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## ECONOMICS

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*Sociology*

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## THE ANALYSIS OF CHOSEN BUSINESS OBSTACLES AND PROBLEMS WITH THE FINANCING OF YOUNG ENTREPRENEURS IN SLOVAKIA

**ABSTRACT.** Small and medium-size enterprises (SME) are the backbone of every economy. Usually they create half of state added value and employ about two thirds of employees. Because of their importance for each country, we decided to write about their problems in relation to obtaining finance. Small size is the primary reason why they have problems securing a bank loan. Furthermore, they usually have a short business history and weak capital power. Unemployment of young people is not a problem only in Slovakia but also in the European Union in general. In 2013, more than 30% of young people under 25 years old were without work – an alarming number. Supporting entrepreneurship is one to decrease this figure. In 2011-2012, we conducted research on young Slovak entrepreneurs and the problems they encounter in starting a business. In this study, we try to illustrate the present business obstacles and issues with financing of young businessmen in Slovakia. The main objective of the study is to conduct a theoretical knowledge review on financing of SMEs and to analyse the main factors that make obtaining finance more difficult in Slovakia. We would also like to show different points of view of young entrepreneurs and potential young entrepreneurs in Slovakia on financing businesses and also the different viewpoints of men versus women. After this analysis, we would like to offer a summary of opinions to solve this problem. Slovakia has a big problem with unemployment of young people and one of the ways how this issue could be solved would be to support young businessmen in overcoming obstacles in starting their own businesses.

**Keywords:** small and medium sized enterprises, young entrepreneurs, financial resources, obstacles in financing, barrier of financing.

## Introduction and Theoretical and Practical Background of SMEs

The majority of small and medium-size enterprises fight with problems in obtaining financial resources. In these difficult times, it is the most important for the State economy to orient on innovation activity. SMEs are carriers of innovation, they are also the means for supporting the activity and knowledge economy. Changes in the character and activity of small and medium-sized enterprises (SME) have also been part of the globalization processes. Changes in the economy forced large as well as small and medium-sized companies to respond to new conditions in the field of technology and innovation. Knowledge economy focused on high-tech is becoming a necessity; focus on it is a precondition for the growth in the competitiveness of each economy.

Small and medium-sized enterprises are the most important building block of each market economy (Sobeková, 2011). In the European Union and also in Slovakia, they represent over 90% of all enterprises and employ 2/3 of all employees. This segment of economy represents, according Pissarides (1999), *“the most dynamic firms in an emerging economy”*. The author informs on the many comparative advantages, but also analyses problems with finance, legal or institutional aspects in relation to SMEs.

In our paper we will analyze a special group of SMEs – young entrepreneurs. According to Lukeš (2013), entrepreneurs behave more innovatively than employees and managers so they are too important for the development of the knowledge economy of each country. We will show their problems in obtaining financial resource and main obstacles in this area in the Slovak Republic. On the one side, we confirm that young entrepreneurs are a very important part of companies, but on the other side, in our country, there are the obstacles so great, that starting business is very difficult for them, especially now in times of the financial crisis.

By suitably supporting young entrepreneurs we could also decrease the unemployment of young people. It is not a problem only in Slovakia, but also in the European Union as a whole. According to Eurostat data, *“youth unemployment rate is generally much higher (double or more) than in 2013 there were young people without work more than 30% in Slovakia, it is an alarming number”*<sup>1</sup>. Supporting entrepreneurship is one of the ways of decreasing it. European unemployment statistics state that *“youth unemployment rate in the EU-27 was more than double the overall unemployment rate in 2012. At 22.8%, more than one out of every five young persons in the labour force was not employed, but looking and available for a job. In the euro area, the youth unemployment rate was even higher at 23.1%. The unemployment rate among young people was higher than the rate for those aged between 25 and 74 in all Member States. In Greece (55.4%), Spain (53.2%), Portugal (37.7%), Italy (35.3%), Slovakia (34.0%) and Ireland (30.4%) youth unemployment rates were particularly high. Germany (8.1%), Austria (8.7%) and the Netherlands (9.5%) were the only Member States with a youth unemployment rate below 10%”*<sup>2</sup>.

