ANALYSIS OF INFORMAL SOURCES OF FINANCING IN CROATIA

ABSTRACT

This paper overviews the sources of financing entrepreneurship in Croatia, with special emphasis on informal sources, and uses the information gathered by Global Entrepreneurship Monitor (GEM) Croatia 2010. The sources of financing are one of the key elements (with entrepreneurial opportunities, and human resources) affecting to the growth of entrepreneurial activities that ultimately generates the general economic growth of the national economy of a country. According to the GEM research of experts it was found that financial support is one of the unfavorable conditions of entrepreneurial activity. Therefore, this paper analyze views of experts on the sufficiency and availability of financial sources, required money, the link between financial resources and entrepreneurial motives in the Republic of Croatia (Croatia). The aim of this paper is, through a greater number of variables related to funding sources, point out the problem of the entrepreneurial financial sources, especially on informal sources of financing. After a thorough bibliographic review regarding financial sources and analysis of GEM data, results show that financial sources are insufficient – particularly informal. Presented and interpreted results could be a useful basis and encouragement for a further research in this and similar topics.

Key words: Financial sources, Entrepreneurship, Experts, Entrepreneurial motives, Informal investors

SAŽETAK

Ovaj rad bavi se izvorima financiranja poduzetnika u Republici Hrvatskoj, s posebnim naglaskom na neformalne izvore financiranja, koristeći Global Entrepreneurship Monitor (GEM) bazu podataka za Hrvatsku za 2010. godinu. Izvori financiranja su jedan od ključnih elemenata (uz poduzetničke mogućnosti, i ljudske resurse) za rast poduzetničkih aktivnosti koji u konačnici generira općim ekonomskim rastom nacionalne ekonomije neke države. Prema GEM istraživanju eksperata utvrđeno je da je jedan od nepovoljnih uvjeta poduzetničkog djelovanja financijska potpora. Stoga se u radu analiziraju stavovi eksperata o dostatnosti i dostupnosti financijskih izvora, potreban novac poduzetnicima početnicima, te veza između financijskih sredstava i poduzetničkih motiva u Republici Hrvatskoj. Cilj rada je obuhvaćanjem što većeg broja varijabli vezanih za izvore financiranja ukazati na problematiku izvora financiranja poduzetnika, a posebno na neformalne izvore financiranja. Na temelju relevantne literature te analize GEM podataka, može
se zaključiti kako su potrebi financijski izvori nedostatni – što se posebno odnosi na neformalne izvore financiranja. Prikazani rezultati mogu biti korisna baza i poticaj daljnjim istraživanjima na ovu i sličnu temu.

**Ključne riječi:** Financijski izvori, Poduzetništvo, Eksperti, Poduzetnički motivi, Neformalni izvori financiranja

1. **Introduction**

Availability of, and access to finances is a key element to the start-up and successful entrepreneurial growth and development. Barriers to accessing appropriate level or sources of funding may have a lasting negative impact on the performance of affected firms (Marlow, Patton, 2005). Therefore, funding sources are one of the most important aspects of start-up (Van Osnabrugge, 2000), and they also represent the biggest obstacle to the most firms (Sudek, 2006/2007). Financing sources in the literature can be divided into formal and informal (Lawal, Abdullahi, 2011, Schreiner, 2001, Bygrave, et. al., 2007). Considering that the availability of financial resources needed to run the firm is a key component for development of entrepreneurship (or the economy of a country), this paper will analyze the informal sources of financing based on the GEM database for the Republic of Croatia (Croatia), year 2010.

Croatia can be defined as a transitional country, which has a major problem with the number of unemployed and with the number of people living below the poverty level (Vehovec, et. Al., 2006). Since the entrepreneurship or self-employment is a way to end unemployment, and since the availability of financial resources is one of the three main elements for starting a business (Lingelbach, de Lavigne), it is necessary to determine the availability of funding for start-ups in Croatia. Regarding that, in this paper an emphasis will be put on informal sources of financing, ie. 3F - Family, Frends, and Foolhardy strangers (Bygrave, Quill, 2007).

