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THE ROLE OF THE GOVERNMENT IN THE PROMOTION OF CORPORATE SOCIAL RESPONSIBILITY

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The role of the Government in the implementation of the Corporate Social Responsibility (CSR) concept into the business policy in the field of recycling in the Republic of Serbia is analyzed in this paper, with a special overview of the End-of-Life Vehicle (ELV) and Waste Electrical and Electronic Equipment (WEEE) recycling. The research has shown that quite different government approaches to these two independent waste streams are the most responsible for the differences in the amount of the recycled products in the analyzed period. The fact that the so-called self-regulatory CSR observed in the recycling of the used cars in the previous period caused a substantial reduction in the volume of official car recycling is pointed out herein. This indicates that, although car recycling is a financially profitable investment, it is not enough to motivate potential investors to carry out this process through official waste streams in compliance with regulations. On the other hand, in the field of e-product recycling, CSR facilitated by the government has further motivated investors, resulting in an increased amount of recycled e-products.

Keywords: corporate social responsibility, the government, incentives, recycling

JEL Classification: M14, Q53

INTRODUCTION

Nowadays, the modern business environment rewards the economic actors who act responsibly not only towards their stakeholders, but also towards society as whole. The implementation of the Corporate Social Responsibility (CSR) agenda into the business policy is more closely related to social and ecological outcomes, whereas a profit is still an important, but not dominant, business result. CSR is often used as a vehicle for wealth creation (Moon, Murphy & Gond, 2017), which engages both the socio-economic and ecological principles with the basic interests of the company's stakeholders. This is also considered as the triple bottom line, i.e. the economic, environmental and social perspectives (Elkington, 1994). In such a business environment, CSR is also used as an instrument for mediation between different stakeholders' mutually opposed interests, all that being directed towards solving the agency problem.

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Bearing in mind the basic forms of CSR - i.e. *implicit* and *explicit* CSR (Matten & Moon, 2008), the paper tries to identify what the key contribution of the Serbian Government to the incorporation of the CSR agenda into the business policy of modern corporations is. In relation to that, a self-regulation system in the form of explicit CSR is analyzed, on the one hand, whereas an incentive-oriented approach is considered as a form of implicit CSR amongst recycling companies, on the other. The relationship between CSR and the government is very important when considering the implementation of the CSR agenda, so the paper tries to identify the most suitable implementation pattern in the recycling industry. Even though recycling activities generate a significant amount of socio-economic benefits, the stimulation of recycling facilities should exert a long-term influence on the implementation of the CSR agenda in all other companies.

The focus of this research study lies on End-of-Life Vehicle (ELV) recycling, on the one hand, and Waste Electrical and Electronic Equipment (WEEE) recycling, on the other, since different CSR approaches are applied. By comparing the amount of the recycled products over time, how different approaches in the field of CSR affect economic actors' activities is observed. The main goal of the research study implies the determination of the basic relationship between the state and CSR, with a special emphasis on the recycling industry, as well as an analysis of the impact of such a relationship on the amount of recycled products and the creation of environmental benefits in the Republic of Serbia. Regarding the importance of government intervention in this particular field, the paper analyzes the consequences of intervention in the WEEE field and almost the absence of the role of the state in another, i.e. ELV field, for the intensity of the recycling process in both fields.

The identification of the CSR concept, as well as the basic types of the relationship with the government within the cabinet research, is conducted through an analysis of the relevant literature in this field. While analyzing this concept and identifying the basic types of the relationships between the state and CSR, numerous authors' approaches are followed (Fox, Ward & Howard, 2002; Matten & Moon, 2008; Gond, Kang & Moon, 2011; Rasche, Morsing & Moon, 2017), and the same are applied to the current situation in the field of recycling in the Republic of Serbia.

According to S. Fernandno and S. Lawrence (2014), the theoretical framework for understanding CSR is based on the three theories, namely: legitimation theory, stakeholder theory, and institutional theory. According to legitimation theory, the functioning of organizations is based on respecting norms and rules, so that there is the so-called "social contract" for governing CSR between society and organizations (Deegan & Samkin, 2009). According to this theory, the strategies that companies may use are usually based on reporting and disclosing information on the incorporation of CSR principles into the business policy. Stakeholder theory especially focuses on a broader community as one of companies' main stakeholders, given the fact that the company wants to know how the daily business of the organization affects a broader socio-economic environment (Branco & Rodrigez, 2008; Carroll & Buchholtz, 2009).

