Popovic, Jovanka

**Article**

# Rating the relevant factors of business conditions for entrepreneurs in Serbia

**Provided in Cooperation with:**
Danubius University of Galati

*Reference:* Popovic, Jovanka Rating the relevant factors of business conditions for entrepreneurs in Serbia.

EE
*E u r o E c o n o m i c a*
*Issue 1(35)/2016* *ISSN: 1582-8859*

# Rating the Relevant Factors of Business Conditions for Entrepreneurs in Serbia

**Jovanka Popovic[1], Vlado Radic[2], Nikola Radic[3], Saveta Vukadinovic[4]**

**Abstract:** In this paper were processed and analyzed the attitudes and opinions of potential entrepreneurs regarding to starting their own businesses, in order to scan favorable conditions for development of entrepreneurship in Serbia. As a basic research instrument, a questionnaire with questions about the possibilities and limitations of entrepreneurial business was designed, with the task of identification and assessment of relevant factors that condition the operations of entrepreneurs in Serbia. Throughout the conducted research, it was concluded there are numerous obstacles to business start-ups and successful growth and development of entrepreneurship in Serbia. Participants of the survey believe they have competencies for starting their own business, but due to the unfavorable market conditions and the lack of financial resources, do not see themselves as employers. Analyzing of efforts and time, as well as the risks they take, it is concluded that most of them are not motivated to engage in entrepreneurship and does not plan a professional career in that field.

**Keywords**: entrepreneur; limitations; possibilities; relevant factors; business conditions

## 1 Introduction



Many authors claim that entrepreneurship in Serbia is "stably bad". What is considered being an ironic success, is that in Serbia are adopting some "buzz words" from the west, but unfortunately have not yet reached the level of understanding, much less compliance. Being an entrepreneur in Serbia today is to be as "outcast", i.e., to be the one actually needs to be (Janicijevic, 2012).

The prevailing opinion that entrepreneurship is popular in Serbia, but that is not stimulated and even worse; there is no understanding of its significance. That is exactly why, through the paper, we want to investigate, what young people think about this issue, "How do students evaluate relevant factors for starting their own business in Serbia?" and will they see themselves in the future in the role of entrepreneurs in conditions that currently exist in Serbia?

Compared to other countries in transition, Serbia is not so successful in creating new businesses and new job positions. The share of self-employment in employment outside agriculture is about 5% in Serbia, while in Slovenia, Hungary, Poland and the Czech Republic is 10%, in OECD countries about 14%, and 15% in other EU countries (Brkanovic at al, 2007).

Small and medium enterprises (SMEs) in the Republic of Serbia participate in the total number of enterprises with 99.8% and with 65.5% in employment, 67.6% in trade, and about 36% in gross

[1] Faculty of Business Economics and Entrepreneurship, Mitropolita Petra Str. 8, Belgrade, Serbia, jobajcetic@gmail.com
[2] Faculty of Business Economics and Entrepreneurship, Mitropolita Petra Str. 8, Belgrade, Serbia, vlado.radic@vektor.net,
[3] Faculty of Business Economics and Entrepreneurship, Mitropolita Petra Str. B, Belgrade, Serbia, bra.radici@hotmail.com
[4] Faculty of Business Economics and Entrepreneurship, Mitropolita Petra Str. 8, Belgrade, Serbia, savetavukadinovic@yahoo.com

domestic product. In the total export, the SME sector participates with 50.2%, in import with 64% and 51.2% in investments in non-financial sector. The SME sector is dominated by micro-enterprises, with a share of 95% of the total, and employing nearly 50% of the total number of employees (Official Gazette of RS, 2008).

In 2011, from total 319.802 enterprises, entrepreneurial sector accounted for 99.8% (319.304 enterprises). The SMEE sector generated 65.3% of employees (786.873), 65.5% of turnover (5.200 bn. dinars), 55.2% of GVA (878.2 bn. dinars) and engaged 55.7% of investments in non-financial sector in 2011. The SMEE sector engaged 45.1% of total employment, 51.7% of total investments, realized 46.5% of exports, 52.7% of imports, generated 61.7% of the foreign trade deficit of the Serbian economy and accounted for about 33% of the GDP (Report on SMEE, 2012).

In 2012, from total 317.668 enterprises, entrepreneurial sector accounted for 99.8% (317.162 enterprises). The SMEE sector generated 65.1% of employees (782.026), 65.4% of turnover (5.690 bn. dinars), 55.8% of GVA (977.1 bn. dinars) and engaged 45.5% of investments in non-financial sector. The SMEE sector engaged 45.3% of total employment, 39.1% of total investments, 49.8% of exports, and 58.2% of imports, generated 70.8% of the foreign trade deficit of the Serbian economy and accounted for about 33% of GVA in the Republic of Serbia (Report on SMEE, 2013).

The small and medium enterprises had a crucial influence on the poor degree of recovery of the SMEE sector in 2012. Instead of erupting into the driving force of the entire sector development, recessionary crisis largely affected this segment of the economy. Compared to 2011, medium-sized enterprises have demonstrated above average reduction in the number of enterprises (−3.4% to −0.7 in the SMEE sector), employment (−3.5% to −0.6%), investments (−59.8% by −29.4%) and the below-average growth (0.1% vs. 1.5%). Although the medium-sized enterprises are the largest exporters and importers of the SME sector and have above average coverage of imports (67.5% versus 51.3% in the SMEE sector), in 2012 they formed the ¼ of SMEE sector deficit (Report on SMEE, 2013).



For the establishment of enterprises in Serbia, it is necessary to carry out 7 different procedures, spend 13 days and 7.8% of GDP per capita. For obtaining permits for construction, enterprises are faced with 19 procedures, they spend 279 days to its fulfillment, while according to the indicator that tracks the rate of obtaining credit, Serbia is ranked on 24$^{th}$ place (21$^{st}$ in 2011) (Miljkovic and Subotic, 2012). On a scale of access to credits, Serbia is given a rating 8 (out of 10) and at the index of credit awareness which measures the scope, access and quality of information, rating 5 out of a possible 6. Serbia belongs to the group of countries with a complex system of taxes and fees payment. The number of annual payment is 66, and for the preparation, calculation and payment of taxes and other obligations 279 hours is necessary (Miljkovic and Subotic, 2012).

