

FINANCING START - UP ENTREPRENEURS AND ESTABLISHED VENTURES – EVIDENCE FROM POST - SOCIALISTIC COUNTRIES

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ABSTRACT

Purpose. *Our research includes start-ups and established ventures from developing and developed countries. We examine the main financial barriers entrepreneurs face and the main financial sources they use. Further, we investigate if financial barriers and access to financial sources are related to the demographic characteristics of entrepreneurs. Our aim is to give an empirical contribution to the research of entrepreneurship in the economies of Serbia and Slovenia as there is no recent empirical research available. We also tend to give a theoretical contribution to the theories of financing entrepreneurship.*

Design/Methodology/Approach. *We use survey data from 631 entrepreneurs from Serbia and Slovenia. Data was collected in 2021. Quantitative methods that are used in the research include descriptive statistics, t-test and ANOVA, and correlation.*

Findings and implications. *Our main findings show that the financing of entrepreneurs in examined countries is not in accordance with the Pecking order theory. Our results show that the main issues for entrepreneurs in examined countries are insignificant Government support, complex bureaucratic procedures, and strict tax regulations. As the main financial obstacle, entrepreneurs see insufficient Government support. Finally, we conclude that the relationship between demographic characteristics of entrepreneurs and their access to capital is not strong; the Upper Echelons theory is not confirmed in this case. However, the Upper Echelons theory is partially confirmed in terms of the relationship between demographic factors of gender, education, and size and entrepreneurs' perceptions of financial barriers. The main recommendation is addressed to Government bodies; as in both countries, inefficient Government support is seen as the main issue and financial obstacle for entrepreneurs.*

Limitations. *Our research is based on a small sample and data from only two countries. Empirical recommendations for future research refer to investigating more countries of different developing levels and using a larger sample. In terms of the demographic characteristics of entrepreneurs and their influence on financial sources, future researchers may investigate a larger variety of demographic characteristics and how they influence entrepreneur's financial decisions in different conditions.*

Originality. *The research is focused on entrepreneurial activities in two countries of different development levels. There is scarce research on entrepreneurial barriers and finance access for entrepreneurs in this context, leading to a huge literature gap. Theoretical contribution lies in the testing of specific theories of entrepreneurial finance in the specific context of developing and developed countries, which are both post-socialistic economies.*

1. INTRODUCTION

Of special interest to many entrepreneurship and finance researchers are capital structures, as evidenced by the large and growing number of studies in the field. The financing issue is of high interest to researchers of entrepreneurship. Many researchers have investigated the financing of entrepreneurship with the aim of finding some regularities or order in which they are using financial sources. Some researchers focus on specific theoretical backgrounds in testing the financing of entrepreneurs in specific environmental conditions, such as the Pecking order theory. However, some of them focused on the financial barriers entrepreneurs face, using different approaches, from the angle of entrepreneurs or from the macro level. Entrepreneurship is very scarcely investigated in developing countries, mainly due to the lack of data available for a recent period of time, and the majority of researchers focus on developed countries.

In our research, we examine what are the most used financial sources by entrepreneurs, the main financial barriers for entrepreneurs, and if the demographic characteristics of entrepreneurs have an impact on the financial sources they use and the barriers they face. There is a literature gap related to investigating entrepreneurship in countries/regions of different developing levels. Current research about entrepreneurship is mainly oriented toward developed countries and less toward developing transitional, emerging, and undeveloped countries. The theoretical gap is related to a lack of theoretical background that may explain the financing of entrepreneurship in the current era of digitalization. As new research shows, entrepreneurs give advance to venture capital, crowdfunding, and private equity rather than to bank loans. However, these new findings have to be evaluated or empirically verified on the newest data to fill the empirical gap. The empirical gap is also related to the lack of new data about financing entrepreneurship in these two countries, as previous research was done a long time ago, and the results are not conclusive. We make an empirical contribution to research that investigates entrepreneurship in post-social countries, ex-Yugoslavia countries, transitional and developed economies, and EU and non-EU countries. Likewise, we give a theoretical contribution to theories of entrepreneurship and financing entrepreneurship, in first place Pecking order theory and Upper Echelons theory.