In this paper, the focus of institutional theory is used to better understand the CSR concept, since the state exerts an active influence on the process of the incorporation of the CSR basic principles into the business policy of recycling companies through its institutions. In this manner, through its so-called acceptable economic behavior, the state rewards those economic entities that respect the rules and the CSR basic principles (Carpenter & Feroz, 2001), simultaneously punishing those who do not respect those principles.

The official reports of the Environmental Protection Agency of the Republic of Serbia, in which data about the recycling of all the types of waste are published, were used to analyze the situation in the field of ELV and WEEE recycling. Finally, the collected data were processed and compared in order to illustrate how the different approaches of the Republic of Serbia with resepct to the application of the CSR concept lead to significant differences in these recycling fields in terms of the volume of recycled products.

The paper is based upon a case study of the application of the CSR concept among companies in

the recycling industry in the Republic of Serbia. Due to a significant amount of the socio-economic benefits created in this process, recycling companies are the main implementers of the CSR concept in the Republic of Serbia. In addition to that, the contribution of the Government to the creation of a positive business environment for improving the CSR concept is further closely analyzed, placing a special emphasis on the field of ELV and WEEE recycling. In these fields, the approach applied by the state is significantly different, so the expected results of the application of this concept are different according to that. Cabinet research is applied in the analysis of the current situation in the field of ELV and WEEE recycling and in the determination of the main causes that led to the current state of the matters, too. Strong government support to both ELV and WEEE recycling should, in the long run, contribute to the further development of recycling companies as leaders in the CSR field, and to a substantial reduction in environmental pollution as well. Accordingly, there are three hypotheses that will further be tested that can be identified, namely:

H1: The relationship between the government and socially responsible business is important in the recycling field, since the market in this field is incapable of independently, without the intervention of the state, coordinating the CSR agenda incorporation process between companies in the recycling field.

H2: In the field of ELV recycling, self-regulatory socially responsible business causes a slow devastation of the official flows of car recycling in the Republic of Serbia.

H3: Through the subsidy system in the WEEE recycling field, socially responsible business as facilitated by the government leads to an increase in the amount of recycled e-products.

The paper is structured as follows: after the Introduction, the second section presents the CSR concept and its possible relationship with the government; the concepts of implicit and explicit CSR are identified by emphasizing their basic differences with respect to the political, financial, educational, labor and cultural systems in which the concepts are developed. When modern trends in CSR development are concerned, the basic relationship between CSR and the government is analyzed in a broader context of improving the CSR initiative among corporations in the recycling industry. In the sections to follow, ELV recycling is analyzed from the perspective of the intervention of the government of the Republic of Serbia. The government approach is quite different in the WEEE recycling field, which is the subject matter of examination in the third section. In the final section, the concluding remarks are given, and the final results, the key research contributions, potential limitations, as well as implications for future research are presented.

CORPORATE SOCIAL RESPONSIBILITY - THE CONCEPT AND THE RELATIONSHIP WITH THE GOVERNMENT

Due to rising environmental problems in the world, the absence of responsibility for social problems, and a focus on a profit without taking into consideration other nonfinancial indicators, Corporate Social Responsibility has emerged as a possible solution to the following issues. In those circumstances, many corporations use the CSR concept as an instrument for the implementation of more responsible agendas in their business policies.

Defining CSR is not an easy task to do, taking into account its complexity and a broad field of its implications. It is essentially contested that the concept "is appraisable" (Moon, Crane & Matten, 2005, 433-434). Regarding the broad field of its implications, CSR can be considered as an "umbrella term", too (Matten & Crane, 2005), encompassing several different perspectives and a large number of different actors. Some authors consider the CSR activity to be philanthropy, but the meaning of the concept overlaps with the activity of charitable companies (Rashe *et al*, 2017). Even though CSR emerged as a neo-liberal concept (Moon, 2005), it has matured over time into a more comprehensive concept inclusive of triple bottom line management (Steurer, 2010). In the current business environment, where a profit is still

the dominant indicator of performance, it is very hard to expect from business actors to implement CSR principles on a purely voluntary basis without taking into consideration the profitability of the whole process. The optimal economic ambience should encourage all economic actors to accept the basic CSR principles and engage the business to the society.