The small and medium enterprises are the drivers of economic development, so it is necessary to investigate the impact of different variables on the willingness of entrepreneurs to start and develop their own business. In this regard, this paper summarizes the analysis of the possibilities and limitations of business conditions for entrepreneurs in Serbia. The aim of research is directed at understanding the picture of state, problems and needs of the SME sector and entrepreneurship, in order to bring adequate conclusions for growth and development, through impact of economic, financial, and legal and administrative factors.

## 2 Literature Review

The paper aims to reveal the main theoretical and empirical findings about the three objectives of the research. First, a brief historical overview that reveals the role and importance of entrepreneurship for the entire economic and business development. Second, a critical discussion about the factors of entrepreneurship business conditions, which will be analyzed and which will enable the identification of the main determinants. Third, focus on the ultimate goal, which is designed to assess the relevant factors of entrepreneurship business conditions of in Serbia, discovering the possibilities and limitations for starting entrepreneurial work, as well as the main theoretical conclusions and their empirical validity. The role of entrepreneurship as a possible initiator of economic expansion, throughout the factors of limitations and possibilities of development, has been the center of attention even in the 18th century. Literature relating to the subject of entrepreneurship is quite extensive and provides valuable insight into the theoretical and empirical point of view. The contribution of entrepreneurship to economic development requires a comprehensive and objective approach, so all relevant evidence must be taken into account to eliminate existing ambiguities about its definition. Difficulties in defining entrepreneurship are arising from the complexity of this concept. It is known that entrepreneurship is an activity that involves a large number of steps, such as the collection and distribution of resources, innovation, risk-taking and so on (Karavidic and Ivkovic, 2011). It occurs in very different organizational forms, represents the economic, but also social activity, is expressed and can be studied at different levels − individual, group, sector and geography. So far, there is no consensus about theoretical or applied definition of entrepreneurship, making it difficult to compare the results of scientific research, as well as monitoring the situation in entrepreneurship. As well as in terms of other terminological ambiguities or accepting terms, in response to the question "What is entrepreneurship?" even the most prominent economists and social scientists have not reached a consensus that would allow the adoption of a single definition. Summing up the different definitions of the most influential authors (Table 1), reveals several key elements of entrepreneurship, such as the combination of production factors and other resources in an innovative way, taking risks and taking advantage of opportunities.



**Table 1. Definitions of entrepreneurship**

| Author | Definitions |
|---|---|
| Say (1800) | The entrepreneur shifts economic resources out of an area, lower into another area, more productivity and income |
| Knight (1921) | Profits derived from the uncertainty and risk |
| Schumpeter (1934) | With a new type of combining organizational forms of organizations |
| Hoselitz (1952) | Uncertainty of results ... Coordination of productive resources ... Innovation and acquisition of capital |
| Cole (1959) | Purposeful activities of starting and developing a profit oriented business |
| Casson (1982) | Decision-making and reflection on the coordination of scarce resources. |
| Gartner (1985) | Creating a new organization. |
| Sevenson, Roberts & Grousbeck (1989) | Searching for benefits regardless of the current controlled resources |
| Stephen Spinelli (1999) | Entrepreneurship is a way of thinking, reasoning, and acting, which is pervaded with the obsession of opportunities, comprehensiveness in the approach and balanced management. |

*Source: (Ilic, 2010)*

Cantillon (1931) describes an entrepreneur as risk carrier, which provides new opportunities in conditions of uncertainty, considering that risk-taking can lead to "bankruptcy or hunger", where the overall effect for the economic development is important only from the standpoint of positive implications. Knight (1921) identifies entrepreneurship as a driver of economic development and argues that the role of an entrepreneur itself carries uncertainty in the market, which implies forecasting changes and actions in accordance with them. Schumpeter (1942) recognizes the role of technological development and innovations as the main engine of economic expansion, which supports the central role of entrepreneurial ventures. He sees entrepreneurs as developers of new production methods, business models and markets, and such encourage the process of economic development.

Mises (1949) points out entrepreneurs are the ones who can adequately manage risk, in circumstances where the market environment quickly eliminates individuals who are ineffective, and who are unable to adapt to changes, creating a more resilient and more competitive system.

Holcombe (2007) argues that economic analysis looks at the role of entrepreneurship as a "possible" engine of growth, but that such issues are worthy of deep response, because the modern economic theory mainly focuses on the role of overall political instruments (fiscal and monetary policy), which ignores the role of entrepreneurship for generating prosperity at the micro level.

Mehralizaded and Sajady in the study of influence of relevant factors to SMEs emphasize the instability of the market in the 1970s, which resulted in the disintegration of mass production and promotion of flexible specialization. This fundamental change on the way to technological development has led to huge disagreement in the economy of scale, but this period was indicated as Ford's management system and called entrepreneurship. Therefore, the entrepreneur is the core of entrepreneurial success, which demonstrates its own capabilities (personal characteristics) through the entrepreneurial firm, small business, family business, home business or a new business (Mehralizadeh and Sajady, http://ssrn.com/abstract=902045).



Personal characteristics of entrepreneurs represent a possible predictor of entrepreneurship success. Mill (1984) considered that risk taking is a key success factor. Mitton (1989) believes that entrepreneurs not only tolerate a higher risk than the rest of society, but also play a key role in achieving business success with a focus on business innovation, which will inevitably bring success if they are adequately accepted and implemented. Paunovic (2009) sees factors of personal nature in personal characteristics of entrepreneurs, which should include inborn aptitude and abilities for entrepreneurial behavior, which is why entrepreneur reacts instinctively at appeared chances, with a sense for a moment and the problem.

Ho and Koh (1992) confirm that entrepreneurs are more innovative than the rest of society, have greater locus, uncertainty of tolerance, domination of personal characteristics, which affect the business process. Adeyemi and Adeoti (2006) have defined four specific factors which condition the entrepreneurial motivation, and these are, of course: money, status in society, actualization of work, which includes the fact "to be the first and the best", and influencing factors led by a negative environmental conditions.

