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**COMPARATIVE ANALYSIS OF ENTREPRENEURSHIP
DEVELOPMENT IN EASTERN REGION AND OTHER REGIONS OF
CROATIA**

**KOMPARATIVNA ANALIZA RAZVOJA PODUZETNIŠTVA ISTOČNE
HRVATSKE I OSTALIH REGIJA HRVATSKE**

ABSTRACT

Entrepreneurship development, especially regarding small and medium-sized enterprises, is the backbone of development in Croatia. Conducted research indicates that eastern Croatia, on average, is the least competitive and requires a significant investment to reach the other regions, especially in the development of entrepreneurship, business infrastructure and investment incentives. The paper aims to show the importance of entrepreneurship for the development of eastern Croatia compared to other counties and regions, the number, structure, composition and business activities of entrepreneurs, relevant financial statements, particularly the structure of assets and liabilities in the balance sheet, financial results i.e. revenues, profits, loss, investment in fixed assets, and the main indicators of financial analysis specifically indicators of labour productivity, business efficiency and profitability of eastern Croatian enterprises. To this end the results of relevant research institutions have been analysed, as well as scientific and technical literature, policy documents and reports. Based on the analysis of available data, synthesis and deduction and in particular classification and comparison with other regions and counties, a conclusion about the position and importance of entrepreneurship for the development of eastern Croatia has been drawn. The research results indicate a low proportion of eastern Croatian entrepreneurs in the overall financial results of Croatian entrepreneurs and a heterogeneous structure of their financial results. Whereas Osijek-Baranjacounty plays a vital role in the development of entrepreneurship, other counties of eastern Croatia are entrepreneurially underdeveloped. The results highlight the problems of entrepreneurship development, particularly lengthy

procedures of starting businesses, protecting investors, liquidity and insolvency problems, availability of external sources of financing and associated credit terms, underdevelopment of capital markets and other forms of financing. The importance of small and medium-sized enterprises in the development of eastern Croatia has been emphasized. The analysed area comprises eastern Croatian counties: Osijek-Baranja, Vukovar-Syrmia, Virovitica-Podravina, Brod-Posavina and Požega-Slavonia.

Key words: *Entrepreneurship, Financial Results, Insolvency, Development, Eastern Croatia*

SAŽETAK

Razvoj poduzetništva, posebno malih i srednjih poduzeća čine okosnicu razvoja Republike Hrvatske. Provedena istraživanja ukazuju da je istočna Hrvatska u prosjeku najmanje konkurentna i potrebno joj je najviše ulaganja kako bi dosegla konkurentsku razinu ostalih regija, posebice u razvijenosti poduzetništva, poslovnoj infrastrukturi i poticanju ulaganja. Rad ima za cilj prikazati značaj poduzetništva za razvoj istočne Hrvatske u odnosu na ostale županije i regije Hrvatske, strukturu, veličinu, sastav i zaposlenost poduzetnika, relevantne financijske izvještaje posebno strukturu aktive i pasive bilance, ostvarene financijske rezultate odnosno prihode, dobit, gubitak, investicije u dugotrajnu imovinu, te glavne pokazatelje financijske analize posebno pokazatelje produktivnosti rada, ekonomičnosti poslovanja i profitabilnosti poduzeća istočne Hrvatske. U svrhu istraživanja analiziraju se rezultati provedenih istraživanja relevantnih institucija, znanstvena i stručna literatura, strateški dokumenti i izvješća. Na temelju provedene analize dostupnih podataka, sintezom i dedukcijom te posebno klasifikacijom i komparacijom s ostalim regijama i županijama donose se konkretni zaključci o položaju poduzetništva u odnosu na ostale regije kao i značaj poduzetništva za razvoj istočne Hrvatske. Rezultati istraživanja ukazuju na nizak udio poduzetnika istočne Hrvatske u ukupnim financijskim rezultatima poduzetnika Hrvatske, raznoliku strukturu financijskih rezultata poduzetnika odnosno s jedne strane naglašenu ulogu Osječko-baranjske županije u razvoju poduzetništva, a s druge strane poduzetničku nerazvijenost ostalih županija istočne Hrvatske. Rezultati ističu probleme razvoja poduzetništva posebno dugotrajne procedure otvaranja poduzeća, zaštite investitora, probleme nelikvidnosti i insolventnosti, dostupnosti eksternih izvora financiranja i s time povezanih kreditnih uvjeta, nerazvijenosti tržištakapitala i ostalih oblika financiranja. Naglašava se značaj malih i srednjih poduzeća u razvoju istočne Hrvatske. Promatrano područje čine županije: Osječko-baranjska, Vukovarsko-srijemska, Virovitičko-podravska, Brodsko-posavska i Požeško-slavonska županija.