The relationship between the government and CSR is essential when the creation of the optimal socio-economic ambience for the implementation of a new CSR agenda is taken into consideration. According to J. P. Gond, N. Kang and J. Moon (2011), there are five basic types of relationships between the government and CSR, when the level of the influence of a corporation, on the one hand, and the level of the influence of a legal framework, on the other, on the creation of that ambience are concerned. These relationship types are as follows:

- CSR as self-government,
- CSR facilitated by the government,
- CSR as a partnership with the government,
- CSR as mandated by the government, and
- CSR as a form of government.

Furthermore, T. Fox, H. Ward and B. Howard (2002), and A. Crane, D. Matten and J. Moon (2008) identify yet another Government - CSR relationship, i.e. CSR as endorsed by the government. CSR principles are usually accepted on a voluntary basis. In those circumstances, there is no need for an additional intervention of the government, since CSR is self-regulated. On the other hand, the CSR activity could be shaped by the government (the so-called CSR facilitated by the government) in an ambience in which the whole process is strictly regulated by the legislative framework. In some business environments, it is impossible to regulate the CSR activity at a voluntary level, and mandatory regulation is required. The government should accept the obligation for that, and use the legislative mechanism to delegate economic actors' responsibility agendas.

Taking into account institutional theory and the basic classification of the CSR concept into implicit and explicit (Matten & Moon, 2008), CSR can be assumed to be self-regulation as a more explicit type of regulation, whereas implicit CSR is more based upon the strong government role in the concept implementation. Firm regulation is often based on incentives or a direct influence on other CSR-related activities (Rashe *et al*, 2017, 6). Explicit CSR is mainly internally oriented, since corporations have a discretionary right to create the optimal business polices that will meet CSR and business targets. The business activity mainly based on respecting the externally defined rules and the legislative framework is the implicitly oriented CSR approach.

The business activity of the economic actors operating in the recycling industry directed towards environmental protection could also be observed as socially responsible. In such an economic ambience, the government should encourage all recycling facilities to expand their activity, since it generates net socioeconomic benefits and leads to a more sustainable future. The three main means by which the government may promote or encourage CSR can be identified. They are exhortation, facilitation and partnership (Fox *et al*, 2002). In the first case, the government can use its imprimatur in order to encourage all economic actors to create a more responsible business environment. Furthermore, by setting a clear business framework, the government can also facilitate CSR (Moon *et al*, 2008, 21). Building a partnership for the implementation of the CSR concept by using organizational, fiscal and authoritative resources is yet another way how the relationship between the government and the CSR concept may exist.

In order to emphasize the important role of the Serbian Government in this particular industry, the current conditions in the ELV field, on the one hand, and in the WEEE sector, on the other, will be observed because they are associated with quite different CSR approaches. CSR as self-government can be regarded as the first type of the relationship, while CSR facilitated by the government can be regarded as the second type of the relationship.

CORPORATE SOCIAL RESPONSIBILITY IN THE FIELD OF END-OF-LIFE VEHICLE RECYCLING

Talking about environmental protection, the development of the recycling industry is one of the key priorities towards reaching a more responsible future in the majority of post-transition countries, as is the case with the Republic of Serbia. Due to the fact that the living standard is at a low level, the citizens of the Republic of Serbia are often forced to buy already used products, and there is a similar situation in the field of used vehicles. With an average car age exceeding 15 years (Agencija za bezbednost saobraćaja, 2018), a large number of vehicles in use in the Republic of Serbia are very close to the recycling phase. Older vehicles pollute the air more intensively, which creates a burden on the environment and citizens' health, especially so in the territories of large cities.

