabranog modela privatizacije i razvoja tržišta kapitala. Istraživački koncept predstavlja novi pristup u proučavanju domaće berze, sa osnovnom intencijom da se faktori razvoja tržišta kapitala percipiraju iz perspektive samih tržišnih učesnika. Namera je da se na bazi stavova ispitanika, u vezi sa dvanaest formulisanih tvrdnji, utvrde njihovi vrednosni sudovi, ali i pruže smernice za buduća istraživanja i potencijalna unapređenja domaćeg tržišta kapitala. Svaka pojedinačna tvrdnja daje osnova za specifična dalja istraživanja, a duže vremenske serije podataka su solidna statistička osnova za korelacionu i regresionu analizu definisanih promenljivih.

Key words: *tržište kapitala, privatizacija, regulativa, razvoj*

Introduction

Despite the fact that the Belgrade Stock Exchange resumed operations in 1989 (under the name of the Yugoslav capital market), the economic and political conditions for the development of the domestic capital market appeared after the social changes of 2000. The proclaimed determination to join the European Union, the position of a small, open economy, the late privatization and the constantly present political and big capital interests shaped not only the capital market, but also the financial system of the Republic of Serbia as a whole. The dominance of banks and the almost marginal position of other financial institutions is one of the most noticeable characteristics of the domestic financial system. In such conditions, there is no interest of the academic public in significant research of the domestic capital market. However, there are certain studies that try to establish a connection between the development of the financial system and economic growth in the Republic of Serbia, as well as the development of the domestic stock market and economic growth. Thus, Granger causality is used by authors Marinković and others to ascertain the interdependence of variable pairs as time series. The impact of a few of the examined variables on economic growth has been verified. The real GDP growth rate was impacted by stock market liquidity indicators, but there was no proof that the fluctuation in the stock market size and the real GDP growth rate were causally related. The lack of a causal relationship might be attributed to the shares' excessive market capitalization, which arises from open joint stock companies' legal duty to list their issued shares for trading on the Belgrade Stock Exchange. The study demonstrates that the liquidity of the market is far more significant than its size for the growth of the stock market and general economic expansion (Marinkovic et. al., 2013). Additionally, Božović examines the connection between Serbia's financial development and economic expansion, keeping an eye on the impact of the stock market and the expansion of the banking industry. It establishes the positive and statistically significant influence of bank loans and stock market liquidity on economic growth using the framework of the neoclassical growth model (Božović, 2019). Numerous articles that evaluate the effectiveness of the domestic capital market have been published. Stakić and others examine the application of the efficiency hypothesis of financial markets to the Serbian financial market, namely the Belgrade Stock Exchange (Stakić et. al., 2016). Živković and Minović, the authors, tackle one of the main issues facing the Serbian capital market for the first time: liquidity. The domestic capital market is also categorized as one of the so-called frontier markets, which are markets that lack the traits of developed markets but should eventually adopt emerging market traits in the future phases of growth. The report examines Serbia's frontier market's illiquidity from October 2005 to July 2009. They take into account the reasons behind the exceptionally high market illiquidity and its volatility in addition to the rise and fall in returns throughout the observed timeframe. It is concluded that the growth or decline in the participation of foreign investors is the most common cause of the dramatic decline or increase in market illiquidity and its volatility (Živković & Minović, 2010).

In this paper, we try to determine how direct market participants perceive the values and characteristics of the capital market. Therefore, an approach was used that tries to look at the position of the domestic capital market from a completely new perspective. Through respondents' responses to the provided Google questionnaire, the aim is to evaluate respondents' perceptions of the domestic market, identify fundamental weaknesses, as well as potential directions for improvement. The remainder of the paper begins with a review of the literature, followed by a summary of the Republic of Serbia's financial system, including the role of the capital market. An overview of the research - methodology and an explanation of the results are provided below. There are conclusions in the end.

Literature review

There are numerous factors that determine the development of the capital market. The institutional components of macroeconomic stability are typically seen as fundamental: a robust banking sector, price stability, and fiscal and monetary stability are all presumptions for the growth of the capital market. It is necessary to develop an effective legal and regulatory framework in addition to macroeconomic stability. El Wassal suggests that more factors that impact supply and demand in the capital market should be included in this list (El Wassal, 2013).

In a recent paper, the authors Demekas and Nerlich identify two different phases of capital market development - the first, embryonic phase dominated by the government and the second, mature phase in which the capital market begins to serve the private sector. The success of capital market development is determined by distinct conditions and motivations for each phase (Demekas & Nerlich, 2020).

The state's participation in the capital market extends beyond its promotion and regulation; it also manifests itself as a direct player, such as when it sells bonds. In countries in transition, such as Serbia, the state also shaped the potential of the capital market in the future by selecting the privatization model. In the early years of the shift, there was unanimous agreement about the role that privatization played in the overall market transformation. According to Jeremić (2008), the privatization offer benefits local capital markets because: shares are typically issued by the biggest national state-owned companies; they have the largest investor base; these shares become market leaders; they create a rapper where none previously existed; as a result, many developing nations adopted the privatization sale of shares through a public offering on local stock exchanges, which resulted in a notable increase in stock exchange capitalization (Jeremić, 2008).

Perotti and Van Oijen's research explores the possibility that privatization in developing economies, by resolving political risk, has a noteworthy indirect impact on the growth of the local stock market. The presented evidence suggests that progress in privatization is indeed correlated with improvements in political risk. It is stated that one major factor contributing to the rapid expansion of stock markets in developing nations was mitigating the political risk associated with successful privatization (Perotti & Van Oijen, 2001).