Ključne riječi: *Poduzetništvo, Financijski rezultati, Nelikvidnost, Razvoj, Istočna Hrvatska*

1. Introduction

According to the latest data by the Ministry of Finance of the Republic of Croatia (2013, 8) the negative trends in the Croatian economy, which started in 2009, are still present. This has had an impact on the entrepreneurial competitiveness of eastern Croatia and an uneven development of entrepreneurship compared to other regions of Croatia. The aim of this paper is to research and present the importance of entrepreneurship in the development of eastern Croatia in comparison with other regions of Croatia i.e. analyse the common characteristics of entrepreneurship in eastern Croatia and other regions and financial performance of entrepreneurs in eastern Croatia and other regions based on the financial reports: the structure of assets and liabilities, revenues, profit and loss, consolidated financial statement, investment

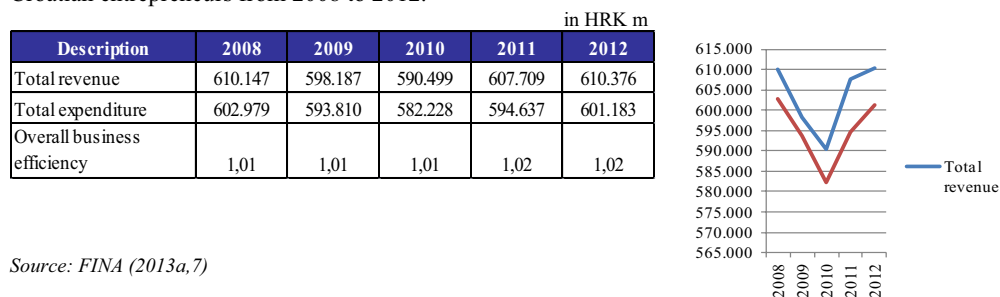
in fixed assets and key financial indicators. This research has been based on secondary data sources, particularly on research papers and reports by relevant government institutions. Specific conclusions have been drawn by means of synthesis and deduction and classification and comparison with other regions and counties in particular about the position of entrepreneurship as compared to other regions and the importance of entrepreneurship for the development of eastern Croatia. The analysed area comprises eastern Croatian counties: Vukovar-Syrmia, Osijek-Baranja, Virovitica-Podravina, Brod-Posavina and Požega-Slavonia.

2. Main characteristics of entrepreneurship in Croatia

According to the data by the Financial Agency ([FINA], 2013a, 7) there were 97,254 active entrepreneurs liable to pay profit tax in 2012. They employed 829,874 employees in total (based on hours of labour). For a longer period of time there has been an uneven pattern of dispersion of a small number of entrepreneurs in some counties in contrast to a high concentration of entrepreneurs in a few counties. However, the actual entrepreneurial activity is done in the wider area than the business administrative centre. The greatest number of entrepreneurs has been registered in the town of Zagreb which together with the Zagreb county accounts for 39% of all Croatian entrepreneurs. The placement of employees follows the number and concentration of entrepreneurs (FINA, 2013b, 6).

Data by FINA (2013a, 7) indicate that in 2012 total revenue of HRK 610.4 bn by the Croatian entrepreneurs liable to pay profit tax was higher than total expenditure which amounted to HRK 601.2 bn. In the period of recession from 2008 to 2012 (Table/Graph 1), entrepreneurs achieved a very low overall business efficiency (but higher than 1), which is the prerequisite for successful business operations.

Table/Graph 1 Revenue, expenditure and efficiency of overall business operations by Croatian entrepreneurs from 2008 to 2012.