In those circumstances, the government plays a crucial role, since there is no proper market mechanism for the prevention of the negative effects of pollution. When all other polluters in cities are concerned, one of the key contributions to the current condition in the field of air quality is that addressed to traffic, special attention being paid to public and private transportation vehicles. According to the latest reports on the quality of the air, in some winter periods at the beginning of 2020, Serbian big cities were among the ten most polluted cities in the world (World Air Quality Index, WAQI). This situation requires a strong intervention and the stimulation of responsibility, which can be addressed to the CSR concept. The Serbian Government should encourage all economic actors, with a special focus on recycling companies and citizens, to prevent pollution. Thus, the current relationship between the Serbian Government and CSR in the field of ELV recycling could be considered as *CSR as self-government*, since there is almost no clear intervention of the state in this field.

The government program for replacing old vehicles with the new that has been implemented before might serve as a possible way to intervene in order to solve the existing problems. Enacting the special *Decree on the Conditions of Conducting and Manner to Conduct the Subsidized Purchase of the Cars Manufactured in the Republic of Serbia Replacing Old Cars With the New in 2010* (Službeni glasnik RS, 2010a) appeared to be the key solution to this problem in the past. With the aim to increase safety in transportation and prevent potential pollution by replacing old cars with the new, the Serbian Government stimulates all potential car owners to hand over their old vehicles to official car recycling plants in order to be given a 1000-euro discount for buying new models *Decree on the Conditions of Conducting and Manner to Conduct the Subsidized Purchase of the Cars Manufactured in the Republic of Serbia Replacing Old Cars With the New in 2010* (Službeni glasnik RS, no. 3/2010a, Article 3). Financial stimulation increases the number of new registered road vehicles, and simultaneously the number of ELVs. In the period from 2009 to 2011, both the number of the recycled and the number of the sold new vehicles increased, the highest number of ELVs having been reached during 2010. Taking into consideration the fact that there is no base for deregistered vehicles in the Republic of Serbia, unlikely in some EU countries, the statistical data from the past for measuring the number of ELVs have to be used. In order to estimate the number of ELVs during the period from 2007 to 2018, the inventory projection method is used. The total number of ELVs is calculated by applying the Formula 1 (Ratković, Simić i Vidović, 2008) to the official statistics on the number of registered vehicles. The number of used vehicles is calculated by comparing the number of the total registered vehicles and the number of newly-registered cars in two consecutive periods. The ELV number is obtained by applying the following formula (1):

The number of ELVs in the year (*t*) = (The registered vehicles in the year *t-1*) - (The registered vehicles in the year *t*) + (The newly-registered new vehicles in the year *t*) + (The newly-registered imported vehicles in the year *t*) (1)

The results of the inventory projection method are shown in Figure 1.

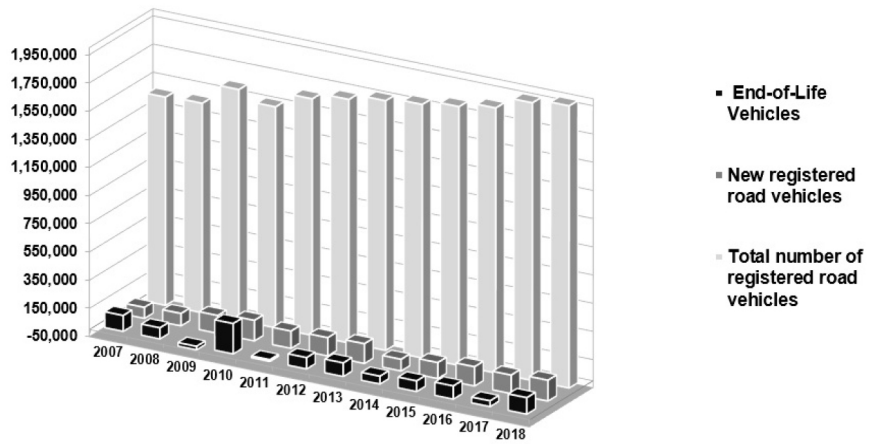

Figure 1 The total number of the registered, new registered road vehicles, and End-of-Life Vehicles in the period 2007-2018

Source: Authors

During the observed period, the total number of the registered vehicles increases, whereas the number of ELVs does not follow that trend. Numerous factors affect the generation of ELVs. According to Figure 1, it can be concluded that the most influential factor relates to the incentives for buying new vehicles. More than 200,000 vehicles were discarded and became ELVs during 2010, when the "Replacement of Old Cars With the New" Program reached its peak. In that broader socioeconomic context, this intervention of the Government can be assumed to be socially responsible, since it led to the benefits for both society and private investors in recycling facilities in the long run. In the period after 2011, the support of the state in the form of incentives for buying new cars was cancelled. Without that intervention, the strength for the further encouragement of both the legal recycling of ELVs and the sale of new vehicles also decreased.