The significance of this paper is that it provides information to researchers, entrepreneurs, SMEs, governments, financing institutions, and current or potential investors to gain a deeper understanding of entrepreneurial activities. The significance also lies in providing a framework for future research on access to finance, barriers, and gaps for entrepreneurs in these two countries. Further research may include larger samples, detect new barriers and gaps, give new solutions to examined barriers and new policy recommendations, and provide relevant theoretical contributions.

2. THEORETICAL BACKGROUND

In our research, we start from the theoretical background of two theories: the Pecking Order Theory and The Upper Echelons theory. The Pecking order theory was established by Stewart Myers and Nicolas Majluf in 1984. The theory states that entrepreneurs display a specific preference for financial sources to fund business operations and investment opportunities. First, entrepreneurs prefer their retained earnings, after which they tend to use debt sources. Equity financing is the least desirable for entrepreneurs due to the high costs. The theory explains it from the phenomenon of information asymmetry. We want to investigate if the given order is applicable to financing entrepreneurship in the current era of digitalization. We expect that the theory will not be fully applicable in current conditions where digital financial sources such as crowdfunding tend to replace traditional ones.

The Upper Echelons theory is a management theory published by Donald C. Hambrick and P. Mason in 1984. The theory states that managerial personal and demographic characteristics may predict a firm's outcomes. The theory is applicable in the field of entrepreneurship by explaining the influence of entrepreneurial personal and demographic characteristics on a firm's performance on different levels of entrepreneurship. We want to test if specific demographic characteristics of entrepreneurs may affect their financial perceptions and preferences in the current period.

3. PROBLEM STATEMENT AND OBJECTIVES

The main subject of this paper is financing start-ups and established ventures in the economies of Serbia and Slovenia. The main aim is to explain the order of using financial sources for entrepreneurs. The second aim is to explain if the specific demographic characteristics of entrepreneurs may explain their perceptions of financial issues and their usage of financial sources. The main contribution of the research is the theoretical contribution to the theories of entrepreneurship - Pecking order theory and Upper Echelons theory. The second significant contribution is in providing new empirical data for entrepreneurship research in examined countries.

The hypotheses we set in our research are:

H1: Entrepreneurs in Serbia and Slovenia give advantage to alternative financial sources rather than bank loans.

In our research, we use the term alternative financial sources for venture capital, private equity, and crowdfunding, which entrepreneurs have aggressively used in the last few years. They have many advantages in comparison to traditional financial sources, such as bank loans. They may be less expensive and have less strict requirements for bank loans. We want to test if the Pecking order theory is

an applicable theoretical base for the problem of financing entrepreneurship in examined countries in the current period.

H2: There are significant differences between entrepreneurs of different groups (divided by age, gender, education, economic sector, size, and operating period) in terms of perceiving the main barrier and main financial barrier for entrepreneurs in Serbia and Slovenia.

Based on Upper Echelons theory, the characteristics of entrepreneurs affect the barriers they face when operating. We want to investigate several demographic factors and find out if they affect the financial obstacles entrepreneurs have.

H3: There is a strong positive relationship between specific characteristics of entrepreneurs (age, gender, and education) and their access to specific financial sources (venture capital, crowdfunding, bank loans, private equity) in Serbia and Slovenia.

Based on Upper Echelons theory, the characteristics of entrepreneurs may affect their access to finance. We will investigate if educational level may affect the usage of these financial sources. Likewise, we will investigate if age and gender may affect the usage of the same financial sources.

4. LITERATURE REVIEW

Similar to the research of Ovaska and Sobel (2005), we investigate entrepreneurship in post-social economies, which moved from socialism to capitalism's free market. Similar to the research of Bobera and others (2014), we investigate entrepreneurial activities in two different countries that were part of the same country and, therefore, share their historical past. Just as the research of Antoncic and Scarlat (2005), we investigate entrepreneurial activities in EU and non-EU countries. Lepojević et al. (2016) investigated the contribution of entrepreneurship to economic development in developed and developing countries. In our research, we also examine developing and developed countries.