Thus, the growth of regional capital markets mirrored the state's systemic approach, including its dedication to a particular privatization model. Therefore, in Poland's example, the privatization plan carried out through a sizable sale to strategic investors associated with the initial public offering (IPO) helped the Polish stock market by making it sustainable even during periods of slowdown in privatization activities. The data for other CEE nations, which revealed a significantly larger fall in stock market activity than Poland, contradicts this conclusion (Köke & Schröder, 2002). In a 2022 paper, Grittersová demonstrates—with the help of 25 Eastern European countries—that permitting foreigners to act as strategic investors in banks and the economy through the direct sale of state assets promotes institutional and legal development, particularly the development of a more robust and impartial legal system, as opposed to insider privatization models like voucherization or management buyouts, which do not serve the same purpose (Grittersová, 2022). However, Šuterová finds that the so-called tunneling was not as widespread as previously thought and that privatization funds did not have the negative impact on privatization that was previously thought when applying the standard capital price model (Šuterová, 2020).

It is no longer asserted that in developing economies, private ownership alone produces economic gains. The literature today reflects a more careful examination of privatization, as opposed to the dogmatic approach that predominated at the start of the transition. It is specifically claimed that favorable outcomes require certain prerequisites, most notably an appropriate privatization process and regulatory architecture. A more recent study, from 2022, offers a comprehensive analysis of the historical perspective and privatization trends after 1980 globally. There are a number of reasons why state-owned company privatization occurred and why the process slowed down after 2008 (Kikeri, 2022).

Foreign investments can be made more easily into a country with a developed capital market, which is particularly beneficial for nations lacking in the required financial resources (Brzaković, 2007). The decision on where, how and when to invest depends on economic conditions and economic freedoms (Milovanović & Marković, 2022). The inflow of capital into developing countries and developed economies takes place in different patterns, since it adapts to different economic and political structures. From the point of view of the host country, especially developing countries, portfolio flows are considered to play a key role in bridging the savings investment gap and providing foreign currency to finance the current account deficit. That is why the role of foreign portfolio investments (FPI) and their impact on capital market development and economic growth is the subject of special attention of developing countries. Thus, recent papers examine the effects of FPI in the case of India (Prabheesh, 2020), Pakistan

(Shabbir & Muhammad, 2019), Nigeria (Ezeanyejji & Maureen, 2019). Singhania and Saini's study looks at a sample of 19 industrialized and developing nations over a 10-year period (2004–2013) in an effort to discover the factors that influence FPI flows. It has been noted that in developed nations, trade openness, interest rate differential, host country stock market performance, and US stock market returns are important trendsetters; in developing nations, on the other hand, FPI inflows are significantly impacted by the freedom index, interest rate differential, host country stock market performance, trade openness, and US stock market returns, as well as the crisis period (2006–2008) (Singhania & Saini, 2018).

Analysis of the connection between developing nations' financial development and economic expansion is also given consideration. The studies that examine this subject and focus on the BRICS countries are more fascinating than others, given the subject's increasing political and economic significance. Consequently, a study conducted by Osaseri and Osamwonyi found a positive correlation between the indicators of stock market development and economic growth in the BRICS countries based on a time series of data spanning from the first quarter of 1994 to the fourth quarter of 2015 (Osaseri & Osamwonyi, 2019). Meanwhile, Guru and Yadav's paper demonstrates the mutually beneficial relationship between indicators of stock market development and the development of the banking sector in promoting economic growth (Guru & Yadav, 2019).

The financial system in the Republic of Serbia - the position of the capital market

The most types of financial institutions recognizable in the practice of developed market economies is present in the financial system of the Republic of Serbia. Nevertheless, the Serbian financial system has the characteristics of a bank-centric one with an exceptional dominance of the banking sector. Table 1 shows that the share of the banking sector in the assets of the financial sector of the Republic of Serbia at the end of 2021 is above 90%.

Table 1: Share of individual types of institution in financial sector⁴

Sector	Assets, (bln RSD), 2020.	Share (%)
Banking sector	4.601	90,6
Insurance sector	314	6,2
Pension funds sector	47	0,9
Leasing	115	2,3

Source: Author, based on the Quarterly overview of financial stability indicators` trends in of the Republic of Serbia for the third quarter of 2021, 2021

At the same time, the total value of net assets of all UCITS funds on 31.12.2020, amounted to 51.7 billion dinars (Report on the activities of the Securities Commission and movements on the capital market January - December 2020, 2021)⁵.

Serbia's capital market is small and poorly liquid. Both the supply and the demand sides of the market have barriers to the capital market's growth.

With a few private company outliers, government bonds make up the majority of the bond market. It is the sole well-functioning sector of the stock market. In the initial period of the transition the stock market served to consolidate the ownership of privatized companies. Many corporations looked for a mechanism to be delisted from the stock exchange following the ownership consolidation in order to escape the financial and disclosure requirements that were set forth for public companies. At the end of 2018, the initial public offering took place, the first and only one after the restoration of the Belgrade Stock Exchange in 1989. Much has been written on the possible significance of initial public offerings (IPOs) and the reasons why they are not common in the domestic stock market's operations. In one paper on this subject, the author particularly apostrophizes the unwillingness of the state to recognize the importance

⁴ According to the Quarterly report of the NBS, the share of financial sector (excluding investment (UCITS) funds) y GDP of Serbia amounted to 92,9%.