The Environmental Protection Agency of the Republic of Serbia annually publishes reports on waste management, and the current conditions in ELV recycling are presented in Figure 2.

Comparing the number of the legally recycled ELVs with the total volume of the imported cars, it can be concluded that only a small number of all the vehicles are properly treated in legal recycling facilities. The current business environment does not stimulate ELV recycling, even though the *Rulebook on the Adjusted Values of the Stimulation Funds for the Reuse, Recycling and Utilization of Certain Kinds of Waste* (Službeni glasnik RS, 2019) provides some financial support. The absence of the appropriate government support in the form of implicit CSR in the ELV recycling industry will decrease benefits for society as a whole in the long run. Although ELV recycling is profitable business from a financial point of view, further financial stimulation is eligible, since the whole process generates huge socioeconomic benefits for society.

The largest number of the ELVs treated in the Republic of Serbia are beyond legal waste streams, without respecting the rules provided by the special *Rulebook on the Method and Procedure for Waste Vehicle Management* (Službeni glasnik RS, 2010b). In that way, losses are multiple. First, legal recycling facilities lose a potential profit, while society gains no socioeconomic benefits. Second, dismantling scarp vehicles without respecting the rules generates a burden upon the environment. Furthermore, policy makers lose important information about the total number of recycled ELVs, which may bring about an

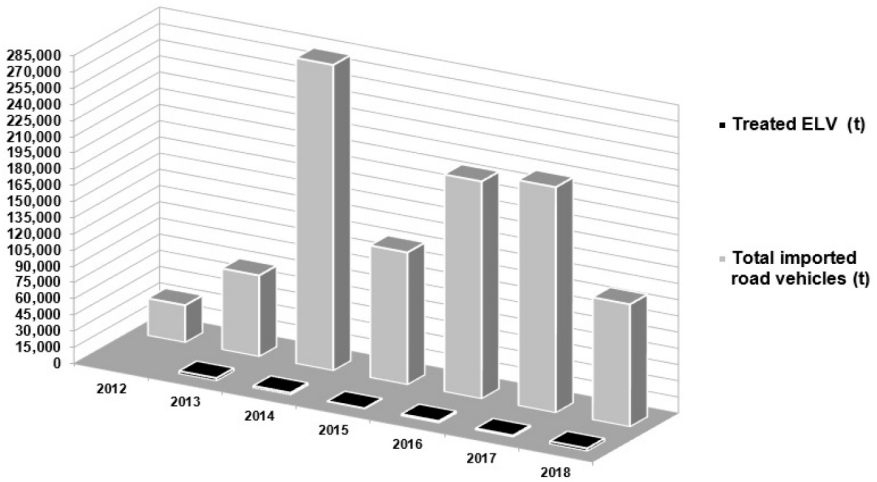

Figure 2 The total number of the imported road vehicles and the recycled road End-of-Life Vehicles in the period 2012-2018

Source: Authors, based on: Đorđević, Radovanović, Redžić and Jovanović, 2018, 34-35

inefficient environmental policy in this field in the long run.

Bearing in mind the high level of the air pollution mainly caused by traffic, the Serbian Government is considering intervention in order to increase legal recycling in official recycling facilities and the replacement of old vehicles with the new that are more environmentally friendly. An incentive-oriented approach is one of the solutions, as it was in the past, the focus now being more on financial stimulation for potential buyers of modern hybrid or electrical cars *Decree on the Conditions for Conducting and the Manner to Conduct the Subsidized Purchase of New Only-Electrically-Driven Vehicles, As Well As the Vehicles That, in Addition to the Internal Combustion Engine, Are Also Driven by an Electrical Engine - i.e. a Hybrid Engine* (Službeni glasnik RS, 2020). The incentives will eventually force all car owners to hand over their vehicles to official recycling facilities, which will enable full benefits from the recycling process.

