

# FEMALE ENTREPRENEURSHIP – AS POTENTIAL BENEFIT TO THE ECONOMIC DEVELOPMENT OF SERBIA

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**ABSTRACT** - A serious social crisis, especially in an economic sphere, creates the need to reassess all social values and possibilities, including the status and role of women in Serbian society, economy, and the possibilities of their benefit to the overall development. The results of recent research indicate that gender differences contribute to more successful business of enterprises and that female entrepreneurship is increasingly recognized as underdeveloped and untapped potential for economic growth. Statistical data show that the share of female enterprises in the total number of SMEs in Serbia is about 26%. The main findings of the research on student attitudes towards entrepreneurship indicate that: women still prefer well-paid jobs to their own businesses, a key motive of women for setting up their own business is a desire for independence, and their major constraint is a lack of material resources. Women consider that crucial competencies for setting up a business are developing an entrepreneurial spirit and creative thinking, while more than two thirds of women would develop their business in the field of services and education. The basic messages of the paper are focused in two directions: firstly, it is necessary that the state defines a set of regulatory measures in order to create a business environment for faster growth of female entrepreneurship in Serbia, considering the current state of the SME sector and additional limitations caused by the economic crisis; and secondly, it is necessary to make a relevant and thorough analysis of female entrepreneurship in order to monitor its development and provide an adequate mechanism for its encouragement.

**Key words:** entrepreneurship, female entrepreneurship, gender equality, business environment, competitiveness of SMEs

## 1. INTRODUCTION

In developed economies entrepreneurship is the backbone of economic and overall social development. Like other countries in transition and neighboring countries, Serbia has recognized the importance of entrepreneurship, and it has provided greater support to its development since 2000. One possible aspect of development, which was recognized as an important and untapped potential for economic growth only in the last decade of the last century, is the development of female entrepreneurship. The results of recent research indicate that gender differences contribute to more successful business of enterprises and that female entrepreneurship is increasingly recognized as underdeveloped and untapped potential for economic growth. This paper is intended not only to show general indicators, but also student attitudes towards entrepreneurship.

During transitional period from 2000 to 2010, Serbia completed the first and second phase of transition towards market economy. A number of market reforms were made; macroeconomic stability was achieved with a high rate of economic growth; most of (public) enterprises were privatized; the process of joining EU was started alongside adapting numerous laws and other adjustments. The growth model, which was based on national demand, the inflow of foreign capital and growth of the service sector for most of the decade, was abandoned with the advent of the global economic crisis at the end of 2008 and their effects in 2009. Since 2010 a new growth model has been based on foreign demand, an increase in investments and a decrease in public expenditure, strengthening of the industrial sector alongside the development of the service sector. Apart from privatization and direct foreign investments, the SME sector has been recognized as an engine for economic development. The strategy for the development of competitive and innovative small and medium enterprises from 2008 to 2013 represented a thorough continuous procedure for monitoring this

## 2. ENTREPRENEURSHIP IN SERBIA

### 2.1. Macroeconomic environment

sector in Serbia, and 29 different institutions participated in the Action plan for implementing this Strategy (Jakopin, 2011).

## 2.2. SME indicators and state

The level of competitiveness of the SME sector of Serbia considerably lags behind the average of Europe and most comparable countries, which is indicated by a comparative analysis of business indicators. Qualitative indicators of the level of development of this sector are lower in comparison with the average of the EU and most observed countries (employment per an enterprise, turnover, GDP, and profit per an employee). The average rate of return is above average, which is the result of a low starting base, not expansion or increased level of internationalization of the sector. Relative lagging of Serbia in implementing structural reforms causes a large share of the SME sector in basic business indicators for economy. The global economic crisis has further deepened existing development problems, especially restructuring of large economic systems. Serbian Business Registers Agency (SBRA) maintains the most important and most complete database of enterprises in Serbia classifying them as companies and entrepreneurs, while the category of micro enterprises is not recognized by official legislative. Some relevant data can be found in SBRA Report on business of RS economy in 2011. However, the data include both private and public sectors, and they are not gender-sensitive. In 2011, the entrepreneurial sector accounted for 99.8% of 319,044 companies, that is, 318,540 enterprises. The SME sector generated 66.4% of employees or 814,585, 65.3% of turnover or RSD 4,678 billion. Moreover, the SME sector provided 45.4% of the total employment, 43.9% of the total investments, achieved 44.5% of export, 52.3% of import, generated 63.3% of foreign trade deficit of Serbian economy and accounted for about 33% of gross domestic product. The structure of the SME sector consisted mostly of micro companies, which totalled 306,669, while small and medium companies totalled 11,871.

