UDK: 658:005 | DOI:10.5937/etp243-183J
Datum prijema rada: 6.11.2024.
Datum korekcije rada: 21.11.2024.
Datum prihvatanja rada: 29.11.2024.

STRUČNI RAD

EKONOMIJA
TEORIJA I PRAKSA
Special Edition / 2024
str. 183–203

FINANCIAL COMPONENT OF THE BUSINESS MODEL IN THE FUNCTION OF SUSTAINABLE OPERATIONS

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***Apstract**: This paper analyzes the financial component of the business model in the context of sustainable operations, with a specific focus on the retail pharmaceutical industry in the Republic of Serbia. The research objective was to examine the impact of a sustainable business model on the financial performance of large companies within this sector and their position in the broader industry. The results indicate that large companies have not achieved improved financial outcomes in the period following the introduction of the mandatory sustainability reporting requirement compared to the period prior to this obligation. This implies that the sustainability business model does not directly influence their financial results. However, it was concluded that sustainable business models contribute to competitiveness and long-term stability of companies in markets with developed awareness and perception of sustainability importance. Therefore, findings highlight the need for further research that would include sectoral and geographical diversity, as well as the influence of regulatory factors.*

***Keywords**: financial performance, business model, sustainable operations, retail pharmaceutical industry.*

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INTRODUCTION

In the modern business environment, sustainable operations have become an increasingly important goal for companies worldwide.. Therefore, sustainable operations are no longer merely a choice but a necessity, especially for large enterprises operating in highly regulated industries such as the pharmaceutical sector. These companies, in addition to pursuing core financial objectives, are required to produce sustainability reports, affirming the need to integrate environmental, social, and economic aspects into their business models. Reducing risks is not the sole focus of ESG approaches; they also aim to foster economic and societal improvement through responsible investments in innovation (Tanaka, 2016). In this context, the financial component of the business model forms a foundation that not only enables the tracking of company performance but also supports a strategic orientation toward sustainable growth. Research suggests that traditional financial reports are often insufficient for assessing business sustainability as they fail to account for factors such as risk, resilience to market changes, and the long-term social and environmental impacts. Specifically, traditional financial reports provide only financial status information, which proves inadequate under modern conditions (Dmitrović, 2023). This raises the question of to what extent and how the financial component can adapt to the demands of sustainability without compromising the company's competitive position.Thus, the aim of this research was to examine the role of the financial component within the business model in advancing sustainable operations, with a specific focus on identifying key financial information that supports sustainability. In the contemporary business sphere, information has become a vital segment of enterprises, and various software solutions represent strategic resources for companies (Vladisavljević & Soleša, 2019). Addressing theoretical aspects of financial sustainability and the application of sustainable business models, this study aims to provide insights into how sustainable operations impact the stability and success of large enterprises. The research hypothesis posits that financial performance in markets that are not mature or aware of the importance of sustainability—such as the Serbian market—does not depend on sustainable operations, unlike in companies operating in developed markets. Through a comprehensive analysis of financial indicators and a discussion of theoretical

approaches, this paper contributes to the discourse on the significance of the financial component in sustainable business models, emphasizing the need for a holistic approach that integrates sustainability as a long-term strategy for stable growth and competitiveness in the pharmaceutical industry.

LITERATURE REVIEW

Sustainability reporting, as a part of corporate social responsibility (CSR) strategy, involves disclosing information on the impact of business operations on the environment, society, and the economy. Such reports include aspects like energy consumption, greenhouse gas emissions, waste management, working conditions, and community relations. In modern conditions, the multiplicity of business risks occurs daily, raising the level of risk across all forms and types of management (Laković & Vesić, 2023). Thus, the role of these reports is multifaceted—they not only provide insights into ecological and social performance but also impact corporate reputation and financial performance. As a result, sustainability reporting has become a strategic priority for many companies (Higgins & Coffey, 2016), where the company's strategic orientation is crucial for securing market share and gaining a competitive advantage (Cvjetković et al., 2021). Numerous empirical studies confirm that for companies in global markets that implement sustainable development strategies and regularly publish sustainability reports, there exists an interdependence with financial performance (Uthayakumara, Ayodya, 2018). The reasons for this connection can be observed through several aspects:

- improvement in operational efficiency and company value: Processes that reduce resource consumption or increase production efficiency contribute both to environmental sustainability and to company value (Machmuddah et al., 2020). Sustainability reporting positively impacts cash flows and capital costs (Plumlee et al., 2015) and can also increase a company's profit margin by reducing expenditures associated with energy, water, and waste.
- enhancement of reputation and customer loyalty: Sustainability reporting positively influences reputational risk (Bebbington et al., 2008) and the company's perception among consumers, which can result in greater loyalty and consumers' willingness to pay a

premium for products or services from brands that apply sustainable practices. In this way, companies with clear sustainability reports can achieve a competitive advantage in the market (Fombrun, 2018).
- improvement of overall business reporting: Findings show that sustainability reporting enhances the quality of financial reporting (Şeker & Sengur, 2021).

Additionally, companies that actively work on improving sustainability are often less exposed to regulatory penalties and sanctions, so proactive actions can contribute to business stability. The objectives of an organization's profitability are being impacted by digital transformation, which in turn is having an effect on the sustainability of company (Bulović & Čović, 2020). Increased productivity and cost savings are two effects of digital transformation that lead to sustainability advantages. Digital technologies affect operational procedures, customer experience, and the integration of business and IT. Increased cost savings, increased productivity, and increased revenues are the outcomes of this. The sustainability elements of conducting business are also impacted by the shift from physical to digital and corporate integration.

It can be concluded that global companies that publish sustainability reports demonstrate a commitment to transparency and accountability, which attracts investors and contributes to stock price stability. Investors are increasingly inclined to invest in companies with responsible practices, recognizing the long-term benefits of such investments.

Domestic research has not confirmed the connection between sustainability reporting indicators and financial performance in the energy sector (Domanović, 2022) and in large banks that are members of European banking groups in the Republic of Serbia (Stakić & Barjaktarović, 2023). Analysis of these research findings indicates that this trend in the domestic market can be attributed to the following:

- lack of market maturity and awareness of the importance of sustainability; companies are not pressured to report on sustainability, and the advantages of reporting may not be apparent in terms of increased profitability or improved access to capital.

Therefore, a deeper understanding of these relationships is necessary, both through this study related to the pharmaceutical sector and through additional research covering various industries and global contexts.

RESEARCH METHODOLOGY

The research in this study encompasses an analysis of key financial performances of companies in the Republic of Serbia for the period from 2019 to 2023, specifically within group 4773 – Retail Sale of Pharmaceutical Products. For the purposes of this research, a sample was formed of companies classified by industry sectors according to the structural business statistics of the Statistical Office of the Republic of Serbia. The indicators were derived from publicly available information, specifically the official financial statements that the selected companies submitted to the Serbian Business Registers Agency, as well as from direct access to company reports. Based on the available data from the total number of companies that prepared and submitted annual financial statements, and considering the criterion of company size, a sample was formed, and relevant data were collected for the period 2019–2023. Various general scientific research methods were employed for conducting and formulating the research results, including the descriptive method, as well as comparative, deductive, analytical, and synthetic methods. The financial analysis is based on ratio analysis of profitability and financial position, using the following set of indicators as outlined by Malešević & Čavlin (2020):

Table 1. *Overview of Selected Indicators for Financial Performance Analysis*

Static Liquidity and Solvency Indicators	
Effective Liquidity Indicator	(Cash + Cash Equivalents + Short-term Receivables) / Short-term Liabilities
Prospective Liquidity Indicator	Total Current Assets / Short-term Liabilities
Total Debt Ratio	Total Liabilities / Total Assets
Dynamic Liquidity and Solvency Indicators	
Average Cash Conversion Cycle	Average Inventory Period + Average Receivables Period – Average Payables Period
Average Inventory Period	Inventory x 365 / Sales
Dynamic Solvency	Operating Result (EBIT) / Interest Expenses
Profitability	
Net Profit Margin	Net Profit / Revenue
Return on Assets (ROA)	Net Profit / Assets
Return on Equity (ROE)	Net Profit / Equity