The approach to investigating financial barriers to entrepreneurs is different. Some authors were investigating how environmental and business conditions affect entrepreneurs and cause them to have difficulties in providing financial sources. On the other hand, some authors were investigating how the characteristics of entrepreneurs cause financial barriers they face. Kerr and Nanda (2009) reviewed two major streams of work examining the relevance of financing constraints for entrepreneurship. The first research stream considers the impact of financial market development on entrepreneurship. These papers usually employ variations across regions to examine how differences in observable characteristics of financial sectors relate to entrepreneurs' access to finance. The second stream employs variations across individuals to examine how propensities to start new businesses related to personal wealth or recent changes therein. Kwong et al. (2012)

investigated entrepreneur's access to finance in the UK. The study examined whether differences in entrepreneur's gender cause the difference in obtaining external finance. The study examined whether pure gender affects these financial issues for entrepreneurs or whether the interaction of gender with demographic, economic, and perceptual characteristics plays the most important role in the perception of financial constraint. The findings from this study showed that a greater proportion of women are constrained by financial barriers than their male counterparts. Xiao-Hong et al. (2013) investigated the influence of the demographic traits of entrepreneurs on the financing constraints of SMEs in China. The results from this study show that different demographic traits of entrepreneurs have different effects on the financing constraints of SMEs. Specifically, the education and title of entrepreneurs have a positive impact on easing the financing constraints of SMEs; meanwhile, the age and tenure of entrepreneurs have a significant U-shaped impact, but female entrepreneurs have a negative impact instead.

Much research focuses on alternative ways of financing, such as venture capital, business angels, private equity funds, and crowdfunding. Guidici et al. (2012) were investigating crowdfunding as a new frontier for financing entrepreneurship. They investigated existing theoretical knowledge about crowdfunding and made a comparison with other financial sources. Based on prior research on entrepreneur financing in Serbia, financing is still the main issue for entrepreneurs in Serbia (Bobera et al., 2014). In their research, Sedlar et al. (2016) concluded that entrepreneurs and small enterprises have more difficulties accessing financial resources than medium and large companies in Serbia. Erić et al. (2012) did a comprehensive research on financing the SME sector in Serbia. As per their research, entrepreneurs and SMEs still use bank loans as a main external source of financing. Usage of venture capital funds in Serbia is extremely low, as per the research of these authors. The authors have also concluded that many entrepreneurs and owners of the companies do not have enough financial education, which may be one of the barriers to financing. It is important to note that this comprehensive research was made by researchers in 2012 as the project of the Institute of Economic Sciences and Chamber of Commerce of Serbia and that there is no new dated comprehensive research of this kind. Rabasović et al. (2019) were investigating crowdfunding in Serbia. As per the research of these authors, the usage of crowdfunding in Serbia is still low and not sufficient. The main causes for the poor growth of crowdfunding discovered in this research were insufficient awareness and knowledge about crowdfunding in Serbia, low awareness of the benefits of crowdfunding in comparison with the other financial sources, and a very low number of backers from the local market. Gender differences related to entrepreneurship were also investigated in Serbia. The results of the study of Bobera et al. (2014) showed differences between males and women in perceived financial barriers. The research of Stošić Panić (2017) showed the huge gender gap in used financial sources, net profit, ROA, and employment rate in Serbia. Apart from the

research about the gender gap, there is very scarce research about gaps between different groups of entrepreneurs in Serbia. Research regarding Slovenia implies that financing is a significant issue for entrepreneurs and SMEs in Slovenia. Bukvič and Bartlet (2003) concluded that financing is the main obstacle to SME growth in Slovenia. As per research by Sovič (2018), crowdfunding in Slovenia started to develop intensively in 2011 by using a crowdfunding platform, Kickstarter, and continued to grow intensively. Gender gaps in financing entrepreneurs in Slovenia were also investigated. Flešer et al. (2019) investigated the gender gap in perceived financing opportunities for high-growth enterprises in Slovenia. These authors have concluded that there are some differences between the two gender groups, which may be considered a consequence of direct gender discrimination. As per this research, gender discrimination is caused by investors' behavior who prefer men over women as owners of high-growth enterprises.

