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INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL STABILITY OF BUSINESS OPERATIONS

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Abstract

Corporate governance is a legal, economic and social phenomenon, which was created primarily through private initiative to improve and standardize the corporate governance system and ensure easier and more efficient monitoring and control of business operations. The level of quality of corporate governance should reflect the quality of corporate governance practice at the level of corporations in BiH, which is determined by international standards (OECD Principles of Corporate Governance) and the state legal framework and national codes of corporate governance. Deviations from the set criteria are evaluated by the corporate governance quality index, where the overall score is the degree of fulfillment of the prescribed criteria. The quality of corporate governance is one of the non-financial indicators of business operations and shows the degree of compliance with international and national standards of corporate governance. A significant number of studies show that corporations that achieve higher standards or a higher degree of compliance with standards and better corporate governance practices also have better financial results and thereby higher value in the capital market. The subject of the study is to analyze the direction and intensity of the relationship between the quality of corporate governance and the financial

stability of business operations in corporations in Bosnia and Herzegovina. The main objective of the research is to determine the direction and intensity of the relationship between the quality of corporate governance measured by the LCG index and the financial stability of business operations measured by the Kralicek DF ratio in corporations in BiH.

Keywords: *corporate governance, quality of corporate governance in BiH, LCG index, Kralicek DF ratio, multilevel regression model*

JEL: G28, G34, K20

1. INTRODUCTION

Corporate governance analyzes and explains the relationship between managers (management) and people or institutions that have invested capital in the corporation. Corporate governance shows how rights and responsibilities are distributed among different stakeholders in corporations. Corporate governance provides the answer to the question of who controls corporation and how. Corporate governance is defined as a set of processes and procedures for management and control of corporations. Analyzing previous research on the importance of corporate governance, it has been proven that there is a clear correlation between the quality of corporate governance on the one hand and the value of shares, corporation development and stakeholder satisfaction on the other hand. Models for measuring the quality or level of corporate governance are often called corporate governance quality indices. The governance quality level should reflect the quality of corporate governance practice at the level of corporations in BiH, which is determined by international standards (OECD Principles of Corporate Governance) and the national legislative and non-legislative framework. The quality of corporate governance is measured using measurement models that are called indices and that are primarily adapted to the national legislative and non-legislative framework of the country for which they were created. The subject of the study is to analyze the direction and intensity of the relationship between the quality of corporate governance and the financial stability of business operations in corporations in Bosnia and Herzegovina. The quality of corporate governance in this paper will be measured by the LCG index, which was developed on the model of the DVFA Index - Scorecard for German Corporate Governance and adapted to the corporate governance codes of the Sarajevo and Banja Luka stock exchanges. Financial stability will be analyzed using the Kralicek DF indicator for predicting the failure of corporations. The main objective of the research is to determine the direction and intensity of the relationship between the quality of corporate governance measured by the LCG index and the financial stability of business operations measured by the Kralicek DF ratio in corporations in BiH.

2. STANDARDS OF CORPORATE GOVERNANCE IN BOSNIA AND HERZEGOVINA

Bearing in mind that there is currently no single model for calculating the quality of corporate governance at the global level, the LCG index was chosen to assess the quality of corporate governance in BiH. The author's model for creating the LCG index was the DVFA index, which is used to measure the quality of corporate governance in Germany. The reason for choosing the DVFA index is that it can basically be adapted to BiH due to the similarities in the corporate governance systems in these two countries. However, for its full application it was necessary to adapt it to entity laws in BiH, as well as corporate governance codes on entity stock exchanges. At the global level, there are many indices for measuring the quality of corporate governance, and each of them has its area of application for which it was created and adapted, and a certain number of categories containing criteria that are measured. The measurement results are expressed as a percentage (the rate of fulfillment of the prescribed criteria) or by certain scales (Table 1).