In this paper we would like to show different points of view of young entrepreneurs and potential young entrepreneurs in Slovakia on financing business and also different views of men and women. After this analysis we will offer a summary of opinions for solving this problem. Our country has a serious problem with the unemployment of young people and one of the ways in which it would be possible to solve this problem would be to support young businessmen with overcoming obstacles in doing business.

In 2011-2012, we conducted research on young Slovak entrepreneurs concerning their problems in starting a business. Research was made by two organizations – The Association of Young Entrepreneurs with the cooperation of the Pan-European University. In this study

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<sup>1</sup> [http://ycharts.com/indicators/slovakia\\_youth\\_unemployment\\_rate\\_lfs](http://ycharts.com/indicators/slovakia_youth_unemployment_rate_lfs)

<sup>2</sup> [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Unemployment\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics)

we try to show illustrate the business obstacles in financing young businessmen in Slovakia. The main objective of the study is to make a theoretical knowledge review about financing SMEs and then to analyze the main factors that make obtaining finance more difficult in Slovakia. We would like to show different points of view of young entrepreneurs and potential young entrepreneurs in Slovakia on financing business and also different views of men and women. As a method we used percentages processing and for the analysis of the relations among chosen categories we used Pearson's chi square. After this analysis, we would like to offer a summary of opinions for solving this problem.

We clarified the importance of SMEs and from the previous literature sources it is obvious they have problems with many obstacles of business, and not only in Slovakia. According to authors Pissarides (1999) and Steinerowska-Streb and Steiner (2014), lack of financing is considered one of the main obstacles to the growth of SMEs. Access to finance is necessary for growth and further development of SMEs as also proven by authors Mercieca, Schaeck and Wolfe (2009). Many Slovak authors whose are acquainted with the special situation in Slovakia, declare lack of capital or access to finance as a one of the biggest problems of SMEs (Sobeková – Majková, Fetisovová, Jakubec, Solík, Vlachynský, Sirotko etc.) The authors Dong and Men (2014) inform on their findings concerning the financing of SMEs. They confirm that *“relatively small, young firms in nonmanufacturing sectors consistently face more severe financing obstacles/constraints and rely heavily on internal financing. The availability of credit information and the bank concentration ratio have a significant impact on SME financing.* The authors Cheng, Tang and Shi (2012) present also weak capital power and credit degree as one of the biggest problems of SME financing.

Zwan, Thurik and Grilo (2010) made a research about the factors that influence entrepreneurs in EU. They researched factors as gender, age and education. The authors present following findings: *“First, we found that beyond the age of 36 years the probability of at least thinking about embracing an entrepreneurial career decreases. Second, our finding that administrative complexities have a negative effect on the probability of moving forward in the entrepreneurial process lends support to the many public efforts to cut red tape and adopt better regulation approaches”.*

We see a lot of differences between small and large companies in their capital structure. Small or medium companies have different structure of assets and also different ratio of fixed and short-term assets. The ratio of their fixed assets to total is usually smaller than in larger companies while their ratio of current liabilities to assets is higher, meaning they are more financially vulnerable (Cressy, Olofsson, 1997).

An essential problem of SME financing is that small companies often have small capital power and so they don't have enough property for a bank guarantee. Furthermore, they usually have (and especially young entrepreneurs) a short history. When they have a short track record, they pay higher interests and banks demand a higher guarantee (Berger, Udell, 1995). These are the same main problems of SMEs in Slovakia with obtaining financial resources. Lack of history and capital power makes bank loans for SMEs hard to come by. This fact is declared also by Sufi (2009). A bank loan is a traditional finance resource for SMEs, but on the financial markets there are also other possibilities. There is alternative financing for SMEs (Bauchet and Morduch, 2013). The author Sobeková (2011) presents as alternative finance for SMEs private equity, venture capital or finance from structural or community funds. There is also a further problem: many SMEs are not informed about these types of capital. They don't know about them. The author Brzozowska (2008) declares that this is especially the case in the group of new EU members.

