Presentation of the findings from the Business Owners Survey 2022

EU for Economic Growth Project

Commissioned by:

Implemented by:

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# 1. Introduction

The aim of the project “EU for Economic Growth (EU4EG)” is to increase the local economic activity and competitiveness in the four target areas: North-East, Polog, and South-West planning regions and Prespa area (Municipality of Resen) by improving access of start-ups andSME to financing and high value-added services.

The target groups for the project include businesses owned by or with a majority of employed people under 40 years; women; and vulnerable groups.

The types of economic activities include the circular economy and green economy; innovationand IT; and highly competitive/growth potential economic sectors.

GIZ, the lead implementing partner of the project, contracted the market research company INDAGO - Skopje to conduct an online survey of business owners in each of the four target areas in North Macedonia to collect data on their perception of the entrepreneurial ecosystem.This survey provides insight into the business owners’ opinions and needs, as well as a comparison with the 2021 survey.

## 1.1. Methodology

The objectives were to conduct an online survey about the perception of the business owners (randomly selected to provide an unbiased overview) in the four target areas using a quantitative structured interview technique covering topics such as business environment andinvestment climate, business support services, access to finance, and entrepreneurship culture and attitude, to gain insight into their needs.

INDAGO was responsible for implementing the following tasks within the four target regions:

- Preparation of a methodology for conducting an online survey of business owners in the four target areas using a structured questionnaire,
- Implementation of survey of business owners in four target areas,
- Development of a fully searchable database in excel with collected data/ information,
- Preparation of Report with summary of findings and recommendations.

## 1.2. Target groups and sample size

The target group for this survey consists of SMEs. The criteria for SMEs are:

- Size of companies:
    - Micro (0-9 employees)
    - Small (10 – 49)
    - Medium (50 - 249 employees).
- Type of companies:
    - Entrepreneurs/start-ups – new companies (operational for up to 3 years)
    - Growth companies (operational 4-9 years)

- Mature companies (operational 10+ years).

The sample sizes in comparison to the overall active companies in the four target regions isset up as follows

| | | Micro (0-9 employees) | Small (10-49 employees) | Medium (50-249 employees) | Total |
|---|---|---|---|---|---|
| *Municipality of Resen (Prespa)* | Active companies 2020 | 275 | 160 | 5 | 440 |
| | % | 99% | 1% | 0% | 100% |
| | **Sample size** | **96** | **1** | **0** | **97** |
| *Polog planning region* | Active companies 2020 | 7849 | 451 | 108 | 8408 |
| | % | 93% | 6% | 1% | 100% |
| | **Sample size** | **111** | **7** | **1** | **119** |
| *Northeast planning region* | Active companies 2020 | 3710 | 302 | 80 | 4092 |
| | % | 90% | 8% | 2% | 100% |
| | **Sample size** | **109** | **10** | **2** | **121** |
| *Southwest planning region* | Active companies 2020 | 6743 | 399 | 126 | 7268 |
| | % | 93% | 4% | 3% | 100% |
| | **Sample size** | **113** | **5** | **3** | **121** |

Table 1: Sample sizes according to the regions

The random sample of selected businesses (population sample) for the survey was purchased from the Central Registry Office stratified as per GIZ requirements. The population sample included information on the name of the company, address, city, registration number, classification according to NACE Rev.2, number of employees, telephone number, email address and name of the authorized representative of the company.

## 2. Background

Entrepreneurs/start-ups in the three least developed regions in the country (North-East, Polog, and South-West) and in the Prespa area (Municipality of Resen) have historically been isolated, with limited contacts to other start-ups and venture capital funds. They have difficulties to access new markets; low entrepreneurial spirit, which is particularly true for youth and women entrepreneurship, and a low innovation capacity and technology base (includingcircular and green technologies). Active companies (SMEs) in the target areas, and, more specifically, those that have high growth potential, both sectoral (based on specific regional economic activities and cluster/supply chain opportunity) or horizontal (based on individual company growth potential) lack systematic and continuous business support on local/ regionallevel. Despite the constant development of strategies and programmes, a functional and effective support system for SMEs is still not in place. In addition, there is a lack of thoroughanalysis of real needs of SMEs differentiated by size & sector. On the other hand, there is nodeveloped culture in businesses to seek and use advisory or mentorship services.

There is a significant lack of alternative financing sources such as equity and business angels' funding for start-ups and companies with high growth potential. Both indicators are among thelowest of all SBA[1] countries. The alternative sources of financing that are available to start-ups and growth companies other than own/family investment include one venture capital fund, three networks of Business Angels, and to a limited extent, crowdfunding.

The following came clear during the interpretation of the results:

- Between 66% and 77% of all the respondents were men, which makes it difficult to interpret the results on how the entrepreneurial situation for women in the regions is perceived.
- Same as previous survey, women in general are underrepresented in all aspects, and the statements made regarding gender specific barriers or disadvantages in access to finance for female entrepreneurs should be interpreted with caution.
- Most of the companies agree that access to finance is limited which is the biggest obstacle for doing business.

[1] The Small Business Act (SBA) is a database of good practice that contains activities by public authorities and public-private partnerships in EU Member States and candidate countries, recognised as good practices to improve the business environment of small and medium-sized enterprises (SMEs).

- Only 20% of the companies that were part of 2022 survey are green business while 21% stated that they are social enterprises. Two thirds of the companies do not fit in those categories. In addition, same as the survey in 2021, there is no specific standard, which companies need to fulfil, to consider themselves as green or social businesses. The answers to these questions therefore are purely based on how the respondents perceive their company and their products.
- Half of the respondents think is difficult to obtain business support services and advice. The companies from the North-East region have the biggest difficulties to obtain business support services and advice.
- Same as previous survey, general and specialized advice on accessing finance and support in the business registration process are frequently mentioned services which are needed in the regions.

## 3. Overall findings

In the following, the main findings of the individual regions are presented. Followed by a brief section about general findings throughout all the regions.

**North-East**

- 121 companies surveyed.
- Same as previous survey only few young companies amongst the surveyed companies.
- Focus on green and social topics is low, but higher amongst growth companies compared to others.
- Mostly the COVID crisis had a negative impact on many businesses. However, only 7% of growth and 4% of mature companies had positive impact.
- Main challenges for business in the last 12 months in the North-East region were competition, deteriorating business environment, and costs of production or labor.

**Polog**

- 119 companies surveyed.
- Same as previous survey, only 2% of the surveyed companies are newly established.
- Focus on Green and Social topics is low, but higher amongst young companies for green business and growth companies for social enterprise.
- Vast majority of the companies do not export. Young companies do not export at all.
- There is an increase in deterioration of business environment, competition, and increase in regulations relevant for particular business sector as main challenges for the business in the last 12 months. In addition, one quarter of the companies have faced challenges with acquiring new customers and/or expanding to new markets which are more than in 2021.

**South-West**

- 121 companies surveyed.
- Only a very small number of companies export into the Balkan neighbouring countries, EU countries or worldwide. Young companies do not export at all.
- Young companies operate in other services, financial and insurance activities, accommodation and construction. Whereas the more mature companies operate mainly in other services as well as wholesale and retail trade and manufacturing.
- As main challenges were mentioned competition, insufficient support from the government and acquiring new customers and / or expanding to new markets. Namely, can be noted an increase in these challenges compared to 2021. Furthermore, majority of the companies expect to acquire new customers and experience overall growth in the next 12 months.
- The number of companies that have not used the services and/or advice from educational institutions has increased (98%) compared to 2021. All companies are not familiar with any Incubators/Accelerators programs in their region.
- Financing is mainly used for working capital. The young companies mainly used the finance for the investment project compared to other companies.

**Prespa area (Municipality of Resen)**

- 97 companies surveyed.
- Unlike the previous year young companies export in the neighboring countries, Western Balkan and worldwide.
- Young companies operate in either other services, transport and storage,

accommodation or activities of household as employers. The more mature companies operate mainly in the wholesale and retail trade, and other services.

- Majority of the companies had a negative impact on their business because of the COVID crises. However, compared to the survey in 2021 it is notable that the positive impact that the companies have this year is higher.
- 76% of the respondents stated that their company does not fit in the category of green or social business. One quarter of the mature companies stated that they are green business.
- Main challenges for business in the last 12 months in the Prespa region were competition and insufficient support from the government.

# 4. Regional specifics: North-East

## 4.1. Overview

In total 121 companies responded to the questionnaire in the North-East region. The latest survey data shows that two thirds of the companies are mature (more than 10 years), while almost one quarter (23%) are growth companies (operational 4-9 years). Newly established companies (operational from 1 - 3 years) represent only 10%. The results are similar when compared with 2021 survey.

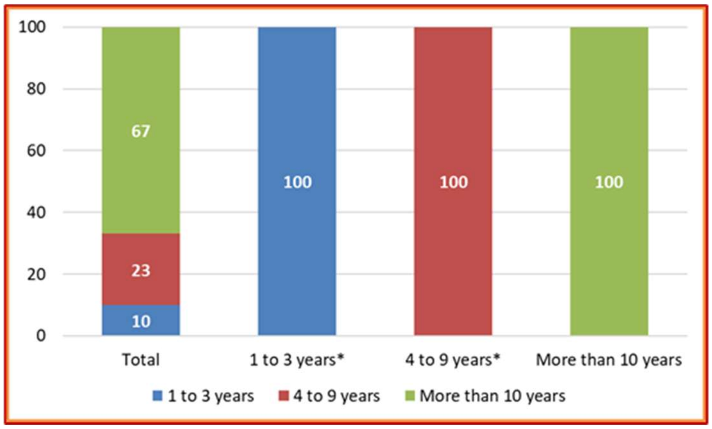



Figure 1: Age of the companies

Vast majority of the companies in the North-East region do not export, which is the same as previous survey. These results show a slight increase in the export in neighboring countries (6%) from the survey results of 2021 (2%). Worth to note that companies from the 2022 survey, export in the Western Balkan region, while the companies from previous survey export in the EU and worldwide. In general, two-thirds of the companies answered that COVID crises had a negative impact on their business, while only 4% had a positive impact. Compared to the previous survey can be noted that the positive impact that the companies have this year is significantly lower than in 2021 (13%). Furthermore, less than one third of the respondents stated that main challenges were competition and insufficient support from the government as well as the acquisition of new customers. The compared data shows a significant decrease in support from the government (16%) than one year ago (2021 survey 33%).

