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PROFESSIONAL PAPER

Sources of Finance for Entrepreneurship Development

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***ABSTRACT** – Entrepreneurship is one of the most important categories that are now associated with small and medium-sized enterprises, employment and the creation of new jobs and new business category. Entrepreneurial behavior in finance implies a readiness to take risk and a taste for independence and self-fulfillment. It can develop in any sector of the economy and in any type of business. Through entrepreneurship strengthen personal resources - not only the material but also the motives of self-realization, freedom, independence, challenge. Large number of small and medium enterprises provide a huge range of products, and the customers or service users increased choice and lower prices. Considering that entrepreneurship represents the future this work is aimed to highlight the role the financial sector plays in its development. The authors suggest that the financial sector has very important role for the development of entrepreneurship, pointing to the different possibilities of cheaper funding development of guidelines for small and medium enterprises, but in other hand in some cases financial sector has negativ impact for growing through expensive sources of financing of development.*

KEY WORDS: *entrepreneurship, financial sector, credit, interest rate, debt*

Introduction

Every year in the only in USA generate between 3 and 4.5 million new small and medium enterprises, ie, a new company is formed every 12 seconds. The level of interest in entrepreneurship in finance, from year to year is very high in all age groups. From people who start a business, 84% to work for the first time in his life. Everywhere in the world, these new economic heroes, changing business environment and play a very important role in the economies of their countries. Much better than the big companies, these "small giants" and innovate in finance products and services, pushing boundaries, creating new jobs. Each of them uses a development strategy which in addition to the increase of gross domestic product, aimed at raising the standard of living, improved health services, increasing literacy, reducing crime, poverty reduction, etc. According to a recent survey, conducted by

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the company Ernst & Young (Ernst & Young), 78% of influential people in the business world believes that entrepreneurship and its development will be the most important trend of the 21st century. There are different opinions when, how and in what form began to use the terms entrepreneur and entrepreneurship in finance.

Trends and characteristics of entrepreneurship

Economy in which encourages entrepreneurial business orientation and stimulate the development of enterprises is entrepreneurial economy. Modern economies are increasingly transformed into entrepreneurship because the path of entrepreneurship realized production growth, profits and employment. A society that fosters the development environment for enterprises is entrepreneurial society.

Entrepreneurship as an indispensable segment of development and progress of any modern region creates jobs and driving force of the economy, entrepreneurship and the development of a strong supporting social development. For successful entrepreneurs is crucial to understanding the legislative regulations and administrative requirements, a wide range of business disciplines and the adoption of practical entrepreneurial experience. Entrepreneurship is a process in which almost nothing is building something.

Entrepreneurship represents the willingness of individual or multiple partners that, with certain capital investment and underwriting uncertainty due to partial starts a business venture with the objective of making a profit. This is the way the business operation in which an entrepreneur decides what, how and for whom something is created (product, service) all through entrepreneurial venture, at their own expense and with a certain amount of risk, with the aim of earning profit.

The essence of entrepreneurship is in action, the constant search for new ideas, and imagination in finding new business opportunities, a reliable assessment of the intuition and skill and determination. Entrepreneurship is a way of thinking is not only closely related to the job. Entrepreneurial thinking is very important - is linked to creativity, systematic approach to the problem. "Entrepreneurship is the mindset and process to create and develop economic activity by combining risk, creativity and / or innovation with sound management, within a new or existing organization".

Business process changes through history as well as the way of thinking, human understanding of what the term entrepreneur and entrepreneurship really means and what we should mean by these terms. Both theoreticians and practitioners of classical economics like Richard Cantillon and Adam Smith's notion of the entrepreneur tied to the notions speculator and innovator, coordinator of business activities, the coordinator of markets for goods, services and capital. Theorists and practitioners of neoclassical economics like Marshall and Schumpeter term entrepreneur tied to notions coordinator, innovator, broker, responsible decision-maker under uncertainty, while the modern economy places emphasis on the fact that an individual is considered to be an entrepreneur until the findings, create and exploit opportunities for well-being its promotion and the environment in which it is located. This primarily means that the terms leader and manager does not refer exclusively to business owners or managerial functions, but also to all employees in their workplace with their activities take on the characteristics of the leader and / or manager.