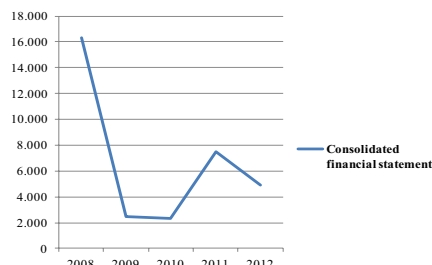


Source: FINA (2013a, 7)

The analysis of the revenue structure shows that business revenues account for approximately 97% of total revenue which indicates that entrepreneurs are mostly active in their core business. There has been little fluctuation in the business revenues in the last couple of years and they have been mostly generated on the domestic market (about 77%) where the competition is weaker, while other business revenues have been generated on the international market (about 17%), as well as from countertrade, subsidies and other revenues. Business expenditure accounts for 92% to 96% of total expenditure, the rest is financial expenses and contingencies expenditure. Since 2002 there has been an increase in financial expenses (from 3.5% to 4.2%) which means growth in financing interest rates and other financial expenses i.e. wider use of third party's financing sources and decrease in own sources of financing (FINA, 2013a, 9). In accordance with the structure and amount of revenue and expenditure Table 2 shows the financial results of Croatian entrepreneurs.

Table/Graph 2 Profit, loss and consolidated financial statement in HRK m in Croatian entrepreneurs from 2008 to 2012

Description	2008	2009	2010	2011	2012
Profit	33.292	24.788	27.709	31.599	34.053
Loss	16.978	22.349	25.393	24.135	29.112
Consolidated financial statement	16.314	2.439	2.316	7.464	4.941

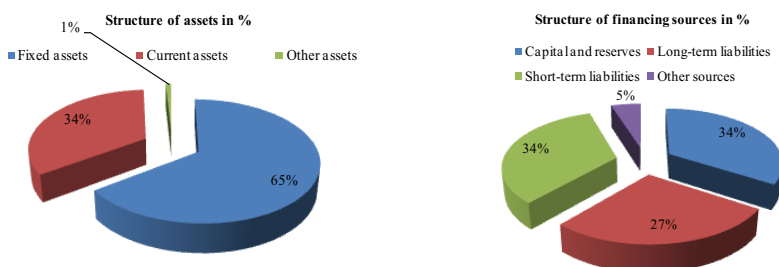


Source: FINA (2013a,9)

Since the beginning of recession there has been a dramatic fall in the consolidated financial statement and a rise in 2011. It is significant that the business results are concentrated on a relatively small number of entrepreneurs.

Analysing the balance sheet structure (Graph 3a and 3b) in Croatian entrepreneurs whose total assets in 2012 were HRK 1.062bn we come to a conclusion that the structure of assets is relatively unfavourable due to too big a share of fixed assets. The same is true for the structure of liabilities, which is also relatively unfavourable, because third party's financing sources prevail (long-term and short-term liabilities) as compared to own sources (capital and reserves). The optimal ratio of third party and own financing sources is 50:50.

Graph 3a and 3b Balance sheet structure in Croatian entrepreneurs in 2012



Source: FINA (2013a,11)

Success of a business is best demonstrated by static financial indicators which express the relationships between two or more items on financial statements. According to the basic ratios for productivity, efficiency and profitability for 2012 the effectiveness of Croatian entrepreneurs was extremely low (Table 3). Due to a substantial growth of expenditure as compared to revenue, the level of revenue and profit per employee is decreasing as well as overall efficiency. Moreover, the profitability ratios show a low profit margin, return on assets and return on equity.

Table 3 Basic ratios for effectiveness of Croatian entrepreneurs in 2012

Description	2012
Productivity of labour –total revenue per employee in HRK	735.504
Productivity of labour– profit (+) or loss (-) for the period per employee in HRK	5.954
Total business efficiency in %	101,53
Net return on sales in %	0,81
Net return on assets in %, (ROA)	0,47
Return on equity in %, (ROE)	1,32

Source: FINA (2013a,12)

3. Characteristics of entrepreneurship in eastern Croatia

Since 2013 a new statistical classification of territorial units of Croatia has been implemented with the changes at the level NUTS 2⁸. The former division into three regions North-western Croatia, Central Croatia and Eastern Croatia (Pannonia) and Adriatic Croatia has been changed into two statistical regions Continental and Adriatic. Specifically, Pannonian Croatia and North-westernregion are combined into Continental region⁹ (Ministry of Regional Development and EU Funds, 2012).