Table 1 - Structure of the corporate governance measurement indices

Index name	Area of application	Number of criteria	Number of categories	Rating scale
G-Index or Governance Index	USA	24	5	from 1 to 24
Entrenchment Index or E-Index	USA	24	6	-
Gov-Score index or ISS index	USA	51	8	from 1 to 100%
Corporate Governance Quotient (CGQ)	S&P 500, S&P 400, S&P 600, Russell 3000	63 criteria	4 categories	from 1 to 100%
S&P Corporate governance score or GAMMA score	USA and UK (only at the invitation of the corporation)	80 to 100	4 categories	from 1 to 100% (from 1 to 10)
GMI rating	Russell 1000, S&P 500, S&P 400, TSX 60, Nikkei	450 criteria	14 categories	from 1 to 100% (from 1 to 10)
DR rating – Deminor Rating	USA and UK	20 complex criteria	4 categories	from DR-1 (lowest) to DR-10 (highest) => scale values in 1/2 increments

FTSE ISS Corporate Governance Index	USA	61 criteria	5 categories	from 1 to 100% (from 1 to 5)
The IFC Scorecard of Corporate Governance Standards	developing markets around the world, including Africa, Latin America and the Caribbean, Asia, the Middle East, Europe and Central Asia	adapted to the national regulation	5 categories	from 1 to 100%
SEECGAN Index of Corporate Governance	Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Slovenia and Macedonia	98 questions/criteria	7 categories	from 1 to 100% (from 1 to 10)
DVFA Index – Scorecard for German Corporate Governance	Germany	41 criteria	5 categories	from 1 to 100% (plus rating of each category)
PFCG Index – Polish Forum for Corporate Governance	Poland	60 criteria	9 categories	from 1 to 100% (from A to E - e.g. A, A-, B+, B, B-,...)
TRIS rating	East Asian stock markets	45 criteria	4 categories	from 1 to 100% (from 1 to 10)
Brunswick UBS Warburg	Moscow stock market	20 subcategories (complex criteria)	8 main categories	from 1 for the best rated companies to 72 for the poorest

Source: Adapted by the authors

Each of the observed indices measures corporate governance by analyzing the rate of fulfillment of the set criteria. Criteria are divided into specific groups or categories (sometimes also questions) and each of the given categories has a different statistical significance (weight) in the overall rating.

The quality of corporate governance in BiH will be evaluated with the LCG index which has six categories, and these are:

1. Commitment to the principles of corporate governance and social responsibility,
2. Shareholders' meeting,
3. Supervisory board/non-executive directors,

4. Board of Directors – Management,
5. Audit and internal control mechanisms,
6. Transparency of business operations.

The index developed for the analysis of corporate governance in Bosnia and Herzegovina is called LCG (abbrev. Level of Corporate Governance).¹ It is developed and tested on the model of the index Scorecard for German Corporate Governance, intended for German corporations whose shares are traded on the German capital market. For the purposes of this study, the first version of the index is completely changed and adjusted to the criteria set out in the 2015 OECD Principles of Corporate Governance, then the Corporate Governance Standards of RS from 2011 and the Corporate Governance Code for companies listed on the market of the Sarajevo Stock Exchange from 2009. The final structure of the index is given in Table 2.

No.	Description and method of criterion evaluation	Number of criteria in category	Share/weight in overall assessment
I.	Commitment to the principles of corporate governance and social responsibility	7 criteria	15%
II.	Shareholders' meeting	9 criteria	15%
III.	Supervisory board/non-executive directors	7 criteria	10%
IV.	Board of Directors – Management	9 criteria	20%
V.	Audit and internal control mechanisms	5 criteria	10%
VI.	Transparency of business operations	9 criteria	30%
TOTAL		46 criteria	100%

Source: authors

¹ The LCG index (the first version was called BHCog) was developed and tested as part of research of the author Nikola Papac on banks in BiH, and was subsequently revised and adapted to changes in the institutional framework (the second version of the index was named the LCG Index). The LCG index was developed for the purposes of analyzing the quality of corporate governance in banks in Bosnia and Herzegovina on the model of the *DVFA Index - Scorecard for German Corporate Governance*. The LCG index took into account the methodology of the DVFA index, but for the precise creation of the criteria, the OECD principles, legal framework in BiH and corporate governance codes of the Sarajevo and Banja Luka stock exchanges were taken into account.