It is no coincidence that the concept of entrepreneurship in the narrow sense, usually associated with small businesses. Studies have shown that, by its characteristics, small businesses more entrepreneurial than large: the more creative, more innovative, more willing to experiment, take a larger dose of the relative risk (compared to its size and strength) of the large etc. Why is it so? The main reason is that they are usually small and medium-sized enterprises "forced" (the situation and circumstances) be entrepreneurial-oriented.

This, according to Adizes methodology, the basic characteristics of enterprises in the development and / or companies which are in a balanced development phase (the so-called. "Top Form"). The limitations of the resources that small businesses have and what causes them to navigate, creativity, and finding the ideal combination of resources at their disposal to maximize the result is the main reason why small companies are more entrepreneurial than large ones. Another reason is that small companies, too, thanks to the lack of resources, cannot afford the deployment of - of quality people at the market, but they are forced to "nurture them in your own garden." In this way - employees grow with the company, and often emotionally tied to the goals and ideas. The owner of a small company is exposed to stressful situations and problems in relations with the environment (there is no deep hierarchical structure that would protect him from personal exposure to problems in relationships with customers, suppliers, distributors, etc.), which encourages to him greater personal responsibility and entrepreneurial behavior.

Entrepreneurs are people who take the initiative and make changes in the environment. The entrepreneur is the driving force behind the entrepreneurial process - a person / individual, which creates new value, and in the process takes the risk of losing money, time, or any other form of value of the product or service. An entrepreneur is a person who is creative, ambitious, persistent, committed to what he does, results-oriented, safe and well-networked - knows people and people know him. It is obvious that an entrepreneur must have certain skills and personal qualities that should be developed and perfected in the external environment.

Starting their own business as the most common activity that is related to the concept of entrepreneurship has its own characteristics, strengths and weaknesses, problems and ways of solving them.

There are a lot of needs and resources, especially small country are limited, so it is necessary to set priorities. You must determine which priority must be the order of execution. The main element of successful strategy development is ownership and participation. In some cases, it is necessary that new companies replace traditional, but in others, the new company will develop the elements of the old, but it will be necessary to evolve and adapt.

The current growth of economic development and entrepreneurship is based on the concept of comparative advantage. To highlight the importance of resources for economic development: economic development depends on the quality of resources and the country's ability to perform as much specialization of production and services in these sectors, commitment to sectorial development priorities. State declares branch-priorities and measures of economic policy encourage their development, to the detriment of other branches (from other taken to invested in priority sectors). However, in an open and global economy productivity does not depend on which branch of priorities, but on how each



company works, how it operates, what people and has a strategy. The emphasis is on companies, not the branches. If the company is investing in you, in modern technology, in the organization, then it can be productive in any branch. Modern technologies open up great opportunities for improvement in all areas. From this it follows that it does not matter in which branch of the company. It is important to operate productively and successfully.

The state should not provide incentives to companies (via priority treatment) is more general conditions that companies help to get information, to new technologies, to professional people. Vision of the company is trying to focus its future trends on the avoidance of incorrect actions and reduce failure in the region, as well as the uncontrolled behavior within the company. The vision does not include making future decisions, but rather refers to the current decision making on the realization of their future goals. The main problem of planning is not what the company should do in the future, but what should now take to ensure the desired development in the future.

The impact of globalization on the development of entrepreneurship

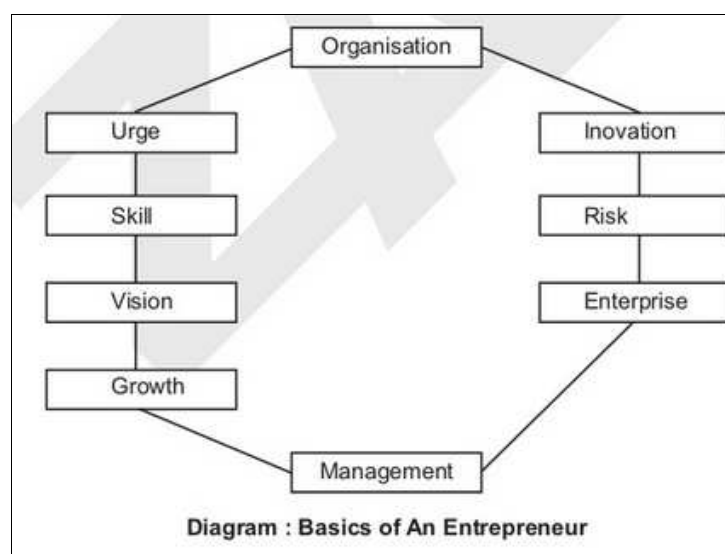
Globalization is a dynamic process where the increasing competitive pressures, new technologies create new opportunities, fall's international barriers to trade and investment, increase transparency thanks to the development of information technology, which means that firms competitors are no longer just local rivals, but could be with anyone globe city, the capital market provides incentives for companies to improve performance, enormous advances in communication technology support globalization. The realization of high performance in business results in maintaining the harmony of three elements: company strategy, organizational design and the environment in which the company exists. Attractiveness strategies defined only in terms of how it functions well in an appropriate environment to the organization.