⁵ The financial sector, shown in the previous table 1 refers to institutions whose operations are supervised by the NBS. The Securities Commission controls the operations of investment funds

of the capital market and to sell some state-owned enterprises through an IPO (Erić, 2013). In principle, "the stock exchange performs a key function in providing the necessary critical links between companies that need funds to start new businesses or to expand their current operations and investors who have excess funds to invest in such companies" (Avdalovic & Milenković, 2017, p. 562). However, in the case of Serbia, the stock market is generally not perceived as a potential source of additional equity or debt capital. The growth of the securities markets and their suitable role in Serbia's overall financial and economic development are contingent upon several essential characteristics, including credibility, disclosure, competence, and institutional independence (Šoškić, 2017). Finally, it is necessary to refer to the absence of elementary financial literacy and education of the population of Serbia, as a prerequisite for using alternative financial opportunities (Rakočević et. al., 2021).

The Belgrade Stock Exchange is the sole organiser of the MTP and Regulated Market in the Republic of Serbia. The regulated market is divided into two segments: Listing and Open Market. There are three listings within the Listing segment: Prime Listing, Standard Listing and Smart Listing. Table 2 displays the realised turnover value in dinars and euros for the year 2021 together with the total number of transactions per market segments where trading is conducted.:

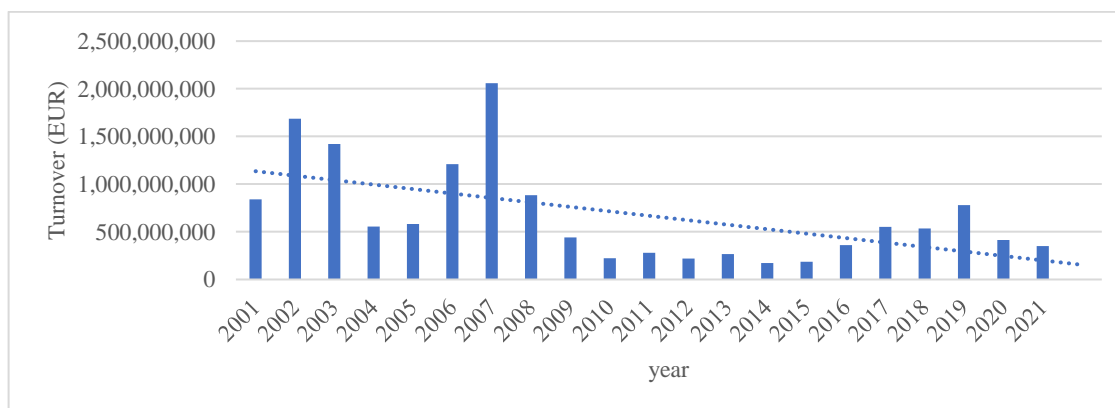
Table 2: Total turnover and number of transactions regarding the market segment, 2021

Market segment	Turnover (RSD)	Turnover (EUR)	Number of transactions
Regulated	37.716.264.748	320.785.365	14.003
Listing	36.365.408.473	309.295.748	11.549
Prime – stocks	475.823.703	4.047.039	10.147
Prime – bonds	34.748.478.649	295.543.621	712
Standard - stocks	1.141.106.121	9.705.088	690
Open market	1.350.856.275	11.489.617	2.454
Open market - stocks	1.350.856.275	11.489.617	2.454
MTP	3.514.930.228	29.894.505	4.740
MTP – stocks	3.514.930.228	29.894.505	4.740
MTP - bond			
Total	41.231.194.976	350.679.870	18.743

Source: Author, based on the Report on the activities of the Securities Commission and movements on the capital market January - December 2021, 2022

Although stock market turnover fell dramatically in 2020 due to the Covid-19 virus pandemic, the same trend continued in the following year. The total realized turnover on the Regulated and MTP market in 2021 was approximately 15.4% lower compared to the same period in 2020. (Report on the activities of the Securities Commission and movements on the capital market January - December 2021, 2022). Generally speaking, stock market trading is conducted at much lower levels now than it was in the years prior to the World Economic Crisis (Figure 1).

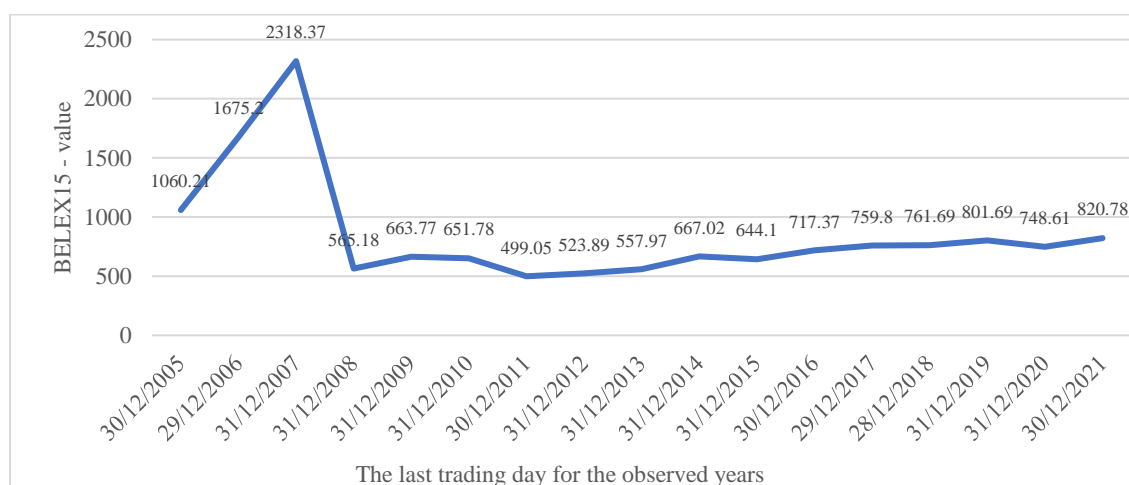
Figure 1: Turnover on the Belgrade Stock Exchange (EUR), in the period 2001-2021