Apart from problems of institutional nature and insolvency, the state of the SME sector has for many years been characterized by: inadequate tax system, long deadlines for collection of receivables, high interests on credits, incomplete reform of old regulations, unreformed inspection service, managerial staff insufficiently educated to work under new crisis conditions. Moreover, a lack of working capital, modern technologies, and knowledge of how foreign trade functions in large markets such as the EU, North America, etc. represents a serious barrier to the development of the SME sector (Jakopin, 2011).

## 2.3. An impact of economic crisis on business and competitiveness of SMEs

The global economic crisis has further deepened existing development problems, especially restructuring of large economic systems. Effects of recession (a decrease in national and foreign demand, investments, an increase in risk and costs for investments, as well as fear of failure) have had a negative influence on business of economic subjects. Healthy entrepreneurial dynamics from previous years have been violated (slow establishing, growth and development; fast closure); hence, a number of operations have been decreased, while a number of enterprises have stagnated. The results of GEM (Global Entrepreneurship Monitor) research on different aspects of entrepreneurial activity in 2009 indicate the negative effects of the crisis on entrepreneurial climate in Serbia - a decrease in start-ups and new entrepreneurs, which has significantly limited the possibilities for opening new job positions and for the growth of productivity. Medium enterprises were hit by crisis especially in 2010, due to slower adapting to new circumstances. This had substantial impact on the total results achieved within the SME sector, which become more indebted and dependent on external sources of funding, just like in neighboring countries.

SME competitiveness - According to the research of the World Economic Forum, Serbia is one of the least competitive countries on European continent - only Bosnia and Herzegovina is ranked lower. Reasons for uncompetitiveness of Serbian economy are its slow modernization and restructuring. One of the most important features of competitiveness is investing in education, because success and development of both enterprise and country depend on intellectual potential they have (Jakopin, 2011).

## 2.4. Development of entrepreneurship in Serbia

The development of the SME sector is one of the key factors in the process of European integration of the Republic of Serbia. SMEs are an important source of business relations with other European countries and considerably assist the integration process of Serbia into a broader European economic framework. The EU gives special attention to the development of SMEs, and therefore in June 2008, the EC adopted a special document named the "Small Business Act" for Europe which defines principles and actions for operating in the SME sector in the EU countries. Recommendations of the EU Council of Ministers for further development of SME policy refer primarily to the implementation of the principle of European Charter for Small Enterprises and the decrease in administrative barriers for SME business (Council of Ministers, 1999).

The National Programme for the Integration of Serbia into the EU (further in the text referred to as NPI), which is based on the guidelines of the EC, defines development and strategic goals, and on the other hand, politics, reforms and measures needed for achieving the goals. Moreover, it specifies a detailed plan, time framework and priorities of the

adoption of legislation. By the end of 2014, it is expected that the Government of the Republic of Serbia adopts the Strategy for encouraging entrepreneurship for the period from 2014 to 2020, as well as the Action plan for the development of business environment, which will correspond to IPA budgeting. The Strategy should, among other measures, define incentives for social and female entrepreneurship.

After signing the Association Agreement with the EU, economic progress and development of the Republic of Serbia require the development of competitive economy based on knowledge, new technologies, and innovation. In achieving this goal, entrepreneurship is expected to significantly contribute to general economic development.

### 3. FEMALE ENTREPRENEURSHIP

#### 3.1. Female entrepreneurship as economic potential

A serious social crisis, especially in an economic sphere, creates a need to reassess all social values and possibilities, including the status and role of women in Serbian society, economy, and the possibilities of their benefit to the overall development.

The annual report of Statistical Office of the Republic of Serbia (SORS) for 2012 states that 1.34 million employees out of the total of 1.73 million were employed in companies, and women accounted for 626,000. There were 385,934 entrepreneurs including the employees, and women accounted for 171 thousand. An increasing number of the unemployed resulted in the unemployment rate being at an all-time high of 25.4%. According to the official data of the National Employment Agency, in October 2012, the unemployment rate was 21.5% for men and 23.7% for women. Twice as many men as women were self-employed. According to the SORS Survey on labour force aged from 15 to 64, 28% of men are self-employed, while self-employed women account for 14%. With regard to agriculture, 28% of farms are owned by women. However, they account for only 23% of all individual farmers and 71% of auxiliary members in agriculture. According to available information from different sources, it is clear that economic potential of women in Serbia is not sufficiently tapped either as business owners or as labour force. Some research from 2009 states that 14.9% of employed women aged between 15 and 49 were self-employed, comparing to 7.9% in 2007. This clearly illustrates an increase in the number of female entrepreneurs, but the reasons and motives for their decision to set up their own business have not been documented in any official documents. Moreover, women are rarely at key management positions; women hold only 14% of positions in management boards. Therefore, it is not surprising that only 1/4 of enterprise could be classified as female enterprises. When setting up their own business, women tend to choose sole traders rather than companies. Also, they are more often sole proprietors than men. On

the other hand, the percentage of closed enterprises is higher for women than for men, especially during the first five years from setting up - 47% of enterprises owned and run by women and 38% of ones owned and run by men. Gender differences exist in sector orientation as well. Women are more involved in service and trade sectors, while men tend to be in transport and construction sectors. Namely, 80.4% of sole traders and companies owned by women are in service sector, while 70% of transport and construction sector is owned by men. Within the service sector, most female enterprises are in the field of administration, IT and finance (Employers federation of Serbia, 2013).