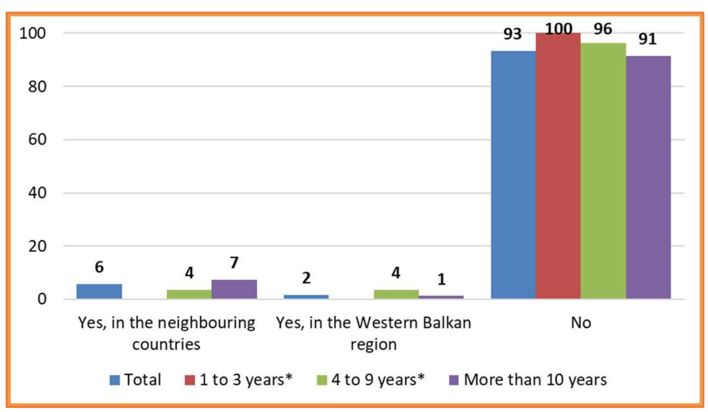



Figure 2: Export activities

## 4.2. Main sectors

In general, most of the companies in the North- East operate in wholesale and retail trade followed by other services. However, more than half (58%) of newly established companies, 54% of the growth companies and 63% of the mature companies belong to the wholesale and retail trade. The main products of the growth companies are trade (36%), construction (14%) and food/drinks products (14%). The main products of the mature companies are trade (41%) and other services (16%) and food/drinks products (12%).

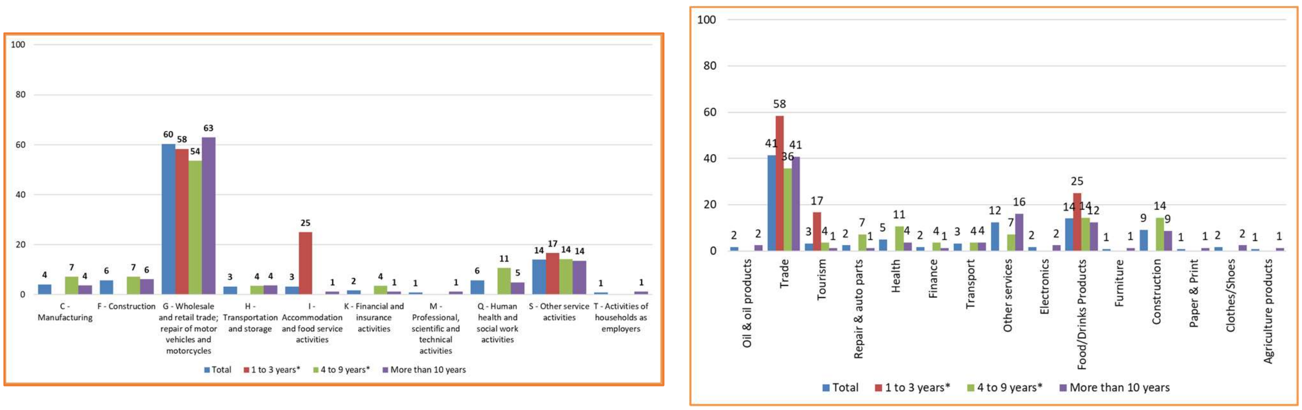



Figure 3: Main products / sectors of the North-East companies

One-third of the respondents stated that their company is a green business, while 21% said that is a social enterprise. When comparing other categories, the survey results show a slight increase for green business companies in 2022 (green business in 2021 – 28%) while social enterprises have decrease when compared to the previous survey (33%). As the graphic shows, **growth companies** seem to **be more active in the field of green business** compared to others.

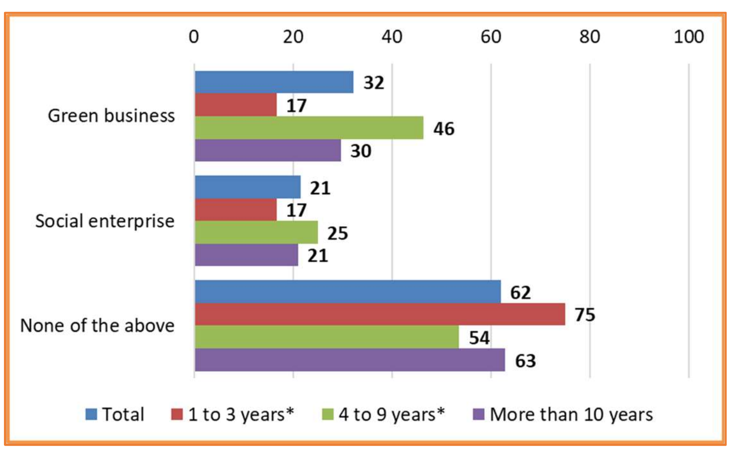



Figure 4: Focus of the businesses in the North-East region

## 4.3. Gender

Two thirds of the respondents in companies were male, while one third were female. These results from this year survey show a significant increase of female and significant decrease of male compared to the survey results of 2021 (female 24%, male 76%). The percentages of male respondents for young (75%) and growth (79%) companies, while the percentage is smaller only for the mature companies (60%).

## 4.4. Labour regulations

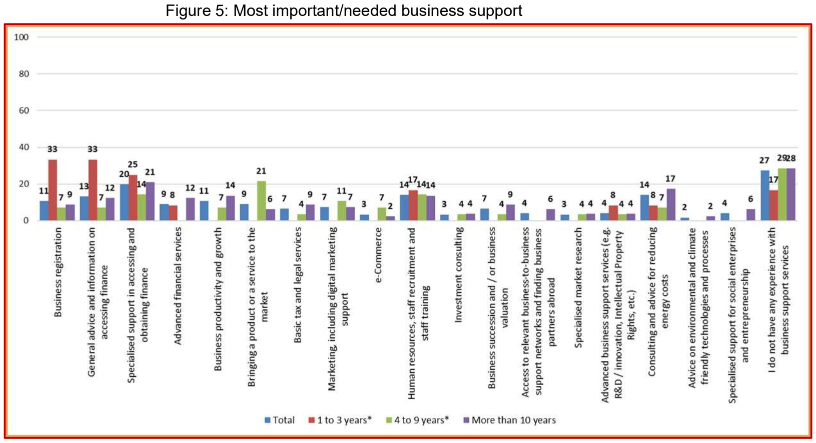
Less than half (43%; slightly agree + agree + strongly agree) of the respondents are of the opinion that labour regulations have a positive influence on entrepreneurs' decisions for hiring staff, which is lower than 2021 (76%). Similarly, 42% of the respondents have a positive opinion (slightly agree + agree + strongly agree), while only 10% of the respondents either strongly agree or agree that skilled work force is available to the businesses in the region. In the previous survey the figure was 40% (strongly agree + agree). Likewise, 50% of the respondents have a positive opinion, (15% of them agree) that graduates of the educational institutions have the needed skills and knowledge to work in the companies, which compared to 2021 survey is a notable lower level of agreement (67%; slightly agree + agree + strongly agree).

## 4.5. Types of Business Support Services

When asked about business support services, around one fifth of the respondents stated that they need **specialized support in accessing and obtaining finance**, while less than one fifth need human resources, staff recruitment and staff training (14%), and consulting and advice for reducing energy costs (14%). In the 2021 survey one quarter of the companies needed general advice and information on accessing finance and specialized support in accessing and obtaining finance. Around one fifth stated that they need marketing, including digital marketing support, e-commerce as well as support regarding human resources.

The **youngest companies the most need advice about business registration and general advice and information on access to finance.**

Figure 5: Most important/needed business support




Furthermore, same as previous survey, this year data shows that many companies do not have any experience regarding using business support services at all. Out of those who had such experience 18% evaluated specialized support in accessing and obtaining finance as excellent. Majority of the respondents are not familiar with any Incubators/Accelerators programmes in their region, unlikely previous survey. In 2021 survey small percentage of the respondents were familiar with Seavus (3%) and X-Factor (2%).

## 4.6. Finance

When asked about the purpose of financing majority of the respondents' stated that it was working capital, while less than one eight (11%) respondent's state refinancing / repayment of obligations. In comparation to 2021 survey can be noted increase in working capital (55%)[1] and decrease in refinancing / repayment of obligations as purpose of financing (30%). In general, all companies mainly use working capital. In addition, 30% of the growth companies used the funds for refinancing / repayment of obligations as purpose of financing, and 7% of mature companies. Less than two thirds of the respondents support the statement that the **limited access to finance is the biggest obstacle** for doing business, which is lower compared to 2021 (70%).

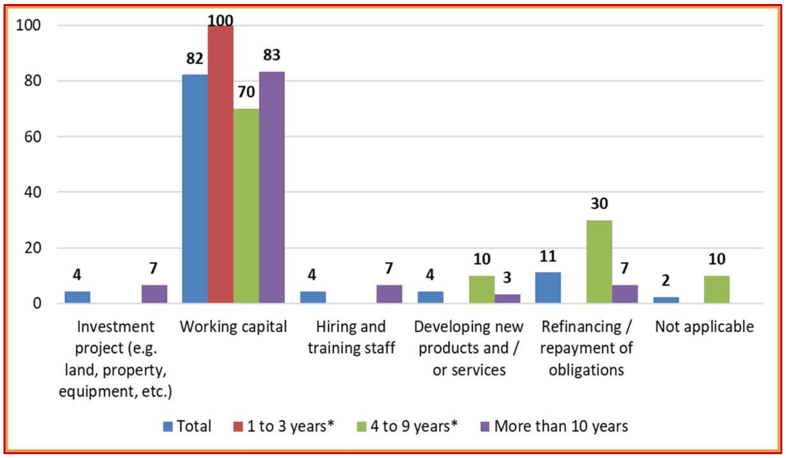



Figure 6: Purpose of financing

## 4.7. Entrepreneurship culture and Attitude

2022 survey data shows that greater independence is the most important motive for pursuing entrepreneurial activities, followed by increased personal income. In the 2021 survey, the most important motive for pursuing entrepreneurial activities was increased personal income, followed by greater independence. Same as the previous survey, taking advantage of business opportunities is a motive for only a rather small percentage of the companies.

Generally speaking, the level of respondents who agreed with most of the statements on the perception of the society of entrepreneurship decreased compared to the previous year. More than half (51%) disagree (strongly disagree + disagree + slightly disagree) that society reacts positively to entrepreneurial failure and supports second chance and the majority (69%) disagree (strongly disagree + disagree + slightly disagree) that there are gender-specific societal/ cultural barriers hindering women from starting

[1] Report for Business Owners' Perception of Entrepreneurial Ecosystem in 4 Target Areas in 2022; page 49

their own business.[2] Less than two third (61%) of the of the respondents agree (strongly agree + agree + slightly agree) that people with entrepreneurial ideas or intentions are hampered by a fear of failing or risk aversion, which is lower than 2021 (74%). Similarly, there is a lack of physical infrastructure available for entrepreneurs, and no well-established collaboration between businesses and universities on R&D.