Source: Author, based on <https://www.belex.rs/trgovanje/izvestaj/godisnji>

The first ownership concentration and the strong growth rates of representative indices, together with the increasing interest of many even small investors, were the causes of the stock market's initial impetus before to the global financial crisis. However, over six months before to the start of the global economic crisis, in March 2008, the trend of the staggering decrease of stock market indices started. The subsequent sharp decline revealed the domestic stock market's fundamental flaws—a lack of depth, liquidity, and transparency, or, to put it another way, a lack of sound underpinnings. The time that followed only served to solidify that impression. Specifically, the Belgrade Stock Exchange has never gotten close to the index's pre-crisis values, in contrast to the major stock exchanges in the globe and the markets in Eastern and Central Europe (Figure 2).

Figure 2: The value of the Belex15 index on the last trading day in the period 2005-2021



Source: Author, based on Author, based on <https://www.belex.rs/trgovanje/indeksi/belex15/istorijski/3y>

All registered participants on the domestic stock exchange in 2021 are displayed in Table 3. Following the global economic crisis, there has been a noticeable stagnation or reduction in the number of individual market players; this is particularly noticeable with regard to broker-dealer firms - in 2007 there were 74⁶ of them while in 2021 only 15 of them are operating.

Table 3: Registered participants on capital market, 2021

Participants	Number
Broker-dealer companies	15
Banks	8
Custody banks	5
Investment fund management companies	5
Investment funds - UCITS	19
Brokers	1.135
Portfolio managers	132
Investment advisors	47
Stock-exchange	1

Source: Author based on Report on the activities of the Securities Commission and movements on the capital market January - December 2021, 2022

⁶ Report on the activities of the Securities Commission of the Republic of Serbia and developments on the securities market in 2007, KHOV, 2008, p. 54

The easiest way to determine the relative standing of the domestic stock exchange is to make comparisons with other countries. Table 4 displays the market capitalization as a percentage of GDP for a chosen set of countries. It is clear that Serbia is faring poorly in comparison to the nations that underwent the so-called economic transition.

Table 4: The share of market capitalization in the GDP, 2020

State	Share in %
Germany	59,38
Spain	59,24
Greece	27,00
Croatia	38,86
Japan	133,29
Hungary	17,84
Poland	29,75
Romania	10,23
Russian Federation	46,68
Serbia*	8,23
Slovenia	15,76
Bulgarian	25,34
USA	194.89

** The data refers to the year 2011*

Source: Author, based on <https://data.worldbank.org/indicator/CM.MKT.LCAP.GD.ZS>

Significant institutional and regulatory advancements have occurred over the past ten to fifteen years, ranging from new regulations pertaining to investment funds and the capital market itself to the regulation of firms and takeovers. It has been demonstrated, therefore, that while important, a suitable institutional and regulatory framework is insufficient in and of itself to ensure the growth of the capital market. Specifically, the perception is that there is a lack of the state's fundamental interest in making this financial system segment more significant. It was impossible for domestic enterprises to view the stock market as a possible source of loan or equity financing under such circumstances, as was already highlighted. There was no fundamental motivation for the growth of the local stock market due to the concurrent lack of interest from institutional and other investors, both domestic and foreign. Therefore, the capital market's current state and its past development do not support the notion that it will soon begin to take on a new role inside the domestic financial system.

Research - methodology

A Google questionnaire was sent to the addresses of every registered investment fund management company and member of the Belgrade Stock Exchange in order to perform the research⁷. The questionnaire was completed by 137 individuals, which is regarded as a statistically significant sample. A five-point Likert scale of attitudes was established for each claim (from 1 to 5), which refer to the position of the respondents in relation to the circumstances of the development of the capital market. The following table displays the five options that respondents could select from, ranging from "Completely dissatisfied" to "Completely satisfied". The obtained data were statistically processed in IBM SPSS 26 and SAS JMP Pro 16.

⁷ It is part of a more extensive research from the author's doctoral dissertation on the approved topic: "The role of investment funds in the development of the capital market".