5. RESEARCH DESIGN AND METHODOLOGY

The research design is survey research. The questionnaire was originally constructed in English, then translated into Serbian and Slovenian languages, pre-tested, and translated back into English for discussion of the results. A specific number of entrepreneurs from Serbia and Slovenia (40 entrepreneurs in total) took the pre-test survey in October 2020, after which adjustments were made to various questions. A pre-test (pilot survey) was conducted in order to ensure comprehension of all questions, to prevent forming conditions for bias, to prevent having sensitive questions asked inappropriately, and to ensure that the survey is not too effortful and that respondents can make it through to the end of the survey without losing interest and focus. Pre-tests helped specifically with reducing the number of questions in the survey, eliminating questions that were similar to other questions, better explaining specific terms in the survey (such as crowdfunding), and moving from some open questions to closed questions in order to avoid bias of participants. The final survey instrument was accompanied by a cover letter with relevant instructions to help ensure that respondents understood the purpose of the study. The objective of the study is to obtain information about entrepreneurs in Serbia and Slovenia, the main financial barriers they face, their access to different financial sources, and possible gaps. Each survey was either hand-delivered or electronically delivered to participants for the study. Participants were approached via social networks (Facebook, LinkedIn, and Instagram), as well as via entrepreneur events in Serbia and Slovenia. We used a snowball approach to collect new participants, and we confirmed that participants were interested in suggesting new potential participants for the research. The actual survey consists of close-ended and open questions. The close-ended questions allow participants to select from pre-existing sets of multiple-choice questions and dichotomous answers. The survey research was conducted in 2021 (February-

September), and it included survey participants from Serbia and Slovenia (early-stage entrepreneurs and established ventures).

Quantitative methods that are used in the research include descriptive statistics, t-test and ANOVA, and correlation. Similar to the research of Bobera et al. (2014), our questionnaire was designed to ask demographic questions related to gender, age, and education, where we further added the economic sector of an entrepreneur, the size of the entrepreneur, and the operating period of the entrepreneurship business. Following the research of Lepojević et al. (2016), we focus on the specific context of a comparison between entrepreneurs in developing and developed countries. Following the research of Bukvič and Bartlett (2003), we focused on financial barriers for entrepreneurs when establishing our survey questions. Our survey questions were created based on the previous relevant research in this area (Lepojević et al., 2016; Bobera et al., 2014; Bukvič and Bartlett, 2003; Xiao-Hong and Yang-Jie, 2013) and also by following national surveys defined by Global Entrepreneurship Monitor (GEM). The Likert Scale was used for close-ended questions in the survey.

6. RESULTS

The total number of collected answers from the survey is 356 in Serbia and 275 in Slovenia. The total sample has a normal distribution. Total number of sent surveys was 2000. Therefore, the response rate is 31.55 %. The number of 27 surveys was not considered due to missing data. 32 % of respondents are males, 68 % are females. 16 % are older than 50; 74 % are in the age group of 30 to 50 years old. 37 % of survey participants have a high school education or lower education; the rest of the 63 % of participants have a University education. Most of the participants provide services - 19.6%. The majority of participants operate only in the domestic market, 74 %.

Our first hypothesis was that entrepreneurs in Serbia and Slovenia give an advantage to alternative financial sources rather than bank loans. To test our first hypothesis, we used simple descriptive statistics. The survey participants were asked to rank the financial sources they use in terms of frequency of usage. As per results from Serbia, the dominant financial source for entrepreneurs is their funding equity (35.31%). The least used financial source is private equity funds (10.02%). However, entrepreneurs would rather use venture capital than bank loans, as shown in the results given.