Recognizing the contribution of SMEs to economic growth, job creation, innovation, technology transfer and achievements in social and economic harmonization, as well as the basis of the existing restrictions on the development of small and medium enterprises, low level of business knowledge, regulatory and administrative barriers, restricted access to available sources of funding in the medium and longer term, inadequate access to sources of business and market information and limited availability of specialized business services and taking into account the best international experience in the field of development of SMEs and regulations of the UN Declaration on Cooperation in development of small and medium-sized companies in the North-Eastern Europe. The objectives of the strategy of development of entrepreneurship are:

- Increase the number of small and medium-sized enterprises registered in the private sector.
- Significantly increase the participation of small and medium-sized enterprises compared to micro-enterprises.
- Increase the competitive activities of small and medium enterprises in economic sectors where certain countries depend on import of goods and services; and increase the participation of small and medium-sized enterprises in export revenues.

- Increasing the participation of small and medium enterprises in foreign strategic alliances and arrangements of joint ventures (joint ventures).
- To increase the participation of small and medium enterprises in the gross domestic product.
- Increase the share of SMEs in total employment.

Figure 1. Entrepreneurial development and organization



Source: <http://www.slideshare.net/tangypreeti213/entrepreneurial-development>

The key demands placed upon managers of the highest level in the innovative economy and may refer to entrepreneurship in finance are:

- Forecasting and observation of global change on all levels of society, as well as the design and instinct for innovation that will enable them to create and test a completely new business approaches that are based on these principles.
- Co-creative way of thinking - in order to facilitate changes to the business environment, ecosystem processes and practices, along with business partners (not only the mindset to adapt to more active participation)
- Innovation in all aspects of the business - not just in products or department of research and development,
- The ability to produce changes in the culture and release energy in the company in order to act in a certain paradox: the requirements for creating a climate of continuous innovation, with a simultaneous focus on efficiency and effectiveness confirmed the business model.

But one of the most important issues that arise is: what means to finance the development of new projects. The economic crisis has made the closure of the banking sector for financing small and medium enterprises entrepreneurship, a parallel to the financial conditions in the banking sector seemed totally unattractive or unachievable for most of the sector. There are virtually no mechanisms for financing start new business, regardless of the quality of business ideas. Guarantee schemes are scarce and unavailable the largest number of

companies. There is strong enough corporate and entrepreneurial sector, which would be interested for the financing of entrepreneurship and innovation.