Table 5: Five-point Likert scale of attitudes

Answers offered	Scale
Completely dissatisfied	1
Partially dissatisfied	2
Neither dissatisfied nor satisfied	3
Partially satisfied	4
Completely satisfied	5

Source: Author

The participants in the research declared the following statements (table 6):

Table 6: Capital market development - claims

Claim 1	The development of the capital market results in a reduction of transaction costs.
Claim 2	Developed capital markets are characterized by high market transparency
Claim 3	A developed capital market is characterized by high liquidity and low volatility
Claim 4	Privatization processes contribute to the development of the capital market
Claim 5	The choice of the privatization model (auction/voucher) influenced the development of the capital market in those countries
Claim 6	An efficient legal system is a prerequisite for the development of the capital market
Claim 7	A developed capital market and good mechanisms for informing the investment public are mutually dependent
Claim 8	Good prospects for foreign portfolio investments are a prerequisite for the development of the capital market and vice versa
Claim 9	A developed capital market requires the introduction of all modern market participants into investment practice
Claim 10	A stable and developed capital market reduces the possibility of financial panic
Claim 11	The development of the capital market is conditioned by a stable and developed banking sector
Claim 12	A high level of economic development and favorable development perspectives contribute to the development of the capital market

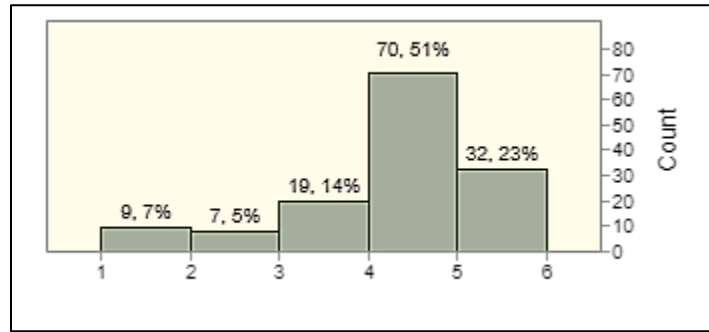
Source: Author

The stated claims are based on the findings from the literature, presented in the introduction and literature review of this paper, while respecting the specifics of the domestic stock market. The author's many years of experience influenced the final formulation of the claims. The results of the survey are expected to provide reliable first-hand information - from the market participants themselves - whose interpretation can be a useful basis for analysis and future research. Namely, regardless of the presented weaknesses of the domestic capital market, more than three decades of modern operation of the Belgrade Stock Exchange are a significant base of experience of market participants, which provides sufficient grounds for their credible observations and conclusions. On the other hand, the results of the survey can be a useful guide for the actions of the political creators of the economic and financial environment.

Research results

The position of respondents - frequencies and percentage representation for Claims 1-12 are shown in Figures 3 - 14.

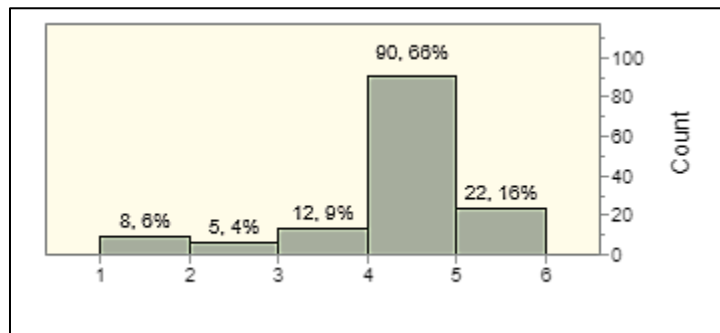
Figure 3: Frequencies and percentage representation of Claim 1



Source: Author

Figure 3 shows that in relation to Statement 1, 70 respondents, 51% of those surveyed, took the position "Partially satisfied", and that a total of 16, that is, 12% of those surveyed, were completely and partially dissatisfied.

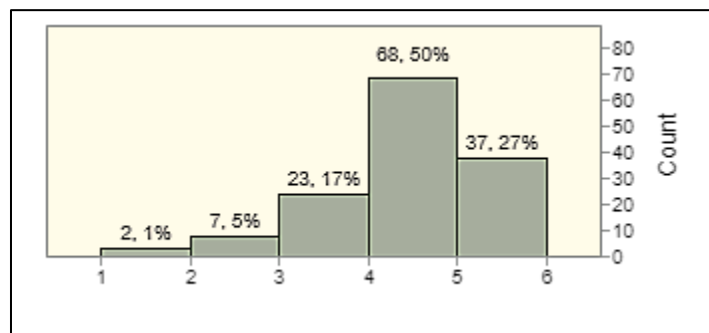
Figure 4: Frequencies and percentage representation of Claim 2



Source: Author

More than, 90 respondents, or 66% of the respondents, declared themselves "Partially satisfied" with regard to Statement 2 (Figure 4). If 22, or 16% of respondents who declared themselves "Completely satisfied" are added to this number, it follows that 82% of respondents share position 4 and 5 on the displayed scale.

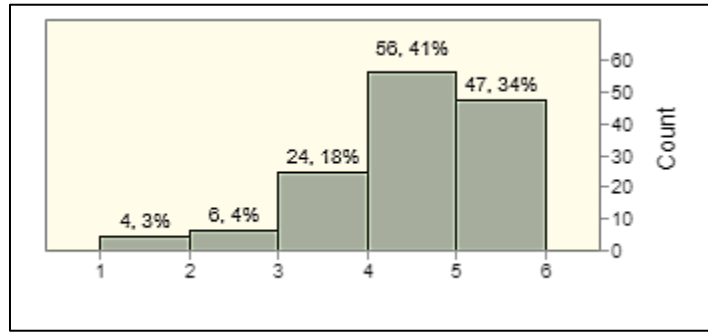
Figure 5: Frequencies and percentage representation of Claim 3



Source: Author

Market participants show a similar sentiment regarding Statement 3 – 105 of them, or 77% of the respondents, are completely or partially satisfied (Figure 5).