On the other side, results from Slovenia show that ownership capital is the dominant way of financing entrepreneurship (24.30%), while the least used are bank loans (8.41%). Both venture capital and private equity funds are more used than bank loans in Slovenia. Tables 1. and 2. show the results from Serbia and Slovenia.

Table 1.: Use of financial sources as the dominant way of financing entrepreneurs in Serbia

Financial source	Percentage
Ownership capital	35.31%
Bank loans	10.25%
Venture capital	10.48%
Private equity fund	10.02%
Borrowings from friends/cousins	12.98%
Crowdfunding	10.25%
Business angels	10.71%

Source: Author

Table 2.: Use of financial sources as the dominant way of financing entrepreneurs in Slovenia

Financial source	Percentage
Ownership capital	24.30%
Bank loans	8.41%
Venture capital	14.02%
Private equity fund	14.02%
Borrowings from friends/cousins	12.15%
Crowdfunding	13.08%
Business angels	14.02%

Source: Author

As per the results of our survey, entrepreneurs in both examined countries are still tied to ownership equity as a main way of financing their entrepreneurial activities. In both countries, venture capital is used more than bank loans to finance entrepreneurship. In Slovenia, private equity funds and crowdfunding are more used than bank loans, which is not the case in Serbia. As per the given results, we conclude that entrepreneurs in Serbia prefer only venture capital over bank loans; however, entrepreneurs in Slovenia do prefer alternative financial sources over bank loans. Therefore, our first hypothesis is partially supported.

Our second hypothesis was: There are significant differences between entrepreneurs of different groups (divided by age, gender, education, economic sector, size, and operating period) in terms of perceiving the main barrier and main financial barrier for entrepreneurs in Serbia and Slovenia. Firstly, we were investigating what is the main issue for entrepreneurs in Serbia and Slovenia. Secondly, we put our focus on financial barriers and asked entrepreneurs what the main financial barriers they face in the examined countries are. Finally, we divided entrepreneurs into groups based on their demographic characteristics: age, gender, educational level, economic sector, and period of operation. We investigated whether the mentioned demographic characteristics of entrepreneurs affect their perception

of the main issue and main financial barrier for entrepreneurs. To test our second hypothesis, we used descriptive statistics, t-test, and ANOVA.

As per the results of our survey, three main issues for entrepreneurs in Serbia are insignificant Government support (18.37%), complex bureaucratic procedures (15.42%), and strict tax regulations (14.04%). Very similar results come from Slovenia: 18.31% of participants think that the main issue is insignificant Government support, 15.49% of participants see strict tax regulations as the main issue, while 14.08% of participants think that complex bureaucratic procedures and inability to collect receivables are the main issue.

Regarding financial obstacles, as per results from Serbia, the main issues are insignificant Government support in financing (19.22%), less availability of financial sources in comparison to large companies (17.27%), and expensive financial sources (15.02%). As per results from Slovenia, the main financial issues for entrepreneurs are insignificant Government support in financing (17.12%), expensive financial sources (16.22%), and insufficient supply of different sources of funding (16.22%).

Table 3.: Three main issues for entrepreneurs in Serbia and Slovenia

Issue	Serbia	Slovenia
Insignificant Government support	1	1
Complex bureaucratic procedures	2	3
Strict tax regulations	3	2
Inability to collect receivables		3

Source: Author

Table 4.: Three main financial issues for entrepreneurs in Serbia and Slovenia

Financial issue	Serbia	Slovenia
Insignificant Government support in financing	1	1
Less availability of financial sources in comparison to large companies	2	
Expensive financial sources	3	2
Insufficient supply of different sources of funding		3

Source: Author

We have tested if the perceived main issue and main financial obstacle for entrepreneurs are affected by the demographic characteristics of participants: age, gender, education, economic sector, operating period, and size. For gender characteristics, we used t-tests, while for the others, as there were more than two groups created, we used the ANOVA test. The results are shown in Tables 5. and 6.