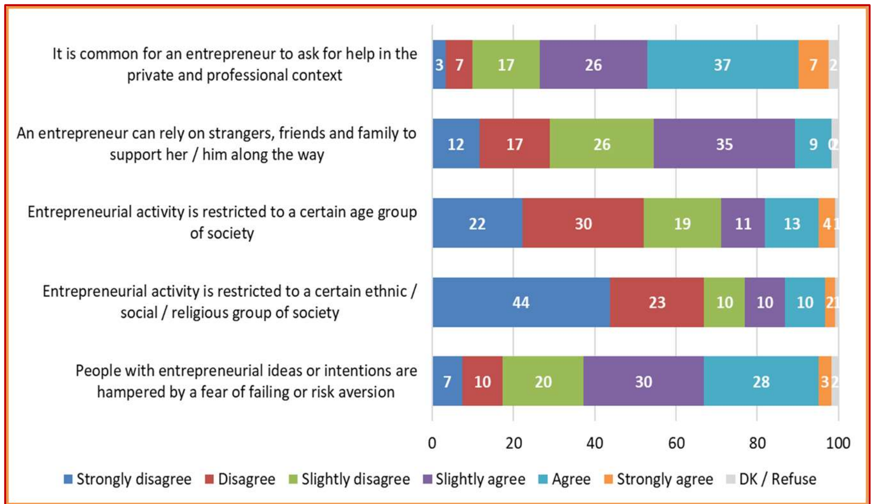


Figure 7: Rating the statements on the entrepreneurial activities

The 2022 survey results indicate that respondents who agree (strongly agree + agree + slightly agree) to the statement that “Entrepreneurial activity is restricted to a certain age group of society” is slithly higher (28%) than 2021 (25%). On the other hand, can be noted decrease in the agreement in the following statement “An entrepreneur can rely on strangers, friends and family to support her / him along the way” (2022 survey – 9% compared to 2021 survey 31%;strongly agree). There are no major differences between the other statements.[3]

[2] Report for Business Owners’ Perception of Entrepreneurial Ecosystem in 4 Target Areas in 2022; page 51
[3]

# 5 Regional specifics: Polog

## 5.1 Overview

The Polog region is the most active region of the four target regions with more than 8000 active companies. 119 companies in total were surveyed in this region, out of which a majority are mature and around one quarter are growth companies. Same as previous survey, only 2% of the companies are newly established.

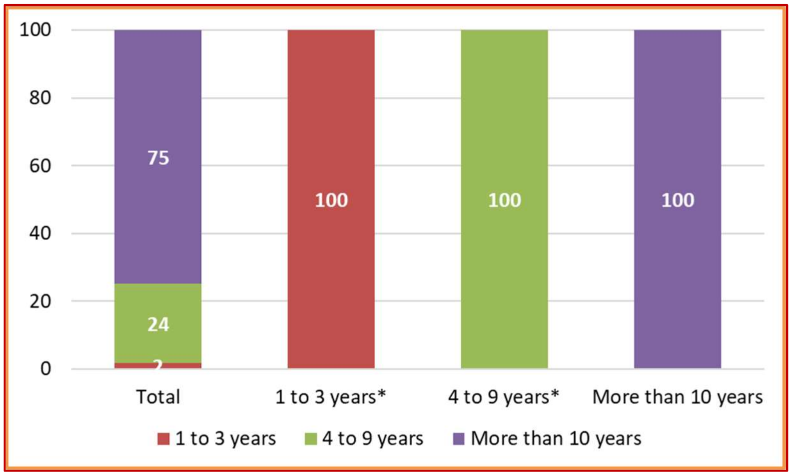



Figure 8: Age of companies

High 84% of the companies do not export. Moreover, 14% of the respondents stated that they export to neighboring countries, followed by 5% in the Western Balkan region. Notable is that there is a decrease of about 6% in the export in the EU (2022 – 4%) compared with 2021 (10%).

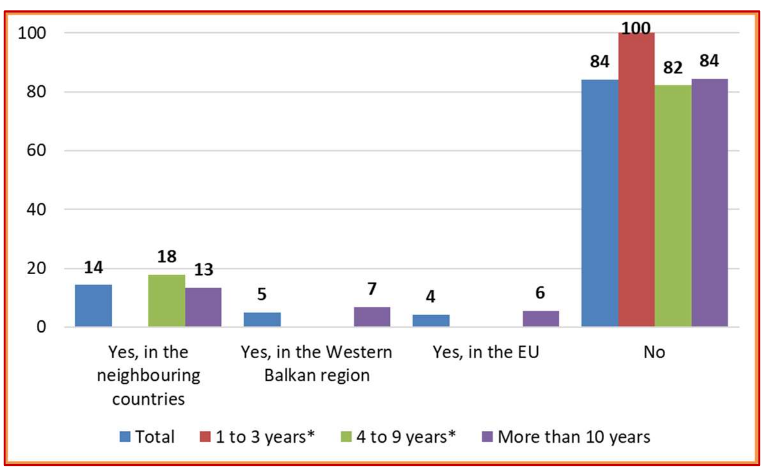


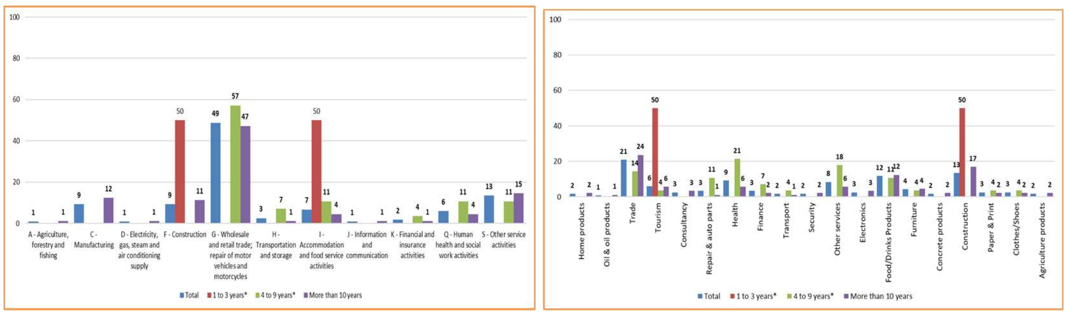

Figure 9: Export activities

## 5.2. Main Sectors

In the Polog region, the youth companies operate in construction and accommodation, while mostly of the growth companies (operational 4-9 years) operate in wholesale and retail trade. Additional, less than half of the mature companies (operational more than 10 years) operate in trade and other services.

In terms of main product/service, trade is represented with 24% of the mature companies, followed by 17% construction. Furthermore, the main product of the growth companies belongs to health (21%), other services (18) and trade (18%).

Figure 10: Main products / sectors of the Polog companies




Generally speaking, there are no notable differences in the answers to the question “Do you consider your business as either green and/or social” in both surveys. Only 27% of the respondents stated that their company is a social enterprise, while 15% stated that it is a green business. Additionally, two-thirds (67%) of the respondents stated that the company doesn’t fit in those categories. Around one-quarter of the mature companies and around one-third of the growth companies are social enterprises.

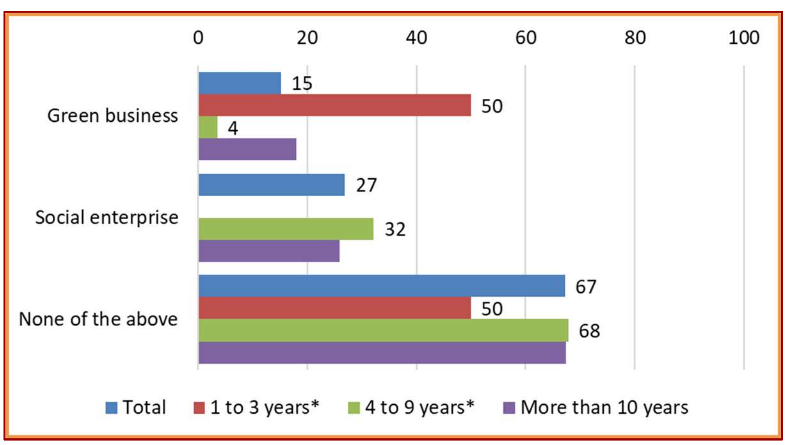



Figure 11: Focus of the businesses in the Polog region

## 5.3. Gender

Same as previous survey, only very few respondents stated that they have more than 50% of women in their board of directors. Also, in other positions, **women are clearly underrepresented**. However, one quarter of the respondents stated that most of the employees are women, 18% stated that general manager is a woman. More than two thirds (69%) also seems to agree (strongly agree + agree + slightly agree) with the statement that "Women are promoted to leadership positions" and more than half of the respondents stated that there are gender specific barriers, which hinder women entrepreneurship. In addition, there is no differences in the level of agreements in both surveys. However, since most of the respondents are men, these statements might be biased. Although **the majority of the respondents are men**; it is worth noting that compared to the previous survey that the number of the woman has increased (female 23% in 2022; female 17% in 2021).

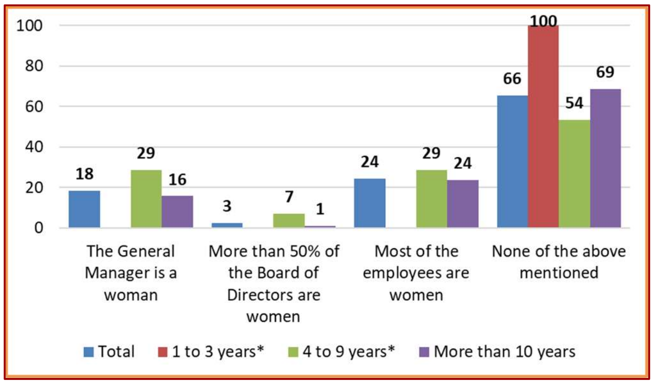



Figure 12: Representation of the woman in the company's management

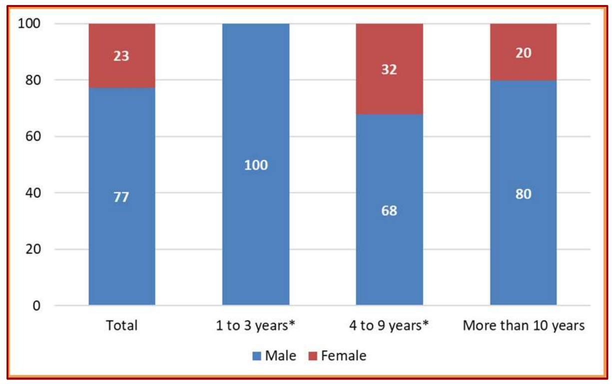



Figure 13: Representation of woman in the companies

## 5.4. Main challenges

The 2022 results show increase in deterioration of business environment (20% - 2021; 33% - 2022) competition (20% - 2021; 28% - 2022) and increase in regulations relevant for your business sector (8% - 2021; 31% - 2022) as main challenges for the business in the last 12 months. In addition, 24% of the companies have faced acquiring new customers and/or expanding to new markets which are more than in 2021 (11%). The young companies stated that competition, insufficient support from the government, a deteriorating business environment, and acquiring new customers and are the biggest challenges to their businesses in the last 12 months. The more mature companies mostly are struggling with a deteriorating business environment, while the companies in growth are struggling with regulations relevant to their business sector. Compared to the previous survey, this year's results show that the companies in growth are less affected by the COVID crisis compared to the other companies. In addition, the most affected by COVID are the young companies.