RESULTS AND DISCUSSION

The sample includes large companies classified under sector 4773 – Retail Sale of Pharmaceutical Products, according to the classification valid in the Republic of Serbia. The major companies in this sector are as follows: AU "Lilly Drogerie" Ltd., Belgrade, AU "BENU" Ltd., Belgrade, AU "DR MAX" Ltd., Belgrade, AU "Janković" Ltd., Novi Sad and AU "Filly" Ltd., Belgrade. According to the published data, these large companies accounted for 42.15% of the total sector revenue and 46.29% of the sector's net profit in 2023 based on their annual financial reports. Additionally, these companies held 50.98% of the sector's total assets and employed 43.1% of the sector's workforce in 2023. A similar distribution persisted throughout the studied period, supporting the representativeness of the results for drawing broader conclusions.

The analysis of the financial performance of large companies in the retail pharmaceutical sector from 2019 to 2021—before the legal requirement for sustainability reporting—focused on their financial performance in 2019. This analysis was based on selected representative indicators of

dynamic and static liquidity, solvency, profitability, and return on assets. For these indicators, average values, medians, and standard deviations were reported for the group of large companies, providing a more robust platform for comparison with the sector-wide averages in the retail pharmaceutical sector.

Table 2: *Overview of Financial Performance of Retail Pharmaceutical Companies in 2019*

Categories	Group Average	Median	Standard Deviation	Sector Average	Difference from Sector
KOI	2,86	2,89	0,6	5,97	-3,11
NC	15,468	18,34	41,86267	8,03	7,438
VOZ	83,194	72,47	24,60062	140,01	-56,816
KTL	1,71	1,52	1,091077	2,52	-0,81
KUL	0,796	0,61	0,443148	1,35	-0,554
KDS	60,236	0	92,88643	31,8	28,436
ZAD	0,738	0,96	0,351596	1,48	-0,742
NPM	0,024	0,02	0,02881	0,04	-0,016
ROA	0,07	0,05	0,0886	0,11	-0,04
ROE	1,035	0,41	1,460742	0,43	0,605

KOI - Coefficient of Turnover of Current Assets, NC – Cash Cycle, VOZ - Inventory Turnover Period (in days), KTL - Current Liquidity Ratio (general liquidity ratio), KUL - Quick Liquidity Ratio (stringent liquidity ratio), KDS - Solvency (dynamic indicator), ZAD – Debt Ratio, NPM – Net Profit Margin, ROA - Return on Assets, ROE – Return on Equity, Average Group Value – average values of large retail pharmaceutical companies, Sector Average – average values for the entire retail pharmaceutical sector.

The analysis of dynamic liquidity is based on the turnover of current assets, cash cycle, and inventory turnover period. The average current asset turnover ratio is 2.86, while the sector average is 5.97, indicating a deviation in the performance of the group of large companies compared to the sector, with most companies in the group showing a lower asset turnover than the average. The cash cycle exhibits significant variation, with an average of 15.47 days and a standard deviation of 41.86 days, highlighting differences in firms' ability to rapidly convert current assets into cash. The average inventory turnover period is 83.1 days, shorter

than the sector average of 140.01 days, indicating a quicker inventory turnover within the group.

The static liquidity analysis relies on the assessment of current and quick liquidity ratios. The average current liquidity ratio for the analyzed companies is 1.71, below the sector average of 2.52, suggesting a reduced capacity of the group to meet short-term obligations using current assets. Quick liquidity also shows deviations, with an average of 0.80 compared to the sector average of 1.35, implying that the group of companies operates with a lower reserve of liquid assets than sector norms.

The solvency analysis, through the dynamic solvency and debt indicators, provides insight into the companies' long-term financial capacity. The dynamic solvency indicator shows significant standard deviation due to extreme values in some companies in the group, with a sector average of 31.80. Most companies record very low or even zero values for this indicator, which may reflect specific capital structures and financing policies. In terms of debt, the group average is 0.54, while the sector average is higher at 1.48, suggesting that the group has a lower level of liabilities relative to assets.