Based on GEM data, 2006 Financing report, Bygrave and Quill, we can clearly interpret the importance of informal sources of financing (with an emphasis on 3F) in reducing unemployment and poverty. Based on literature review it can be concluded that most of the literature which is engaged on informal sources of financing is based on business angels, and 3F's are usually only mentioned but rarely analyzed. However, this approach ignores the other sources of informal financing, whether the financing of higher amounts in the high potential firms (which is typical for business angels) or small amounts in micro enterprises (Bygrave, WD, et. Al., 2007). So, in order to get clarification on the availability and range of informal sources of funding it is necessary to expand the analysis with business angels on all other participants in the informal sources of financing.

Based on the relevant literature it could be concluded that although the formal sources of financing are often less expensive than informal - especially in terms of interest rates (Yifu, Xifang, 2006), because of their less availability for start-ups (primarily due to higher demand than supply, information asymmetry - related to "hard information" such as the basic financial statements, credit ratings, collaterals as assets to reduce risk, etc.) (Yifu, Xifang, 2006, Lawal, Abdullahi, 2011, Schreiner, 2001, Berensmann, et. al., 2002, Mason, Stark, 2004), they often turn to informal sources of financing.

Since 2001, GEM discusses about two different types of entrepreneurship: entrepreneurs driven by necessity and entrepreneurs driven by opportunity (Block and Wagner 2006, Reynolds et al., 2002). GEM research has made progress in understanding how different types of entrepreneurship affect the development. The difference between these two types of entrepreneurs is in their motives for starting entrepreneurial ventures. The starting point in distinction between "entrepreneurs by necessity" and "entrepreneurs by opportunity" is that the first ones became entrepreneurs because there is no better option for them, that is opposed to the "entrepreneurs by opportunity" since they became entrepreneurs because of the perceived business opportunity (Reynolds et al. 2002). The existence of entrepreneurs by opportunities has a positive and significant impact on economic
growth (Acs et al., 2005; Reynolds et al., 2002) while countries with low share of entrepreneurs by opportunity and a large proportion of entrepreneurs by necessity have a low gross domestic product (GDP) per capita (Block, Wagner, 2006 in Block J, Sandner, P., 2009). Considering that entrepreneurship is recognized as a driving force of economic growth, and since one of the most important elements for launching entrepreneurial ventures are funding sources - which are often unavailable from formal sources (the reasons stated above), this paper analyze the views of experts about the sources of financing, the money needed for start-ups, links between sources of funding and entrepreneurial motives in Croatia. The purpose of this paper is to evaluate the availability of financial resources (from formal and informal sources) in Croatia and to examine the link between financial sources and entrepreneurial motives. The aim of this paper is to point out, through a greater number of variables related to funding sources, the problem of the entrepreneurial financial sources - especially on informal sources of financing.

2. Sample and Variables

This research is based on data collected through the Global Entrepreneurship Monitor (GEM) consortium. GEM is the largest international empirical research for monitoring entrepreneurial activity. The first published reports came out in 1999 and involved just 10 countries, 16 years later over 100 economies participate in this research (countries at all levels of economic development and in almost all geographic regions). Croatia has been participating in GEM research since 2002. The objective of GEM study is to measure entrepreneurial attitudes, activities and aspirations of people worldwide, as well as to assess entrepreneurial environment of all countries participating in the research. GEM uses a unique methodology for researching entrepreneurship state in the world, and collects data from three sources: Adult Population Survey (APS), National Experts Survey (NES) and standardized secondary international databases, such as Doing Business Report, the International Monetary Fund etc. Based on data collected and analyzed, GEM consortium annually publishes a global report on entrepreneurship state.1

The basic objectives of the GEM research are: 2

- Measuring the differences in entrepreneurial aspirations, behaviour and activities between countries
- Determining the factors that influence the nature and level of entrepreneurial activity of a country
- Identifying policies that may enhance the level of entrepreneurial activity in a country

The data collection engine powering GEM research is composed of two complementary tools:3

I. Adult Population Survey (APS) - is a comprehensive questionnaire, administered to a minimum of 2000 adults (aged 18-64) in each GEM country, designed to collect detailed information on the entrepreneurial activity, attitudes and aspirations of respondents. APS data is used to establish one of GEM's best known measures of entrepreneurial activity, the early Stage Entrepreneurial Activity Rate (also called the TEA index).