In the study Financing of small and medium size enterprises (Fraser, 2010) made in the UK, was stated that the same size of company used mostly 55% credit cards, almost 50% used overdraft. In terms of long-term financing approximately 20% were registered for long-

term loans and 3% for equity financing. When we compare it with Slovak SMEs, we can say that credit cards are not as widely used as in UK because of the short history, but an overdraft account is quite popular. The author Majková (2008) informs that Slovak companies often use leasing and bank loans for financing, but many of them have problems with loans because of their weak capital power.

Comparing Slovak and German companies, we can say that German small entrepreneurs don't have problems with obtaining financial resources, because they make a profit also just using internal financial resources. French entrepreneurs are somewhere on the board between Slovak and German companies, as published on the website Euractiv on July 2011. The problem is that during the crises, their situation worsened and their support is rather small. Business conditions in Slovakia – increasing VAT, decreasing flat expense, etc. have had a bad impact on their financial situation.

We think that it is very important that the State creates positive conditions for starting businesses also for young entrepreneurs – State support is one of the key factors for their successful survival. During the crises, also other countries make an effort to support their SMEs. For example, in France, young entrepreneurs can apply for tax credit. Business Angels can invest 75% of their health and social insurance contributions. In this way, companies in France obtained one million euros in 2010.

Business Alliance of Slovakia (BAS, Slovak abbreviation PAS) studies and evaluates business conditions in Slovakia in its research (PAS, 2008), which was updated in (PAS, 2009). In 2008, 55% of respondents (entrepreneurs) said that they feel a worsened availability of financial resources. In 2009, it was worse than in 2008, the % of these companies was up by 2%. In 2008, 8% of entrepreneurs said that financial resources are for them unavailable, in 2009, the count was higher at 12%.

Another research was conducted by Slovak Chamber of Commerce (SOPK, 2009). In their study, 40% of companies said that their finance obtaining costs are higher than in the past and 8% of companies stated that loans became unavailable for them. More than 15% said that the reason for decreasing financial resources is more difficulty in obtaining a bank loan. Also result of Doing business 2013 show that conditions for business in Slovakia are worsening.

According to Fetisovová *et al.* (2012) the financial and economic crisis has had serious implications on the performance of small and medium-sized companies in the European Union. In 2009, the gross production of SMEs within the EU27 decreased by 5.5%. Insufficient effective demand was the most urgent issue for 29% of these SMEs. The authors report that the demand in the domestic markets of the EU27 will remain weak. In this context Cloves and Bilan (2014) state that the Czech Republic, the country endowed with greater shares of capital in production (compared with Poland, Hungary and Romania) was not immune to the recession, as confirmed by the results of research by Belás, Macháček, Bartoš, Hlawiczka and Hudáková (2014).

## 1. Methodology of the Research

In 2011-2012, we conducted research in cooperation with the Association of Young Entrepreneurs on the obstacles in doing and starting a business in Slovakia. We prepared an online questionnaire so the choice of respondent type was stochastic. Our research group was divided into two parts – in one there were respondents – young people who were potential young entrepreneurs and second – young entrepreneurs up to 34 years of age. Only one fact could influence the group of young people and not the entrepreneurs – we assume that more people filled the online questionnaire that would like to be entrepreneurs in the future than not to be. The questionnaire could be filled in 2011 – from July to November, and the analysis of

the sample was in a continuing period. The whole group had 1232 respondents: 324 were young entrepreneurs and 908 young people not yet entrepreneurs, but they were thinking about starting their own business.

In *Table 1*, we see the basic summary with the division of the entrepreneurs count. Young entrepreneurs up to 34 years old are one third of all entrepreneurs – individuals. In the group of companies, we are not able to see how many young companies there are – because they can also have more founders in different ages.