The opinions are divided about the statement "Scientists and engineers with the qualifications your business requires are available". More than half of all companies disagree (strongly disagree + disagree + slightly disagree) that scientists and engineers with the qualifications required by the businesses are available.

Next to the challenges, it seems like the outlook for the companies, is the same as in the previous survey, no matter the age of the company, the most of them stated that they expect to acquire new customers and experience growth in the next 12 months.

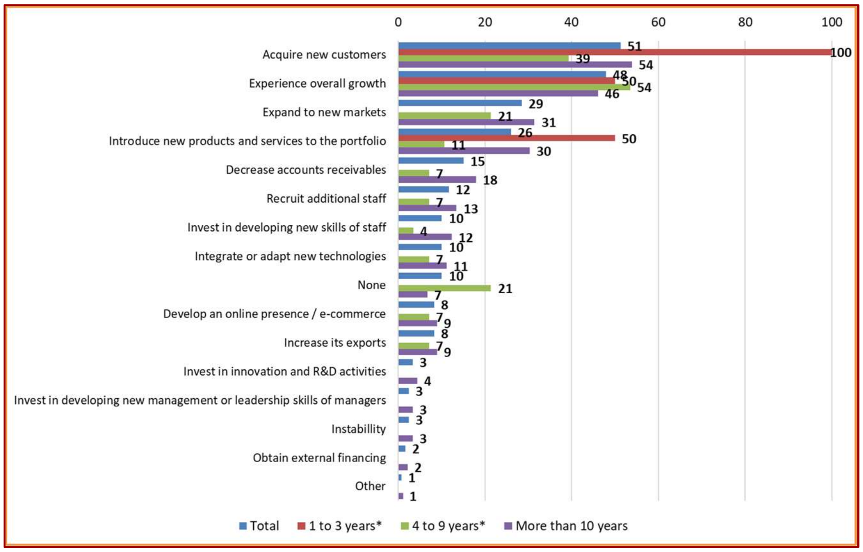



Figure 14: Main challenges for the companies

## 5.5. Types of Business Support Services

When asked about business support and advice that are most needed, in the 2022 survey 15% stated that they need general advice and information on accessing finance, which dropped compared to 2021 when 36% of respondents stated they need general advice and information on accessing finance. Nevertheless, 8% stated that they need specialized support in accessing and obtaining finance. In the previous surveys, this figure was 30%. Noteworthy is that 67% of the respondents do not have any experience with business support services, which is higher than 2021 (21%). This makes it difficult to value the response of the companies regarding the quality of the support services provided. Nevertheless, out of those who mentioned that such service is available, 17% evaluate basic tax and legal services as excellent and 25% think that advanced business support services and business succession and/or business valuation are excellent.

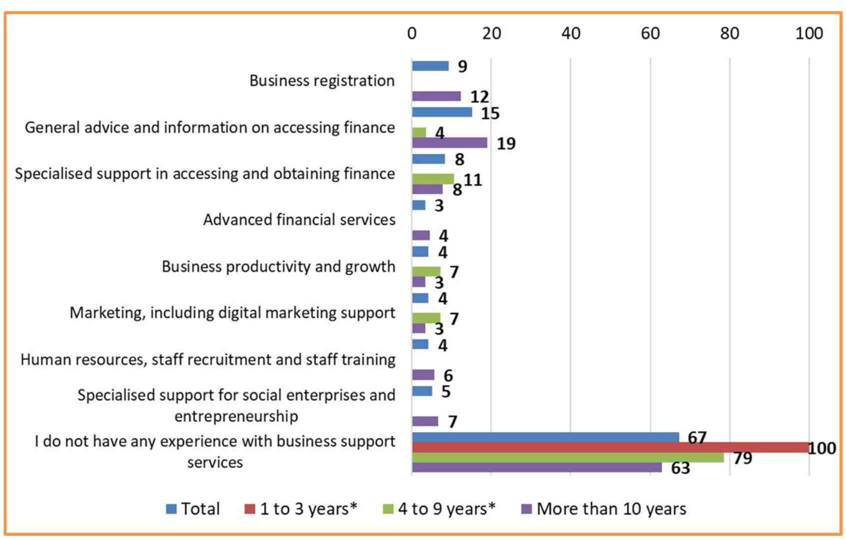



Figure 15: Most important/needed business support

## 5.6. Finance

When asked about the purpose of financing the vast majority of the respondents' stated that it was for **working capital**, the same as the previous survey. More specifically, the 2022 research results show that 82% of the respondents stated that the purpose of financing was working capital, while in 2021 that figure was lower (65%). Moreover, 49% stated that an investment project was the purpose of financing. In the previous survey, this figure was lower (16%). Furthermore, if we compare the current results with the previous survey can note that the is an increase in working capital and investment project as a purpose of the finance among all companies.

Further, around one quarter of the respondents support the statement that **variety of financial options that are available to businesses is quite limited and insufficient**, which is lower than previous survey (46%). In addition, less than two thirds of the respondents support the statement that the **limited access to finance is the biggest obstacle** for doing business.

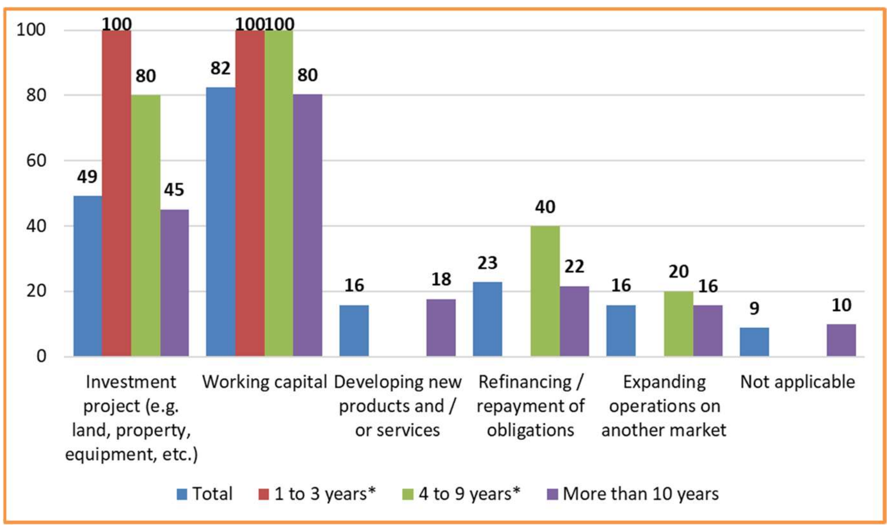



Figure 16: Purpose of the financing

## 5.7. Entrepreneurship culture and attitude

Taking advantage of business opportunities is the most important motive for pursuing entrepreneurial activity (26%), followed by the increase in personal income (25%). In comparison with the results from 2021, to increase the personal income is the most important motive for pursuing entrepreneurial activities, followed by taking advantage of a business opportunity. The figure for taking advantage of business opportunities in 2021 was 31%, while for the increase in personal income was 22%.

In terms of statements on the entrepreneurial activities in your region, the survey findings indicate that respondents who agree (strongly agree + agree + slightly agree) with the statement that "It is common for an entrepreneur to ask for help in the private and professional context" (70%) are slightly lower than the previous survey (76%). Likewise, relating to the statement “An entrepreneur can rely on strangers, friends, and family to support her/him along the way” 165% of the respondents agree (strongly agree + agree+ slightly agree)) while in comparison with 2021 we can note a decrease in this statement (69% in 2021). Furthermore, is worth noting that there is a drop in the agreement (strongly agree + agree+ slightly agree) about the following statement “Entrepreneurial activity is restricted to a certain age group of society” (30% in 2022, 47% in 2021). Besides all decreases in the agreement of the statement, worth noting is that we have a 21% increase regarding the statement “People with entrepreneurial ideas or intentions are hampered by a fear of failing or risk aversion”. In addition, for entrepreneurs it seems common to ask for help in the private and professional context and they believe that they can rely on strangers, friends and family to support them along the way.

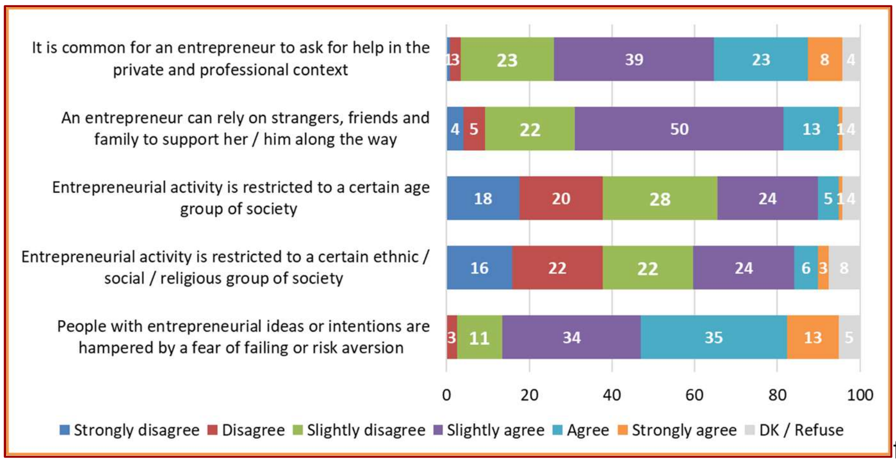


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Figure 17: Rating of the statements on the entrepreneurial activities

Overall, it is agreed that a certain infrastructure is available for entrepreneurs, which is lower than the previous survey. However, there is no well-established collaboration between businesses and universities on R&D, which is similar to the previous survey results.