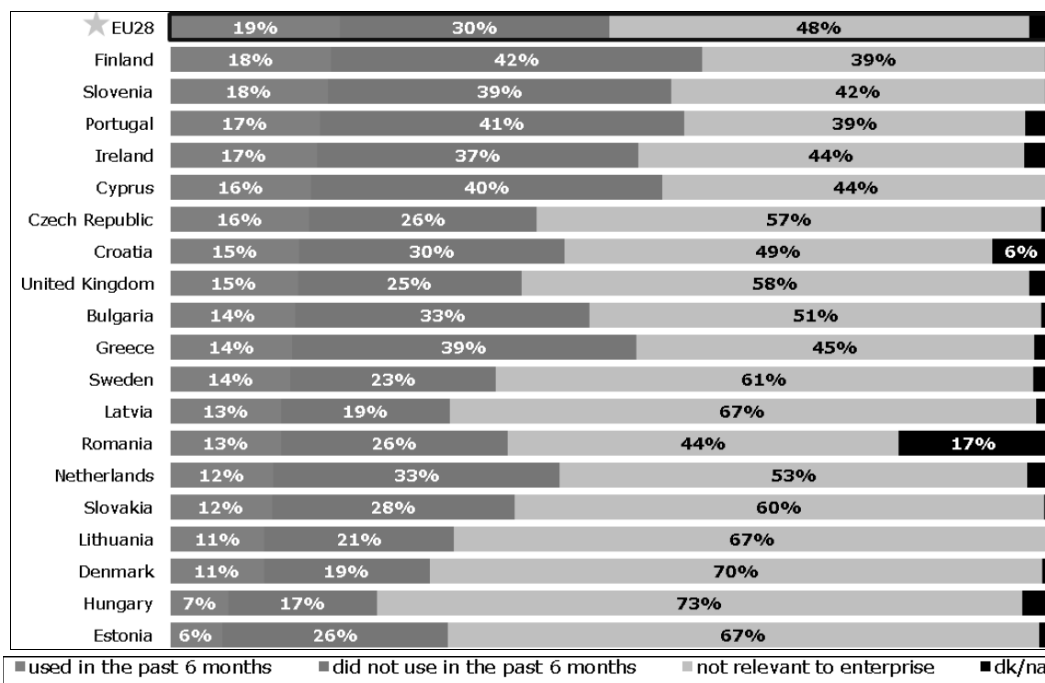
Finance sources

There are alternative ways of financing the business and they are based on ownership of capital company. Essentially, this financing is the process of raising funds by selling stocks or shares of a company in order to provide investors position for further growth and business development, during which investors acquire control the interests and rights in the company. These models are not adequate funding for all legal forms of business organization, but only for companies.

Various types of institutional or non-institutional investors the professional and / or from their own entrepreneurial ambitions deal with such financing and the development trend of the industry is very visible, so that is becoming more and more numerous.

Some statistics and research shows that one of the most used resource for finance small companies is bank loan or overdraft, which presented in next figure.

Figure 2. The use of bank loans as a source of financing entrepreneurial in 2014 and 2015

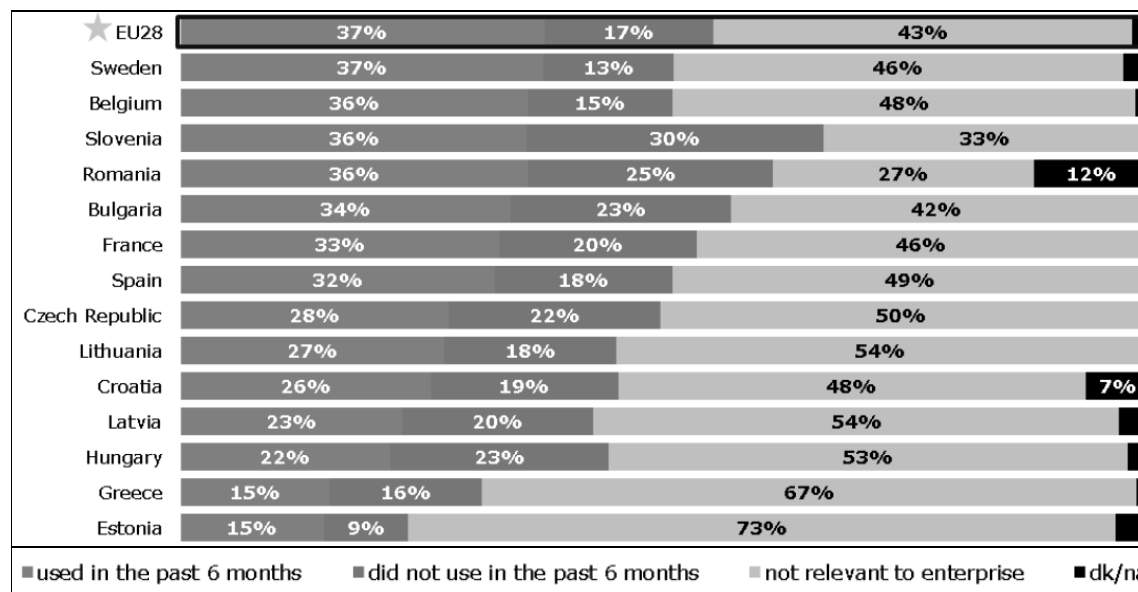


Source: Analytical Report 2015, European Commission, p. 15,

Research of European Commission presented in annual report for 2015 shows that „use of bank loans is most prevalent among large enterprises (with at least 250 employees) and smallest among micro enterprises (1 to 9 employees). Between April and September 2015, 14% of gazelles used a bank loan compared to 19% of SMEs in the total EU28. The proportion

of use for high-growth SMEs is on par with that of SMEs in the EU28. Compared to non-exporting SMEs, exporting SMEs are more likely to use bank loans. Furthermore, the use of this type of financing is more prevalent among innovative SMEs.“

