

GOVERNMENT'S ROLE IN DEALING WITH THE ECONOMIC AND FINANCIAL CRISIS - COLLECTION OF CLAIMS IN MACEDONIA

ULOGA VLADE U SUOČAVANJU SA EKONOMSKOM I FINANSIJSKOM KRIZOM – NAPLATA POTRAŽIVANJA U MAKEDONIJI

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Abstract: *The economy of a country can have the characteristics of a progressive, efficient and stable, it is needed to regulate the processes of efficient collection between economic entities. The individual market participant, independently, without the protection of the necessary economic and legal regulation by the government, have no political and economic power to implement arbitrary collection if there are no effective tools of recovery. Solving this economic problem in Macedonia is one of the economic challenges of the state, because of the unhealthy economy, while not implementing safe recovery.*

One of the problems in the economy of Macedonia is inefficient implementation of business transactions and non-fulfillment of obligations due in very large percentage of the total economic relations taking place in the country, or the absence of financial discipline among economic actors in the market. In violation of the terms of payment of claims and not fulfilling the obligations for payment of claims, economic activity deteriorates at state level, and the economy as a whole is facing impaired liquidity.

Financial discipline refers to any segment of the economy, as an individual, to companies and public enterprises and public bodies. In order to eliminate these barriers in the market economy in the country, the Government of Macedonia, is making strong efforts to introduce effective tools for regulating the market, and external auditors in the implementation of the law, with particular emphasis on removing obstacles to market operation.

Keywords: *economy, claims, payment, financial discipline, market*

Sadržaj: *Ekonomija jedne zemlje može imati karakteristike progresivne, efikasne i stabilne, potrebno je da efikasno reguliše procese prikupljanja sredstava između privrednih subjekata. Učesnik na tržištu kao pojedinac, nezavisno, ukoliko nema neophodnu zaštitu ekonomske i zakonske regulative od strane vlade, ne poseduje političku i ekonomsku moć kako bi sproveo arbitražu, ako ne postoje efikasni alati borbe. Rešavanje ovog ekonomskog problema u Makedoniji je jedan od ekonomskih izazova države, zbog nezdrave ekonomije, dok se osnaživanje ekonomije i ne sprovodi.*

Jedan od problema u privredi Makedonije je neefikasna implementacija poslovnih transakcija i u veoma velikom procentu neplaćanje dospelih obaveza ukupnih ekonomskih odnosa koji se odvijaju u zemlji, ili odsustvo finansijske discipline između ekonomskih aktera na tržištu. U suprotnosti sa uslovima plaćanja potraživanja i ne ispunjavanju obaveza za isplatu šteta, ekonomska aktivnost pogoršava se na nacionalnom nivou, a privreda u celini suočava sa lošom likvidnošću.

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Finansijska disciplina se odnosi na bilo koji segment privrede, od pojedinaca, kompanija i javnih preduzeća i državnih organa. U cilju otklanjanja ovih barijera u tržišnoj ekonomiji u zemlji, Vlada Makedonije čini velike napore da se uvedu efikasna sredstva za regulisanje tržišta i eksterna revizija u sprovođenju zakona, sa posebnim naglaskom na uklanjanje prepreka za tržište operacija.

Ključne reči: *ekonomija, naplata, plaćanje, finansijska disciplina, tržište.*

1. CREATION OF THE PROBLEM OF COLLECTION

The new market conditions created by the introduction of the capitalist economy were simultaneously monitored by effective legislation, which was especially evident in the time of transition when a huge number of enterprises completed liquidation of enterprises. As the process of changing began of the economic system in the country, the biggest loser in the economy was the industrial sector where there was a state of huge debts between them and the other debts to the state in the form of contributions and taxes kept mounting. The economic policy of the state government was not prepared to solve this new problem and there was no effective legislation that will regulate the new situation, and there was a condition in which everyone owes to anyone. Finding empty space for manipulation due to lack of effective tools for recovery, many took advantage of this situation and many of these claims remained outstanding.