II. The National expert survey (NES) - The NES is a survey instrument administered to a minimum of 36 “experts” in each GEM country, allowing the measurement of the nine key Entrepreneurial Framework Conditions (EFCs): Finance, Government policies, Government programs, Entrepreneurial education and training, Research and development (R&D) transfer, Commercial and professional infrastructure, Internal market openness, Physical infrastructure and services, Cultural and social norms.

1 http://www.gemconsortium.org/docs/download/3616 (accesed 17 May 2014)
2 http://www.gemhrvatska.org/metodologija.html (accesed 17 May 2014)
3 http://www.gemconsortium.org/Data-Collection (accesed 17 May 2014)
Except for referred data, GEM uses standardized secondary international databases, such as Doing Business Report, the International Monetary Fund etc. The sample used in this study is based on data collected through examination of the APS and NES for Croatia in 2010. Holders of Croatian GEM project are SMEs and Entrepreneurship Policy Center (CEPOR) and Josip Juraj Strossmayer University of Osijek. CEPOR’s external associate participated in the process of surveying and interviewing experts, while surveying adult population was carried out by IPSOS Puls d.o.o. Agency for market research (PULS), according to the methodology and instruments that are mandatory for all participants in the GEM research.

In the sample of APS Croatia for 2010 there were 2,000 adults, but for this research from that sample respondents are selected on the basis of total early-stage entrepreneurial activity (TEA index) and make the sample of 92 participants (64% male, 36% female). NES sample consists of 40 experts (57.5% female, 37.5% male).

Indicators of motivation for entrepreneurial activity:
- TEA Opportunity index: those who are opting for entrepreneurial activity because they have perceived a business opportunity
- TEA Necessity index: those who are forced by the situation they found themselves in (lost their job, could not find another employment…)

The variables included in the NES survey are following: 5
- There is sufficient equity funding available for new and growing firms (sample size (N)=37; Statistical Average (Mean)=2.49; Standard Deviation (SD)=0.9).
- There is sufficient debt funding available for new and growing firms (N=40; Mean=3.20; SD=1.02).
- There are sufficient government subsidies available for new and growing firms (N=39; Mean=2.79; SD=0.92).
- There is sufficient funding available from private individuals (other than founders) for new and growing firms (N=37; Mean=2.11; SD=0.91).
- There is sufficient venture capitalist funding available for new and growing firms (N=36; Mean=2.08; SD=1.02).
- There is sufficient funding available through initial public offerings (IPOs) for new and growing firms (N=34; Mean=2.15; SD=1.04).

Based on APS data, the following variables were analyzed:
- Variable „Nascent entrepreneur, opportunity (SUBOPP10)“ represents the number of nascent entrepreneurs with opportunity motive (Mean=0.43; SD=0.50, N=40).
- Variable „Opportunity, necessity or other motive (TEA10MOT)“ describes entrepreneurial motives (N=92; opportunity motiv=65%; necessity motive=32%; other motive=3%; SD=0.55).
- Variables that describe the significance of differences in the level of required money, level of invested money and informal funds with regard to the motives of entrepreneurs are as follows:
  - Total money required value - US$ (SUMONTUS) (N=92; Percent=63%; Min=1781.80; Max=1.000.000; Mean=128.585.20)
  - Personal money invested value - US$ (SUMONOUS) (N=92; Percent=14%; Min=8.127; Max=534.540; Mean=81.346)
  - Informal funds in the last 3 years value - US$ (BAFUNDUS) (N=92; Percent=6.5%; Min=3.563; Max=71.272; Mean=24.054)

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5 The survey was conducted through Likert scale from 1 to 5, where 1 means Strongly agree, 2 - Agree, 3 - Neither agree nor disagree, 4 - Disagree, 5 - Strongly disagree.
Informal investor in the last 3 years with provided value (BUSANGVL) (N=92; Percent=6.5%; SD=0.24)

Variables related to the informal investors:
- Busang - Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds? (N=92; Mean=0.087; SD=0.28).
- Bafund - Approximately how much, in total, have you personally provided to these business start-ups in the past three years, not counting any investments in publicly traded stocks or mutual funds? (N=6; Mean=135.000; SD=144187.4).
- Barel - What was your relationship with the person that received your most recent personal investment? (N=7; Mean=2.71; SD=1.70).