Figure 3. Use of credit line, bank overdraft or credit overdraft to finance entrepreneurial in 2014 and 2015



Source: Analytical Report 2015, European Commission, p. 18,

„Among the four sectors distinguished, SMEs in industry most often used credit line and overdraft and SMEs in services use this type of financing least often. The proportion of enterprises that used credit line or overdraft increases with enterprise size. The use of credit line or overdraft is most prevalent among large enterprises (with at least 250 employees) and smallest among micro enterprises (1 to 9 employees). The use of credit line or overdraft occurs the least among gazelles: 27% of SMEs in this category compared to 37% of SMEs in the total EU28. The use of credit line or overdraft for high-growth SMEs is on par with EU28. Exporting SMEs are more likely to use credit line or overdraft than their non-exporting counterparts. Furthermore, the use of this type of financing is more prevalent among innovative SMEs.“

Nevertheless, investors unlike banks that all risks are transferred to the entrepreneur, part of the risk undertake. It is logical that not every entrepreneurial venture succeed, but it is also logical that these investors are relatively often run out of funds invested in a business. It does not need to worry, because in this industry there are rules of the game that can do this kind of financing profitable. These investors are very care about the team and the people in which they invest, business model, means for generating revenue, the potential business ideas to meet the needs of large market or a large number of consumers, the potential of the business to rapidly expand and grow rapidly. Therefore, these investors are much more involved in the business, often part of management rights and / or control over certain



business functions in the company. All of this means that they essentially share the risk with entrepreneurs (take on much more risk than banks).

Investing in this way is usually termed as investors professionally engaged, through investments, so that they have an interest to come out after a certain time from a certain business by selling the purchased share, but at a price that is several times higher than that in the purchase of the stake. Getting out of business and sold shares at a much higher price is the main goal of these investors and the basic rule of this industry.

It is possible to finance a business combination of debt and equity ownership. These are the situations when funding started granting loans, after which after a certain time and under certain conditions, the remaining debt is converted into ownership.

From time to time, the state or any of its institutions to create programs in which, under certain conditions, share grants for business development. These situations are relatively rare and certainly they should be used when the opportunity arose, but these funds are usually not large not enough, but it is not recommended development plans based on such programs.

Following the availability of such programs is leading the European Union, which in its budget cycle allocated tens of billions of euros to finance operations. Most of the funds is aimed at companies that come from the EU, but many programs allow the participation of local entrepreneurs, especially in the areas of new technologies. The procedures which lead to these funds are quite complex, so it takes a company to devote a lot of work and time in order to qualify for these options.

Finance decision in entrepreneurship, usually carries with it certain risks. An entrepreneur in finance knowingly enters into entrepreneurial risks, which are themselves the most common material, financial, then the risk of his career; family / social risk; psychological / health risk. Any business venture requires some investment. Waiting for the ideal moment to collect the optimal level of financial resources to get the job started, leading to a situation leakage of business opportunities and risk avoidance, which is not peculiar entrepreneurial. Hence the entrepreneur primarily (by starting their own business) enters the financial risk. Investing requires a personal investment funds (savings), lending (friends, relatives) or taking bank loans.

An entrepreneur in finance should build its reputation on quality, be persistent and plan their own activities; specialize their knowledge and above all, choose a profitable business, which has its own market and its customers (the entrepreneur must be reasonable - unreasonable people).

In front of the entire economy of the country, and therefore the financial entrepreneurial sector put a difficult task of joining the international trends and the adoption of rules, regulations, practices and experiences that are valid in the global financial market. This includes the existing segmentation of financial markets in the money market, which is now in the domain of banks, the institution where they are liquid and available funds on the capital market, as well as the segment where the free capital, as well as finding the best options for safe placement of that capital. An important role in this play instruments on the financial market, as they are the subject of purchase and sale between the participants in the financial market.

The instruments must be legally protected and defined, and must be minimized risk investments, and the possibility of fraud. In the area of stock exchange business is done a lot, bring the relevant laws governing the stock exchange as an institution and defining ways of doing business on it. These same laws stipulate when and in what form can occur as a participant on the stock exchange, or in what capacity occurs, either on the supply side were on the demand side. It also prescribes the way trade is conducted, and thus a participant can trade, or which instruments are subject to trade on the stock exchange. Every transaction is recorded in a central registry. Therefore, any change in ownership of securities by the moment of the change of ownership are entered in the central register and be issued a certificate. The law also specifies how to perform settlement, clearing and recording of changes in the central register. In this way it is achieved equality of participants at the stock exchange, with a view to minimizing the risk of corruption or possible influence of privileged information.