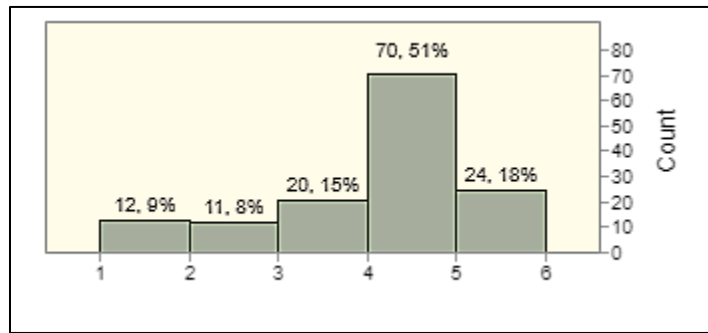
Figure 6: Frequencies and percentage representation of Claim 4



Source: Author

Only 7% of respondents declared themselves partially or completely dissatisfied with Statement 4 - the rest took positions 3-5 on the presented scale (Figure 6).

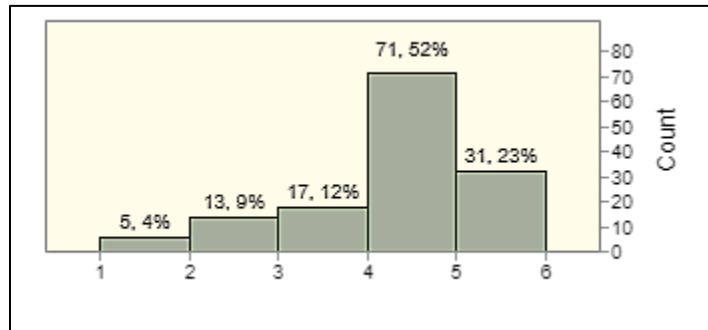
Figure 7: Frequencies and percentage representation of Claim 5



Source: Author

In relation to Statement 5, there are more dissatisfied, 17%, while the others took positions 3-5 on the presented scale (Figure 7).

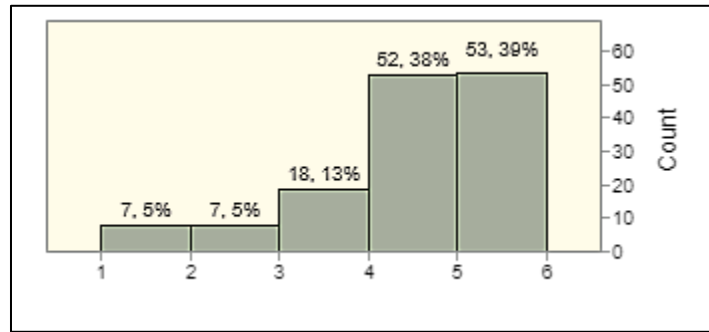
Figure 8: Frequencies and percentage representation of Claim 6



Source: Author

Figure 8 shows that in relation to Claim 6, 71 respondents, 52% of those surveyed, took the position "Partially satisfied", and that a total of 18, that is, 13% of those surveyed, were completely and partially dissatisfied.

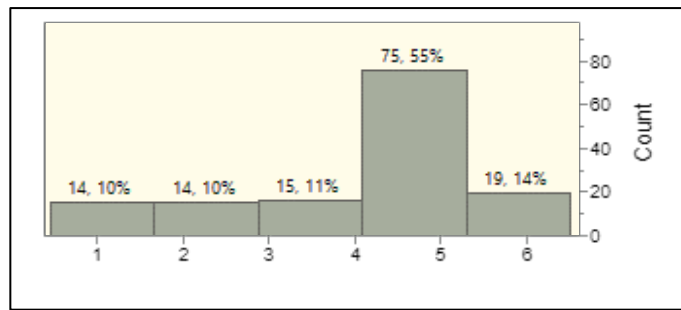
Figure 9: Frequencies and percentage representation of Claim 7



Source: Author

A total of 105 respondents, 77% of them declared themselves completely or partially satisfied, while 10% of respondents were completely or partially dissatisfied with regard to Claim 7 (Figure 9)

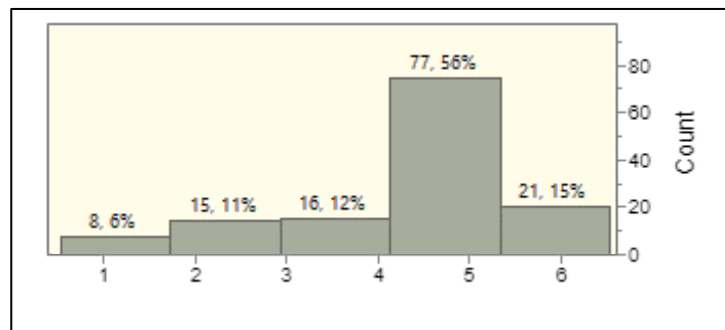
Figure 10: Frequencies and percentage representation of Claim 8



Source: Author

Figure 10 shows that 43 respondents, 31% of respondents did not declare themselves fully or partially satisfied with regard to Statement 8.