As a dependent variable, in this paper, is defined: sources of financing; and as an independent variable: entrepreneurial motives.

The main hypothesis of this paper is: sources of financing (whether formal or informal) are not sufficiently available for start-ups and growing businesses.

Statistical analysis was made in the program STATISTICS 64.

3. Results

Ratings of experts about the sufficiency and availability of funding sources are summarized by descriptive statistics analysis (NES Croatia 2010). The experts rated their claims through Likert scale from 1 to 5, where 1 means Strongly agree, 2 - Agree, 3 - Neither agree nor disagree, 4 - Disagree, 5 - Strongly disagree (Table 1).

Descriptive statistical analysis of experts attitudes about financing sources (Table 1) shows that none of the evaluated elements is rated more than 3.5. The lowest average score (2.08) was rated variable "sufficiency and availability of funding through other business owners for new and growing businesses", while the highest average rated (3.20) variable is "sufficiency and availability of debt financing for new and growing businesses".

Experts attitudes about “the sufficiency and availability of equity for new and growing firms” is rated with average score 2.49, the variable ”There are sufficient government subsidies available for new and growing firms” is rated with average score of 2.79, and the average score of variable “There is sufficient funding available from private individuals (other than founders) for new and growing firms” is 2.11, while the average score of variable “There is sufficient funding available through initial public offerings (IPOs) for new and growing firms” is 2.15.

Based on these analysis it can be concluded that these low average scores suggest that experts perceive existing sources of funding as insufficiently available.

Table 1 Experts attitudes about funding sources

<table>
<thead>
<tr>
<th>Variable</th>
<th>Valid N</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
<th>Variance</th>
<th>Std. Dev.</th>
<th>Coef. Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is sufficient equity funding available for new and growing firms</td>
<td>37</td>
<td>2.49</td>
<td>1</td>
<td>4</td>
<td>0.81</td>
<td>0.9</td>
<td>36.25</td>
</tr>
<tr>
<td>There is sufficient debt funding available for new and growing firms</td>
<td>40</td>
<td>3.20</td>
<td>1</td>
<td>5</td>
<td>1.04</td>
<td>1.02</td>
<td>31.81</td>
</tr>
<tr>
<td>There are sufficient government subsidies available for new and growing firms</td>
<td>39</td>
<td>2.79</td>
<td>1</td>
<td>4</td>
<td>0.85</td>
<td>0.92</td>
<td>33.02</td>
</tr>
<tr>
<td>There is sufficient funding available from private individuals (other than founders) for new and growing firms</td>
<td>37</td>
<td>2.11</td>
<td>1</td>
<td>4</td>
<td>0.82</td>
<td>0.91</td>
<td>42.99</td>
</tr>
<tr>
<td>There is sufficient venture capitalist funding available for new and growing firms</td>
<td>36</td>
<td>2.08</td>
<td>1</td>
<td>5</td>
<td>1.05</td>
<td>1.02</td>
<td>49.19</td>
</tr>
<tr>
<td>There is sufficient funding available through initial public offerings (IPOs) for new and growing firms</td>
<td>34</td>
<td>2.15</td>
<td>1</td>
<td>5</td>
<td>1.1</td>
<td>1.04</td>
<td>48.82</td>
</tr>
</tbody>
</table>

Source: research results

504
Variable „Nascent entrepreneur – opportunity“ is a dichotomous variable with values 0 and 1, where 1 indicates a nascent entrepreneur – opportunity, and 0 other entrepreneurs (Table 2). Nascent opportunity entrepreneurs are represented in a larger percentage share (52.78%) compared to nascent entrepreneurs driven by necessity. At the level of significance of 5%, based on the Mann-Whitney U test, we do not have sufficient evidence to reject the null hypothesis (p = 0.88). We conclude that there is no difference in the distribution of Nascent entrepreneur, opportunity with regard to Total money required value.