In this analysis we have concentrated on the eastern part of Continental Croatia and analysed the following counties: Osijek-Baranja, Vukovar-Syrmia, Virovitica-Podravina, Brod-Posavina and Požega-Slavonia.

3.1. Comparison of main characteristics of entrepreneurs in eastern Croatia with other Croatian regions

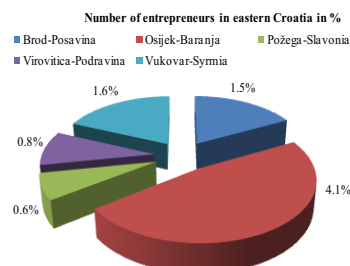
According to the latest data by FINA (2013b, 7) there are 8,351 entrepreneurs in eastern Croatia, which accounts for only 8.6% of all Croatian entrepreneurs and is a considerably smaller number than in the rest of Continental Croatia with 52% and Adriatic Croatia with 39%. The percentages of the number of the employed are almost the same. In comparison with the previous year there has been a significant decrease in the number of the employed, following an overall downward trend in Croatia. Osijek-Baranja county and its town Osijek as a regional, administrative and business centre stand out with the number of entrepreneurs and employees.

⁸ The Republic of Croatia is covered by the NUTS standard (for French Nomenclature des unites territorialesstatistiques) at three levels: the first level NUTS-1 covers the whole Croatia, the second level NUTS-2 covers Croatia divided into regions, and the third level covers counties. .NUTS-2 stands for division into regions in relation to the criteria by EUROSTAT for the area of the whole European Union (EU) and candidate countries. It is instrumental in the European Union's efficient monitoring of the way Structural Funds are used.

⁹The main reason for this division is the opportunity to obtain funding with a smaller proportion of self-financing, wider range of developmental priorities and highest non-repayable funds. The newly-established region has a much larger area and due to the incorporation of the underdeveloped territory of eastern Croatia is entitled to additional incentives for regional development from the EU Structural Funds under the most favourable conditions. However, combining of the regions has opened a number of questions regarding financial and administrative efficiency of the local and regional government in these regions (Bošnjak and Tolušić, 2012, 79).

Table/Graph 4 Number of entrepreneurs and employees in eastern Croatia and other regions, 2012

	County/Region	Number of entrepreneurs		Number of employees		
		Number	Share in %	Number	Share in %	Index 2012/2011
Analysed counties	Brod-Posavina	1.427	1,5	15.336	1,8	103,8
	Osijek-Baranja	3.994	4,1	39.352	4,7	99,0
	Požega-Slavonia	614	0,6	7.464	0,9	98,5
	Virovitica-Podravina	793	0,8	7.173	0,9	96,5
	Vukovar-Symia	1.523	1,6	16.544	2,0	98,8
	Total eastern Croatia	8.351	8,6	85.869	10,3	
	Rest Continental Croatia	50.968	52,3	518.245	62,4	
	Adriatic Croatia	37.935	38,9	225.760	27,2	
	Total Republic of Croatia	97.254	100,0	829.874	100,0	100,9



Source: calculation of the author based on the data by FINA (2013b,7)

3.2. Comparative analysis of financial performance by entrepreneurs of eastern Croatia and other Croatian regions

Financial reports on profit made by entrepreneurs of eastern Croatia in 2012 indicate that the entrepreneurs from that region generate the lowest revenue and profit of all Croatian regions, only HRK 9.6bn or 8% of the total revenue in Croatia and HRK 1.6bn or 4.6% of total profit made by successful entrepreneurs. They account for HRK 3.3bn or 11% of total loss of all businesses that made a loss. Consolidated data show a negative financial result-net loss of HRK1.7bn made by the entrepreneurs in eastern Croatia whereas the entrepreneurs in the rest of Continental Croatia made a total consolidated net profit of HRK 2.7bn (with the town of Zagreb in the first place). Adriatic Croatia made a total net profit of HRK 3.9bn. The situation differs across Croatian counties. Most counties of eastern Croatia sustained a consolidated net loss, except in Virovitica-Podravina county where the entrepreneurs had a positive consolidated financial result of HRK 76m. Osijek-Baranjacounty has the biggest share in the analysed financial figures with the overall consolidated net loss of HRK 1.2bn. The lowest revenue and profit are generated in Požega-Slavonia county (0.5% of revenue and 0.3% of profit of all Croatian entrepreneurs who achieved positive financial results). Considering the total number of entrepreneurs in a county, in all the analysed counties the number of entrepreneurs who make a profit exceeds the ones who make a loss (FINA, 2013b, 8).