One of the priority activities of the Government of Macedonia was to introduce an effective system of collection of receivables among market participants in the country and therefore take measures to establish an effective way of recovery. Implementation of an effective collection in Macedonia will significantly contribute to a level of a healthy economy in which the flow of the market of goods and services will run smoothly and efficiently.

2. IMPAIRMENT OF OFFER AND DEMAND AS A RESULT OF FORECLOSURE

Effectuating the poor collection of claims between market participants reflects negatively and causes disruption to the overall economy of the country negatively multiplied in all segments of the economy.

This situation causes insecurity felt by all operators in the market, whether the creditors or the debtors. This is precisely because a player on the market of goods and services is both creditor and debtor, and in terms of its creditor is obliged to pay its debt, but on the other hand its inability to pay its debts caused by his debtor. So gradually creates a chain of interrelated



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borrowers, which gradually but surely affects the overall economy of the state, which can be solved only with certain solid measures to introduce payment discipline.

When the creditor is unable to collect its receivables from its debtors goods were placed on the market, faced with a lack of necessary funds which is indispensable for continuous production products and services to market, and is forced to reduce the supply of goods or services produced. Because of the uncertainty of the length of periods in which it will be paid the cost of products placed on the market, it is forced to draw on their own savings funds to continue the production of the goods and reduces or completely cancel investments that were provided with the amount the money saved, or worse reduces production capacity. "Cash is the prime mover of any business. It is more important than earnings. In an economy with slower growth, development and management of cash is very important. Customers are beginning slowly to pay their bills, sales and profitability are beginning to decline."¹³

As a result of declining production, a reduction in the supply of market goods and services, the need for labor force as one of the factors of production decreases, which comes to the dismissal of workers and rising unemployment. "Changes in the output of goods and services the economy are closely connected with changes in the use of labor in the economy."¹⁴

Also due to reduced inflow of money comes to reducing the capacity of physical capital, main direction of the company's survival and the preservation of already generated capital, and therefore inevitable decline in investment in the period.

The negative effect of deferred collection reflects the recovery of tax claims. Reduced volume of production which causes a reduction in the income of employees, thereby reducing the consumption of households, further increasing unemployment, reduced investment, it contributes to a reduction in revenue that has power, which does not pay taxes and does not have sufficient power inflow of funds to pay its spending, so she enters the chain of borrowers "Too often policy makers are trying to stabilize the economy, in fact achieve the opposite. Economic conditions can easily change between the initial procedures related policies and their impact. Because policy makers can irreversibly worsen rather than alleviate the volume of economic fluctuation."¹⁵

This is also reflected on the functioning of the banking system. Banks that are actually markets funds borrowing faced with disruption of supply and demand of money. Creditors who are not able to collect its claims from its debtors, are forced to be credited by banks, thereby increasing the demand for money, and with increased demand for money comes to raising interest rates for the loan granted.

On the other hand, economic agents who had lent certain amounts from banks, faced with insufficient inflow of funds from the market, do not have sufficient funds to return regularly credit obligations, losing creditworthiness and borrowing of banks reduced to a minimum, and already borrowed funds are not able to return. Forced to collect its receivables from the companies again, banks will continue to sell the objects and buildings of companies that are pledged as collateral for credit given amounts, thereby contributing to faster deterioration of the companies. This disruption of supply and demand in the form of a chain of indebtedness, passed from one to another market participant, and the market turns in extremely precarious

¹³ © 2009 Grant Thornton Recession: A practical guide to doing business in Macedonia Page 4

¹⁴ Principles of Economics, H.Gregory Manqué-Kochani:Genex,2011, page 742

¹⁵ Principles of Economics, H.Gregory Manqué-Kochani:Genex,2011, page 831

territory, and the country's economy is characterized as unfavorable as the domestic economic entities and foreign investors. Government as policy maker must take certain measures to stop this negative process of aggravated collection of claims in the debtor creditor relations between economic entities in the market economy of the Republic of Macedonia, as condition of stable economic relations would arise.