Table 1. Numbers of Entrepreneurs in Slovakia According to Legal Form and Size Group in 2012 (Basic file)

Legal Form	Total	Share of total companies	Share of young entrepreneurs to 34 years old	
			Total	in %
<b>Entrepreneurs – individuals</b>	<b>402 325</b>	<b>72,3%</b>	<b>112 967</b>	28,1%
- tradesman	375 722	67,6%	108 489	28,9%
- free enterprise	19 069	3,4%	3 920	20,6%
- independent farmer	7 534	1,4%	558	7,4%

Note: Company register of Statistic Bureau, processed by Slovak Business Agency.

We consider this survey for representative survey proving barriers in doing business of young entrepreneurs in Slovakia. According next *Table 1* young entrepreneurs in Slovakia have 28% share on total count of entrepreneurs in Slovakia. Also our sample was representative. We decided for random selection done through internet by online questionnaire (50%) and also personally by interview (50%). The online questionnaire was published at the website of the Association of Young Entrepreneurs so all of them had the chance to fill it.

We counted the size of representative sample. We realized with 95% of reliability of data, so we consider with sampling error +/- 5%. The minimum size of sample should be according counted according formula  $n = (1,96)^2 \times \sqrt{p \times (1 - p)} / 0,05^2$  where p is share of the sign. The size of our minimum sample size was 310 and real size of our sample was 324. Our sample was too closed with basic file in dividing by region and also by gender. According to Slovak Business Agency data, in the basic file there are 76.70% male and 23.30% female members. In our selection file, the numbers were very close – we had 64.20% men and 35.80% women.

Table 2. Regional Structure Comparison of Basic File and Sample in 2012 (selection file)

	Total respondents	% respondents	% companies	% companies
Bratislava	92	28,40%	34,70%	- 6,30%
Žilina	52	16,05%	9,40%	+ 6,65%
Prešov	38	11,73%	9,20%	+ 2,53%
Košice	37	11,42%	10,30%	+ 1,12%
Trenčín	34	10,49%	8,30%	+ 2,29%
Banská Bystrica	31	9,57%	8,80%	+ 0,77%
Nitra	21	6,48%	10,00%	- 3,52%
Trnava	19	5,86%	9,20%	- 3,34%

Note: Company distribution according to headquarters region.

Source: Slovak Business Agency.

Table 2 shows regional structure comparison of basic and selection files. In the column difference, we see the difference % between the selection and basic files, but in each category, it is smaller by 7%.

### ***1.1. Analysis of results and working alternative hypothesis***

We used for the analysis of percentage share table software Excel (Office, 2007) and its possibilities to process data using pivot tables. It was important to use tools of descriptive statistics (averages and percentages), more simply. For the analysis, we use the method comparison and deduction. Next used statistical method was Pearson's chi-square and P-value to identify statistical differences, which was done in statistical software R. They were our working hypothesis, which we wanted to verify. We will show only some problems from our research because of article length limits. These arguments we constructed using our experience and estimation. Our hypotheses were built on the assumption of different points of view between young entrepreneurs and potential young entrepreneurs and on differences between men and women.

### ***1.2. Working Alternative Hypothesis***

In our research paper, we prepared more alternative working hypotheses (H1 – H5) which we tried to verify using statistical methods. To each alternative hypothesis, there is also a null hypothesis that assumes there are no statistical verified differences between observed groups

*Null hypothesis*  $\pi_1 = \pi_2$  so  $\pi_1 - \pi_2 = 0$

*Alternative hypothesis*  $\pi_1 - \pi_2 \neq 0$

We prepared the five following alternative working hypotheses, which were done by expert estimate:

*Hypothesis 1:* Majority of young entrepreneurs started to do business without money or only with a small capital. Men had more capital available than women. We assume that young people usually don't have enough money to start their business, which is the reason why we expect that also the majority of young entrepreneurs start their business only with a small amount of capital. We think that the reason for men having more capital than women is because of women's bigger dependence. They are usually on maternity leave, so they are indirectly discriminated also in entrepreneurship. Furthermore, perhaps in business they are not as bold as men.