Profitability analysis, reflected in indicators such as net profit margin, return on assets (ROA), and return on equity (ROE), reveals relatively low values. The average net profit margin for the group is 0.02, while the sector average is slightly higher at 0.04. The average ROA for the observed group is 0.05, compared to a sector average of 0.11, indicating lower efficiency in asset utilization. Similarly, ROE varies among companies, with an average significantly below the sector’s, suggesting a lower potential for profit generation for equity holders.

This analysis shows that the financial performance of large pharmaceutical retail companies differs from the sector averages in key liquidity, solvency, and profitability indicators. Compared to the sector average, the group generally exhibits lower liquidity and profitability values, indicating limited ability to efficiently utilize assets and liquid resources. Based on these findings, it can be concluded that the group of companies in the sample may need to reassess their working capital management and financing strategies to improve financial performance and achieve a more stable position within the sector.

The further analysis includes an evaluation of the financial performance of the group of large pharmaceutical retail companies in Serbia for the year 2020.

Table 3: *Overview of Financial Performance of Retail Pharmaceutical Companies in 2020*

Categories	Group Average	Median	Standard Deviation	Sector Average	Difference from Sector
KOI	2,688	2,85	0,515674	5,72	-3,032
NC	14,274	-4,12	56,28895	29,03	-14,756
VOZ	93,902	86,9	35,29346	147,96	-54,058
KTL	1,768	1,43	1,136912	2,64	-0,872
KUL	0,78	0,53	0,462871	1,39	-0,61
KDS	1415,122	214,72	2237,257	53,06	1362,062
ZAD	0,714	0,92	0,347606	1,43	-0,716
NPM	0,034	0,03	0,035071	0,03	0,004
ROA	0,092	0,07	0,09757	0,14	-0,048
ROE	0,636	0,32	0,748418	0,51	0,126

The analysis of dynamic liquidity is based on the turnover of current assets, cash cycle, and inventory turnover period. The average current asset turnover ratio for the analyzed group of companies is 2.89, while the sector average is 5.72. This difference indicates a lower efficiency of the observed group of companies in utilizing current assets compared to the sector average. The cash cycle exhibits significant variation, with an average value of 15.47 days and a high standard deviation, suggesting considerable differences in the asset turnover period within the group of companies. Similarly, the average inventory turnover period is 93.1 days, which is shorter than the sector average of 147.96 days, indicating a quicker inventory turnover in the sample group.

The static liquidity analysis relies on the assessment of current and quick liquidity ratios. The average current liquidity ratio for the group of companies is 1.71, whereas the sector average is 2.64, suggesting a reduced ability of the group to meet short-term obligations compared to the sector's average values. The quick liquidity ratio has an average value

of 0.86, while the sector average is 1.39, indicating a lack of liquid assets in the group, which may impact their financial stability.

The solvency analysis, using dynamic solvency and debt indicators, provides insight into the companies' long-term financial capacity. The dynamic solvency indicator shows a high standard deviation due to significant deviations within the group of companies, with a sector average of 53.06. Most companies in the group report low or zero solvency values, which may reflect a high level of indebtedness or a low level of liquid assets. The average debt ratio is 0.91, which is below the sector average of 1.43, suggesting that the companies in the sample have a lower level of liabilities relative to assets.

Profitability analysis, expressed through net profit margin, return on assets (ROA), and return on equity (ROE), reveals relatively low values. The net profit margin averages 0.03, while the sector average is also 0.03, indicating minimal profitability among the companies. The average ROA is 0.09, lower than the sector average of 0.14, reflecting a lower level of asset utilization efficiency. ROE also varies within the group, with an average of 0.32, which is lower than the sector average of 0.51, though large variations exist among companies in the group.

The analysis of the financial performance of Serbian pharmaceutical companies in 2020 reveals significant deviations from sector averages, particularly in terms of liquidity and solvency. Most companies in the group exhibit lower liquidity values, which may indicate potential difficulties in meeting short-term obligations. Solvency and profitability also show low levels, suggesting a need for improved resource management and optimization of financial strategies. These findings underscore the importance of further investigation to identify specific factors affecting the financial performance of the group and propose measures to enhance liquidity and profitability.