Besides personal characteristics, one should not ignore the social and cultural factors. Earlier assumptions of Greenfield and Strickon's (1986) were based on the development of entrepreneurship, through the established social norms and traditions. They confirmed the important role of social factors, as key determinant for performing the job, while Hayton (2002) grouped all socio-cultural effects into three groups:

1. The influence of national culture on business and innovation,
2. The influence of culture on personal characteristics,
3. The influence of cultural norms on corporate entrepreneurship.

Parker (1988) goes even deeper in establishing links among social characteristics and the way in which they form business ethics.

Ahmed and Hoffman (2007) believe that access to capital and new technologies have the key role in entrepreneurship.

Availability of resources for starting entrepreneurial work no longer include only land, labor and equipment, but also the financial resources, physical, human and organizational available resources (Avlijas, 2011).

Lee and Miller (2000) evaluate the technological progress and innovation, besides the impact of human and financial capital, as necessary precondition for creating new entrepreneurial opportunities.



Hofman et al (2006) evaluated the importance of entrepreneurship through the 59 possible determinants. The evidences reveal the importance of numerous macroeconomic factors, such as levels of taxation, interests, barriers to import and export and the availability of credit and state incentives, as main components that affect entrepreneurial activity and its development. Authors emphasize the importance of having good legal and administrative framework for creating better business environment (that is the quality of the justice system, the level of legislation, the costs of business, and difficulties in employment and investment in capital). It is stressed that macroeconomic conditions and conditions of business environment play an important role in the formulation of global entrepreneurial environment. Empirical evidence for the applicability of mentioned factors is located in the prestigious business reports in the world (Doing Business, Global Entrepreneurship indicators implemented at the national level).

The evidence per report SMEE 2011 shows that Serbia, as a country in transition, is in front of many in adopting the new technologies, in which the Internet and its use in business have a leading role. The largest number of SMEs access the Internet via DSL technology, and SMEs from Serbia (77%) are lagging behind only the EU average, and Slovenia, and are in front of Romania, Bulgaria, Croatia and Hungary. Cable internet is used by 25% of Serbian SMEs, which is above the EU average, but less than SMEs from Romania, Hungary and Bulgaria. SMEs from Serbia are lagging far behind only in gaining access to Internet via mobile "broadband" 3G network, as compared to the EU average, and relative to the all observed countries in the EU environment. This indicates a greater representation of less quality forms of Internet access at companies in Serbia (Report on SMEE, 2013).

According to a survey SME entrepreneurs in Serbia, mostly rely on their own capital. About 70% of SMEs are formed from its own resources, whether it is on financing the working capital, whether it is investment financing. The results indicate a declining trend in the borrowing of entrepreneurs, for the realization of the investment plans.

According to the results of the Innovation Union Scoreboard 2012, Serbia belongs to the third group of countries that represent the moderate innovators, with innovation performances that are below average. Index of innovation in the EU for 2012 is 53.9, and 28.2 for Serbia, which is significantly below the average. Serbia has the growth of innovation performances compared to the previous 2011 year, between 4% and 5%, but relatively good values have the human resources, 0.39 (0.56 EU), the research system 0.67 (0.58 EU) and the effects of innovation activities 0.38 (0.59 EU). Fewer values have capacities of intellectual property 0.02 (0.55 EU) and innovators 0.09 (0.51 EU) (Report on SMEE, 2013).

Assessment of relevant socio-cultural factors in Serbian context is important because the culture determines a great desire for starting a business. Unfortunately, in Serbia there is no comprehensive analysis of the impact of this factor on entrepreneurship and success of entrepreneurs.

## 3 The Research Methodology



Inspired by the condition of motivation, research aims to answer the essential question: "How do students evaluate relevant factors to run own business in Serbia". The needs and problems of entrepreneurs, based on the creation of reliable analytical basis, tend to propose stimulating measures of economic policy, which would contribute to faster growth and development of the SME sector and entrepreneurship.

The first step in the research was data collection. Respondents were offered a questionnaire, and for each question asked were offered the list of responses. Respondent acts by circling the appropriate answers to the offered Likert scale from 1 to 5. Thus, completed questionnaires represent a database necessary for further research.

The task of the research includes fundamental and objective structure that sees basis in:

1. A critical review of existing theoretical and empirical literature on the determinants of entrepreneurship development, as well as their importance in a wider perspective
2. View of all relevant factors based on findings from the literature that should provide insights for conducting surveys
3. Recommendations for further research and possible solutions to improve the entrepreneurial work in Serbia.

The above research themes are used as indicators to measure the relevant factors of business of entrepreneurs in Serbia. To the question: what are the possibilities and limitations for starting entrepreneurial work in the Republic of Serbia, the six hypotheses are set in the following way:

1) The opening of the company, permits

H1 − Students estimate that the procedure for opening enterprise is simple, fees are small, and time for obtaining the license is short and that state institutions provide support through free training courses, legal and financial advice, representing favorable conditions for business of entrepreneurs in Serbia.

2) Competencies of entrepreneurs

H2 − the knowledge and skills for opening enterprises, choice of professional, reliable and valuable associates, as well as the possibility of a professional company management, represent a realistic option for starting entrepreneurial work in the Republic of Serbia.

3) Financial resources

H3 − entrepreneurs rely mostly on their own funds and funds from their parents, and less on borrowed financial resources, such as bank loans, loans from the Development Fund, the national non-refundable financial resources.

4) General business conditions

H4 − market, competition, solving the problem of corruption, cluster development and other general business conditions, as well noticed windows of opportunities; represent a viable option for starting entrepreneurial work.

5) Competencies of employees

H5 − level of education, professional development of employees by state and private institutions, as well as the productivity of workers are factors of possibilities for starting entrepreneurial work



6) Technology and Innovation

H6 − commitment to innovation and modern technology is a widespread phenomenon and so defined represents realistic possibility for successful business of entrepreneurs in Serbia.