*Hypothesis 2:* There is dependence between the education level and the size of starting capital. We suppose that people with higher education are able to obtain larger starting capital amounts than people without education. Educated people are more informed and so also know about more possibilities of financing.

*Hypothesis 3:* Young entrepreneurs sense different lack of information in starting business as young people that are potential entrepreneurs. We suppose that there is the dependence of sensing the lack of information and status of people. Young people that are not entrepreneurs didn't have enough experiences and so their view is quite different.

*Hypothesis 4:* There is a dependence between a sense of importance of mentoring and financial resources and the fact if you are an entrepreneur or not. We suppose that for entrepreneurs mentoring is more important, because the right guidance is priceless.

*Hypothesis 5:* We suppose that there is a statistical dependence between sex and sense of importance of mentoring in starting a business. We assume that mentoring is more important for women and financial resources for men.

## 2. Discussion and Results

In this part, we talk about the results of our research and analyze coherence among selected factors which could influence doing business and obtaining finance for young entrepreneurs in Slovakia. In the previous part of the article we presented hypotheses, which we assumed in our research.

### 2.1. Young entrepreneurs and starting capital

*Each fifth young entrepreneur started to do business nearly without money*

Our alternative working hypothesis 1 in this part of research was: Majority of young entrepreneurs started to do business without money or only with a small capital. Men had more capital available than women. We assume that young people usually don't have enough money to start their business, which is the reason why we expect that also the majority of young entrepreneurs start their business only with a small amount of capital. We think that the reason for men having more capital than women is because of women's bigger dependence. They are usually on maternity leave, so they are indirectly discriminated also in entrepreneurship. Furthermore, perhaps in business they are not as bold as men. We supposed that people who are educated are clever and they are much more capable of obtaining needed finance than people without education or with lower education. So we expect that there is coherence between education and high starting capital.

Two thirds of young entrepreneurs started with their own capital and around 20% had a loan from their family. Only 8.64% used banking loan and one fifth started almost without money.

Table 3. Size of the Capital when Starting a Business (answers of young entrepreneurs)

The size of the capital to start a business	Men %	Women %	P-value
To 5,000 euro	72,60%	75,86%	0,6108
5,001 – 15,000 euro	21,15%	19,83%	0,889
15,001 euro and more	6,25%	4,31%	0,6328

*Source:* own research.

73.77% of asked entrepreneurs said they started their business with capital of up to 5,000 euros and one fifth said they started with capital from 5,001 to 15,000 euros. This implies that about 19 out of 20 young entrepreneurs started a business with capital of less than 15,000 euros. Young people with successful business experience had the most capital at the beginning – 38.60% had starting capital bigger than 5,000 euros.

We analyzed the coherence between sex and the size of starting capital. We reject the alternative H1 ( $\chi^2 = 0.67 < 6.0 = \chi^2_{0,05 \text{ with } 2 \text{ dgf}}^3$ ). When we examine the relation between the size of capital when starting a business and the degree of education we were able to verify dependence between this two factors ( $\chi^2 = 32.11 > 10.6 = \chi^2_{0,005 \text{ with } 2 \text{ dgf}}$ ). The dependence is significant at 0.5% level of significance, so alternative hypothesis 2 was verified.

<sup>3</sup> Degrees of freedom.

Entrepreneurs with higher education are able to obtain bigger starting capital than entrepreneurs without education. Educated people are more informed and so know about more possibilities of financing. Although most young entrepreneurs needed to start their business with less than 5,000 euros, they usually identify the deficit of the financial resources as the barrier in the business. Our findings show that when a young man with an entrepreneurial spirit decides to do business, the lack of funds is not such a big problem. Only 3 of 10 young entrepreneurs had as much seed capital as they needed.