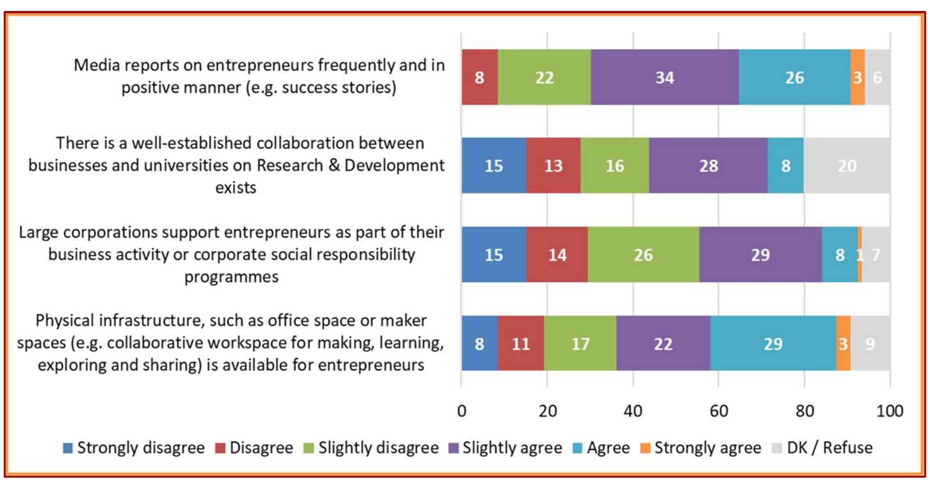



Figure 18: Rating of the statements on the entrepreneurial activities

# 6. Regional specifics: South-West

## 6.1. Overview

A total of 121 companies were surveyed in the South-West region, out of which approximately the same percentage of the companies are operational for more than 10 years (79% in 2022, 76% in 2021). Thus, less than one quarter (15%) are operational between 4 to 9 years, as well as 7% are newly established companies, similar to the year before (4-9 companies 17%, 1-3 companies 8% in 2021). Similar to the other regions, only very small number of companies export in the neighbouring countries and in EU, and only 1% export worldwide.

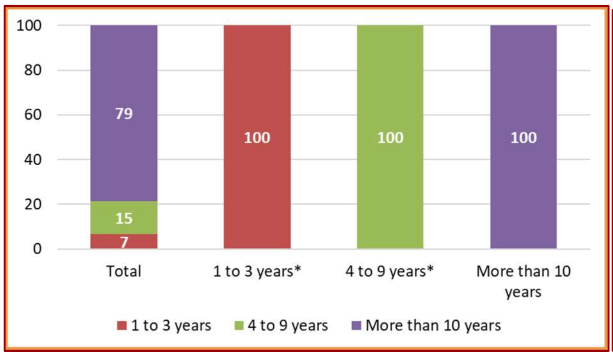



Figure 19: Age of the companies

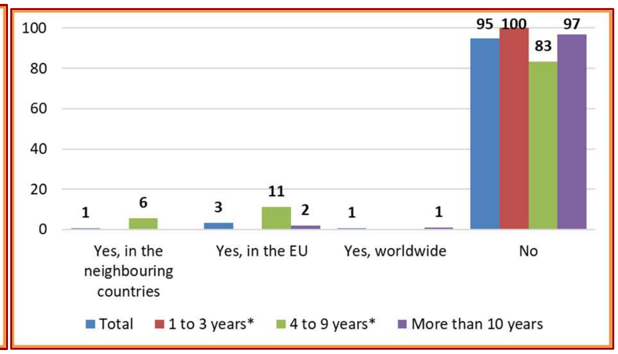



Figure 20: Export activities

## 6.2. Main Sectors

In the South-West region, a large share of young (63%) growth (61%) and mature (41%) companies operates in other services activities. Furthermore, food/drinks products are that main products/services to all companies (youth (25%), growth (17%) and mature (32%)).

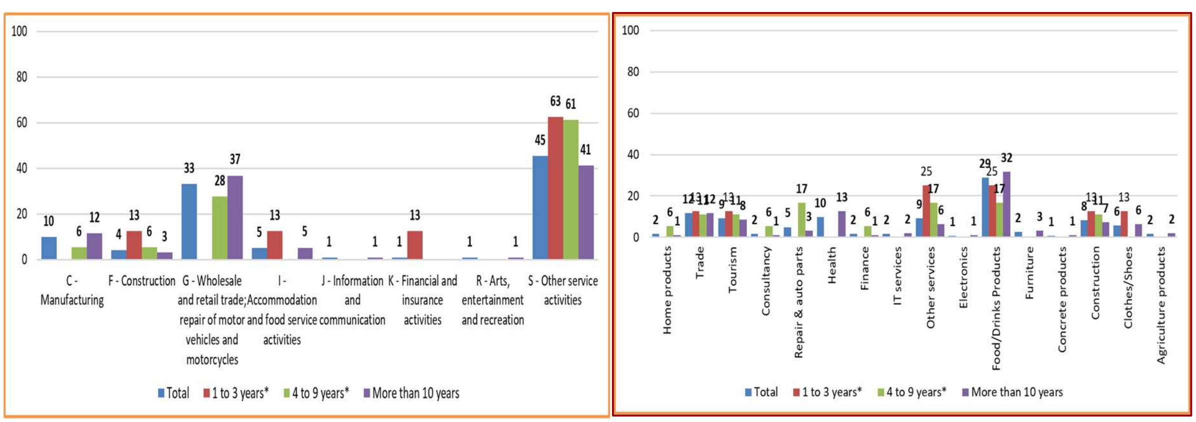



Figure 21: Main products/sectors of the South-West companies

Data obtained in 2022 survey shows that one quarter state that their company is a social enterprise, while 14% are a green business. In comparison with the previous survey can be noted a decries in social enterprise (2021 - 39%) and an increase in green business (2021 - 6%). In addition, 63% of the companies stated that the company does not fit in those categories. In the previous survey, this figure was 57%. In addition, more than one third of the newly established companies are social enterprises, which is the most compared to the other companies.

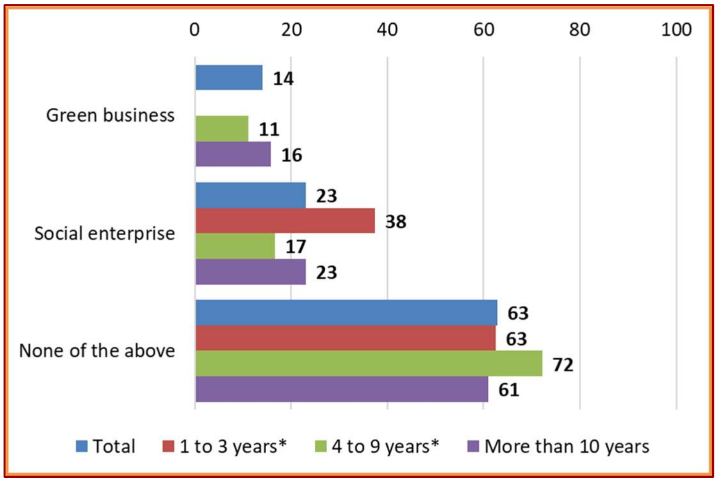



Figure 22: Focus of the businesses in the South-West region

## 6.3. Gender

Same as in other regions, most of the respondents are male. Nevertheless, the results from the 2022 survey show that two-thirds of the respondents in companies are male, while around one-third are female. There are no differences in comparison with the 2021 survey. The percentage of male is higher (83%) for the growth companies, and lower for mature companies.

It is important to note that we have a decrease in women on the Board of Directors (2% in 2022 compared to 13% in 2021) and an increase in women as general managers (30% in 2022, 24% in 2021). Also in other positions, women are clearly underrepresented. The majority also seems to agree that women are not particularly disadvantaged when it comes to entrepreneurship as a career choice or woman promoted to the leadership position. However, since the majority of the respondents are men, these statements might be biased.

Figure 23: Representation of the woman in the companies

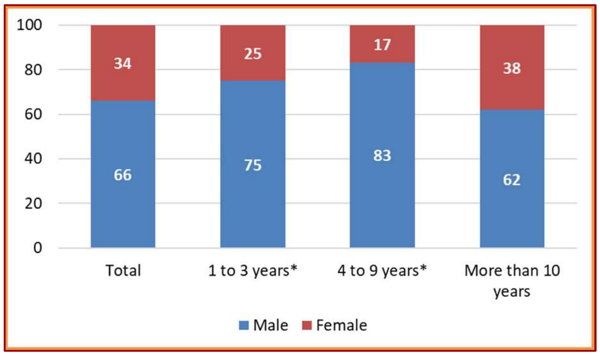
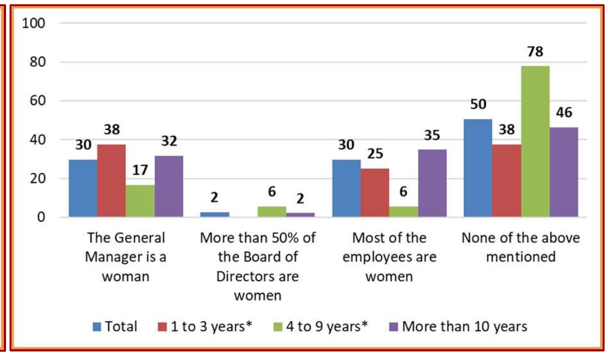



Figure 24: Representation of the woman in the company's management




## 6.4. Main challenges

The latest survey data show that the majority of the respondents (80%) as main challenges mentioned competition (80%) insufficient support from the government (79%) and acquiring new customers and / or expanding to new markets (45%). Namely, can be noted an increase in these challenges compared to 2021 (competition – 51%, insufficient support from the government – 40%, and acquiring new customers / expanding to new markets – 13%). The main challenges for most of the newly companies are acquiring new customers and / or expanding to new markets, competition and insufficient support from the government.

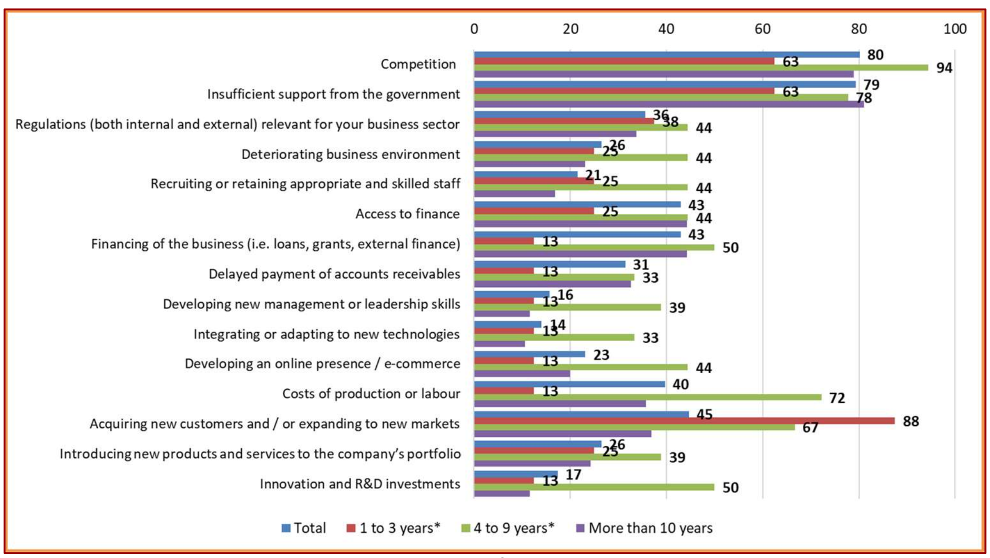



Figure 25: Main challenges for the companies

Furthermore, next to the challenges, it seems as if mainly the young companies are optimistic about acquiring new clients and introducing new products in the next 12 months, which is an increase compared to the previous survey. However also a significant number of mature and growth companies expect their business to grow in the future.