7) H7: There is no significant difference among students in the assessment of these factors by the criteria of the place of residence, gender and years of study

$H_{71}$ − There is no significant differences among the assessments male and female students

$H_{72}$ − There is no significant difference among the assessments of students by year of study

$H_{73}$ − There is no significant difference among the assessments of students by cities of residence.

The research was conducted by direct surveying on a sample of 143 respondents of both sexes (61 males and 82 females). Basic research instrument was a questionnaire which participants completed in the following towns in Serbia: Belgrade (24 students), Loznica (39), Ruma (15), Kanjiža (32), Vrbas (21) and Senta (12). The respondents were students of economic profile of second (33 students), third (66) and fourth year (44). All respondents filled out questionnaires correctly, so the final statistical analysis was performed on a sample of 143 questionnaires.

The questionnaire (Appendix) has had 19 questions, which according to the authors, constitute basic variables of necessary conditions for the successful launching and operation of enterprises. Likert scale was used to measure the perception of possibilities (favorable conditions) or obstacles

(unfavorable conditions). The scale had five levels of gradation: 1 − "I strongly disagree" (not a single element for favorable review in any segment), 2 − "I agree to a small extent" (25% of the questions elements can be assessed with score sufficient), 3 − "I agree at medium level" (about 50% of the questions elements can be assessed with score sufficient or good), 4 − "I mostly agree" (about 75% of the questions elements can be positively assessed with score very good), and 5 − "I strongly agree" (all questions elements can be positively assessed with high grade). Questions are defined to enable the evaluation of the parameters of the dependent and independent variables.

The dependent variable is defined as the respondents' intention to start their own business. It is estimated using the question, "I am seriously considering the possibility to start a business and to own a company (business)".

The independent variables are the factors that define possibilities for starting own business:

a. Legal regulations and the degree of complexity of procedures for opening enterprises
b. Competencies of the respondents, as potential entrepreneurs
c. Possibilities for providing the finances
d. General business conditions
e. Competencies of the potential labor force
f. Possibilities for equipment procurement and innovating of working processes (production).

To evaluate the factors "Legal regulations and the degree of complexity of procedure for opening enterprise" were used questions: "The procedure for opening enterprise is simple, fees are small, and time for obtaining permits is short?" and “State institutions provide support (free courses, legal, financial and other advises) etc.?"



Competencies of respondents, as potential entrepreneurs were evaluated using the questions: "I have necessary knowledge and skills for starting business", "I know to choose a professional, reliable and valuable collaborators" and "I have the competence to manage company professionally".

The third factor "Possibilities for providing the finances" is evaluated using answers at following questions: "I have my own resources or will get them from my parents", "I'll take the credit from a bank, lending to SMEs is favorable", "I'll take the credit from the Development Fund, the conditions are most favorable" and "State provides non-repayable funding as an incentive".

The fourth factor "General business conditions" is evaluated using answers at following questions: "The market is free, the competition is intense and regular", "State effectively solves the problem of corruption" and "The state of cluster development is getting better and better."

The fifth factor "Competencies of potential labor force" is evaluated using answers at following questions: "Primary and secondary education educates quality personnel", "Higher education educates quality personnel", "There are state and private institutions for research and quality and professional training of employees" and "Productivity of workers is most frequently high."

The sixth factor "Possibilities for procuring new and used equipment and innovating work processes (production)" is evaluated using answers at following questions: "The latest and used technologies are available", "A high speed and cheap Internet is available" and "The companies separate funds for innovation, research and development".

For processing results of the survey has been used SPSS software and methods: ANOVA (single factor − one-way), Tukey "post hoc" test, correlation analysis and regression analysis.

## 4 Analysis of Results

Information from the research on subject: operating conditions of entrepreneurs in Serbia are scarce and often outdated, so used sources are from studies investigating the Eastern and Central European region, or dating back to 2008, where a small number of publications focus on the question of entrepreneurship development in Serbia. That is a big obstacle for the detection of important insights related to the theme and identification of the dominant development trends.

Despite the lower availability of data, a lot of effort has been invested to detect the most important problems in the Serbian entrepreneurship. Moreover, the lack of coherent knowledge on the subject, can be seen as a motivating factor for creating current research, which aims to fill the existing gaps related to starting own business through the possibilities and limitations of entrepreneurial business.

Lack of courage in humans to become entrepreneurs and submit risks that entrepreneurship entails, encourages participants to direct their future towards precisely defined entrepreneurial competencies and competencies of employees, technological innovation, financial resources and business conditions. From this research, it is concluded that most students deem to have competencies for starting your own business (Mean = 3.64, Stdev = 0.946). Only 13.3% of students believe they do not have competencies to become entrepreneurs, 29.4% of students consider having about 50%, and 59.5% of students consider having over 75% of necessary competencies to start and run their own business (Table 2).



**Table 2. Mean values and standard deviation score of relevant factors**

**Descriptive Statistics**

| | N | Mean | Std. deviation |
|---|---|---|---|
| CompEntrepren | 143 | 3.64 | 0.946 |
| CompEmployees | 143 | 2.99 | 0.839 |
| TechnoInovation | 143 | 2.63 | 0.991 |
| OpenEnterprise | 143 | 2.60 | 1.022 |
| FinResources | 143 | 2.45 | 0.811 |
| StartBussines | 143 | 2.31 | 0.066 |
| BussConditions | 143 | 2.14 | 0.775 |
| Valid N (listwise) | 143 | | |

*Source: Author's calculations*

Least favorable are estimated business conditions (2.14; 0.775) and the possibility to provide financial resources for starting a business (2.45; 0.811). Even 69.9% of students believe that conditions are very unfavorable. Providing financial resources is impossible for 54.5% students, while 37.8% think that possibility is 50% possible.

Only 7.7% of students assessed probability for starting their own business with 75%, and even 63.6 students with less than 25%. Therefore, the mean value of scores for starting their own business is very small, 2.31 (Table 3).