## 2.2. Informational deficit at the start of doing business

We suppose that young entrepreneurs and also potential young entrepreneurs think that people don't have enough information – majority about obtaining financial resources and also about tax and insurance law. Our results show that when young entrepreneurs started the business, they mostly lacked information concerning obtaining financial resources 54,01%. Now potential young entrepreneurs feel they mostly lack information concerning managing employees and establishment of the business and administrative duties. So, their views are quite different.

Table 4. Lack of Information about Business in Group of Entrepreneurs and Potential Entrepreneurs

Answer – the lack of information	Entrepreneurs	Potential entrepreneurs	p-value
About obtaining financial resources	54,01%	36,34%	0,3935
About health and social insurance, accounting and laws	50,00%	29,85%	0,0347
About administrative duties of the entrepreneurs to the authorities	48,15%	31,94%	0,3449
About legal forms and establishment of the business	27,78%	31,39%	<u>p-value &lt; 0,01</u>
About doing business abroad	26,23%	22,25%	0,2248
How to manage the company and employees	24,38%	32,85%	<u>p-value &lt; 0,01</u>
About the business plan	23,77%	25,44%	<u>0.001877</u>

Source: own calculation.

We tried to count the chi-square to know the dependence of sense of lack of information between entrepreneurs and potential entrepreneurs when starting a business. At first glance, we see the differences between these two groups in *Table 4*, after taking chi-square ( $\chi^2 = 51.94 > 18.5 = \chi^2_{0,005 \text{ with } 6 \text{ dgf.}}$ ) we verify alternative H 3 – there is the dependence which is statistically significant at 0.5% level of significance. In the case of information on legal forms and establishment of the business, how to manage company and employees and about business plan – the biggest differences are between young entrepreneurs and potential entrepreneurs (p-value > 0.05).

## 2.3. What is more important – financial resources or mentoring?

Financial resources are more important for young entrepreneurs than mentoring. However, we think that deficiency of financial resources is the bigger problem of young entrepreneurs; we assume that financial capital is more important for them than mentoring is.



When we compare the group of entrepreneurs and potential entrepreneurs, we can say that a larger number of young entrepreneurs think that finance is more important than mentoring, than potential entrepreneurs. So are the views of these two groups same or different? Who's opinion is more realistic? Are there differences between men and women? These were our research questions.

*Differences between young people and entrepreneurs*

Figure 1 shows the answer to what is more important for young businessmen. Financial resources or mentoring? 74% – three thirds of young entrepreneurs think that mentoring is more important than financial resources. In second group, the results are different – only two thirds of young people think that mentoring is more important for the entrepreneurs than financial resources. These results show that financial resources are not everything, young entrepreneurs often don't have enough experience.

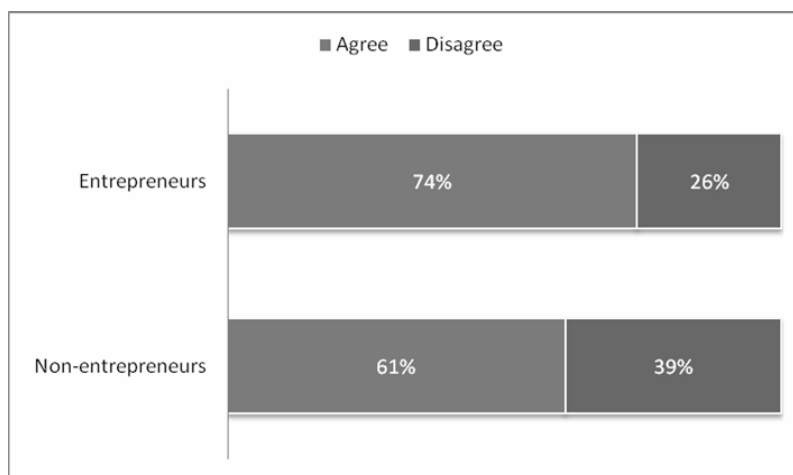


Figure 1. Mentoring is more important than financial resources

Source: own research.

We see the difference between these two groups. The value of chi-square ( $\chi^2 = 17.78 > 7.9 = \chi^2_{0,005 \text{ with } 1 \text{ dgf.}}$ ) verifies alternative working H 4 – there is dependence which is statistically significant at 0.5% level of significance.