The relationship between the government and recycling as a CSR activity is very complex. Regarding the fact that there is no particular market for clean air and a healthy environment, the CSR concept as a form of government could not be applied here. The market is unable to individually properly coordinate the activity in the recycling industry and the intervention of the government is necessary. The relationship based upon CSR as facilitated by the government better shapes the business environment in the ELV field, thus providing the full potentials of the recycling process.

CORPORATE SOCIAL RESPONSIBILITY IN FIELD OF WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT RECYCLING

Waste electrical and electronic equipment is considered to be one of the fastest-growing waste streams in the world, with an average annual increase rate of 3% to 5%, i.e. three times faster than any other waste stream (Schwarzer, Bono, Peduzzi, Giuliani & Kluser, 2005). The annual generation of WEEE is about 50 million metric tons, i.e. approximately 6 kg per person per annum (Baldé, Forti, Kuehr & Stegmann, 2017). The WEEE group is not homogenous, and

consists of a variety of different kinds of e-products. The modern living environment decreases the lifespan of all e-products and creates a large amount of e-waste, which puts an emphasis on the WEEE proper treatment and recycling process. Bearing in mind the fact that, beside the basic raw materials (scarp steel, aluminum, cooper, rubber, plastic, etc.), e-products also consist of some hazardous materials and gasses harmful to the environment and human health, a proper collection and recycling are even more important.

One of the basic characteristics of WEEE recycling is that, from the perspective of the investor, this is not a profitable business, due to a very complex and expensive technology. About 70% of the total revenue of the recycling companies in this field is generated from government incentives, and the continuity of this process depends on the external financial support provided by the government. Apart from financial benefits, WEEE recycling also creates a large number of nonfinancial benefits, for which reason this activity can be considered to be socially responsible. The intervention of the government in this field, in the form of incentives, motivates all recycling facilities to become more socially responsible, which should raise the CSR level amongst all other companies. Unlike the field of ELV recycling, where the government approach towards CSR is in the form of CSR as self-government, in the WEEE field, CSR is mostly facilitated by the government, since the state provides financial support to e-waste recyclers. CSR is facilitated by the government by means of the special *Rulebook on the Adjusted Values of the Stimulation Funds for the Reuse, Recycling and Utilization of Certain Kinds of Waste* (Službeni glasnik RS, 2019)) which provides incentives for all ten groups of e-waste. This government approach has shown an excellent result in practice, since the quantity of recycled WEEE rises year by year, as is presented in Figure 3.

The positive legislative framework and affirmative approach of the Serbian Government in the WEEE field has resulted in directing as much of e-waste as possible towards the regular waste stream. Only in the year 2011, the imported amount of e-products (the black pillars) was above the quantity of the recycled WEEE (the gray pillars). Year by year, the amount of the treated WEEE rose. However, in spite of the positive business ambience during that time, some problems occurred. Although all the recycling facilities were motivated to expand their e-waste recycling, the quantity of the treated WEEE decreased after 2016, which could be explained by the problems related to the payment of the incentives.

Practice has shown that there is a great difference between the granted and the paid amount of incentives to the recyclers, and that the payment dynamics are not as expected, either, which is the reason why the inconsistency of the financial stimulation policy is identified as one of the major risk factors in this field, which forces all companies to find certain alternative ways in order to maintain their liquidity. The current conditions provided by the Serbian Government intended to raise the CSR level amongst recycling companies in the WEEE field can be considered as positive, since they provide the stimulation of this process. It needs to be more adjusted to the specific business environment in this industry in order to decrease the aforementioned potential risk factors.

CONCLUSION

An increase in environmental problems throughout the world is forcing all economic entities to transform their current business patterns towards reaching a more sustainable activity which will prevent pollution. CSR is identified as one of the key instruments used in this transformation process. Due to numerous socioeconomic benefits, the recycling process is considered as one of the crucial activities for the CSR concept promotion.