Subsequently, the analysis extends to the evaluation of the financial performance of a group of large companies in the pharmaceutical retail sector in Serbia for the year 2021.

Table 4: *Overview of Financial Performance of Retail Pharmaceutical Companies in 2021*

Categories	Group Average	Median	Standard Deviation	Sector Average	Difference from Sector
KOI	2,738	2,94	0,553326	5,7	-2,962
NC	3,236	-0,53	60,07689	32,71	-29,474
VOZ	96,044	104,35	31,89268	130,74	-34,696
KTL	1,656	1,35	1,146311	2,59	-0,934
KUL	0,73	0,5	0,437778	1,48	-0,75
KDS	35,234	0	67,57587	27,13	8,104
ZAD	0,736	0,86	0,296193	1,46	-0,724
NPM	0,028	0,01	0,032711	0,03	-0,002
ROA	0,072	0,03	0,077589	0,13	-0,058
ROE	0,362	0,24	0,385642	0,46	-0,098

The analysis of dynamic liquidity is based on the examination of current asset turnover, cash cycle, and inventory turnover period. The average current asset turnover ratio for the analyzed group of companies is 2.74, while the sector average is 5.70, indicating a lower efficiency in the use of current assets within the observed group of companies compared to the sector average. The cash cycle shows significant variation among the group of companies, with an average value of 3.05 days and a high standard deviation, indicating notable differences in asset turnover speed within the group. The average inventory turnover period is 96.84 days, which is shorter than the sector average of 130.74 days, suggesting a quicker turnover of inventories in the analyzed group.

The static liquidity analysis relies on the examination of current and quick ratios. The average current ratio for the observed group of companies is 1.66, while the sector average is 2.59, indicating a lower capacity of the group to meet short-term liabilities. The quick ratio has an average value of 0.73, below the sector average of 1.48, suggesting limited reserves of liquid assets among the group of companies.

Solvency analysis, using dynamic solvency and debt indicators, provides insights into the long-term financial stability of the companies. The

dynamic solvency indicator has an average value of 35.83, with considerable deviations among the group, while the sector average is 27.13. Most companies in the group show low or zero values for this indicator, which could point to a high level of indebtedness. The debt ratio averages 0.74 among the firms, compared to the sector average of 1.46, indicating that the observed group of companies has a lower level of liabilities relative to assets than the sector.

Profitability analysis, expressed through net profit margin, return on assets, and return on equity, shows relatively low values across the group. The net profit margin averages 0.03, aligning with the sector average, indicating limited potential for generating net profit. The average return on assets is 0.07, which is below the sector value of 0.13, suggesting lower asset utilization efficiency within the analyzed group. The return on equity also shows variations within the group, with an average of 0.36, which is higher than the sector average of 0.46, although there are considerable disparities among the companies in the group.

The financial performance analysis of large pharmaceutical companies in Serbia for 2021 reveals significant deviations in key financial indicators relative to the sector average. Most companies in the analyzed group demonstrate lower liquidity and profitability levels, which may indicate a need for improved working capital management and resource optimization. In terms of solvency, lower debt levels relative to the sector can be considered a positive indicator, although the lower values of dynamic solvency warrant caution. Further research is therefore required into the financial strategies of the observed firms to identify potential areas for improving liquidity and profitability.

The analysis of the financial performance of large companies in the pharmaceutical retail sector for the 2022-2023 period, following the mandatory sustainability reporting requirement, begins with an evaluation of the financial performance of this group of large companies in Serbia for 2022.