Regional differences can be identified in several aspects. Entrepreneurs outside Belgrade, both men and women, are less likely to choose a company than a sole trader as a legal form of company. Women outside Belgrade even harder take up managerial positions in enterprises. Moreover, sector structures differ between Belgrade and other regions: female entrepreneurs outside Belgrade are slightly more likely to set up a business in the industry sector, to develop business in the trade sector, while women from Belgrade are more likely to set up a business in IT, consultation and finance sectors. Considering persons with disabilities, in the area of employment and labour relations, it is prohibited to discriminate on the grounds of disability and gender. Unfortunately, awareness level is low and there are prejudices against persons with disabilities in general that they are unproductive people who cannot work, and double prejudices against women with disabilities.

#### 3.2. Why female entrepreneurship

This chapter presents the findings of the research conducted at the College of Professional Studies in Management and Business Communications (MPK), Sremski Karlovci, on student attitudes towards entrepreneurship in Serbia, with special focus on identifying differences in attitudes based on students' gender. Methodology used for the research on student attitudes towards entrepreneurship included a questionnaire, survey, deep interviews, focus groups, and analysis of data and relevant documents.

Some previous findings about gender differences between men and women in almost all economic categories were confirmed in this research. Regarding the choice of job profile, both men and women generally want a safe job regardless of the salary level (Table 1).

Table 1. What kind of job do you want in your further career?

Answers	Men (in %)	Women (in %)
Self-employed, "to be my own boss"	36	30
Safe, regardless of the salary	38	43
Less safe, but well paid job	26	27

Source: The research, Entrepreneurship and student population, Kalinić M., (2013), MPK

However, a much higher percentage of women give preference to safe jobs regardless of the salary (43%) than to their own business (30%), while these differences are much slighter for men, almost imperceptible. Namely, 38% of men would give preference to a safe job, while 36% would have their own business. Men are more often thinking about setting up their own business in the next 5-6 years (Table 2). 39% of men and 31% of women are planning their own business in the years to come in comparison with 63% of women and 52% of men who are not. Regarding business ownership within student population, men are more often business owners - 9% of male students have already had their own business compared to 6% of female students.

Table 2. Are you planning to set up your own business in the next 5-6 years?

Answers	Men (in %)	Women (in %)
Yes	39	31
No	52	63
I have already had my own business	9	6

Source: The research, Entrepreneurship and student population, Kalinić M., (2013), MPK

Generally for both men and women, the key factor for not setting up their own business in the years to come is a lack of financial resources. This is the key factor for 56% of women and 48% of men. Other common reasons for men are a serious business risk (22%) and uncertainty of success and profit (17%), while for women they are unfavourable business environment (20%) and uncertainty of success and profit (24%). Priority motives for which students want to be engaged in entrepreneurship are the possibility of high profits (38% of men and 27% of women), business independence (33% of men and 30% of women), desire for challenges, that is, creative and dynamic jobs (16% of men and 15% of women).

Key knowledge, skills and competencies that students want to acquire and which they find important for setting up their own business are the development of entrepreneurial spirit and their creativity. This is the key factor for 48% of men and 43% of women. In addition, the improvement of communication skills is important for 41% of women and 33% of men. Acquiring technical knowledge, skills and professional "tools" are equally important for 18% of men and 16% of women. Men and women equally expressed their desire to form the habit of life long learning. Industries in which men would prefer to develop future business are: agriculture (45%), trade (33%) and services (12%). Women would like to develop their business in services (39%), education (32%), and agriculture (21%). 10% of men would develop their business in IT compared to an almost insignificant number of women.

The priority for most students, both male and female, is not to be well-paid, but to have a safe job or their own business. Women more often opt

for safe employment than men, while men more often opt for their own business. More men than women are planning to start their own business in the next 5-6 years. Regarding factors which discourage entrepreneurship, women are more often than men discouraged by a lack of financial resources and insufficient knowledge and skills for running a business. The key motive for entrepreneurship for men is the possibility of high profits, while for women it is the desire for independence. Regarding knowledge, skills and competencies they want to primarily acquire, both men and women would like to develop entrepreneurial spirit and creativity. More than two thirds of men would develop their business in agriculture and trade compared to two thirds of women who would develop business in services and education (Kalinić, 2013).