*Differences between men and women*

Nearly three thirds of respondents think that for a young entrepreneur, mentoring is more important than financial resources. We see the results from segment in Table 5. Differences between men and women are quite different. More women think that mentoring is more important than financial resources. We try to take chi-square to know if there is statistically significant dependence. Chi-square has the following value  $\chi^2 = 10.76 > 7.9 = \chi^2_{0,005 \text{ with } 1 \text{ dgf.}}$ . We verify alternative H5 – there is dependence which is statistically significant at a 0.5% level of significance.

Table 5. Is Mentoring For Young Entrepreneur More Important Than Financial Resources?

Answer	Men in %	Women in %	P-value
yes	67,79%	84,48%	<u>0,01671</u>
not	32,21%	15,52%	<u>0,01671</u>

Source: own calculation.

Young entrepreneurs are aware of the importance of mentoring in the early times of doing business. In our research, they reviewed consulting programs of the National Agency for Development of Small and Medium-sized Enterprises and it does not seem that they are interested in mentoring and counselling as well.

#### ***2.4. Barriers in obtaining financial resources in doing business from the viewpoint of young entrepreneurs***

The aim of our research was also to identify the main barriers in starting a business and also problems of young entrepreneurs. We found these barriers of young entrepreneurs as the most important:

- lack of financial resources 77.64%;
- lack of experience, knowledge and professional contacts 71.70%.

These two barriers are the most important. They identify mentoring as more important than financial resources; however, in this part, they indicate financial resources as the most important barrier. Behind them, there is a lack of state grants (42.18%) and corruption (41.96% – a significant percentage). The fifth biggest barrier was the state of the economy (39.9%) and high tax and insurance costs (36.56%) and often law changes (36.01%).

Men and women see as the biggest barrier as the lack of capital at the start. Women perceive law enforcement more positively than men, but are worried about the impact of the economic crisis and they think that young people are often prevented due to lack of experience from starting a business. According to the education level, lack of contacts is perceived as a barrier by 10% of graduated entrepreneurs, but only 15% of respondents with primary education. For the majority of young people, deficit of capital is the biggest barrier in starting their own business, but additionally 41% of them are lacking a good business idea. They don't have the education and professional experiences, but also they don't know how to navigate in the laws.

We see differences between entrepreneurs and young people. Entrepreneurs have some experiences; they have just started a business and so have more realistic views and know that missing capital is not the sole problem.

#### **Conclusion – Suggestions and Recommendations**

From our research we have identified specific barriers related to young entrepreneurs. As the biggest barrier was marked the lack of starting capital in 77,64% of respondents, then lack of experience and contacts 71,7%, lack of state financial support in 42,18% and corruption in 41,96%. These barriers were identified during our research in 2011, but they were declared also in previous research done in Slovakia (Solík and Jakubec, 2006, Majková, 2008, SOPK, 2008 and 2009, NADSME). Other, also significant, barriers are often changes in tax and accounting laws 36% and high administrative burdens 26.9%.

During the last 5 years, our entrepreneurs fight with still the same barriers. However, although the Slovak government declared many measures to improve the conditions for doing business, entrepreneurs feel still many problems. We are not able to decrease administrative burdens to the required level. They often make changes in tax and accounting laws and instead of supporting small and medium-sized companies, the government measures complicate their lives.

What were our scientific findings?

1. There are not statistically significant differences between male and female entrepreneurs and the size of starting capital for business. However, we assume there are differences, we don't verify the alternative hypothesis 1.