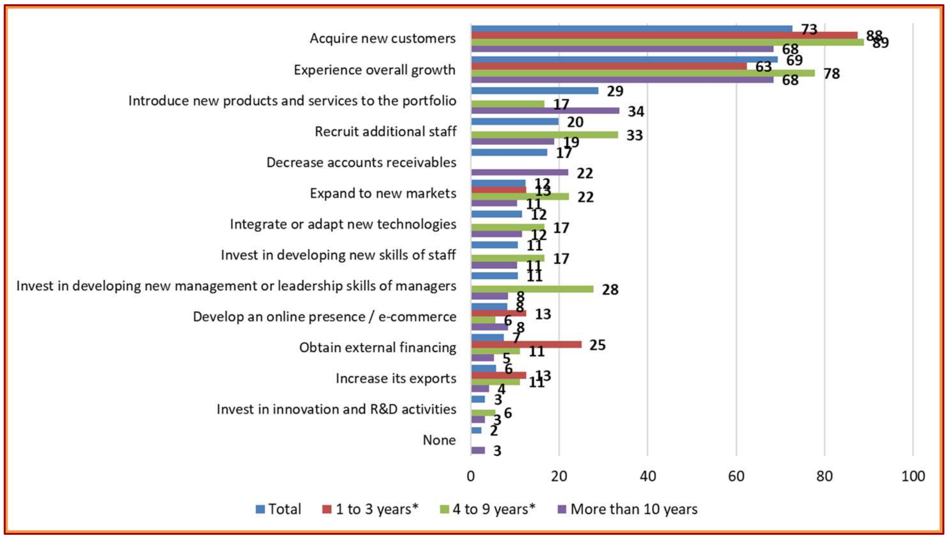


Figure 26: Likelihood of facing the following business issues in the next 12 months

2022 survey data show same results as previous survey i.e., majority of the respondents strongly agree, agree or slightly agree that the **tax rate** is one of the **biggest obstacles for doing business**. Moreover, the level of argument about the positive statements that the overall tax framework and procedures have positive influence on businesses and that tax rates are appropriate and stimulate entrepreneurship is lower compared to the 2021 survey results.

When comparing the responses of the companies to the statements on the influence of the situation on the labour market and related regulations on the businesses, can be concluded that the level of the agreement through many of the statements is higher in 2021 than in 2022. Two-thirds of the companies in the South-West region agree (slightly agree + agree + strongly agree) that a productivity of the work force is adequate to the remuneration, which is lower compared to 2021 (82%). Furthermore, young companies less agree that a skilled workforce is available to the businesses in the region compared to the other companies in the 2022 survey. On the other side, most young companies believe that graduates of educational institutions have the needed skills and knowledge to work in the companies, compared to the mature and growth companies.

## 6.5. Type of Business Support Services

When asked about business support and advice, a large proportion of the companies from the Southwest region stated that they need **business registration** and **accessing finance**, followed by **specialized support in accessing and obtaining finance**. Furthermore, worth noting that in the 2022 survey there is a rise in the need for human resources, staff recruitment, and staff training compared to 2021 (45% - 2022; 38% - 2021). In addition, 18% of the companies need advanced financial services which is higher than the previous survey (45%).

Surprisingly only a very little share of companies never used any business support services. This stands in contrast to the statement, that more than half of the companies (59%) find it either difficult or very difficult to obtain any support services at all. It is important to note, that the level of difficulty to obtain business support services and advice in the region is higher in 2021 (74%).

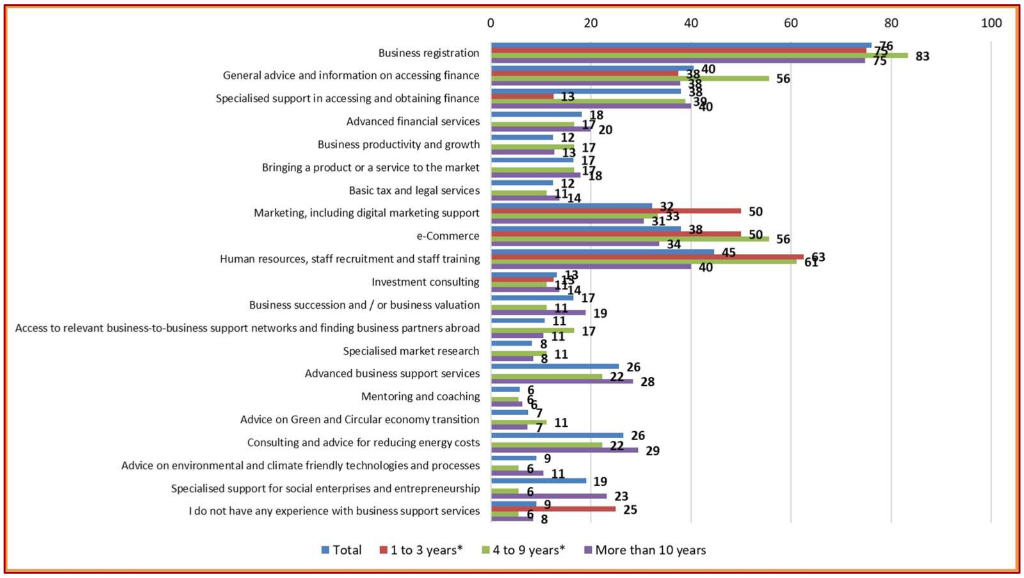



Figure 27: Most important/needed business support

## 6.6. Finance

Unlike the previous survey, this year results show that the more mature companies in the South-West region used their finances mainly for the working capital, followed by refinancing or the repayment of obligations. Same applies to the growth companies i.e., more than half of the growth companies used their finances mainly for the working capital. On the other hand, mainly young companies invest their money in projects to enhance the growth of the companies.

Similar to the other regions and the previous survey, the general access to finance is perceived as to be limited however the respondents seem to agree that diaspora is very important for the business financing as well that alternative sources of financing are available, for green and social businesses.

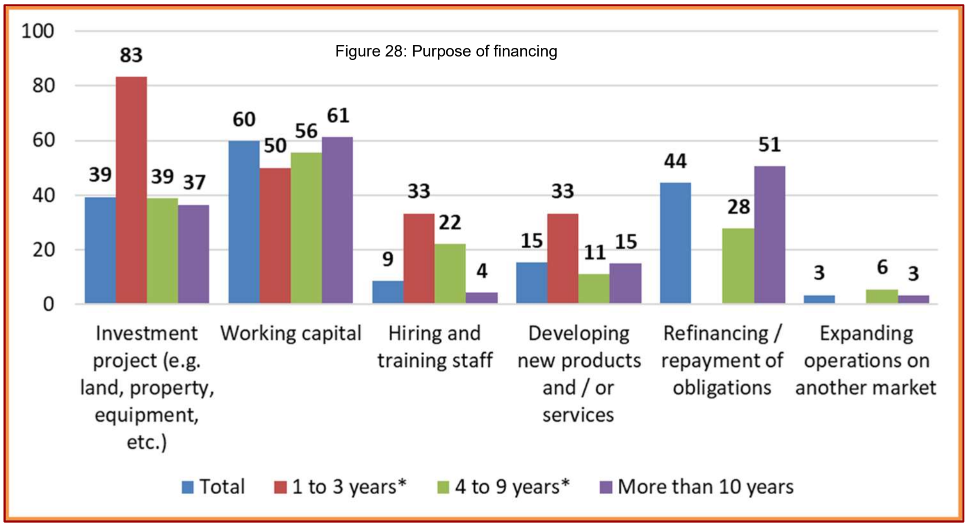



Figure 28: Purpose of financing

## 6.7. Entrepreneurship culture and attitude

Opposite the other regions, and the previous survey, in the South-West people seem to be looking for an increase of personal income. In the 2021 survey the most important motive for pursuing the entrepreneurial was greater independence.

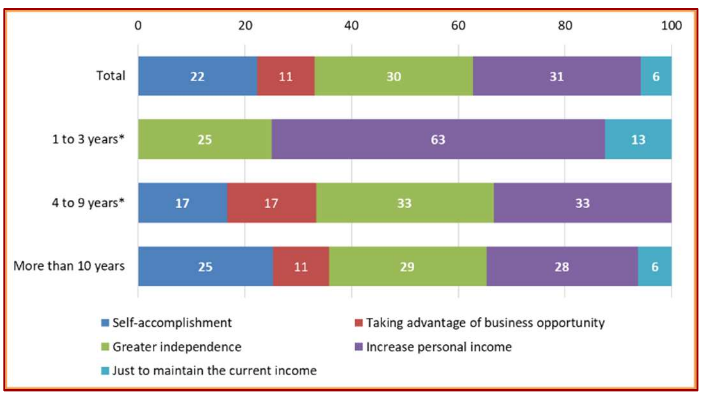



Figure 29: Indication of the most important motive for pursuing entrepreneurial

In the South-West it is perceived that entrepreneurial activities are restricted to a certain ethnic/social/religious group and to a certain age, more than in the previous survey. However, companies perceive that people with entrepreneurial ideas or intentions are hampered by a fear of failing or risk aversion, which is higher than 2021. Furthermore, in the 2022 survey vast majority (84%) of the respondents agree, slightly agree and strongly agree that physical infrastructure, such as office space or maker spaces (e.g., collaborative workspace for making, learning, exploring, and sharing) is available for entrepreneurs, higher than in the 2021 survey (76%). Moreover, this year's data shows notable differences in the agreement for the statement “Large corporations support entrepreneurs as part of their business activity or corporate social responsibility programs”. In other words, 45% of the respondents slightly agree, agree or strongly agree that large corporations support entrepreneurs as part of their business activity or corporate social responsibility programs, which is lower than the previous survey (64%). Additionally, 38% agree (slightly agree+ agree+ strongly agree) that there is a well-established collaboration between businesses and universities on Research & Development. In the previous survey, this figure was 55%.