**Table 2 Mann-Whitney U Test: The difference in the distribution of Nascent entrepreneur, opportunity with regard to Total money required value.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mann-Whitney U Test</th>
<th>2*1 sided exact p</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMONTUS - Total money required value - US$</td>
<td>632,500</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Note* Marked tests are significant at p < 0.05000  
Source: research results

The relation between the investment of financial resources and entrepreneurial motives will be determined by the Mann-Whitney U test (Table 3). Regarding the entrepreneurial motives, in the above analysis, the variable "Total money required value" of a total of 68 respondents, 26.47% are necessity entrepreneurs, and 73.53% are opportunity entrepreneurs. At the variable "Informal funds in the last three years of value" out of 9 respondents 22.22% are necessity entrepreneurs, and 77.78% opportunity entrepreneurs. Toward the variable "Informal investor in the last three years with provided value" of a total of 108 respondents 32.40% are necessity entrepreneurs, and 67.60% opportunity entrepreneurs. Based on the Mann-Whitney U test, we can conclude that there is insufficient evidence to reject the null hypothesis, ie there is no difference in the distribution of the total value of the money required value with regard to the motive of entrepreneurs.

**Table 3 The significance of differences in the level of invested money and the use of funds for companies with regard to the entrepreneurial motives based on Mann - Whitney U test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mann-Whitney U Test</th>
<th>2*1 sided exact p</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMONTUS - Total money required value - US$</td>
<td>386,000</td>
<td>0.38</td>
</tr>
<tr>
<td>BAFUNDUS - Informal funds in the last 3 years value - US$</td>
<td>5,000</td>
<td>0.67</td>
</tr>
<tr>
<td>BUSANGVL - Informal investor in the last 3 years with provided value</td>
<td>1228,000</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Source: research results

To the question: „Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?“ responded 57.26 % males and 31.42 % females, out of 92 respondents 8.70% answered affirmatively to this question (Table 4).

**Table 4 Frequency by gender to the question „Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?“**

<table>
<thead>
<tr>
<th>Category</th>
<th>count</th>
<th>Cumulative count</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>84</td>
<td>84</td>
<td>91,30</td>
<td>91,30</td>
</tr>
<tr>
<td>Yes</td>
<td>8</td>
<td>92</td>
<td>8,70</td>
<td>100.00</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>92</td>
<td>0</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: research results

Based on descriptive statistic to the question: “Approximately how much, in total, have you personally provided to these business start-ups in the past three years, not counting any investments in publicly traded stocks or mutual funds?” out of 6 respondents 66.67% of them are males, and 33.33% are females. Reviews on average males invested higher amounts (Means=177,500,00) then
females (Means=50.000,00) (Table 5). Considering the low sample of respondents, was made Mann-Whitney U test (Table 6).

**Table 5** Descriptive statistics by gender for the question: "Approximately how much, in total, have you personally provided to these business start-ups in the past three years, not counting any investments in publicly traded stocks or mutual funds?" - One-way-ANOVA

<table>
<thead>
<tr>
<th>Gender</th>
<th>BAFUND Means</th>
<th>BAFUND Sum of w</th>
<th>BAFUND Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>177.500,00</td>
<td>4</td>
<td>163.783,4</td>
</tr>
<tr>
<td>Female</td>
<td>50.000,00</td>
<td>2</td>
<td>42.426,4</td>
</tr>
<tr>
<td>All grps</td>
<td>135.000,00</td>
<td>6</td>
<td>144.187,4</td>
</tr>
</tbody>
</table>

Source: research results

Based on the Mann-Whitney U test, we can conclude that there is insufficient evidence to reject the null hypothesis, ie there is no difference in the distribution of the amount of financial investment with regard to gender (Table 6).