Table 5 Total revenue, profit and loss, consolidated financial statement in the entrepreneurs of eastern Croatia and other regions, 2012 figures in HRK m, shares in %

	County/Region	Total revenue		Profit of the period		Loss of the period		Consolidated net financial statement
		Figure	Share	Figure	Share	Figure	Share	
Analysed counties	Brod-Posavina	7.713	1,3	267	0,8	384	1,3	-118
	Osijek-Baranja	24.263	4,0	694	2,0	1.983	6,8	-1.289
	Požega-Slavonia	3.222	0,5	98	0,3	120	0,4	-22
	Virovitica-Podravina	4.360	0,7	237	0,7	161	0,6	76
	Vukovar-Symia	9.622	1,6	276	0,8	655	2,2	-379
	Total eastern Croatia	49.180	8,1	1.572	4,6	3.303	11,3	-1.732
	Rest of Continental Croatia	432.564	70,7	20.554	60,4	17.833	61,4	2.721
	Adriatic Croatia	128.634	21,2	11.926	35,0	7.975	27,4	3.951
	Total Republic of Croatia	610.376	100,0	34.053	100,0	29.112	100,0	4.941

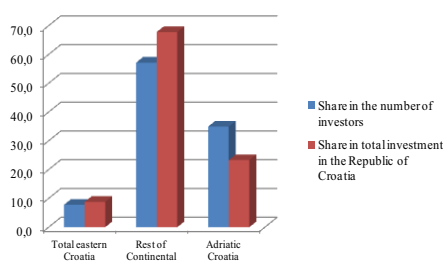
Source: calculation of the author based on the data by FINA (2013b,8)

The latest data on investment, which are the prerequisite for employment, growth of production activities, achieving added value, and the development of entrepreneurs, local and

regional self-government units as well as the whole region, are consistent with the quoted data on business efficiency. The number of investors and the amount of investment in eastern Croatia is the lowest of all Croatian regions (Table 6/Graph 5). Overall there is a little under 8% of all investors in Croatia who invested in production facilities approximately HRK 3bn or 9% of all investment by comparison to the rest of Continental Croatia where there are 57% of investors who invested HRK 22.6bn accounting for about 68% of all investments. In Adriatic Croatia there are 35% of investors i.e. HRK 7.8bn worth of investments or 23% of all investment. Among the counties of eastern Croatia the most prominent is Osijek-Baranjacounty with the greatest number of investors making investment of HRK 1.6bn in 2012. Entrepreneurs in Požega-Slavonia county made the lowest investment in all of Croatia (FINA, 2013b, 9).

Table 6/Graph 5 Investment by entrepreneurs in fixed assets in 2012 in eastern Croatia and other regions

	County/Region	Entrepreneurs Investors		Investments	
		Number of entrepreneurs investors	Share in the number of investors	Amount of investment in HRK m	Share in total investment in the Republic of Croatia
Analysed counties	Brod-Posavina	291	1,5	440	1,3
	Osijek-Baranja	738	3,7	1.664	5,0
	Požega-Slavonia	103	0,5	168	0,5
	Virovitica-Podravina	143	0,7	282	0,8
	Vukovar-Syrmia	288	1,4	411	1,2
	Total eastern Croatia	1.563	7,8	2.965	8,8
	Rest of Continental Croatia	11.361	57,2	22.610	67,8
	Adriatic Croatia	6.946	35,0	7.778	23,3
	Total Republic of Croatia	19.870	100,0	33.353	100,0



Source: calculation of the author based on the data by FINA (2013b,9)