3. STATE REGULATION

The need for state regulation seen as involvement of the government in solving market problems arising in practice, occupies an increasing influence especially in recent years. In sectors where the market can not effectively enforce economic decisions and establish proper allocation of resources, the state establishes rules of intervention in order to avoid major shocks to the economy.

4. INSTRUMENTS FOR COLLECTION

In order to introduce a stable economy in which the collection will be implemented strictly regulated rules and principles of market conditions, the state government as economic policy, making great efforts and structural reforms to promote more effective instrument for ensuring recovery of claims between economic operators. “Market mechanism is not only a place to face supply and demand, but also the mechanisms that valorizes the results of operations. The market is an objective mechanism through confrontation of supply and demand of goods and services is very complex mechanism that is closely connected to all listed partial markets”¹⁶

In terms of regulatory reforms relating to enforcement of discipline in the collection of mutual claims of economic entities in the market of goods and services in Macedonia, the government introduced the implementation of innovations that demonstrate positive impulses to regulate them. That among other things: Introduction and promotion of the single window and electronic registration of starting a business, which simplifies business registration, on the other hand is provided complete record of economic entities in the country, which recorded overall operation of the same, thus allowing insight financial condition and liquidity of companies.

Agreements concluded between economic entities in daily process of exchanging goods and services, introduced the possibility of “enforceability clause” in the contract, that the creditor is able to enforce the execution of payments, without conducting expensive litigation, or opportunity to become enforceable contract document directly to execution on the basis of the same.

Based on the law of contractual pledge, made possible the provision of governing or non-possessory pledge and mortgage as a way of securing claims, the creditor protect its claim to be able to collect from the debtor selling the object is embedded. Governing pledge when it is transferred into possession of the creditor, and when non-possessory the right of pledge of the pledged object is entered in the register set that is unique in Macedonia and is part of the Central Register of the Republic of Macedonia.

In order to speed up court procedures and shorten the time of collection of claims in commercial disputes, transferred jurisdiction of the procedure of notaries for the adoption of

¹⁶ Macroeconomics/Slobodan Komazec, Zharko Ristikj-Belgrade: Ethno Still, 2011 page 135

solutions that allow execution based on an authentic document, making the procedure for proving claim drastically shortened.

The Law on Debenture, introduces the Debenture (is a new instrument that introduces the country, and that private companies will be able to charge the claims in debtor-creditor relations) as a tool for enforcement. Maybe some skeptical considerations arise in connection with the establishment of Debenture as an instrument for collection of claims because it is a relatively new tool introduced recovery, but gradually the practice proves the contrary, because by simply submitting Debenture to the bank, the funds are directly transferred from the account the debtor's account to the creditor within the latest 2 days.

Regular payment of contributions by being associated with the same collection of payment of wages, which is carried exclusively by the participants of the payment system. It cannot be paid a salary of a worker unless they are first paid contributions and other costs.

Sanctioning large penalties for market participants to non-payment of income taxes, VAT tax, sales tax, property tax, etc., in the form of large fines and misdemeanor criminal responsibility. A law on financial discipline, with deadlines for payments between entities in the market in Macedonia are strictly defined and provided large fines for those entities that do not comply with these terms and applies to all entities, including state authorities.

Effective placed banking system, in that they as payment operations should implement the economic policy of the government by inviolable will implement tools for collection that are in their domain. With recent changes in the legislation relating to bankruptcy proceedings and liquidation deadlines for the initiation, conduct and completion of these procedures are shortened, and hence the recovery of claims against debtors over which started bankruptcy proceedings and liquidation.

5. CONCLUSION

Many of the failures that are occurring in the economic policy of a government as policymaker, arising as a result of failures in monitoring market impulses. The state's role as a policy maker is present in all segments of economic market activity and its influence in regulating the rules of behavior of market participants is crucial.

We conclude that to the economy of the Republic of Macedonia is stable and favorable, it is necessary to introduce effective tools for collection of claims of market participants. Their application needs to be by all market participants, and enforcement of these instruments strictly controlled by policy makers.

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