

THE SIGNIFICANCE OF SHOWING THE PHASES IN THE FUNCTIONING OF THE BANKING SYSTEM IN THE PROCESSES OF THE REAL FUNCTIONING OF THE FINANCIAL SYSTEM, THE EXAMPLE OF THE REPUBLIC OF SERBIA

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Abstract: *The importance of observing the entirety of the financial observations of the functioning of the system can be observed through several phases in the real functioning of the banking system. In the paper, it was observed from the macro level, in terms of the organization of the banking system in the processes of the real functioning of the financial system in one country, for example the Republic of Serbia. In addition, it should be observed from a practical aspect in the functioning of the banking system, which can be observed in the context of a real process, and through the observation of a possible merger and acquisition, it can be presented in the following three phases: the phase of strategic preparation, the phase of negotiation and research, and the phase of finalization and integration in banks that have joined the given business activities.*

Keywords: *financial system, banking system, management.*

1. INTRODUCTION

The strategic management of the bank's capital is increasingly connected with the real management of legal entities in an economy [1]. In addition, the connection of finances at the state level with the making of management decisions in the economy is of great importance for the achievement of important macro-economic indicators that are outlined at the state level of economic development [2-10].

Development modelling is of great importance for the real and successful functioning of the economy in an economy, which was pointed out by numerous authors in their works [11-18].

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In addition, development is impossible to predict without real development of heterogeneous economic activities in a wide range of economic activities [19-25].

Taking into account numerous factors of economic development, it is possible to establish a real connection between economic activities and the development of numerous heterogeneous subjects in the economy, which is of great importance for developing countries [26-30].

2. STAGES IN THE MEANING OF THE ORGANIZATION OF THE BANKING SYSTEM IN THE REAL FUNCTIONING PROCESSES OF THE FINANCIAL SYSTEM OF ONE COUNTRY, THE EXAMPLE OF THE REPUBLIC OF SERBIA

Stages in terms of the organization of the banking system in the processes of the real functioning of the financial system of a country, the example of the Republic of Serbia, should be viewed in the real framework of the functioning of the financial system of a country.

The previous theoretical and practical experiences of banks indicate that the merger and acquisition process can be presented in the following three phases:

- (1) stages of strategic preparation,
- (2) negotiation and research phases,
- (3) the finalization and integration stages.

The first stage in the merger of banks

The first phase of a merger or acquisition refers to the development of a strategy that defines the bank's direction and determines the long-term goals that the bank should strive for.

This phase includes seven typical business "steps" that need to be completed in order to implement a merger and acquisition.

Business "steps" include the following activities:

- (1) development of a strategic plan (directions and goals of the bank for a period of 3 to 5 years),
- (2) formation of a merger and acquisition "team" (the "team" consists of personnel from the bank's main functions),

- (3) preparation of the merger and acquisition plan (time limit, transaction structure, financial and tax aspects and negotiation strategy),
- (4) defining the criteria for selecting a candidate bank (size, location, quality of loan portfolio, mix of assets, structure of liabilities, users and market position, level of bank capital),
- (5) identifying the candidate bank,
- (6) making an analysis of the candidate's bank,
- (7) preparing a preliminary evaluation and financial study of the feasibility of the merger and acquisition procedure.

The second stage in the merger of banks

The second phase directs the merger and acquisition process to negotiation and exploration.

This phase includes activities from the initial contact between the buyer and seller of the bank to the point where the final agreement on the merger or acquisition of the banks should be prepared.

Within this phase of the merger and acquisition process, there are four activities that include:

- (1) negotiation strategy,
- (2) contact with the candidate bank and preliminary discussions,
- (3) letter of intent,
- (4) due diligence on the bank's performance and value.

The third stage in the merger of banks

The third stage in the merger and acquisition process refers to the finalization and integration of banks.

Within this phase, the transaction terms are finalized, the overall transaction is completed and the process of bank integration begins.

Several activities are included in this phase:

- (1) finalization of the contract,
- (2) consent of the regulator and shareholders,
- (3) a short final review,
- (4) finalization of transactions,

(5) integration of banks.

It should be emphasized that the performance of these three phases of the merger and acquisition process:

- (a) the phase of strategic preparation,
- (b) the phase of negotiation and research, and
- (c) the phase of finalization and integration, represent recent affairs, which are complex, long-term and responsible.