The analysis of the structure of assets and liabilities in the entrepreneurs of eastern Croatia (Table 7) shows an unfavourable asset structure due to the big share of fixed assets, which can damage the solvency of the business and threaten the financial stability. The same is true for the entrepreneurs of the rest of Continental Croatia as well as Adriatic Croatia. The unfavourable structure of assets is accompanied by the unfavourable structure of capital and liabilities which directly affects the financial stability because the entrepreneurs are dependent on external expensive sources of financing. The total assets of entrepreneurs of eastern Croatia account for 6.56% of the total assets of Croatian entrepreneurs, an extremely small share compared to other regions. The greatest share of assets of entrepreneurs in eastern Croatia have the entrepreneurs from Osijek-Baranja county, as expected.

Table 7 Structure of assets and liabilities in entrepreneurs of eastern Croatia at the end of 2012

Eastern Croatia-counties	Assets and liabilities in HRK m on 31.12.2012	Structure of assets			Structure of liabilities			
		Fixed	Current	Other	Capital and reserves	Long-term liabilities	Short-term liabilities	Other sources
		(% in county assets)			(% in total sources of the county)			
Brod-Posavina	8.885	50,1	49,5	0,4	19,8	22,2	48,3	9,6
Osijek-Baranja	35.589	59,8	39,6	0,6	21,0	27,7	45,6	5,7
Požega- Slavonia	4.560	45,9	45,8	8,3	17,6	21,5	56,8	4,2
Virovitica-Podravina	6.278	55,5	44,1	0,4	33,6	20,6	39,8	6
Vukovar-Syrmia	14.396	57,2	42,2	0,6	33,3	17,5	44,1	5,1
Total Eastern Croatia	69.708							
Total Republic of Croatia	1.062.413	65,1	34	0,9	34,0	27,5	33,5	5

Source: FINA (2013b,12-13)

Poor business results of entrepreneurs in eastern Croatia are reflected in the financial ratios of productivity, efficiency and profitability¹⁰. The growth of expenditure over revenue led to negative financial results reflected in the negative ratios of productivity and profitability in most counties of eastern Croatia and the efficiency of all business activity is below 1 (Table 8).

Table 8 Ratios of productivity, efficiency and profitability in entrepreneurs of eastern Croatia in 2012

Eastern Croatia-counties	Total revenue per employee in HRK 000	Net loss of the period per employee in HRK	Efficiency of the business in %	Net profit margin in %	Net profitability of assets in %	Profitability of own capital in %
Brod-Posavina	503	-7.677	99,04	-1,53	-1,33	-6,27
Osijek-Baranja	617	-32752	95,3	-5,3	-3,6	-16,7
Požega-Slavonia	432	-2885	99,7	-0,7	-0,5	-2,7
Virovitica-Podravina	608	10.659	102,2	1,8	1,2	3,5
Vukovar-Syrmia	582	-22.883	96,5	-3,9	-2,6	-7,7

Source: FINA (2013b,14)

4. Restrictions on the development of entrepreneurship in eastern Croatia

According to the above ratios eastern Croatia lags behind in the entrepreneurship development compared to the other regions and territories of the Republic of Croatia, especially the rest of the areas of Continental Croatia. Small and medium-size enterprises account for 99.7% of entrepreneurship in Croatia with a 55% share in generating added value and present a potential in opening new jobs and developmental economic activities. According to the data of Ministry for Entrepreneurship and Crafts small-scale enterprises account for 36% in eastern Croatia, which is an exceptionally small share compared to other regions (Ministry of Entrepreneurship and Crafts [MINPO], 2013, 39).

The conducted international research¹¹ places Croatia under the average EU-27 regarding entrepreneurship and points out the barriers to the development of entrepreneurship in Croatia including the analysed counties which have been present for a longer period of time (SMEs and Entrepreneurship Policy Center, [CEPOR], 2012, 20):

- Administrative barriers (lengthy and expensive procedures for start-up and liquidation of businesses)
- Inefficient judiciary
- Lengthy procedures for registration of property
- Lack of focus on entrepreneurial education
- Underdevelopment of informal financing for starting a business

¹⁰ Productivity ratios: total revenue per employee or consolidated result (profit of the period subtracted by the loss of the period) per employee; Ratios of total efficiency: total revenues in relation to total expenditure; Profitability ratios: net profit in relation to total revenue (net profit margin) or total assets (net profitability of assets or rate of return on assets) or own capital (profitability of own capital).