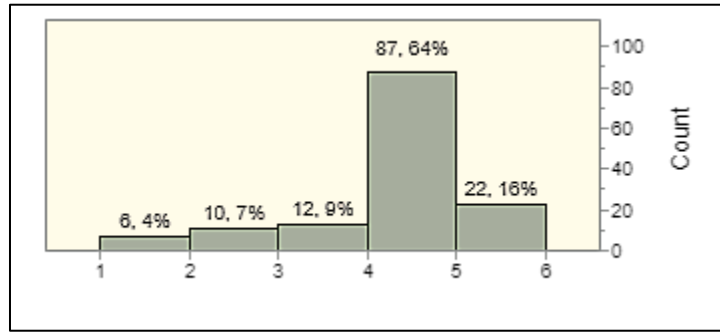
Figure 11: Frequencies and percentage representation of Claim 9



Source: Author

Regarding Claim 9, 56% of respondents are partially satisfied, and 15% of them are completely satisfied (Figure 11).

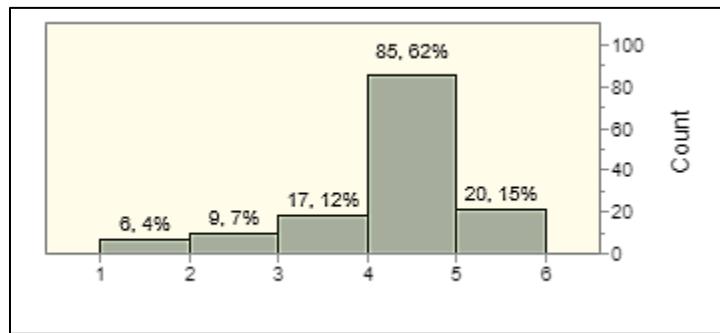
Figure 12: Frequencies and percentage representation of Claim 10



Source: Author

A total of 109 respondents, 4/5 of those surveyed declared themselves completely or partially satisfied, while 11% of respondents were completely or partially dissatisfied with regard to Statement 10 (Figure 12).

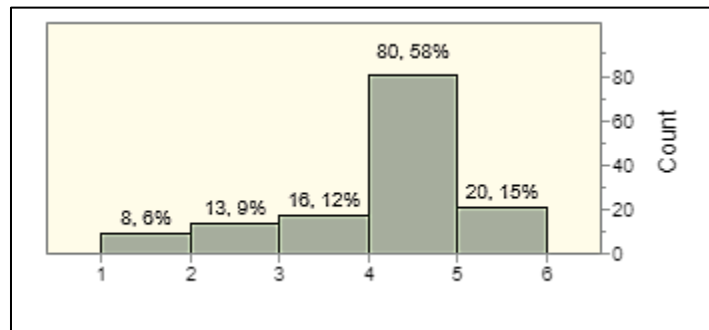
Figure 13: Frequencies and percentage representation of Claim 11



Source: Author

Regarding Statement 11, only 11% of respondents are completely or partially dissatisfied, while 77% took position 4 and 5 on the presented scale (Figure 13).

Figure 14: Frequencies and percentage representation of Claim 12



Source: Author

Positions 1, 2 and 3 on the presented scale were taken by 27% of respondents when they declared themselves about Statement 12. The other 73% of respondents were partially or completely satisfied with the same statement (Figure 14).

Conclusions

Table 7 provides descriptive statistics of frequency and percentage representation for the stated claims from 1 to 12. We can see the following (figures 3 to 14):

- that the maximum attitude 5 is in statement 7 and it amounts to 53, or 38.7%, and the minimum attitude 5 is in statement 8 and it is 19, or 13.9%, out of a total of 137 respondents,
- that the maximum attitude 4 is in claim 2 and it amounts to 90, or 65.7%, and the minimum attitude 4 is in claim 7 and it is 52, or 38.0%, out of a total of 137 respondents,
- that the maximum attitude 3 is in claim 4 and it amounts to 24, or 17.5%, and the minimum attitude 3 is in claim 2 and amounts to 12, or 8.8%, out of a total of 137 respondents,
- that the maximum attitude 2 is in statement 9 and it amounts to 15, or 10.9%, and the minimum attitude 2 is in statement 2 and it is 5, or 3.6%, out of a total of 137 respondents, and
- that the maximum position 1 is in statement 8 and it amounts to 14, or 10.2%, and the minimum position 1 is in statement 3 and it is 2, or 1.5%, out of a total of 137 respondents.

Table 7: Descriptive statistics

Claims	Attitudes					In total
	1	2	3	4	5	
Claim 1	9 6.6%	7 5.1%	19 13.9%	70 51.1%	32 23.4%	137
Claim 2	8 5.8%	5 3.6%	12 8.8%	90 65.7%	22 16.1%	137
Claim 3	2 1.5%	7 5.1%	23 16.8%	68 49.6%	37 27.0%	137
Claim 4	4 2.9%	6 4.4%	24 17.5%	56 40.9%	47 34.3%	137
Claim 5	12 8.8%	11 8.0%	20 14.6%	70 51.1%	24 17.5%	137
Claim 6	5 3.6%	13 9.5%	17 12.4%	71 51.8%	31 22.6%	137
Claim 7	7 5.1%	7 5.1%	18 13.1%	52 38.0%	53 38.7%	137
Claim 8	14 10.2%	14 10.2%	15 10.9%	75 54.7%	19 13.9%	137
Claim 9	8 5.8%	15 10.9%	16 11.7%	77 56.2%	21 15.3%	137
Claim 10	6 4.4%	10 7.3%	12 8.8%	87 63.5%	22 16.1%	137
Claim 11	6 4.4%	9 6.6%	17 12.4%	85 62.0%	20 14.6%	137
Claim 12	8 5.8%	13 9.5%	16 11.7%	80 58.4%	20 14.6%	137