In some cases, the CSR agenda implementation results in an increase in profitability, and there is no need for further intervention for the purpose of accepting a new business agenda. Intervention is required in other business areas, such as recycling, where the largest number of benefits are expressed as socioeconomic, not financial, since there is no clear

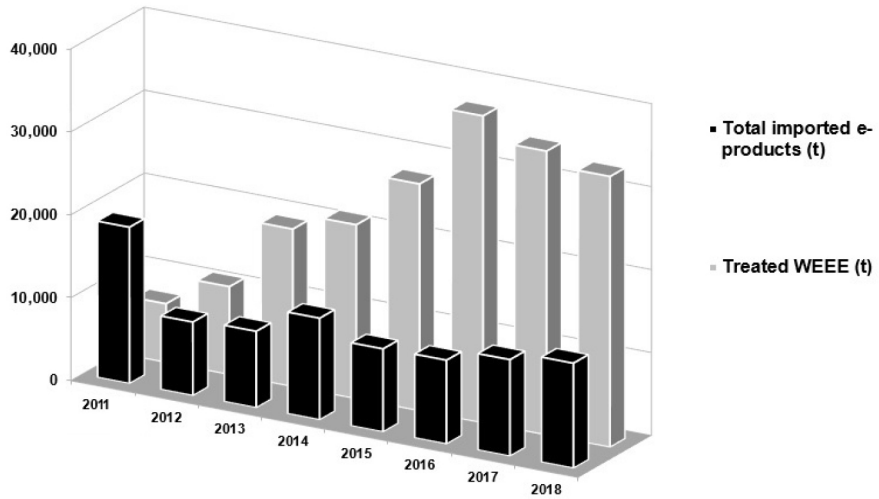

Figure 3 The total amounts of the imported e-products and the recycled WEEE in the period 2011-2018

Source: Authors, based on: Đorđević *et al*, 2018, 34-35

market for clean air and a healthy environment. The relationship between CSR and the government is essential when considering the adoption of the CSR agenda in this particular sector. Profitability enables the internal orientation of the CSR approach towards the company level (explicit CSR), whereas the external orientation in the form of respecting regulations (implicit CSR) is necessary when considering the implementation of CSR in the recycling industry. In this manner, the first hypothesis of the research study is confirmed, since the significant role of the relationship between the government and CSR in the field of recycling used cars and e-products, too, is indicated. The paper also points out the fact that the market self-regulation of this field is not possible, since this situation reduces the recycling activity and creates large-scale pollution, especially in large urban areas. Beside the basic instruments used in the past to encourage CSR between companies in the recycling field, the paper also shows the other ways in which the government may influence the implementation of this concept. The relationship between the state and the CSR concept is important in those fields of recycling that are profitable without additional financial support, since profitability *per se* does not sufficiently motivate potential investors to adopt the CSR concept.

The study has confirmed the fact that the relationship between CSR and the government is important in the recycling industry. The changing role of the government was observed over time, and the CSR level was measured by analyzing the amount of the recycled products. Even though ELV recycling is profitable without the incentives by the state, the research study points out the fact that, in the periods of the stimulation of this process by the government, the amount of the treated used vehicles was rising. The absence of support from the state in this sector almost stopped legal recycling, which may be an important factor responsible for the current air pollution caused by traffic in the Republic of Serbia. The second hypothesis of the research has been proven on this practical example, since the self-regulatory CSR applied in the recycling of this waste in the Republic of Serbia in the previous period caused a significant reduction in official car recycling. Although car recycling is a financially profitable investment, it is insufficient to motivate potential investors to carry out this process through official waste streams in compliance with regulations. This is supported by

the fact that, in the past, significant government support in this area obviously contributed to the intensification of the recycling process, so a similar intervention can be expected in the future.

WEEE recycling predominantly depends on the support of the state, and the continuity of this process is influenced by the government activity. Over time, the relationship between the government and CSR creates a positive business ambience and prevents a potential burden upon the environment. The Serbian Government plays an active role in the implementation of THE CSR principles, which should positively affect and make further improvements in this challenging waste stream. The reports of the Environmental Protection Agency of the Republic of Serbia have confirmed the fact that CSR supported by the government in the field of e-product recycling additionally motivates investors and ultimately increases the amount of recycled WEEE. Thus, the third hypothesis of the research study is confirmed. Although the CSR concept applied in this field has generated significant results, a further improvement and adaptation to the current conditions are necessary. Growing demand for e-products will continue in the future, so it is necessary to create an optimal system for this waste stream management.