This way of operating on the market, or on the entire financial market, investor protection is the maximum, in order to create the appropriate economic environment to increase turnover on the stock exchange and financial markets, with the ultimate aim of involving the financial markets in the current world and the global financial market as an equal partner. Responding entrepreneurial environment in finance involves the application of all regulations in force and applicable to the global financial market, as well as marketing moves that aim at attracting foreign investors. Also, in this way takes place, and power exchanges as a mediator in the inflow of investments in international financial flows.

Conclusion

The strategy of development of entrepreneurship should have the main objective of the transformation of entrepreneurship. First of all, it is a broad vision of the future enterprise: where the company should be in 10 years. In essence, it is a "folder" of this enterprise to a defined objective. Modern development process is complex and difficult, and the process of creating a strategy often requires more knowledge and information than is available now. Therefore, the development strategy is a living document. It is necessary to set up a way to create, revise, and implement. Sure, no successful development strategy without learning about entrepreneurship.

Entrepreneurship in finance is a dynamic process of vision, change and creation. This requires energy and passion for creation and implementation of new ideas and creative solutions. The main elements of this process include the willingness to take certain risks in terms of time career or status, creativity necessary to take advantage of the necessary resources and the vision and the ability to recognize the financial opportunities where others see only chaos, contradictions and ambiguities. These new policies should be multi-sectorial and eclectic and should include the area of the entire tax system, labor law, state aid, innovation policy, programs and ways of using foreign funds (EU, bilateral relations) support policies for SMEs, the financial sector, the creation of social initiatives and initiatives of interested communities. Only a part, but not exclusively, the policy should be directed towards the establishment of the new regulation, which specifically.



The region has in recent years done a lot in the area of the opening of its economic and financial system and to the world, and the global economic and financial flows. All this resulted in the creation of an adequate economic environment, which is interesting for foreign and domestic investors. However, in today's modern economy is very dynamic, as evidenced by the current global financial crisis must not be stopped, but the economy and the financial markets must constantly adapt to challenges. Only in this way the region can take its position in the global entrepreneurial financial system and participate in the world's financial flows, on the one hand and to preserve that position, that is the time to strengthen, on the other hand.

Alternative financing models (eng. Equity based models - seed, startup, business angel, venture capital and private equity) based on the ownership of capital, were not developed. These models, which represent the backbone of financing SME sector in most developed countries, are not legally recognized, nor are they visible enough efforts to these regulations and the establishment of mechanisms.

It is necessary to create and introduce a set of policies that would be related to market development, models and mechanisms of alternative investment. This investment is based on the ownership of capital companies (Based equity investment). These policies need to be based on contemporary legal and economic achievements and reputation in the markets where these models have achieved great success and where they are a driving force of economic growth and private sector financing.

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Izvori finansiranja za razvoj preduzetništva

REZIME – *Preduzetništvo je jedan od najvažnijih kategorijakoje su u vezi sa malim i srednjim preduzećima, zapošljavanjem i otvaranjem novih radnih mesta i novih poslovihe kategorija. Preduzetničko ponašanje u finansijama podrazumeva spremnost da se preuzme rizik i osećaj za nezavisnost i lično ostvarenje . Ono može da se razvije u bilo kojem sektoru privrede i u bilo kojoj vrsti posla. Kroz preduzetništvo jačaju lični resursi - ne samo materijalni nego i motivi samospoznaje, sloboda, nezavisnost, izazov. Veliki broj malih i srednjih preduzeća pružaju veliki asortiman proizvoda, a kupci ili korisnici usluga imaju povećan izbor i niže cene. Obzirom da preduzetnistvo predstavlja buducnost, ovaj rad ima za cilj da ukaže na ulogu koju finansijski sektor ima u njegovom razvoju. Autori ukazuju da finansijski sektor ima veoma važnu ulogu za razvoj preduzetništva, ukazujući na različite mogućnosti jeftinije finansiranje razvojnih smjernica za mala i srednja preduzeća, ali sa druge strane, u nekim slučajevima finansijski sektor ima negativ uticaj na rast kroz skupe izvore finansiranja razvoja.*

KLJUČNE REČI: *preduzetništvo, finansijski sektor, kredit, kamatna stopa, dug*

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