Adapted after: Matić, B. and Papac, N.: *Measuring the quality of corporate governance in the banking sector of Bosnia and Herzegovina*, Economic Research-Ekonomska Istraživanja, Vol. 27, No. 1, 2014, pp. 784–798, Published by Routledge - Taylor & Francis group, link: <http://dx.doi.org/10.1080/1331677X.2014.974338>

The total and final assessment can be expressed in several ways, the first certainly being in the original form and percentage values achieved by the analysis, and the other possibility is through a set of classes of the achieved values or a scale. The achieved ratings are accompanied by the associated comments on the meanings of the ratings, as well as an explanation of the factors that may affect the assessment. The final rating is established by summing the values achieved by each category in the overall rating, which could be presented in the form:

“Category 1” + “Category 2” + ... + “Category 6” = assessment of the corporate governance quality of the company according to the LCG index

The evaluation is conducted once a year and is valid for a period of one business year (12 months), or for a period between two shareholders' meetings. The rating of the level of corporate governance, as a non-financial indicator of business operations, in any case is not a replacement for financial business indicators, nor will it ever be, it is primarily their supplement aimed at explaining certain items and increasing transparency and confidence in the observed corporation.²

3. AGGREGATE INDICATORS OF FINANCIAL STABILITY AND PREDICTION OF BANKRUPTCY

Bankruptcy prediction is as old as the existence of the capital market, but it was only with the emergence of economics as a social science and the development of statistical and mathematical methods that this issue was approached in a systematic and scientifically based manner. In this sense, a wide range of different models have been developed for predicting bankruptcy, and the question is often raised, which of them to choose in each case. There are two groups of bankruptcy prediction models, and these are (Zanerović & Peruško, 2006, pp. 132 – 150):

- ◆ quantitative bankruptcy prediction models - discriminant analysis, linear analysis models, logit and probit analysis, multinomial logit models, decision tree, neural networks, survival analysis, genetic algorithms, multidimensional scaling, expert systems, chaos theory, catastrophe theory, etc.
- ◆ financial bankruptcy prediction models - models created because of research by authors such as William H. Beaver, Edward I. Altman, Edward B. Deakin, James A. Ohlson, Robert O. Edmister, Christine V. Zavgren, Peter Kralicek etc.

² Haque, F., Arun, T. and Kirkpatrick, C. (2008), Corporate governance and capital markets: a conceptual framework, Corporate Ownership and Control. Retrieved from: http://www.virtusinterpress.org/additional_files/journ_coc/full-text-papers-open-access/Paper012.pdf , pp. 264-277.

In theoretical discussions, but also in practice for several years now, emphasis is placed on anticipating the values of variables that can predict bankruptcy. The scientific approach to predicting bankruptcy has led to the development of several models derived using statistical and mathematical methods, starting from discriminant analysis, all the way to complex mathematical and simulation techniques that involve the use of complex software. The presented bankruptcy prediction models consist mainly of a combination of financial indicators, the calculation of which is based on data from financial statements, and as such include quantitative aspects of business operations. In this paper, the “financial health” of the company will be analyzed by the Kralicek DF indicator. Therefore, the fact that the Kralicek bankruptcy prediction indicator or financial stability indicator is a much more significant synthetic indicator than the other observed ones prevail in this situation, and it will be selected in the analysis of bankruptcy prediction. The main reasons lie in the fact that this indicator is based on cash flow analysis.

The rationale for this choice is because corporations in Bosnia and Herzegovina have a closed corporate governance system and are financed mainly from debt, and the problem of liquidity has emerged as a significant factor in situations of crisis and failure of these corporations. A disruption in cash flows is a more frequent cause of crisis and failure for corporations in a closed corporate governance system than a decrease in the level of market value, while a decrease in the level of the market value of a corporation is a more frequent cause of crises and disruption in an open corporate governance system.

Based on static and dynamic indicators, Kralicek developed his own model (the Kralicek DF ratio), which is presented by the following equation:

$$DF = 1.5 X_1 + 0.08 X_2 + 10 X_3 + 5 X_4 + 0.3 X_5 + 0.1 X_6$$

All component indicators of the model are shown in Table 3.

Table 3 – Kralicek DF indicator

INDICATOR NAME	NUMERATOR	DENOMINATOR
X1	net cash flow	total liabilities
X2	total assets	total liabilities
X3	earnings before interest and taxes	total assets
X4	earnings before interest and taxes	revenues
X5	reserve funds	revenues
X6	operating revenues	total assets

Source: Žager, K., Mamić, I., Sever, S. and Žager, L.: Analiza financijskih izvještaja, MASMEDIA, Zagreb, 2008, p. 273.

The higher the value of the DF indicator, the better the business entity operates. Therefore, if the value of the indicator is between 1 and 3, the financial stability is assessed as medium to excellent, while companies whose indicator value is less than 0.3 have major problems with financial stability. The Kralicek DF indicator can take on both positive and negative values, with negative values indicating insolvency and positive values indicating solvency of the business entity.