¹¹ There are four main international research organisations which conduct indexing and assessment of results in entrepreneurship using scales: Doing Business – World Bank Report, Global Enabling Trade Report by WEF (World Economic Forum), GEM (Global Entrepreneurship Monitor) Global Report by GEM Consortium and EU SBA FactSheets reports supported by DG Enterprise and Industry (Directorate-General for Enterprise and Industry). In these reports standard definitions and indicators are used which enable the authors to rank the countries using scales.

The tenth report Doing Business by the World Bank lists the results of 185 countries regarding the number of administrative barriers. Table 9 shows Croatia's rankings by each research topic and improvement since 2010 (MINPO, 2013,46).

Table 9 Data for Croatia, 2010-2013, World Bank Research

Topics	2013	2012	2011	2010
	rank			
Starting a Business	80.	67.	56.	101.
Dealing with Construction Permits	143.	143.	132.	144.
Regisring Property	104.	102.	110.	109.
Getting credit	40.	48.	65.	61.
Protecting Investors	139.	133.	132.	132.
Paying Taxes	42.	32.	42.	39.
Trading Across Borders	105.	100.	98.	96.
Enforcing Contracts	52.	48.	47.	45.
Resolving Insolvency	97.	94.	89.	82.
Overall rank	84.	80.	84.	103.

Source: MINPO (2013,46) based on World Bank research Doing Business 2010-2013

Croatia's lowest rankings are in the topics of starting a business (lengthy procedures), protecting investors, paying taxes and trading across borders. Negative trends are also present in resolving insolvency where Croatia ranked lower due to the problems that businesses have with timely payment of outstanding and assumed liabilities.

The main sources of financing the development of entrepreneurship in the sector of small and medium-sized enterprises in Croatia, including the analysed counties, are: banking sector, credit unions, venture capital funds, informal forms of financing (business angels) and Government incentive programmes and subsidised credit lines. The results of GEM research from 2002 to 2011 indicate that the access to financial support was in all those years more of a barrier than an incentive. Small and medium-sized enterprises are more oriented to traditional sources of financing (bank loans) since there is a limited supply of the non-traditional sources of financing (venture capital funds and business angels) on the Croatian financial market (CEPOR, 2012, 30). Regarding financing conditions the most pronounced limitations are: lack of loan guarantees, inadequate range of banking products and services, required loan documentation, rate of interest and shortage of information on available financial products.

5. Conclusion

The analysis of entrepreneurship development in eastern Croatia compared to other regions (other areas of Continental Croatia and Adriatic Croatia) indicates that the entrepreneurship in eastern Croatia is the least developed and is characterised by:

- the smallest number of entrepreneurs and their employees
- the lowest revenue, and due to the growth of expenditure negative consolidated financial results which are worse than in other regions
- the smallest number of investors and the lowest level of investment in fixed assets of all Croatian regions

- unfavourable structure of the balance sheet in entrepreneurs: there is a big share of fixed assets in the asset structure; there is an unfavourable relation of capital and liabilities in the liability structure
- overall unfavourable financial ratios of productivity, efficiency and profitability, which are much worse than in other regions
- a low share of small and medium-sized enterprises in the total number of enterprises as compared to other regions
- as in the rest of Croatia the concentration of entrepreneurial activity is the highest in the county administrative centres
- in the development of entrepreneurship of eastern Croatia and analysed counties, Osijek-Baranja county and the town of Osijek play the most prominent role

The research has shown that the same limitations are present in the development of entrepreneurship in eastern Croatia as in the rest of Croatia. They are most evident in the lengthy procedures for starting businesses, protection of investors, problems of illiquidity and insolvency, availability of external sources of financing and associated credit conditions, inadequate offer on the financial market and other forms of financing. Improvement should be made in these segments and the development of entrepreneurship in eastern Croatia should be additionally stimulated by appropriate government incentives and instruments of providing these incentives as well as obtaining EU funding for co-financing of different developmental projects.

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