Table 5.: Differences between groups in perceiving the main issue for entrepreneurs

Criteria	Test	Serbia		Slovenia	
		Sig	p-value	Sig	p-value
Gender	T-test	0.024	0.05	0.018	0.05
Age	ANOVA	0.924	0.05	0.753	0.05
Education	ANOVA	0.726	0.05	0.812	0.05
Economic sector	ANOVA	0.845	0.05	0.955	0.05
Size	ANOVA	0.032	0.05	0.367	0.05
Operating period	ANOVA	0.922	0.05	0.847	0.05

Source: Author

Table 6.: Differences between groups in perceiving the main financial issue for entrepreneurs

Criteria	Test	Serbia		Slovenia	
		Sig	p-value	Sig	p-value
Gender	T-test	0.023	0.05	0.012	0.05
Age	ANOVA	0.841	0.05	0.925	0.05
Education	ANOVA	0.031	0.05	0.842	0.05
Economic sector	ANOVA	0.623	0.05	0.746	0.05
Size	ANOVA	0.017	0.05	0.144	0.05
Operating period	ANOVA	0.551	0.05	0.322	0.05

Source: Author

As per the results, significant differences in perceiving the main issues and main financial obstacles for entrepreneurs are spotted between male and female entrepreneurs of both countries. Results from Serbia show that female entrepreneurs are much more likely to perceive inefficient Government support as the main obstacle for entrepreneurs than male entrepreneurs would perceive. Likewise, female entrepreneurs in Serbia are much more likely to state that insufficient government support in financing is the main financial obstacle for entrepreneurs than male entrepreneurs would. Results from Slovenia show that female entrepreneurs are much more likely to perceive insufficient Government support as the main issue while considering the main financial obstacle; the difference gap between male and female entrepreneurs exists but is smaller. However, in Slovenia, there are no significant differences in perceiving the main issue and main financial obstacle for entrepreneurs between groups of entrepreneurs based on criteria of age, education, economic sector, size (number of employees), and operating period. On the other hand, based on the survey results from Serbia, there are significant differences between entrepreneurs of different sizes, based on the number of employees, in perceiving the main issue for entrepreneurs. As per size, entrepreneurs were divided into four groups: up to 2 employees, from 3 to 5 employees, from 6 to 10 employees, and above 10 employees. Results from the survey show that small

entrepreneurs are much more likely to perceive insufficient Government support as the main issue than larger entrepreneurs. Likewise, survey results and ANOVA test showed that in Serbia, there are significant differences between entrepreneurs of different educational levels and sizes in terms of perceiving the main financial obstacle. Based on educational level criteria, entrepreneurs were divided into three groups: primary and secondary school education, university education, and higher university education - master's and doctoral degrees. As per results, highly educated entrepreneurs with university degrees of master's and doctorate level are less likely to state insufficient Government support as the main financial issue than entrepreneurs of lower educational level. Regarding size criteria, small entrepreneurs are much more likely to perceive insufficient Government support as the main financial obstacle than entrepreneurs with a higher number of employees. As stated above, our second hypothesis is partially supported.

Our third hypothesis was that there is a strong positive correlation between the specific characteristics of entrepreneurs (age, gender, and education) and their access to specific financial sources (venture capital, crowdfunding, bank loans, private equity) in Serbia and Slovenia. For a dichotomous categorical variable and a continuous variable, we calculate a Pearson correlation coefficient if the categorical variable has a 0/1-coding for the categories. This correlation is known as a Point-biserial correlation. For the category gender, we made two groups: 0 for male and 1 for female gender. Likewise, we made two groups for the category of age - 0 for the age up to 30 years and 1 for the age above 30 years. For the category education, we made two groups - 0 - for primary and secondary education and 1 for university education. We tested whether these three categories are correlated to specific financial sources: venture capital, private equity, bank loans, and crowdfunding. The results are shown in Table 7. We were checking the Pt-Biserial correlation coefficient. As per Cohen J.W., if r is between 0.10 and 0.29, the correlation is weak; if it is in the range 0.30-0.49, the correlation is medium; if it is from 0.50 to 1, the correlation is strong. As per our results, the correlation is weak in all the cases, except in the relation between the education of entrepreneurs in Slovenia and their usage of private equity, where the correlation is medium. As per our results, correlation is weak, medium, and negative in the majority of cases. Therefore, we conclude that our third hypothesis cannot be accepted.