4. STUDY SAMPLE

The study uses data from 87 corporations (joint stock companies) from the territory of Bosnia and Herzegovina whose shares were traded on capital markets during the study period, of which 49 corporations were in FBiH and 38 are in RS. The time scope of the study or the period for which the study was conducted is 2019, 2020 and 2021. The Kralicek DF ratio (dependent study variable) and the level of corporate governance (LCG), the value of which can range from 0 to 100% (independent study variable) were measured with the collected data.

5. LEVEL OF CORPORATE GOVERNANCE MEASURED BY THE *LCG INDEX* IN CORPORATIONS IN BOSNIA AND HERZEGOVINA

The corporate governance quality level was measured by the LCG index for 87 corporations in BiH, of which 49 from the Federation of BiH and 38 from the Republic of Srpska. For each corporation, measurement was conducted in three time periods, so it can be said that there were a total of 261 measurements or observations. Data for evaluation of corporate governance quality in corporations in BiH were obtained from corporate governance reports that were adjusted to corporate governance regulations and codes at entity levels.

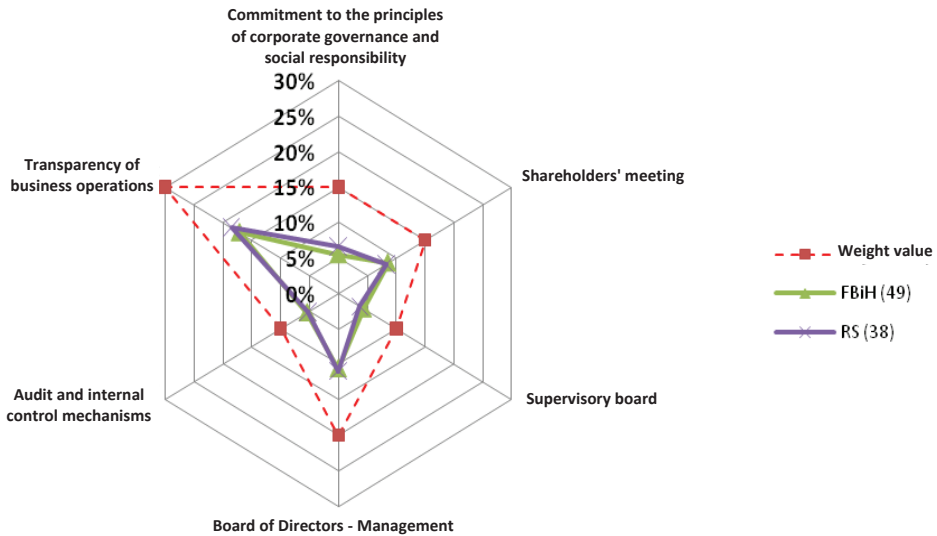
Table 4 – Corporate governance quality level measured by the LCG index in Bosnia and Herzegovina

No.	Index category	Weight value	FBiH (49)	RS (38)	BiH (87)
I.	Commitment to the principles of corporate governance and social responsibility (7 criteria)	15%	5.49%	6.63%	5.99%
II.	Shareholders' meeting (9 criteria)	15%	8.60%	8.26%	8.45%
III.	Supervisory board (8 criteria)	10%	4.35%	3.72%	4.07%
IV.	Board of Directors - Management (9 criteria)	20%	10.62%	10.95%	10.76%

V.	Audit and internal control mechanisms (5 criteria)	10%	5.41%	5.23%	5.33%
VI.	Transparency of business operations (9 criteria)	30%	17.18%	18.55%	17.78%
	TOTAL		51.66%	53.33%	52.39%

Source: authors

Based on the LCG index, the overall rating of the quality of corporate governance in BiH is a 52.39% fulfillment of the prescribed criteria. This shows that only half of the total prescribed criteria are met. The first and third category are significantly below, at almost one third of the set standards for this category, while in all other categories, half of the total prescribed criteria are met.



Source: authors

When analyzing Graph 1 in more detail, it can be concluded that the corporate governance quality level by individual categories is very similar in both entities, and the existing differences for categories are less than 10%.