Source: Author

The results show that the respondents who declared themselves "Completely satisfied" were the most numerous, opting for claim 7, which reads: *A developed capital market and good mechanisms for informing the investment public are mutually dependent*. This observation indicates the importance given by respondents in Serbia to the obligation of public companies in terms of disclosure and information and is consistent with the basic findings from the World Bank's publication entitled *Capital Market Development: Causes, Consequences and Order*, which summarizes theoretical and empirical research that originated in the last 20 years, which concern this issue (Carvajal et al., 2020). The authors Carvajal and Elliott in an earlier paper (2007.) deal with the issue of securities regulation, which includes the regulation of public issuers of securities, secondary markets and market intermediaries, and in particular they apostrophize overcoming the problem of information asymmetry between issuers and investors, clients and financial intermediaries and between counterparties in transactions to ensure the smooth functioning of trading and clearing and settlement mechanisms, prevent market disruption and strengthen investor confidence (Carvajal &

Elliott, 2007). On the other hand, the participants of the survey, who declared themselves as "Completely dissatisfied", were the most in favor of claim 8, which reads: *Good prospects for foreign portfolio investments are a prerequisite for the development of the capital market and vice versa*. In relation to the last one, statement 8, it is interesting to note that about 31% of the respondents opted for the offered scale with the answer 1-3. The impression is that the caution shown by participants in the domestic capital market when they declare the importance of foreign portfolio investments is also related to the role that foreign investors played in the stock market crash in 2008. Some findings from the literature support this point of view. Thus, in a paper from 2011, which investigates the contribution of foreign investors to the development of the capital market in an emerging economy, it is concluded that foreign portfolio investments, as well as foreign securities issues, made an insignificant contribution to market development compared to alternative factors such as domestic investments in securities and domestic issuance of securities (Edo, 2011). On the contrary, as stated in the literature review of this paper, the inflow of foreign capital, including the form of FPI, is considered by many authors to be a prerequisite for the development of financial systems, especially in developing countries. Respondents show a similar level of restraint only in claim 5: *The choice of the privatization model (auction/voucher) influenced the development of the capital market in those countries*. Namely, about 32% of the respondents chose the answer 1-3 on the offered scale, expressing their opinion on this claim. It seems that the direct market participants are not convinced that the privatization model influenced the development of the capital market. In the Republic of Serbia, after 2000, there was a turning point in the proclaimed model of privatization - instead of mass, insider privatization, the professional public then almost unanimously supported the model of auction (tender) sales. There is no such consensus today, on the contrary, numerous controversies and not infrequent scandals that followed the privatization of social capital silenced the almost apologetic proponents of the sale of social capital forever. Privatization did create the necessary market material, but by itself it was not a sufficient basis for the development of the domestic stock market. In addition to referring to recent reviews of privatization processes and, in particular, selected models, which are indicated in the literature review of this paper, at this point we should refer to the observations from the study authored by Estrin and others. Namely, in the paper, the authors investigate the impact of differences in the privatization method on national economic performance in transition economies, using dynamic panel data methods, for 23 countries for the period 1990-2001. years. Among other things, the study concludes that mass privatization has a significant positive effect on growth across a wide range of definitions and specifications. The analysis shows that the advantage of mass privatization was that it spontaneously led to the development of the capital market, which is significantly correlated with economic growth (Estrin et. al., 2004).

The domestic capital market in the years preceding the World Economic Crisis (2008), and especially in the years that followed, was not the subject of significant interest from the investment and professional economic public. This is partially understandable, given that the bank-centric financial system was inaugurated in the Republic of Serbia, which, since it was outside the focus of economic and financial policy makers, positioned the domestic stock market on the margins of the financial system. However, this circumstance does not exclude the possibility of future research on this topic. On the contrary, we are of the opinion that the approach used in this paper, which provides information from the market participants themselves, creates a basis for a more thorough investigation of individual observations. For example, longer time series of data now provide an opportunity to investigate the relationship between indicators of economic growth and stock market growth and vice versa; between indicators of the development of the banking sector and the capital market, based on correlation and regression analysis. Also, given that the domestic bond market is almost entirely related to government bonds, and that it is the most important segment of the domestic stock market, there is a wide range of interest in researching the current development of this market segment, its investment base, but also space for potential expansion of the circle issuers.

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Biography of author

Jelena Petrović was born on February 1, 1974. in Užice. Primary and secondary school she finished in Kosjerić.

After finishing high school, in 1993, she enrolled at the Faculty of Economics (University of Belgrade), Course of Finance, Banking and Insurance, where she graduated in 1998.

In January 2007 she obtained the title of Master of Economic Sciences after finishing postgraduate study at the Faculty of Economics (University of Belgrade), Course of Monetary, Banking and Financial Management, with topic: The Role of Investment Funds in the financing of development.

In June 2008 she passed the SEC's Portfolio Manager exam and got the license of SEC, number 5/0-27-5397/2-08, on October 10, 2008

From 1999 to 2002 she was employed in Federal Secretariat for Development and Science as Associate for Investment Policy.

In period 2002 - 2016 she was employed in KBK Broker a.d. Beograd, first as Investment analyst (2002-2005), then as Manager for corporate activities and activities of issuance agent (2005-2009) and Control Manager (2009-2012), and finally as Executive Director (2012-2016).

Since January 2016, she has been employed at the Faculty of Applied Management, Economics and Finance (MEF) where she has been a teaching assistant for the scientific field economy and finance.