This is precisely why they require an extremely professional and professional attitude of the formed "management teams" and management bodies in banks.

In addition, it is important to note that the time dimension (duration and completion of these phases) directly depends on whether it is a friendly or hostile acquisition. All activities and transactions of mergers and acquisitions of banks are carried out between banks in the same market (either urban or rural) or in the form of market expansion or in different local markets.

For a manager participating in a merger and acquisition, it is important to distinguish between business combinations in the existing market and business combinations in the expanded (new) financial market.

This should be done in order to evaluate the effects and liability policies that mergers and acquisitions bring with them.

Mergers and acquisitions can be said to be positioning tactics of banks. Their activity is related to:

- (1) supporting existing business lines,
- (2) expanding banking operations into new business lines and
- (3) eliminating former competitors on the banking market.

Practical experience indicates that there are two types of business combinations in the financial services industry:

- (1) consolidation,
- (2) connected banks.

3. FINANCIAL STABILITY OF LEGAL ENTITIES THAT SHOULD BE IMPLEMENTED USING ACCOUNTING POLICIES BY THE TOP MANAGEMENT IN THE COMPANY'S OPERATIONS

Financial stability is shown in Figures 1 to 3.

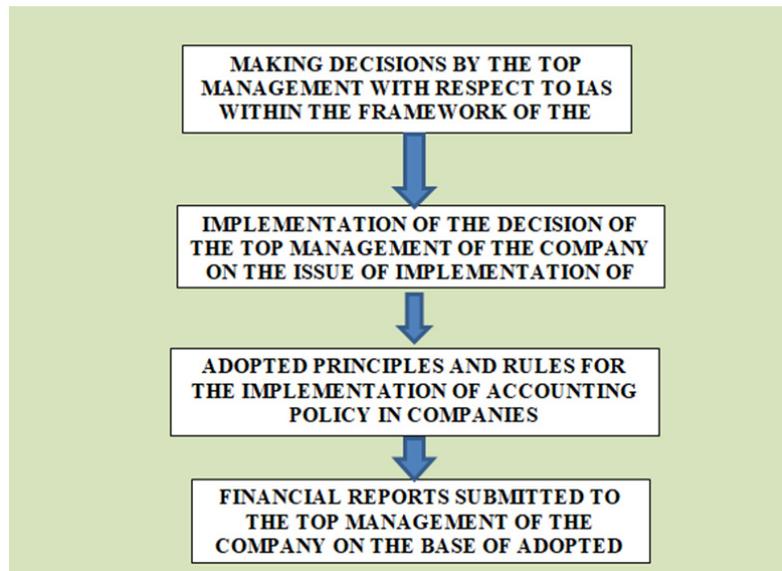


Figure 1. Presentation of the application of the accounting policy in the overall management.

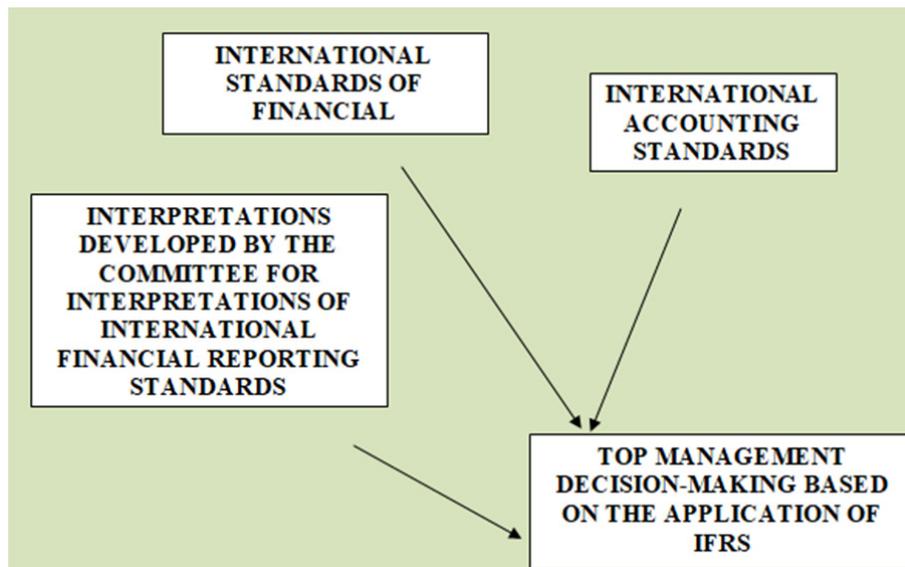


Figure 2. Presentation of the connection of the implementation of decision-making based on IFRS in the management and making of management decisions of the top management of heterogeneous companies.