Table 5: *Overview of Financial Performance of Retail Pharmaceutical Companies in 2022*

Categories	Group Average	Median	Standard Deviation	Sector Average	Difference from Sector
KOI	2,96	2,97	0,371618	6,38	-3,42
NC	9,058	-2,24	55,39749	6,24	15,298
VOZ	87,78	98,26	22,98042	153,13	-65,35
KTL	1,68	1,05	1,332066	2,7	-1,02
KUL	0,724	0,63	0,464575	1,43	-0,706
KDS	27,51	0	49,8458	23,75	3,76
ZAD	0,726	0,82	0,302291	1,38	-0,654
NPM	0,03	0,03	0,027386	0,03	6,94E-18
ROA	0,062	0,05	0,054498	0,14	-0,078
ROE	0,262	0,18	0,218906	0,45	-0,188

The analysis of dynamic liquidity is based on the turnover of current assets, the cash cycle, and inventory turnover time. The average current assets turnover ratio for the group of companies is 2.96, which is lower than the sector average of 6.38, indicating a lower level of efficiency in using current assets among the analyzed group of companies in 2022. The cash cycle shows significant variability, with an average of 9.06 days and a high standard deviation, suggesting differences in capital turnover speed within the group. Inventory turnover time has an average value of 87.38 days, which is below the sector average of 153.13 days, indicating faster inventory turnover among the analyzed companies during 2022.

The static liquidity analysis is based on the examination of current and quick liquidity ratios to assess the ability of companies to cover their short-term liabilities. The average current liquidity ratio for the observed group of companies in 2022 is 1.68, below the sector average of 2.70, suggesting that firms have limited liquid asset reserves relative to their short-term obligations. The quick liquidity ratio has an average value of 0.72, while the sector average is 1.43, indicating a low ability for rapid settlement of obligations among most companies within the analyzed group.

Solvency analysis, utilizing indicators of dynamic solvency and leverage, provides insight into the long-term financial stability of the companies. The average dynamic solvency for the analyzed group of companies is

22.04, compared to the sector average of 23.75, with significant variations among companies within the group. A low solvency value may indicate high debt levels and limited liquid assets. The average leverage ratio is 0.73, which is lower than the sector average of 1.38, suggesting that the observed group of companies has a lower level of obligations relative to assets, potentially indicating stability in 2022.

Profitability analysis, represented by indicators such as net profit margin, return on assets (ROA), and return on equity (ROE), shows relatively low values among the group of companies. The average net profit margin is 0.03, consistent with the sector average, indicating limited opportunities for generating net profit. The average ROA is 0.06, while the sector average is 0.14, indicating lower efficiency in asset utilization among the observed companies. The average ROE is 0.26, compared to the sector average of 0.45, further highlighting a low return for equity holders.

The results of the 2022 analysis indicate significant deviations in the financial indicators of the analyzed large companies within the pharmaceutical sector relative to the sector's average values. Lower liquidity and profitability values suggest a need for more efficient working capital management and resource optimization. Although low leverage may indicate financial stability, low profitability indicators point to the need for improving profitability. Further analysis and review of financial strategies may help identify potential areas for improving liquidity and increasing return on equity, which would enhance the competitiveness and sustainability of these companies in the coming years.

The analysis then evolves towards the evaluation of the financial performance of a group of large companies within the retail sector for pharmaceutical products in Serbia for 2023.

Table 6: *Overview of Financial Performance of Retail Pharmaceutical Companies in 2023*

Categories	Group Average	Median	Standard Deviation	Sector Average	Difference from Sector
KOI	2,886	2,93	0,45374	7,07	-4,184
NC	-0,09	0,46	56,62037	29,39	-29,48
VOZ	90,348	96,09	28,41501	132,67	-42,322
KTL	1,63	1,12	1,147976	2,8	-1,17
KUL	0,75	0,63	0,512981	1,38	-0,63
KDS	270,548	0	595,2458	14,9	255,648
ZAD	0,704	0,75	0,292882	1,29	-0,586
NPM	0,032	0,03	0,029496	0,03	0,002
ROA	0,064	0,05	0,061074	0,14	-0,076
ROE	0,214	0,21	0,146731	0,41	-0,196

The analysis of dynamic liquidity is based on the analysis of turnover of short-term assets, cash cycle and inventory turnover time. The average turnover ratio of short-term assets among the observed group of companies is 2.89, which is significantly lower than the sector average of 7.07, which indicates a lower degree of efficiency in the use of short-term assets in the analyzed companies compared to the sector. The money cycle shows high variability with an average of -0.09 days and a significant standard deviation, which indicates large differences in business cycles among the group of companies. The inventory turnover time has an average value of 90.35 days, which is shorter than the sector average of 132.67 days, indicating a more efficient inventory turnover compared to the average sector values.