Table 7.: Correlation between gender, age, and education and four types of financial sources

SERBIA	VENTURE CAPITAL	PRIVATE EQUITY	BANK LOANS	CROWDFUNDING
GENDER	-0.20	+0.14	+0.18	+0.24
AGE	-0.18	-0.23	+0.21	-0.10
EDUCATION	-0.16	-0.19	-0.22	-0.13
SLOVENIA	VENTURE CAPITAL	PRIVATE EQUITY	BANK LOANS	CROWDFUNDING
GENDER	-0.15	-0.24	-0.28	-0.25
AGE	+0.28	-0.19	+0.13	+0.20
EDUCATION	-0.22	+0.41	-0.23	+0.17

Source: Author

7. DISCUSSION AND POLICY RECOMMENDATIONS

As per the results from the conducted survey, ownership capital is the dominant way of financing. In both countries, venture capital is used more than bank loans for financing. In Slovenia, all alternative financial sources are used more than bank loans. As per it, we concluded that the financing of entrepreneurs in these countries is not completely in accordance with the Pecking order theory.

Our results show that the main issues for entrepreneurs in examined countries are insignificant Government support, complex bureaucratic procedures, and strict tax regulations. As the main financial obstacle, entrepreneurs see insufficient Government support. Furthermore, results show that women are more likely to see insufficient Government support as the main obstacle than men in both countries. In Serbia, there are also significant differences between entrepreneurs of different educational levels and different sizes in their perception of main obstacles. Our research shows that the correlation between gender and usage of financial sources is weak and insignificant. Likewise, the correlation between the age of entrepreneurs and their usage of financial sources is weak and insignificant. A medium positive correlation was discovered between the educational level of entrepreneurs in Slovenia and their usage of private equity. Therefore, we can conclude that the relationship between demographic characteristics of entrepreneurs and their access to capital is not strong; the Upper Echelons theory is not confirmed in this case. However, the Upper Echelons theory is partially confirmed in terms of the relationship between demographic factors of gender, education, and size and entrepreneurs' perceptions of financial barriers.

The main recommendation is addressed to Government bodies; as in both countries, inefficient Government support is seen as the main issue and financial obstacle for entrepreneurs. Tax regulations are seen as too strict, along with strict bureaucratic procedures. In our research, we did not investigate in detail the problem

of government support; the relevant institutions may examine the main support that entrepreneurs expect from the government. It may be financial support, educational programs for new entrepreneurs, less strict bureaucracy for establishing a venture, less strict bureaucratic procedures for financing, fewer tax obligations, and less complex tax bureaucracy. Entrepreneurs may also need support in terms of equal conditions for different groups of entrepreneurs based on different criteria.

We also found that bank loans are less used than venture capital. Bank institutions may consider the reasons for entrepreneurs' less usage of their products. The advantages that alternative financial sources have may easily overcome bank loans. Bank loans may be too expensive for entrepreneurs, having high requirements and leading to complex bureaucracy.

8. FUTURE RESEARCH

Empirical recommendations for future research refer to investigating more countries of different developing levels and using a larger sample. Researchers may want to examine the theories that explain the current financing of entrepreneurs in the era of digitalization. Are the current theories of financing entrepreneurship relevant, or is a new theory needed? In terms of the demographic characteristics of entrepreneurs and their influence on financial sources, researchers may investigate a larger variety of demographic characteristics and how they influence entrepreneur's financial decisions in different conditions.

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