#### 4. SUPPORT FOR THE DEVELOPMENT OF FEMALE ENTREPRENEURSHIP

In the Republic of Serbia, starting one's own business is still not recognized enough as a basic way for increasing employment and encouraging economic development. Promotion and support of entrepreneurship and establishing new enterprises should be created at the national level, and the process of implementation should be set up at local and other levels. In order to encourage the development of competitiveness and innovation of entrepreneurship and SMEs, it is necessary to improve support quality (training, consulting service and information), to provide Serbia with an opportunity to compete in an international market and increase the share of export in foreign trade.

Within systematic support for the SME sector and innovation development, the Government introduced the Regulation on defining the Programme of the standardized set of services for small and medium enterprises and entrepreneurs in 2013. The Programme is implemented by the Ministry of Finance and Economy in cooperation with the National Agency for Regional Development through accredited regional development agencies (ARRA). Specific goals are the improvement of productivity, innovation and competitiveness; enhancement of existing products and services and introduction of new ones; improvement of internationalization and the increase of employment in SMEs. The services planned within this programme are free of charge for prospective and existing small and medium enterprises, entrepreneurs and cooperatives, and they are grouped into 4 areas: providing information related to starting a business; various educational trainings and courses; consulting; and creation of marketing plans and promotions. However, there is little of reference to female entrepreneurship as usual, and therefore such an approach cannot be considered encouraging for the future period.

The Strategy for encouraging the development of entrepreneurship in the period 2014-2020, which should be adopted by the Government of Serbia by the end of 2014, should be of the greatest direct importance for the development of female entrepreneurship. This strategy essentially draws on the

framework and recommendations defined in the European Union in various documents, such as the Small Business Act for Europe, 2008, etc. One of the key principles emphasized in the Small Business Act for Europe is a commitment to encourage entrepreneurship among women, as well as to simplify the procedures and provide more favourable conditions for the development of entrepreneurship among women. Although the Strategy for the development of competitive and innovative small and medium enterprises has recognized the significance of female entrepreneurship, and it has incorporated its encouragement and development in its priority areas and goals, this commitment is not defined by a specific action plan for female entrepreneurship. It is necessary that the Strategy defines a unique Platform for support for female entrepreneurship. Various associations of business women, headed by the Association of Business Women in Serbia, have started an initiative for its introduction.

Entrepreneurial education is an important link in the system of support, development and promotion of small and medium enterprises. The importance of entrepreneurial education can be viewed through an analysis of strategic documents aimed at supporting the SME sector, which consist of the Development Strategy of Competitive and Innovative Small and Medium Enterprises, the EU Small Business Act (earlier: Charter for Small and Medium Enterprises) and the Oslo Agenda. All three strategic documents underline the importance of entrepreneurial education for the creation of an environment which will be encouraging for the development of SMEs. Entrepreneurial education is not only significant for small and medium enterprises. The European document "Education and training 2020" states that entrepreneurial competency is one of key competencies which the individual need to acquire in order to be a part of modern life and work. Accordingly, the significance of entrepreneurial education for female entrepreneurship should be viewed from a wider perspective. It does not contribute only to better prospects for economic development and to creating new jobs, but also to strengthening human capital and to personal, social and professional development of the individual and enabling them for life in the modern world (Kikinda Chamber of Commerce, 2006).

## 5. CONCLUSION

In developed economies of the world (the USA, the EU countries, China, Japan), entrepreneurship is an engine of economic development, and female entrepreneurship has been recognized as its significant factor. Among neighbouring countries, female entrepreneurship is most developed in Slovenia, and then in Croatia, where women have made important business moves (Glas, Petrin, 1998).

Entrepreneurship in Serbia has developed in a relatively short period and without adequate regulative and real continuity. Female entrepreneurship has developed during all these years under even worse conditions marked by an established patriarchal regime and general state of economy. Nevertheless, women are increasingly starting businesses and run-

ning companies with more success. Statistical data show that female enterprises account for about 26% of the total number of SMEs in Serbia. Women are rarely at key management positions in enterprises - women are directors or CEOs in only 22% of legal persons, and women hold only 14% of positions in management boards. Moreover, women earn considerably less in enterprises than men with the same education level.

The research on student attitudes towards entrepreneurship indicate that: women still prefer well paid jobs to their own businesses, a key motive of women for setting up their own business is a desire for independence, and their major constraint is a lack of material resources. Women consider that crucial competencies for setting up a business are developing an entrepreneurial spirit and creative thinking, while more than two thirds of women would develop their business in the field of services and education.

Considering the current state of the SME sector and additional limitations caused by the economic crisis, it is necessary that the state defines a set of regulatory measures in order to create conditions for faster growth of female entrepreneurship in Serbia as well as additional encouraging mechanisms for female entrepreneurs to set up production and services and to prevent the decline in employment.

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