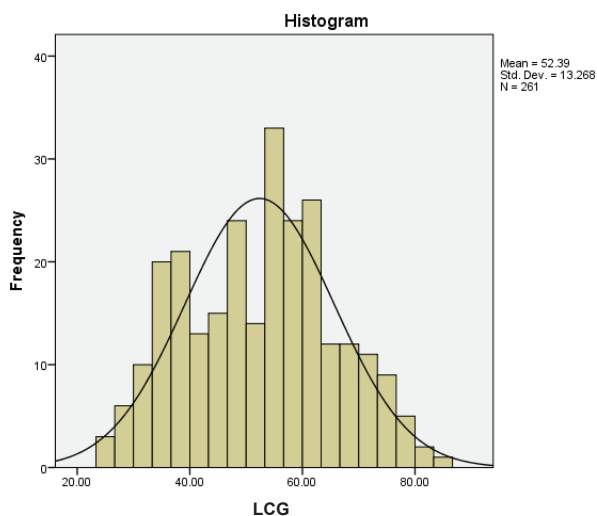
If we observe only the descriptive statistics, we can see that values of the level of corporate governance range from 0 to 100. The research was carried out on 87 corporations (49 in FBiH and 38 in RS) in three time periods, so that we can say that 261 project observations were examined. Table 5 shows the descriptive statistics for the LCG variable.

Table 5 – Descriptive statistics for *LCG*

		LCG
N	Valid	261
	Missing	0
Mean		52.3898
Median		53.7500
Std. Deviation		13.26799
Skewness		.027
Kurtosis		-.732
Minimum		25.60
Maximum		86.20

Source: authors

The LCG indicators range from 25.60 to 86.20 with an arithmetic mean of 52.39. The skewness and kurtosis indices indicate that the distribution of the LCG variable frequencies has an approximately normal pattern, which can be seen on the histogram (Graph 2).

Graph 2 – Histogram of LCG index results in Bosnia and Herzegovina

Source: authors

By checking the boxplot graphics, not a single outlier was observed for this variable, which could be assumed based on the presented form of frequency histogram (Graph 2), so it can be concluded that the distribution of frequencies of the LCG index values for both entities in Bosnia and Herzegovina has a normal form.

6. STATISTICAL MODEL FOR CALCULATING THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE QUALITY AND FINANCIAL STABILITY

The relationship between the quality of corporate governance and indicators of financial stability will be shown by a multilevel regression model or MLM model for short. Multilevel models are statistical models of parameters that differ in more than one level. Multilevel models are particularly appropriate for research designs where data for participants are organized at more than one level. As already mentioned, the MLM model uses several tests or models to test the set relationship, and it can be concluded that there is no model or test that we can say is the best for all situations. Instead, each model or test is useful under certain circumstances. In addition, it is useful to compare all indicators generated in the MLM model and analyze the changes taking place. The first step of analysis in MLM is to center independent metric variables. In our case, the LCG variable does not have a natural zero (i.e., there is no level of corporate governance that could be rated zero). For this reason, to facilitate the interpretation of the obtained results, the variable is centered by subtracting from each individual observation the arithmetic mean of the group, or of the corporation to which the observation belongs ($X_i - \bar{X}_j$). The result is a cLCG variable for which the arithmetic mean is at zero.

There are two possible centering methods: grand mean centering or group mean centering. The choice depends primarily on the type of research question, and both data centering methods can be used equally well because they provide equivalent estimated parameters. It should be noted here that equivalent parameters do not mean identical parameters. Group mean centering is the preferred method for situations where we are primarily interested in the influence of one variable at two levels. Also, performing group mean centering eliminates the correlation between level 1 and level 2 predictors. And the meanLCG variable is centered. Thus, the arithmetic mean for this variable is 0 and corresponds to the level of average corporate governance for the 87 corporations in the sample. For level 2 variables centering is always around the grand mean.

7. INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL STABILITY

A synthetic or aggregate indicator, known as the Kralicek DF ratio (SKDF), was used to evaluate the financial stability of business operations. This indicator is the sum of six interrelated and differently weighted ratios, which are based on the analysis of relationships from cash flow reports. In relation to other well-known aggregate indicators of financial stability (in theory, these indicators are also called indicators of bankruptcy prediction), the Kralicek DF ratio was preferred in this research because it is based on the analysis of relationships from cash flow reports, unlike the most that are based on the relationship of market and book values (especially the Altman Z score ratio). The values of this ratio can range from minus infinity to plus infinity, and it is desirable for the values to be as high as possible (it is ideal when the values are above 1.5). To test the presented relationship, it was not necessary to transform the values of the ratios for the Kralicek DF ratio (SKDF) because there was no deviation of the variable's frequency distribution from the normal distribution. In all developed and tested models (6 for full and 6 for shortened sample), the values of the coefficients *meanLCG* and *cLCG* were positive and statistically significant. Adding other independent variables to the model (*time*, *entity*, *slope-time* and *slope-cLCG*) that are not of interest for hypothesis testing always increased the representativeness of the model, especially with the shortened sample. Despite the increase in representativeness of the model, when adding independent variables that are not of interest for the observed hypothesis, the added variables remain statistically insignificant, so a simpler model of the second level will ultimately be used in the analysis of the set hypothesis on the shortened sample - M2s. From this, an increase in the level of corporate governance leads to an increase in the level of financial stability of corporations in all models developed by the MLM model.

The development of the MLM model, which measures the influence of LCG on the Kralicek DF ratio, is shown in Table 6.

Table 6 - Development of the MLM model of the influence of LCG on the Kralicek DF ratio (SKDF)

model structure	model	coeff.	-log likelihood
SKDF _{ij} (<i>_cons</i>)	M1	<i>_cons</i> (1.621**)	-664.35
	M1s	<i>_cons</i> (1.614***)	-545.67
SKDF _{ij} (<i>cLCG</i> , <i>mainLCG</i>)	M2	<i>cLCG</i> (0.079*) <i>meanLCG</i> (0.226***)	-640.00
	M2s	<i>cLCG</i> (0.087*)	-516.90
		<i>meanLCG</i> (0.158***)	

SKDF _{ij} (time, <i>c</i> LCG, <i>main</i> LCG)	M3	<i>time</i>	(0.034)	-639.97
		<i>c</i> LCG	(0.076*)	
		<i>mean</i> LCG	(0.226***)	
	M3s	<i>time</i>	(-0.064)	-516.81
		<i>c</i> LCG	(0.096*)	
		<i>mean</i> LCG	(0.158***)	
SKDF _{ij} (<i>time</i> , <i>c</i> LCG, <i>main</i> LCG, <i>entity</i>)	M4	<i>time</i>	(0.034)	-639.65
		<i>c</i> LCG	(0.076*)	
		<i>mean</i> LCG	(0.227***)	
	M4s	<i>entity</i>	(-0.624)	-516.63
		<i>time</i>	(-0.064)	
		<i>c</i> LCG	(0.096*)	
SKDF _{ij} (<i>time</i> , <i>c</i> LCG, <i>mean</i> LCG, <i>slope-time</i>)	M5	<i>time</i>	(0.024)	-630.87
		<i>c</i> LCG	(0.083*)	
		<i>mean</i> LCG	(0.229***)	
	M5s	<i>time</i>	(-0.086)	-482.81
		<i>c</i> LCG	(0.110**)	
		<i>mean</i> LCG	(0.159***)	
SKDF _{ij} (<i>time</i> <i>c</i> LCG <i>mean</i> LCG <i>slope- c</i> LCG)	M6	<i>time</i>	(0.037)	-639.38
		<i>c</i> LCG	(0.082*)	
		<i>mean</i> LCG	(0.228***)	
	M6s	<i>time</i>	(-0.166)	-498.20
		<i>c</i> LCG	(0.228*)	
		<i>mean</i> LCG	(0.150***)	

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Consequently, observing the M2s model, it can be concluded that an increase in the level of *mean*LCG by 1 causes an increase in the value of the Kralicek DF ratio by 0.158 between corporations (at the level of the entire group of studied corporations), and an increase in *c*LCG causes an increase in the value of the Kralicek DF ratio by 0.087 within corporations (at the level of individual corporations).

Based on all presented, an increase in the level of LCG leads to an increase in the Kralicek DF ratio, that is, as already said, an increase in the level of corporate governance leads to an increase in the financial stability of corporations.

To prove the influence of the level of corporate governance (LCG) on the Kralicek DF ratio, the M2s model was selected. This model can be mathematically expressed as follows:

$$\text{financial stability}_{ij} = \beta_{0j} + \beta_1 \text{cLCG}_{ij} + \beta_2 \text{meanLCG}_j + e_{ij},$$

and it shows how the change in the level of corporate governance influences the change in the level of financial stability of the observed corporations. By confirming this assumption, the conclusion was reached that an increase in the level of corporate governance contributes to the financial stability of business operations on the one hand and reduces the chances of failure and bankruptcy on the other hand.