The analysis of static liquidity is based on the analysis of current and accelerated liquidity and shows the ability of companies to meet their short-term obligations. The average coefficient of current liquidity for the analyzed groups is 1.63, which is below the average value of the sector of 2.80. This data suggests that the observed group of companies has limited reserves of liquid assets in relation to their liabilities. Accelerated liquidity has an average value of 0.75, while the average value of the sector is 1.38, which additionally indicates a lower ability to quickly settle obligations of most companies in the analyzed group.

Analysis of solvency through indicators of dynamic solvency and indebtedness provides insight into the long-term financial stability of the company. The dynamic indicator of solvency has an average value of 270.95, with large variations in the group of companies. Compared to the sector average of 14.90, the solvency indicator deviates significantly, especially for certain companies that record very low values. The average leverage ratio among observed companies is 0.70, which is lower than the sector average of 1.29. This data suggests that the observed group of companies has a lower level of indebtedness compared to the sector, which can be a positive indicator of stability.

Analysis of profitability expressed by indicators net profit margin, rates of return on assets and rate of return on capital show low values compared to the average of the sector. The net profit margin averages 0.03, which is equal to the sector average, indicating limited opportunities for net profit generation. The rate of return on assets averages 0.06, which is lower than the sector value of 0.14, suggesting a lower efficiency of asset utilization in the analyzed firms. The rate of return on equity shows an average value of 0.21 with a sector average of 0.41 indicating limited return opportunities for equity holders.

The results of the financial performance analysis for the year 2023 indicate significant deviations in relation to the average values of the sector, especially in the domain of liquidity and profitability. Lower levels of liquidity and profitability suggest the need to improve capital turnover management and optimize resources. Low leverage may indicate the financial stability of a group of companies, but low profitability indicators indicate the need to increase profitability. Additional analyzes and strategic measures can contribute to improving the financial position of the group of companies and ensuring long-term sustainability in a competitive environment.

The discussion of the results of the analysis of the financial performance of large companies and the entire sector of retail trade in pharmaceutical products focuses on the identified key differences that are reflected in terms of the liquidity position, the efficiency of asset turnover management, the capital structure and the degree of profitability. It can be concluded that the legal obligation to report on sustainability did not affect the quality of the reported differences, because the general

relationships are essentially identical, both for the period before and for the period after the legal obligation to introduce sustainability reporting.

First, the enterprise of the group of large enterprises shows a higher efficiency in inventory management, which is reflected in a faster turnover cycle of the inventory. This indicator suggests that the company group manages to convert inventory into sales faster, which can contribute to better management of operating costs and reducing the risk of inventory obsolescence. Effective inventory management can positively affect profitability and asset turnover, but faster inventory turnover does not necessarily guarantee higher profitability, which is confirmed in this case.

On the other hand, the entire pharmaceutical retail sector has a faster cash cycle, which implies a better position in the conversion of operating flows into cash. A faster cash cycle indicates a more efficient collection of receivables and a shorter period of time needed to generate operating cash flow. This can contribute to better liquidity of the sector as a whole and enable a faster reaction to market changes, which is crucial for maintaining stability and reducing financial risk.

Analyzing indicators of general and accelerated liquidity, the sector achieves more value compared to the group of companies. Higher liquidity coefficients in the sector indicate a better ability to meet short-term obligations, which is an advantage in terms of liquidity security. Conversely, lower liquidity ratios of a group of companies may indicate limited short-term liquidity, but since they are not alarmingly low, they may reflect a strategy in which liquid assets are used for operational or investment activities.

Looking at the capital structure, the group of companies has a lower level of indebtedness compared to the sector. A lower level of indebtedness may indicate a more conservative approach to the use of debt, reducing the risk of excessive interest burden and financial stress. In contrast, a higher level of indebtedness in the sector can enable faster growth through investing in business expansion, but at the same time carries a higher risk that can affect solvency in case of unfavorable economic conditions.