**Table 3 Indicators of score for dependent variable "I am seriously considering ability to start business and to own a company (business)"**

| StartBussines | | | | |
|---|---|---|---|---|
| | | Frequency | Percent | Cumulative Percent |
| Valid | 1 | 18 | 12.6 | 12.6 |
| | 2 | 73 | 51.0 | 63.6 |
| | 3 | 41 | 28.7 | 92.3 |
| | 4 | 11 | 7.7 | 100.0 |
| | Total | 143 | 100.0 | |

*Source: Author's calculations*

Conclusion is that a large number of students consider having competencies, but due to unfavorable business conditions and problem of providing financial resources, does not intend to run their own business. Most of them were not motivated to start entrepreneurial ventures and does not plan professional career in that field.



Table 4 shows that there is a positive correlation between dependent variable (StartBussines) and business conditions (r = 0.537, for the high level of reliability, p = 0.01), possibility for providing financial resources (r = 0.449, p = 0.01), competencies of potential employees (r = 0.442, p = 0.01) and so on. It is noted also that there is no statistically significant correlation between dependent variable (StartBussines) and the level of qualification of potential entrepreneurs (CompEntrepren), as shown by the values (r = 0.069, p = 0.411)!

**Table 4 Correlation analysis of dependent variable and relevant actors**

| Correlations | | | | | | | |
|---|---|---|---|---|---|---|---|
| | OpenEnterprise | CompEntrepren | FinResources | BussConditions | CompEmployees | TechnInovation | StartBussines |
| OpenEnterprise | 1 | | | | | | |
| CompEntrepren | 0.089 | 1 | | | | | |
| FinResources | 0.293** | 0.296** | 1 | | | | |
| BussConditions | 0.311** | 0.118 | 0.348** | 1 | | | |
| CompEmployees | 0.404** | 0.065 | 0.299** | 0.361** | 1 | | |
| TechnoInovation | 0.354** | 0.043 | 0.296** | 0.215** | 0.468** | 1 | |
| StartBussines | 0.296** | 0.069 | 0.449** | 0.537** | 0.442** | 0.339** | 1 |
| *Sig. (2-tailed)* | *0.000* | *0.411* | *0.000* | *0.000* | *0.000* | *0.000* | |
| ** Correlation is significant at the 0.01 level (2-tailed). | | | | | | | |

*Source: Author's calculations*

Regression analysis shows that 28.8% of the variance in the dependent variable can be explained by the influence of independent factor "business conditions" (Table 5).

**Table 5. Regression analysis of the dependent variable and factor "business conditions"**

| Model Summary[a] | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0,537[a] | 0,288 | 0,283 | 0,670 |

**Predictors: (Constant), BussConditions**

*Source: Author's calculations*

Multiple regression was used to review the impact of the independent (predictor) on the dependent (criterion) variable. Multiple correlation coefficient (R) indicates there is a high correlation between dependent variable, on the one hand, and the linear combination of predictor variables (R = 0.651) and that 42.4% of variance of the dependent variable can be explained or predicted on the basis of the variance of predictor variables (R2 = 0.424) – Table 6.

**Table 6. Multiple regression of the dependent variable and relevant factors**

| Model Summary[b] | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0.651[a] | 0.424 | 0.399 | 0.613 |

**[a] Predictors: (Constant), TechnoInovation, CompEntrepren, BussConditions, OpenEnterprise, FinResources, CompEmployees**

**[b] Dependent Variable: StartBussines**

*Source: Author's calculations*



Beta coefficients, which indicate how many standard deviations in the dependent variable will be changed if you change one standard deviation of the independent variable, ie, which of the predictor variables most determines the dependent variable, are shown in Table 7. As can be seen, a predictor variable "Bussines conditions" mostly determines the dependent variable (beta = 0.366), a major contribution to the dependent variable give the variables "Financial Resources" (beta = 0.254), "Competence of employees" (beta = 0.192) and so on.

**Table 7. The values of beta coefficients**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.362 | 0.281 | | 1.285 | 0.201 |
| | OpenEnterprise | 0.001 | 0.058 | 0.001 | 0.016 | 0.988 |
| | CompEntrepren | -0.055 | 0.057 | -0.066 | -0.965 | 0.336 |
| | FinResources | 0.248 | 0.074 | 0.254 | 3.373 | 0.001 |
| | BussConditions | 0.373 | 0.075 | 0.366 | 4.985 | 0.000 |

| | | | | | |
|---|---|---|---|---|---|
| CompEmployees | 0.181 | 0.075 | 0.192 | 2.412 | 0.017 |
| TechnoInovation | 0.078 | 0.061 | 0.097 | 1.279 | 0.203 |

[a] **Dependent Variable: StartBussines**

*Source: Author's calculations*

Kruskal-Valis one-way analysis of variance (ANOVA) was used as an analytical model for testing the significance of differences of all variabilities, as well as for analysis of their mutual influence. Tukey "post hoc" test was used to determine the critical differences with which are compared absolute values of differences between the mean values.

Results of the analysis of influence the city of life (CITY) show that there are large differences between the mean squares of the following variables: OpenEnterprise, CompEntrepren, CompEmployees and StartBussines. This means that there are big differences between the means of these variables, so the hypothesis of their equality must be rejected. There is no significant difference between the mean values of other independent variables, so can be draw a conclusion that students in all analyzed cities believe that business conditions, providing financial resources and providing and monitoring the technology development and process innovation represent main problems and the main barriers to run their own business (Table 8).