2. When we examined the relation between the size of the capital to start a business and the degree of education, we verified dependence between these two factors, alternative hypothesis 2 is statistically verified. Entrepreneurs with higher education are able to obtain bigger starting capital than entrepreneurs without education. Educated people are more informed and so know about more possibilities of financing.
3. There are statistical significant differences between entrepreneurs and potential entrepreneurs and lack of needed information for business. Potential entrepreneurs had statistically significantly less information about the legal forms and establishment of the business, how to manage company and employees and about the business plan even if they were interested in it.
4. We tried to examine what is more important for young businessmen. Financial resources or mentoring? We wanted to know if there are different points of view between young entrepreneurs and potential entrepreneurs. As the results show, young entrepreneurs think statistically significantly more often that mentoring is more important for business than the financial resources as potential entrepreneurs.
5. The last observed issue was the differences between gender and preferring financial resources or mentoring. Female entrepreneurs statistically significantly often consider mentoring as more important than financial resources than male entrepreneurs.

Small Slovak companies are usually financed by traditional finance as a bank loan or leasing and they don't know about resources such as venture capital as noted by Majkova (2009) in her research. Zinecker and Rajchlova (2013) analyzed venture capital in Czech Republic – a country comparable with Slovakia. Both countries have also problems with a non-existing private equity institutional market. Even if this financial resource is interesting because of a decrease in company indebtedness and additional know-how and finance, it is still not enough compared to small companies in this region.

What about our suggestions to make the situation better? We would like to bring some proposals especially to make business for young entrepreneurs easier. It is too complicated in the current times of crisis, but we prepared after constructive debate of authors of research a summary below. For better understanding, we have made a table with the chosen problems and proposals of solution – all of them are specific for the Slovak market.

Table 6. Identification of Key Barriers for Young Entrepreneurs and Proposals of Solutions

Problem	Solution	Key attributes of proposal
Lack of Access to micro capital in 5,000, resp. 15,000 euros	Supporting schemes with the accent on microfinance or guarantee schemes with participation of private sector	<ul style="list-style-type: none"> <li>○ amounts to 5,000 €,</li> <li>○ low bureaucracy,</li> <li>○ on-line agreement process,</li> <li>○ low interest rate.</li> </ul>
Lack of capital for innovative and venture projects	Support of business angels nets	<ul style="list-style-type: none"> <li>○ support information about this financial resource,</li> <li>○ guidance about this type of finance,</li> <li>○ support the activities of regional nets,</li> <li>○ presentation of successful stories.</li> </ul>
Lack of preparedness for business (missing contacts, exchange of experiences and mentoring)	Correction of existing support state guidance programs	<ul style="list-style-type: none"> <li>○ orientation for long-term guidance and education during the first three years of business,</li> <li>○ mentoring,</li> <li>○ business coaching,</li> </ul>

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	Support of co-working centres in regions of Slovakia	<ul style="list-style-type: none"><li>○ changes of information between young entrepreneurs and coaches or other companies,</li><li>○ higher concentration of young people.</li></ul>
Problems in obtaining and maintenance of contacts abroad (key problem in international business)	Support of business missions of young entrepreneurs	<ul style="list-style-type: none"><li>○ effective presentation of products on foreign exhibitions and markets.</li></ul>
Lack of information concerning start and development of financial support for young entrepreneurs	Increasing information about services for young entrepreneurs	<ul style="list-style-type: none"><li>○ coordination of support of NADSME and first contact centres and companies,</li><li>○ support of information changes through internet and also personally.</li></ul>

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Source: own research.

How were the problems with SME financing solving abroad? Lee and Tai (2010) analyzed drivers of the development of entrepreneurship and small business in Kazakhstan. They inform as the most important:

- increasing credit availability,
- support from international organizations,
- improving the business environment, and
- fast economic growth and increasing the portion of self-employed population.

How to solve other problems such as corruption, administrative burdens and often changes in tax and accounting laws? This topic is too complicated to solve in one article. Solving of these problems is dependent on government, but now in times of crisis, a decreasing in the state finance deficit is at the top of the list in terms of government goals. They only see the ways in which to increase state revenues and state support of small and medium-sized enterprises and young entrepreneurs is not in the centre of attention for the government. Repetitive scandals with corruption in great numbers, often changes in tax law and high administrative burdens indicate a weak political will to change a situation which doesn't look too positive.

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