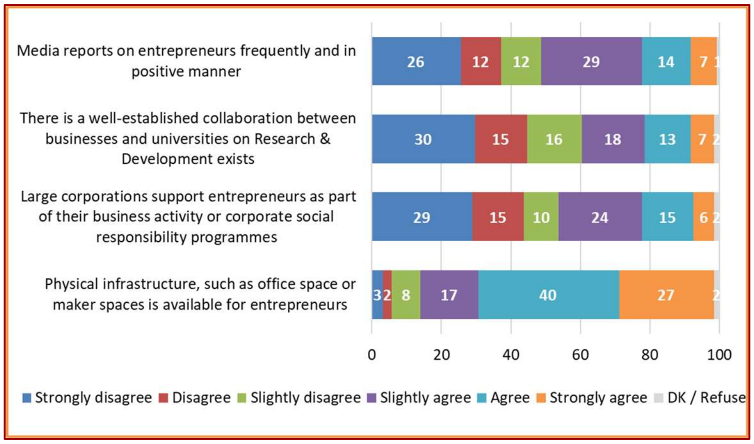


Figure 30: Rating of the statements on the entrepreneurial activities

# 7. Regional specifics: Prespa area (Municipality of Resen)

## 7.1. Overview

In total 97 companies responded to the questionnaire out of which half of the companies are operational from 4 to 9 years, while 42% of the companies are operational for more than 10 years. The number of companies which are operational from 1 - 3 years (new) are only 7%. Compared to the other regions, and same as previous survey, can be noted that in Prespa area, the companies tend to export a bit more. Unlike the previous survey where the young companies that were surveyed do not export at all, in the 2022 survey few of the young companies export in the neighboring countries, Western Balkan region and one company export worldwide. It is notable that the positive impact that the companies have this year (18%) is higher than in 2021 (5%).

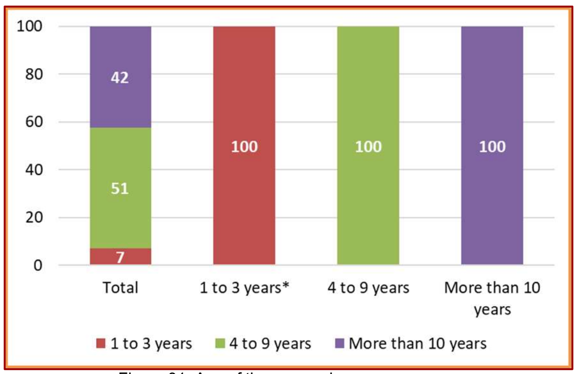


Figure 31: Age of the companies

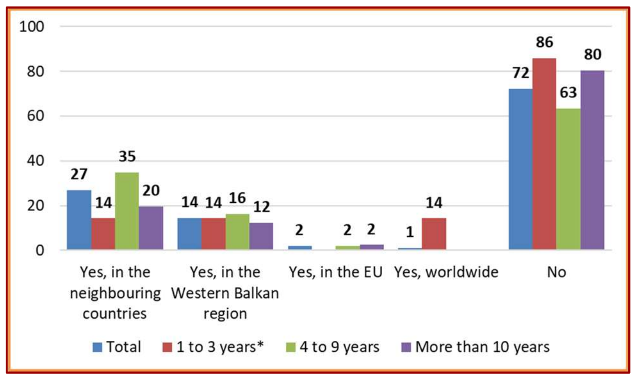


Figure 32: Export activities

## 7.2. Main sectors

In Prespa area, the newly companies mostly operate in **other services, activities of household as employers, accommodation and transport and storage.** Whereas the more mature companies mainly operate in wholesale and retail trade sectors. Only **11%** of the respondents stated that their company is a **social enterprise**, while **18%** stated that it is a **green business**, which is an increase from the previous survey (5% - green business). Compared to the 2021 survey (89%), a lower percentage (76%) of the respondents stated that the company does not fit in those categories.

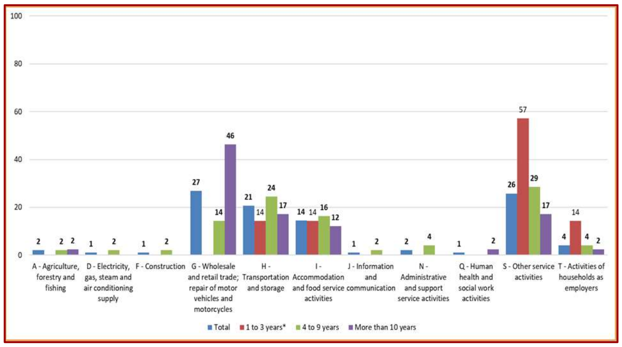


Figure 33: Main products/sectors of the Prespa

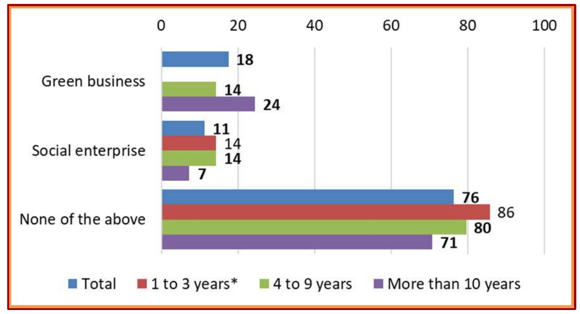


Figure 34: Focus of the businesses in the Prespa

## 7.3. Gender

Unlike the previous survey where no one stated that they have more than 50% of women in their board of directors, this year's results show a rise and 4% of the companies stated that they have more than 50% of women on their board of directors. However, the representation of women in other positions is still low which makes women underrepresented. Nevertheless, same as the previous survey, the majority seems to agree that women are not particularly disadvantaged when it comes to entrepreneurship as a career choice or gender-specific barriers. A vast majority also states that women are promoted to leadership positions. However, since **most of the respondents are men**, these statements might be biased.

Namely, that three-quarters of the respondents in companies are male, compared to 24% who are female. There are no differences regarding gender compared to the previous survey.

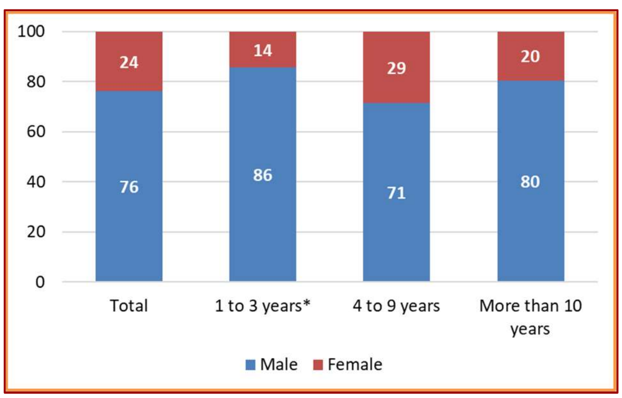


Figure 35: Representation of women in the companies

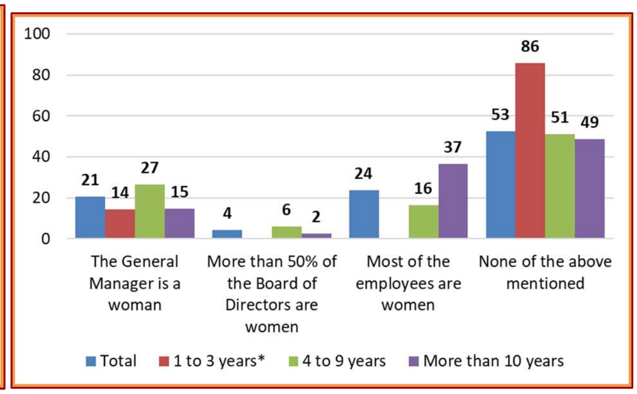


Figure 36: Representation of women in the company's management

## 7.4. Main Challenges

The survey results showed that the main challenges for business in the last 12 months in the Prespa area were competition (including informal competition and "grey economy" - 37%), and insufficient support from the government (33%). There is no notable difference in the main challenges, compared to the previous year. More specifically, for the **newly companies** then main challenges in the past year were **competition, delayed payment and COVID**. For the mature companies the main challenge for the past year was the regulations (both internal and external) relevant to their business sector. Furthermore, more than half of respondents in the Prespa area (Municipality of Resen) expect to achieve overall growth, while 48% expect to acquire new customers, similar to the previous survey.

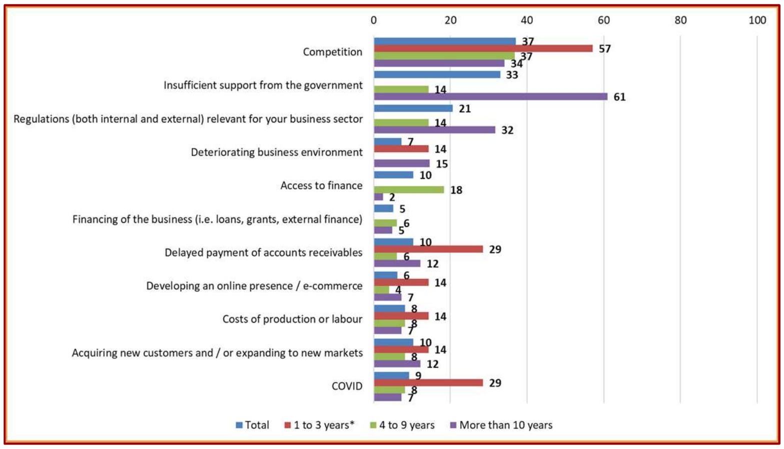



Figure 37: Main challenges for the companies

## 7.5. Types of Business Support Services

When asked about business support and advice that are most needed, more than one quarter (28%) of the respondents stated that they do not have any experience with business support services which is a higher percentage than the previous survey (13%). In addition, survey data shows that companies in this region mostly need **business productivity and growth** (24%), and **business registration** (19%). More specifically, less than half of the young companies need support for the business productivity and growth and specialised support in accessing and obtaining finance. In the 2021 survey the young companies needed support for the business registration as well as specialised support in accessing and obtaining finance. Only few companies (6%) need support services in the fields of green and circular economy, from which the most are mature. In general, 43% of the respondents think that it is easy to obtain business support service and advice in their region, similar as in the previous survey (38%).