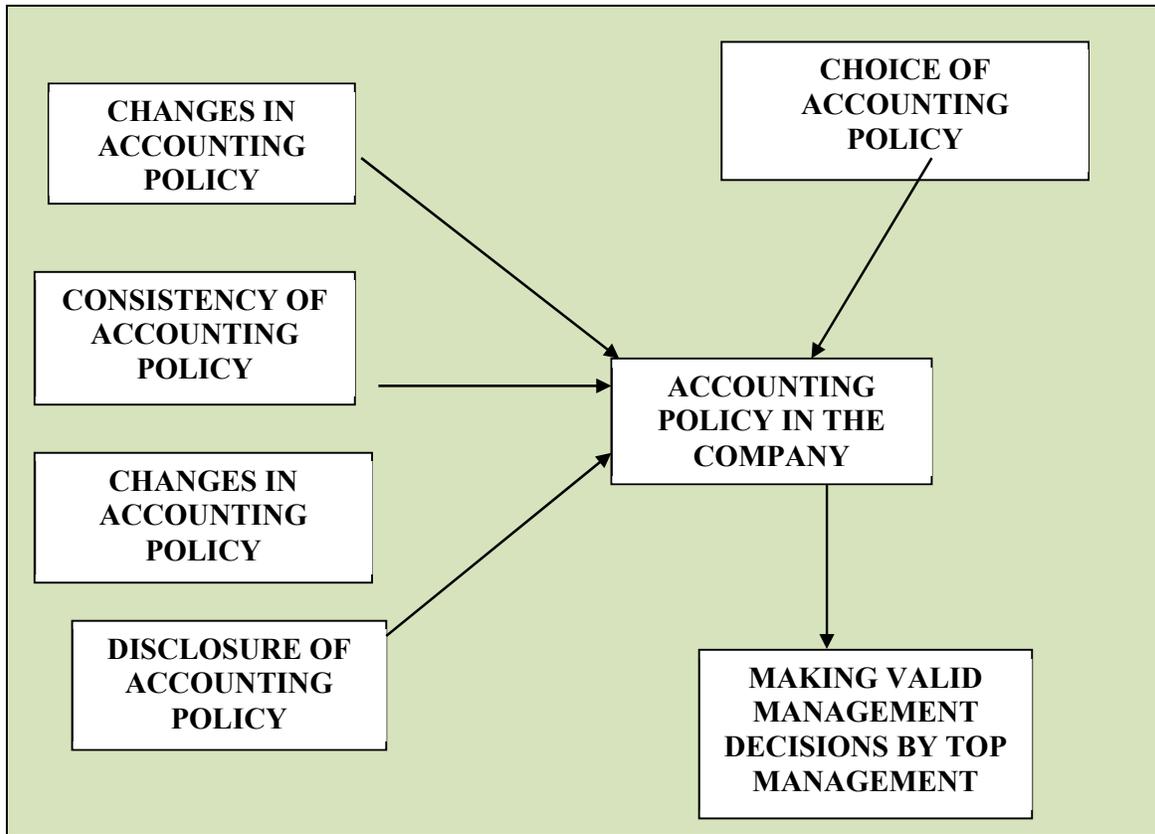


Figure 3. Presentation of decision-making based on the application of the accounting policy in companies that implemented the implementation of the real accounting policy.

4. CONCLUSION

The paper highlights the importance of the integrity of the financial system, which can be observed through the analysis of several stages in the real functioning of the banking system. In the paper, the observation of the integrity of the banking system in the processes of the real functioning of the financial system in one country was observed from a macro level. In the context of the real process and through observation, possible mergers and acquisitions can be presented in the following three phases: the strategic preparation phase, the negotiation and research phase, and the finalization and integration phase in the banks that have joined the given business activities. In addition, the author shows that it is necessary to respect the phase of strategic preparation in the context of the overall functioning, then through the phase of negotiation and research, and as the last phase, i.e. finalization and integration, which represents more recent tasks, which are complex, long-term and responsible. This is precisely why they require an extremely professional and professional attitude of the formed "management teams" and management bodies in banks.

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