**Table 8. ANOVA for factor CITY**

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| | | Sum of Squares | Df | Mean Square | F | Sig. |
| OpenEnterprise | Between Groups | 14.661 | 5 | 2.932 | 3.006 | 0.013 |
| | Within Groups | 133.619 | 137 | 0.975 | | |
| | Total | 148.280 | 142 | | | |
| CompEntrepren | Between Groups | 12.120 | 5 | 2.424 | 2.889 | 0.016 |
| | Within Groups | 114.970 | 137 | 0.839 | | |
| | Total | 127.091 | 142 | | | |
| FinResources | Between Groups | 2.779 | 5 | 0.556 | 0.841 | 0.523 |
| | Within Groups | 90.578 | 137 | 0.661 | | |
| | Total | 93.357 | 142 | | | |
| BussConditions | Between Groups | 1.797 | 5 | 0.359 | 0.590 | 0.707 |
| | Within Groups | 83.406 | 137 | 0.609 | | |
| | Total | 85.203 | 142 | | | |
| CompEmployees | Between Groups | 9.974 | 5 | 1.995 | 3.036 | 0.012 |
| | Within Groups | 89.998 | 137 | 0.657 | | |
| | Total | 99.972 | 142 | | | |
| TechnoInovation | Between Groups | 5.788 | 5 | 1.158 | 1.187 | 0.319 |
| | Within Groups | 133.568 | 137 | 0.975 | | |
| | Total | 139.357 | 142 | | | |
| StartBussines | Between Groups | 11.877 | 5 | 2.375 | 4.228 | 0.001 |
| | Within Groups | 76.962 | 137 | 0.562 | | |
| | Total | 88.839 | 142 | | | |

*Source: Author's calculations*

Results of the analysis of influence of gender (SEX) show there are not large differences between the mean squares of variables, which mean there are no significant differences between the means of these variables, so the hypothesis of their equality can be accepted. Students of both sexes equally see listed problems (Table 9).

**Table 9 ANOVA for factor SEX**

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| | | Sum of Squares | Df | Mean Square | F | Sig. |
| OpenEnterprise | Between Groups | 0.013 | 1 | 0.013 | 0.013 | 0.910 |
| | Within Groups | 148.266 | 141 | 1.052 | | |
| | Total | 148.280 | 142 | | | |
| CompEntrepren | Between Groups | 0.500 | 1 | 0.500 | 0.557 | 0.457 |
| | Within Groups | 126.591 | 141 | 0.898 | | |
| | Total | 127.091 | 142 | | | |
| FinResources | Between Groups | 0.311 | 1 | 0.311 | 0.472 | 0.493 |
| | Within Groups | 93.045 | 141 | 0.660 | | |
| | Total | 93.357 | 142 | | | |
| BussConditions | Between Groups | 0.357 | 1 | 0.357 | 0.593 | 0.443 |
| | Within Groups | 84.846 | 141 | 0.602 | | |
| | Total | 85.203 | 142 | | | |
| CompEmployees | Between Groups | 0.492 | 1 | 0.492 | 0.697 | 0.405 |
| | Within Groups | 99.480 | 141 | 0.706 | | |
| | Total | 99.972 | 142 | | | |
| TechnoInovation | Between Groups | 0.011 | 1 | 0.011 | 0.011 | 0.918 |
| | Within Groups | 139.346 | 141 | 0.988 | | |
| | Total | 139.357 | 142 | | | |
| StartBussines | Between Groups | 0.001 | 1 | 0.001 | 0.002 | 0.967 |
| | Within Groups | 88.838 | 141 | 0.630 | | |
| | Total | 88.839 | 142 | | | |

*Source: Author's calculations*

Results of the analysis of influence of year of study of students (YearStudy) show there are large differences between the mean squares of variables: CompEntrepren, TechnoInovation and StartBussines, which means that there are big differences between the means of these variables, so the hypothesis of their equality cannot be accepted. This is expected result because students after third and fourth year of study feel more competent for entrepreneurial activity compared to the second year students. Other variable students have assessed equally regardless of years of study (Table 10).

**Table 10. ANOVA for factor YEARSTUDY**

**ANOVA**

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| OpenEnterprise | Between Groups | 2.015 | 2 | 1.007 | 0.964 | 0.384 |
| | Within Groups | 146.265 | 140 | 1.045 | | |
| | Total | 148.280 | 142 | | | |
| CompEntrepren | Between Groups | 16.409 | 2 | 8.205 | 10.378 | 0.000 |
| | Within Groups | 110.682 | 140 | 0.791 | | |
| | Total | 127.091 | 142 | | | |
| FinResources | Between Groups | 0.910 | 2 | 0.455 | 0.689 | 0.504 |
| | Within Groups | 92.447 | 140 | 0.660 | | |
| | Total | 93.357 | 142 | | | |
| BussConditions | Between Groups | 2.445 | 2 | 1.223 | 2.068 | 0.130 |
| | Within Groups | 82.758 | 140 | 0.591 | | |
| | Total | 85.203 | 142 | | | |
| CompEmployees | Between Groups | 1.033 | 2 | 0.516 | 0.731 | 0.483 |
| | Within Groups | 98.939 | 140 | 0.707 | | |
| | Total | 99.972 | 142 | | | |
| TechnoInovation | Between Groups | 8.266 | 2 | 4.133 | 4.414 | 0.014 |
| | Within Groups | 131.091 | 140 | 0.936 | | |
| | Total | 139.357 | 142 | | | |
| StartBussines | Between Groups | 2.930 | 2 | 1.465 | 2.387 | 0.096 |
| | Within Groups | 85.909 | 140 | 0.614 | | |
| | Total | 88.839 | 142 | | | |

*Source: Author's calculations*

Based on conducted research, it was concluded that the hypothesis H1 rejected because the procedure for opening an enterprise is not simple, state institutions do not provide adequate assistance through legal and financial advice. What state should offer applies to material support in the first years, healthy competition, affordable loans, experience in running a business, possibility of high profits and desire for entrepreneurs to be "their own bosses". The development of business incubators at local governments in open areas, through providing training in a real working environment and education for entrepreneurship, should be recommended to all stakeholders whose activities can motivate starting their own business.

Hypotheses H2 and H5, referring to the knowledge and skills of entrepreneurs and employees, through the choice of professional and diligent staff, possibility of a professional company management, representing a favorable business opportunity, visible at the right time. Therefore, these hypotheses were not rejected, because education, in terms of importance of entrepreneurship, is another relevant factor that brings success, as students tested and confirmed. Skills in preparing a business plan, budget planning, as well as basic knowledge in management, play an important role in raising awareness about the importance of entrepreneurship.