8. CONCLUSION

The level of quality of corporate governance should reflect the quality of corporate governance practice at the level of corporations in BiH, which is determined by international standards (OECD Principles of Corporate Governance) and the state legal framework and codes of corporate governance. The subject of the study is to analyze the direction and intensity of the relationship between the quality of corporate governance and the financial stability of business operations in corporations in Bosnia and Herzegovina. The main objective of the research is to determine the direction and intensity of the relationship between the quality of corporate governance measured by the LCG index and the financial stability of business operations measured by the Kralicek DF ratio in corporations in BiH. The study sample consisted of 87 corporations whose shares were traded on entity stock exchanges during the study periods (2019, 2020 and 2021) in BiH, of which 49 were from the Federation of Bosnia and Herzegovina entity and 38 from the Republic of Srpska entity. The quality of corporate governance in this paper is measured by the LCG index, which was developed on the model of the DVFA Index - Scorecard for German Corporate Governance and is adapted to OECD principles, the legal framework and codes of corporate governance of the Sarajevo and Banja Luka stock exchanges. Financial stability was analyzed using the Kralicek DF indicator for predicting the failure of corporations. To prove the influence of the level of corporate governance (LCG) on the financial stability of business operations (Kralicek DF ratio), a multilevel regression model was used, and 12 models were developed through multilevel regression (6 for full and 6 for shortened sample) and the second level model M2s was chosen.

Observing the M2s model, it can be concluded that an increase in the level of meanLCG by 1 causes an increase in the value of the Kralicek DF ratio by 0.158 (at the level of the entire group of studied corporations), and an increase in cLCG causes an increase in the value of the Kralicek DF ratio by 0.087 (at the level of individual corporations). Based on all presented, it can be concluded that an

increase in the level of LCG leads to an increase in the Kralicek DF ratio, that is, as already said, an increase in the level of corporate governance leads to an increase in the financial stability of corporations. This model shows that an increase in the level of corporate governance contributes to the increase in the financial stability of business operations and confirms the basic purpose of applying corporate governance standards in business operations. In other words, this result shows us that corporations that implement and apply corporate governance standards also contribute to the financial stability of business operations.

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UTJECAJ KORPORATIVNOG UPRAVLJANJA NA FINANCIJSKU STABILNOST POSLOVANJA

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Prethodno priopćenje

Sažetak

Korporativno upravljanje predstavlja pravni, ekonomski i socijalni fenomen, koji je stvoren prije svega kroz privatnu inicijativu kako bi se unaprijedio i standardizirao sustav upravljanja korporacijama te osiguralo lakše i efikasnije praćenje i kontrola poslovanja. Razina kvalitete korporativnog upravljanja treba reflektirati kvalitetu prakse korporativnog upravljanja na razini korporacija u BiH koja je određena međunarodnim standardima (OECD-ova načela korporativnog upravljanja) i državnim pravnim okvirom te nacionalnim kodeksima korporativnog upravljanja. Odstupanja od zadanih kriterija ocjenjuju se indeksom kvalitete korporativnog upravljanja gdje je ukupna ocjena stupanj ispunjenosti propisanih kriterija. Kvaliteta korporativnog upravljanja spada u nefinancijske pokazatelje poslovanja i pokazuje stupanj ispunjenja međunarodnih i nacionalnih standarda korporativnog upravljanja. Značajan broj istraživanja pokazuje da korporacije koje ostvaruju više standarde ili viši stupanj ispunjenja standarda te bolju praksu korporativnog upravljanja imaju i bolje financijske rezultate te samim tim i veću vrijednost na tržištu kapitala. Predmet istraživanja je analizirati smjer i

intenzitet odnosa između kvalitete korporativnog upravljanja i financijske stabilnosti poslovanja u korporacijama u BiH. Glavni cilj istraživanje je utvrđivanje smjera i intenziteta odnosa između kvalitete korporativnog upravljanja mjere indeksom RKU i financijske stabilnosti poslovanja mjerene Kralicek DF koeficijentom u korporacijama u BiH.

Ključne riječi: *korporativno upravljanje, kvaliteta korporativnog upravljanja u BiH, indeks RKU, Kralicek DF koeficijent, višerazinski regresijski model*

JEL: G28, G34, K20