Finally, the company group records a lower profitability compared to the entire sector. Lower profitability may be the result of a strategy focused on faster asset turnover and lower debt costs, but also a potentially

lower return on invested capital. On the contrary, the sector's higher profitability can be attributed to more efficient asset management, that is, to a greater possibility of generating profit per unit of invested capital.

In conclusion, while the group of large companies shows certain advantages in the efficiency of inventory management and a lower level of indebtedness, the sector level shows a stronger position in terms of liquidity, cash cycle and profitability. The results point to different approaches in managing finances, where the company group focuses on a more conservative financial structure and faster stock turnover, while at the sector level it focuses on higher liquidity and a higher level of indebtedness in order to achieve greater profitability. The findings indicate the specific financial strategies that companies implement, as well as the potential strengths and weaknesses of each company that are not determined by the impact of the legal obligation to report on sustainability.

CONCLUSION

This research analyzed the financial component of the business model in the function of sustainable operations, focusing on the performance of large enterprises in the retail sale of pharmaceutical products. The results demonstrated that these companies achieved certain advantages in inventory management efficiency and lower debt levels, suggesting a significant impact of sustainability on financial stability and competitiveness. Such findings indicate an insufficient influence of sustainability reporting, particularly in the pharmaceutical industry, where companies are required to adhere to high standards of transparency and social responsibility.

The use of descriptive methods in this research enabled an overview of key financial indicators, though it carried certain limitations. Descriptive methods, while valuable for identifying trends and establishing the relative position of companies within the industry, did not provide a deeper understanding of the causal relationships between financial performance and sustainability. These methodological limitations may have impacted the accuracy and applicability of the conclusions, potentially reducing the interpretive capacity of the results within a broader context.

A critical review of the scientific rigor of this study, as well as similar works in the literature, highlighted comparable findings regarding the correlation between sustainability and financial performance. However, prior research often employed combined quantitative and qualitative methods, capturing deeper aspects of sustainability that the descriptive methods used in this study could not encompass. These insights suggest that our research contributed to the field but with limitations in the breadth and depth of the analysis.

Based on the research results, it was concluded that sustainable business models still do not significantly contribute to the financial stability and competitiveness of large pharmaceutical companies in Serbia, even though sustainability is becoming a crucial element of business operations. This conclusion points to the need for further research that would incorporate combined methods, enabling an analysis of a broader range of factors – from financial to structural and cultural. Future research directions should include sectoral and geographical analyses, as well as the impact of regulatory frameworks and societal pressures on the development of sustainable business models, contributing to a deeper understanding of the complex nature of sustainable business practices.

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FINANSIJSKA KOMPONENTA POSLOVNOG MODELA U FUNKCIJI ODRŽIVOG POSLOVANjA

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Sažetak: *U radu se analizira finansijska komponenta poslovnog modela u kontekstu održivog poslovanja, sa posebnim fokusom na maloprodajnu farmaceutsku industriju u Republici Srbiji. Cilj istraživanja je bio da se ispita uticaj održivog poslovnog modela na finansijske performanse velikih kompanija u ovom sektoru i njihov položaj u široj industriji. Rezultati pokazuju da velike kompanije nisu postigle napredak finansijske ishode u periodu*

nakon uvođenja obaveznog izveštavanja o održivosti u poređenju sa periodom pre ove obaveze. To implicira da poslovni model održivosti ne utiče direktno na njihove finansijske rezultate. Međutim, zaključeno je da održivi modeli poslovanja doprinose konkurentnosti i dugoročnoj stabilnosti kompanija na tržištima sa razvijenom svešću i percepcijom značaja održivosti. Stoga nalazi ukazuju na potrebu za daljim istraživanjima koja bi obuhvatila sektorsku i geografsku raznolikost, kao i uticaj regulatornih faktora.

Ključne reči: *finansijski učinak, poslovni model, održivo poslovanje, maloprodaja farmaceutskih proizvoda industrije.*