This research provides two basic messages for entrepreneurship education. First, noting there are significant gaps of entrepreneurial skills among entrepreneurs and employees. Secondly, it shows a clear recognition of surveyed group, that entrepreneurship education is the basis for starting their own business.

In order to create a favorable environment must be taken measures that would help in the creation of "entrepreneurial society". That is why the European Commission emphasizes the necessity of forming a more positive attitude towards entrepreneurship. It points out that society should have an opportunity to hear about successful entrepreneurs, but also to learn to tolerate failures. Only the common harmonized approach state authorities, public agencies, owners of enterprises and institutions of higher education, can produce positive results in the long run. You need to hear much more suggestions of successful entrepreneurs, but also try to learn as much as possible from the experience of countries that have been successful in this area. It is necessary to find a way to support people who want to engage in entrepreneurial ventures Furthermore, it is necessary to provide the ambience where that will be possible by paying attention to the market, competition, solving the problem of corruption, cluster development and other business conditions. Tested students also confirm that.

Entrepreneurs rely mostly on their own and funds from their parents, and less on borrowed financial resources, such as bank loans, loans from the Development Fund, the national non-refundable financial resources, confirmed the investigation, so the success and failure depend on the financial support. The way in which financial institutions assign credits, discriminates small businesses. Due to bureaucratic processing of entrepreneurs demands, it takes some time to obtain funding. A main reason for using own funds for starting their own business are expensive loans, in other words high interests.



Innovation is one of the strategic factors for success of enterprises in modern business conditions, because it requires constantly devising innovative solutions with the aim of faster adaptation to changing market demands and competitive environment. Commitment to innovation and modern technology is a prevalent phenomenon and so defined, represents realistic possibility for successful business of entrepreneurs in Serbia.

Sector of small and medium enterprises supported by foreign direct investments, can significantly contribute to entrepreneurial development, reducing unemployment and improving the competitive position of the country. Therefore, it is necessary to use different programs to encourage innovation of entrepreneurial enterprises, all with the aim of creating a competitive, export-oriented environment, which allows faster economic development of Serbia.

## 5 Conclusions

Entrepreneurship and entrepreneurs are often linked with business and usually private business, so we say that entrepreneurs are individuals that have their own firms, and that they make a living out of them. However, entrepreneurship term is much broader. Entrepreneurship presents the way of thinking and it is not narrowly linked only to business. In every activity, every company, no matter the size and the ownership, entrepreneurship way of thinking is very important. It is linked to creativity, systematic problem solving and proactive approach. Entrepreneurs are people that take on the initiative and

generate changes within the environment where they live and work. Entrepreneur is the moving force of the entrepreneurship process – individual that creates value and in that process accepts the risks of losing money, time and other form of value of the product or service. In order to realize his goals, entrepreneur needs to drive other people, find the necessary resources and have certain set of skills, attributes and knowledge.

Many people find starting the business as a mistery. In business and communication you can often hear statements as: "I can't do that", "That's undoable", "Many have tried that, but it didn't work". Younger people often have aversion to their own business, because it is followed by financial, social and psychological factors. In Serbia, many people have some convictions (unfortunately, mostly negative) of entrepreneurship and entrepreneurs.

In this research entrepreneurial intent and capabilities of young people (students) has been studied from the aspect of their wish, personalities, skills, risk taking and knowledge about the business starting up. It is based on psychosocial theory and models. Research was conducted with indirect interviews of 143 examinees. The main instrument was questionnaire that was filled in by examinees in Belgade, Loznica, Ruma, Kanjiža, Vrbas, and Senta.

Test results confirmed the hypothesis H2, H3, H4 and H5, relating to: the competencies of entrepreneurs, financial resources, general business conditions, competencies of employees, and technological innovation − which actually represent relevant factors for starting entrepreneurial business.



The research results show that young people in Serbia have a positive attitude towards entrepreneurship and expressed willingness to accept entrepreneurial risks and wont to start and run their businesses. Also they are feeling themselves sufficiently trained – competent to launch and successfully run potential businesses. However, based on the conducted research the attitude that prevails is that entrepreneurships are faced with difficult work environment. In Serbia there are limited possibilities and impediments that limit the growth and development of entrepreneurship. Limits in the terms of launching own business are reflected in shortage of the state support, inadequate regulations, shortage of security in investment, weak awareness, hard time getting the needed funds etc.

Similar data was gathered by the World Bank – in Serbia there is readiness for entrepreneurship, but there is still a gap between genereal readiness and specific step taking towards business independence. Having that in mind, it is necessary to encourage entrepreneurship spirit in Serbia, because 85% of citizens think that entrepreneurship is linked to risks.

Strategic commitment of the Government of Serbia is development of competitive economy that, as well as all other developed and successful economies of the modern world, begins on the ideas of private initiative, entrepreneurship spirit and social consensus of important role of the state and whole society in encouraging such values and long-term policies. Therefore, Government of Serbia has declared 2016 "Year of entrepreneurship", which is based on three main pillars.

First pillar of development of entrepreneurship will be improvement of business environment which includes dealing with law and regulative frame, improvement of administrative procedures, involvement of business sector in creating policies and programs, as well as development of business infrastructure. Second pillar is direct support to business sector which will be both financial and non-

financial and dedicated to those that are in the process of starting business, but also to those that are already conducting business. Third pillar is support to the development of the entrepreneurship spirit through education, event promotions and project activities.

All three pillars are very important because the future of the country directly depends on what will the economy and education be, and what values are going to be developed.

## 6 Future Works

Since the results of planned and conducted activities are being expected, in that sense further researches of ambient for launching business are needed as well as overcoming impediments of entrepreneurial activities and conditions and ways of financing.

Serbia is a country in transition, and neighboring countries (Romania, Bulgaria, Hungary, and Croatia – members of EU) have certain experiences in this area, so it would be valuable to make comparative analysis between law and economic conditions and achieved results in area of entrepreneurship in these countries.