**Table 6** Mann-Whitney test: The amount of informal investments in entrepreneurial venture regarding to the gender of informal investors

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mann-Whitney U Test</th>
<th>2*1 sided exact p</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAFUND - Approximately how much, in total, have you personally provided to these business start-ups in the past three years, not counting any investments in publicly traded stocks or mutual funds?</td>
<td>2,000</td>
<td>0,063</td>
</tr>
</tbody>
</table>

Source: research results

It is evident from Table 7, that informal investors on average financed an entrepreneurial venture in the amount of HRK 135,000.00, the lowest amount is HRK 20,000.00, while the highest amount is HRK 400,000.00.

**Table 7** Descriptive statistics by variable: “Approximately how much, in total, have you personally provided to these business start-ups in the past three years, not counting any investments in publicly traded stocks or mutual funds?”

<table>
<thead>
<tr>
<th>Variable</th>
<th>Valid N</th>
<th>Mean</th>
<th>Min.</th>
<th>Max.</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAFUND</td>
<td>6</td>
<td>135.000,00</td>
<td>20.000,00</td>
<td>400.000,00</td>
<td>144.187,4</td>
</tr>
</tbody>
</table>

Source: research results

Based on the frequency of responses to the question "What was your relationship with the person that received your most recent personal investment?" it is clear that from the 7 respondents who answered this question, 42.86% answered that they are close family member, 14.28% of them that they are work colleague, 28.58% friends or neighbors, and 14.28% strangers with a good business idea (Table 8).

**Table 8** Frequency by question: “What was your relationship with the person that received your most recent personal investment?”

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative count</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close family member</td>
<td>3</td>
<td>3</td>
<td>3,26087</td>
<td>3,2609</td>
</tr>
<tr>
<td>A work colleague</td>
<td>1</td>
<td>4</td>
<td>1,08696</td>
<td>4,3478</td>
</tr>
<tr>
<td>A friend or neighbor</td>
<td>2</td>
<td>6</td>
<td>2,17391</td>
<td>6,5217</td>
</tr>
<tr>
<td>A stranger with a good business idea</td>
<td>1</td>
<td>7</td>
<td>1,08696</td>
<td>7,6087</td>
</tr>
<tr>
<td>Missing</td>
<td>85</td>
<td>92</td>
<td>92,39130</td>
<td>100,0000</td>
</tr>
</tbody>
</table>

Source: research results
Final considerations and the guidelines for further research

The obtained results indicate that existing sources of funding for entrepreneurs are insufficiently available. Regarding to entrepreneurial motives, opportunity entrepreneurs are represented in a higher percentage share (52.78%) compared to entrepreneurs driven by necessity, and there is no difference in the distributions of Total money required value regarding to the entrepreneurial motive.

Very low number of respondents (8.70%) in the last three years personally financed some entrepreneurial venture, of which, on average, male respondents invested higher amounts (Means = 177,500.00) than female respondents (Means = 50,000.00). However, in further analysis it was concluded that there is no difference in the distribution of the amount of financial investment regarding gender. Informal investors, on average, financed an entrepreneurial venture in the amount of HRK 135,000.00, the lowest amount is HRK 20,000.00, while the highest amount is HRK 400,000.00. Most informal investors belong to close family members (Family = 42.86%) and friends (42.86%) and the lowest proportion of them are foolhardy strangers (14.28). Very low sample of informal investors can suggest the following: either the share of informal investors is substantially low or respondents were averse responding to this question. With regard to that we can conclude that informal investments are insufficiently developed to entrepreneurs.

Limitations of this paper are reflected in insufficient number of respondents (as experts and as informal investors, and entrepreneurs themselves) and that merely year 2010 was analyzed. In further research on this topic more consecutive years should be analyzed to determine the movement of variables, and to make a comparison with countries with similar characteristics. Moreover, the analysis should be segmented by regions in Croatia in order to gain insight into the existence of possible differences with respect to a particular region, and to put in relation national economic indicators (GDP, unemployment rate, the rate of exports and imports) with the entrepreneurial activity. As regards to informal investors, it is necessary to make a detailed analysis of informal investors, in a way to research a greater number of them in order to make clearer conclusions. Also, it is necessary to analyze the impact of formal and informal sources of funding to entrepreneurial activity over the years.

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