As one type of that relationship, CSR facilitated by the government is not only based upon incentives as one of the possible ways to influence an improvement of CSR, but it is also based upon the other kinds of stimulation. In relation to that, the Serbian Government is considering a decrease in the tax obligation for the potential owners of environmentally friendly cars (hybrid or electrical), free parking places in cities, even a license for driving in the "yellow lane", which is only intended for public transportation.

Financial support in the WEEE field offers all recycling facilities a better business ambience, maintaining continuity and raising the level of the recycling process. All recycling companies are highly dependable on the incentives of the state, but the inconsistency of that policy might be a major difficulty. The Serbian Government uses a positive legislative framework as an instrument for improving the CSR activity among the companies operating in this sector, which eventually increases the volume of treated e-products. Possible improvements in the future should reflect in showing a better respect of the granted amount of stimulation, as well as the proposed payment dynamics. Creating optimal socioeconomic and business ambiences towards the stimulation of the CSR agenda amongst all companies should be a priority. The incentive-oriented approach applied in the Republic of Serbia is a good example of the CSR-Government relationship. It is a valuable base, but a future approach needs to be modified and implemented amongst companies in all other sectors.

The key contribution of the paper reflects in emphasizing the important role of the government in the implementation of the CSR concept in the business policies of the companies doing business in the recycling field in the Republic of Serbia, with a special overview of the recycling of used vehicles and e-waste. The significantly different approaches of the government in these two independent waste streams are mostly responsible for the differences in the amount of the recycled products in the observed period. The paper also proposes possible solutions to the existing problems, which would improve the current situation in this field.

The main limitations of the research study relate to the objects of the recycling process and the availability of data about the recycling of these types of products. Hence, the current research study was conducted based upon the data about the recycling of cars and electrical and electronic appliances, which does not take into account the heterogeneity of these groups of products. Although the group of cars is considered to be homogeneous, even though it is possible to identify significant differences between the models that entered the recycling cycle in the past and those that do so today. Modern cars contain an increasing number of electrical components, which makes their disposal more expensive and reduces the profitability of recycling. Changes in vehicle design pose a significant challenge both for manufacturing and ELV recycling, and finally also for the implementation of the CSR concept. All this further emphasizes the role of the government in this area and the need for

external support. The proposed financial stimulation model that generated results in the past needs to be further adapted to the current conditions in order to deliver the expected results in the future.

The group of e-products is significantly more heterogeneous, as it encompasses ten different groups, which requires a different approach to their recycling. Some of them contain large quantities of hazardous substances and require a more expensive treatment and more expensive recycling, so government support is essential here as well. This limitation is partly overcome by the current legislation, which prescribes different amounts of incentives for each group of e-products *Rulebook on the Adjusted Values of the Stimulation Funds for the Reuse, Recycling and Utilization of Certain Kinds of Waste* (Službeni glasnik RS, 2019, Article 3). The fact is, however, that not each class of e-waste behaves in the identical way within the whole heterogeneous group of WEEE.

For the purposes of the analysis conducted in the paper, the data of the Environmental Protection Agency were used, those data simultaneously being the only official source of information in this field. Bearing in mind the fact that WEEE recycling companies are forced to submit accurate reports which make the basis for granting subsidies, the data in this field can be considered as reliable. On the other hand, when used vehicle recycling is considered and due to a lack of records on deregistered vehicles, the current data about the number of ELVs must be relied upon reservedly, since there are no official data in the Republic of Serbia. That is reason why different models are applied to official statistics in order to estimate the number of used vehicles. The fact is that the number of vehicles in practice is far greater than the number obtained by the model, as most of these vehicles are still recycled outside official waste streams, unlike the WEEE recycling that takes place in legal recycling centers.

Future research can be aimed at considering the other types of the incentives of the state, apart those pertaining to subsidies, provided in these recycling fields, given the fact that they are only listed in the paper and their application is expected in the future. This primarily refers to incentives for the purchase of new products, or some other types of fiscal exemptions, in order to further encourage the implementation of the CSR concept. In the initial stages of the development of the recycling industry, financial support is essential for the establishment of the waste management system and the implementation of the CSR concept. In later stages, the government should use other instruments to manage the implementation of this concept. So, future research could be done in this direction.

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