## 7 Appendix:

The questionnaire



| No. | Questions |
|---|---|
| **a. Legal regulations and the degree of complexity of procedure for opening enterprise** | |
| 1. | The procedure for opening enterprise is simple, fees are small, and time for obtaining permits is short? |
| 2. | State institutions provide support (free courses, legal, financial and other advises) etc.? |
| **b. Competences of the respondents, as potential entrepreneurs** | |
| 3. | I have necessary knowledge and skills for starting business |
| 4. | I know to choose a professional, reliable and valuable collaborators |
| 5. | I have the competence to manage company professionally |
| **c. Possibilities for providing the finances** | |
| 6. | I have my own resources or will get them from my parents |
| 7. | I'll take the credit from a bank, lending to SMEs is favorable |
| 8. | I'll take the credit from the Development Fund, the conditions are most favorable |
| 9. | State provides non-repayable funding as an incentive |
| **d. General business conditions** | |
| 10. | The market is free, the competition is intense and regular |
| 11. | State effectively solves the problem of corruption |
| 12. | The state of cluster development is getting better and better |
| **e. Competencies of potential labor force** | |
| 13 | Primary and secondary education educates quality personnel |
| 14. | Higher education educates quality personnel |
| 15. | There are state and private institutions for research and quality and professional training of employees |

| | |
|---|---|
| 16. | Productivity of workers is most frequently high |
| **f. Possibilities for procuring new and used equipment and innovating work processes (production)** | |
| 17. | The latest and used technologies are available |
| 18. | A high speed and cheap Internet is available |
| 19. | The companies separate funds for innovation, research and development |

## 7 References

Adeyemi, S. & Adeoti, J. (2006). Motivation and Business Success. The Relationship between Entrepreneurs Motivation and New Business Ventures Success. *Journal of Arid Zone Economy*. Vol. 7, No. 1, pp. 122-131.

Ahmed, N. & Hoffman, A. (2007). A Framework for Addressing and Measuring Entrepreneurship, OECD. Retrived from http://search.oecd.org/std/business-stats/39629644.pdf.

Avlijas, R. (2011). Model of the Entrepreneurial process of starting a new busines venture. *Singidunum Journal*, Vol. 8, No. 2, pp. 152-156.

Brkanovic, I. et al. (2007). Study on Micro-finance Support to Start-up in Serbia. Belgrade: Center for Entrepreneurial Society Development. Retrived from http://www.cezar.org.rs/publikacije/studija.pdf.

Cantillon, R. (1931). *Essay on the Nature of Trade in General.* London: Royal Economics Society/Macmillan.



Greenfield, S. & Strickon, A. (1986). *Entrepreneurship and Social Change*. Lanham: University Press of America.

Hayton, J.; George, G. & Zahra, S. (2002). National culture and entrepreneurship: A review of behavioural research. *Entrepreneurship Theory and Practice*, Vol. 26, No. 4, pp. 33–52.

Ho, T.; Koh, H. (1992). Differences in psychological characteristics between entrepreneurially inclined and non-entrepreneurially inclined accounting graduates in Singapore. *Entrepreneurship, Innovation and Change: An International Journal*, Vol. 1, No. 2, pp. 243-254.

Hoffmann, A.; Larsen, M. & Oxholm, A. S. (2006). Quality Assessment of Entrepreneurship Indicators, Version 2, The National Agency for Enterprise and Construction's Division for Research and Analysis. Retrived from http://s3.amazonaws.com/zanran_storage/www.ebst.dk/ContentPages/47893843.pdf

Holcombe, R. (2007). *Entrepreneurship and economic progress.* New York: Routledge.

Ilic, M. (2010). *Entrepreneurship.* Čačak: High Business School of Vocational Studies Čačak.

National Agency for Regional Development (2012). *Report on Small and Medium-sized Enterprises and Enterpreneurship 2011* (in Serbian), Belgrade

National Agency for Regional Development (2013). *Report on Small and Medium-sized Enterprises and Enterpreneurship 2012* (in Serbian), Belgrade.

Janicijevic, S. (2012). Enterpreneurship – the basic condition of economic development of Serbia. Belgrade: Center for Creative Economy Research. Retrived from http://www.madmarx.rs/Istrazivanja/Janicijevic-Srdjan_Preduzetnistvo-osnovni-uslov-ekonomskog-rasta-Srbije_2012.pdf.

Karavidic, S. & Ivkovic, D. (2011). *Enterpreneurship,* tutorial. Belgrade: Faculty of Business Economics and Entrepreneurship.

Knight, F. (1921). *Risk, Uncertainty, and Profit*. Boston: Houghton Mifflin Co.

Lee, C-M. et al. (2000). *The Silicon Valley Edge. A habitat for Innovation and Entrepreneurship*. Stanford*:* Stanford University Press.

Mehralizadeh, Y. & Sajady, H. (2006). A Study of Factors Related to Successful and Failure of Entrepreneurs of Small Industrial Business with Emphasis on Their Level of Education and Training. Retrived from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=902045.

Miljkovic, J. & Subotic, J. (2012). *Encouraging the development of Entrepreneurship and its impact on economic growth of Serbia*. Belgrade: Faculty of Economics, Finance and Administration.

Mill, J.S. (1984). *Principles of political economy with some application to social philosophy*. London: John W. Parker.

Mises, L. (1949). *Human Action: A Treatise on Economics*. New Haven: Yale University Press.

Mitton, D. (1989). The complete entrepreneur. *Entrepreneurship: Theory and Practice,* Vol. 13, No. 3, pp. 9-19.

Parker, B. (1988). Moral economy, political economy, and the culture of entrepreneurship in highland Nepal. *Ethnology*, Vol. 27, No. 2, pp. 181–194.

Paunovic, S. (2009). Entrepreneurship education – how to make it more efficient and entrepreneurial? *Singidunum Journal*, Vol. 5, No. 2, pp. 144-151.

Schumpeter, J. (1942). *Capitalism, Socialism and Democracy*. New York: Routledge.

*Strategy for Development of Competitive and Innovative SME*-s *2008-2013 (in Serbian)***.** Belgrade: Official Gazette of RS, 65/08.