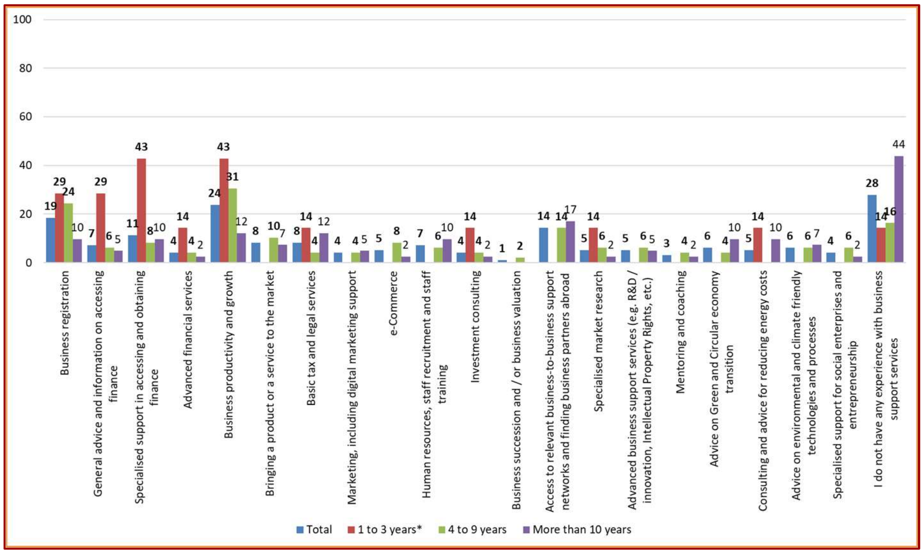



Figure 38: : Most important/needed business support

## 7.6. Finance

Like most of the other regions, half of the respondents from the Prespa area (Municipality of Resen) stated that they use funds manly for their working capital, which is lower compared to the previous survey (72%). Furthermore, 25% of the respondents' state that refinancing/repayment of obligations was the purpose of financing, in 2021 this figure was 16%. The young companies also use finance for investment project, while 16% of the mature companies use the funds for developing new products and/or services. Similar to the other regions, the general access to finance is perceived as to be limited, however there is a rather good perception amongst the companies that alternative financing is available for green and social businesses. More than half of all respondents somehow agree on the importance of diaspora for business financing, which is higher than previous survey. Moreover, 81% agree (slightly agree+ agree + strongly agree) that it is relatively easy to get a loan for business financing from banks and other credit institutions, which is lower than 2021 (88%).

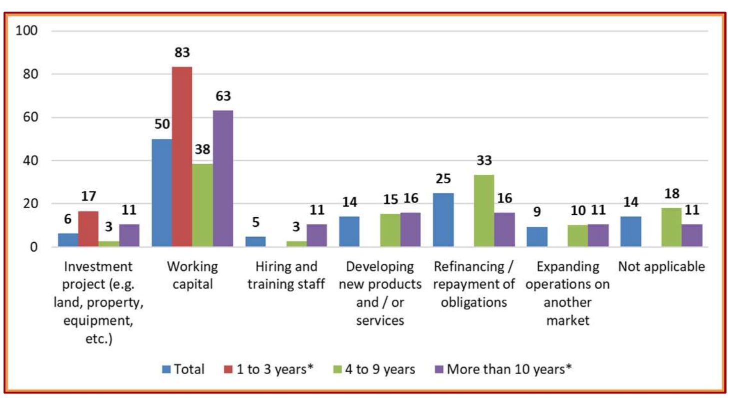
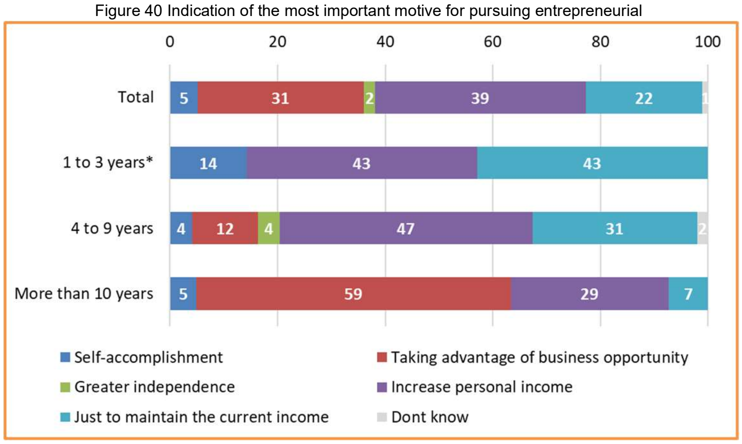



Figure 39 Purpose of financing

## 7.7. Entrepreneurship culture and attitude

According to respondents, an increase in personal income is the most important motive for pursuing entrepreneurial activity (39%), followed by taking advantage of business opportunity (31%). Can be noted differences compared to 2021. More specifically in the previous survey increase in personal income is the most important motive for pursuing entrepreneurial activity (50%), followed by taking advantage of business opportunity (16%).

Figure 40 Indication of the most important motive for pursuing entrepreneurial




The obtained data show that, 79% of the respondents agree (slightly agree + agree + strongly agree) media reports on entrepreneurs frequently and in a positive manner (e.g., success stories), the same as in the 2021 survey. 40% agree (slightly agree + agree + strongly agree) that a well-established collaboration between businesses and universities on Research & Development exists, which was 44% in 2021. Furthermore, 47% of them agree (slightly agree + agree + strongly agree) large corporations support entrepreneurs as part of their business activity or corporate social responsibility programmes, the same as in the 2021 survey. On the other side, 55% slightly agree + agree + strongly agree that physical infrastructure, such as office space or maker spaces (e.g., collaborative workspace for making, learning, exploring, and sharing) is available for entrepreneurs, and this result shows a decrease, compared to the previous research (72%). Furthermore, 87% of the respondents agree and strongly agree that people with entrepreneurial ideas or intentions are hampered by a fear of failing or risk aversion, which indicates a slight decrease compared to the previous survey (98%). On the other hand, 50% of them slightly agree + agree + strongly agree that entrepreneurial activity is restricted to a certain ethnic/social/religious group of society which is higher than 2021 (48%).

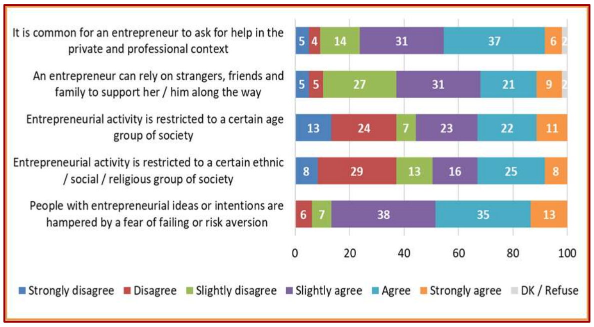



Figure 41: Rating of the statements on the entrepreneurial activities

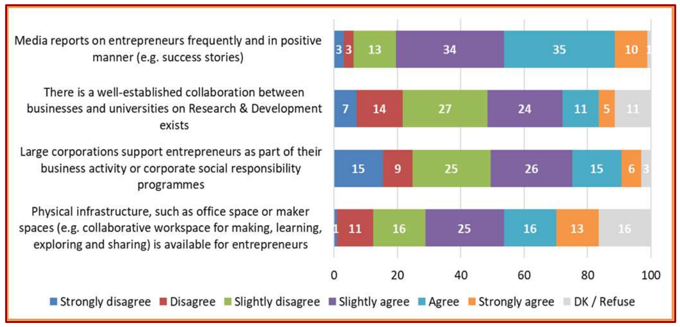



Figure 42: Rating of the statements on the entrepreneurial activities

## 8. General findings and comparisons

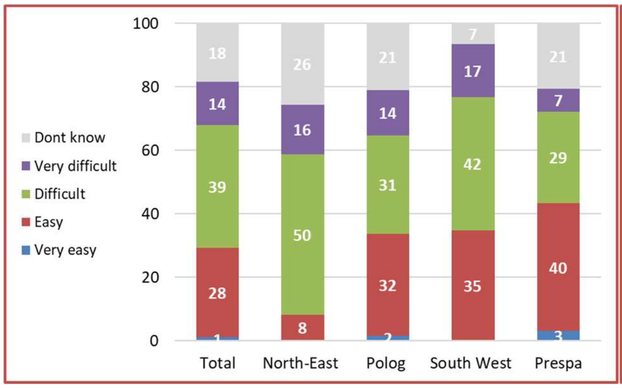



Figure 43: Difficulty in obtaining services and advice

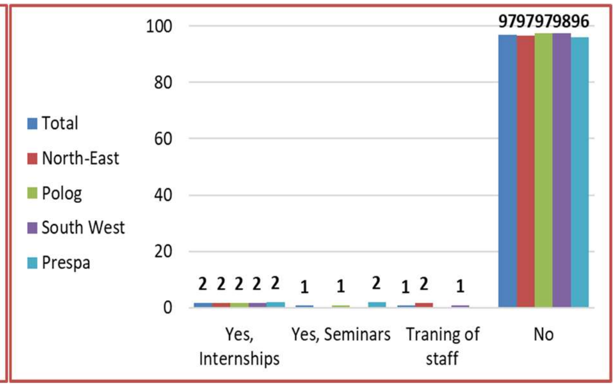



Figure 44: Services of educational institution used

In general, although it seems that in all regions it is difficult to obtain services and advice regarding business support, worth noting the increase and decrease in the difficulties in obtaining services and advice in this year's survey. More specifically, the level of difficulties has decreased in Polog (45% – 2022; 61%-2021), South-West (59%-2022; 74%-2021), and Prespa (36%-2022; 46%-2021) regions compared to the 2021 survey results. Opposite of those regions, in North-East the level of difficulties has increased (66% in 2022; 54% in 2021) compared to the previous survey. Furthermore, same as the previous survey, the obtained data from this year's survey show that in the North-East and Polog region a significant percentage of companies do not know what has been offered in the regions in terms of business services. In addition, the most needed business support and advice in the South-West region (67%), Polog (27%) and North-East is specialized support in obtaining finance, followed by business registration in South-West (61%), business productivity and growth in Polog (16%) and human resources, staff recruitment and staff training in North-East (14%). In Prespa, the most needed business support and advice is business productivity and growth (24%), followed by business registration (19%).

The results from the 2022 survey did not show any differences regarding the collaboration with higher educational institutions which is very limited. When asked the question “Have you ever used the services and/or advice from educational institutions (i.e., secondary school or a university/college) for the needs of your business (i.e., internships, apprenticeships, training of staff, recruitment of staff, research, development and innovation activities, etc.)” the vast majority of all companies responded with “no”.

In terms of the purpose of the financing it is interesting to note that most of the surveyed companies are not using their money to make capital investments or to expand their operations into new markets, but rather for their working capital. If we compare the results with previous survey can be noted that the working capital has increased in 2022, in all regions, except in Prespa area (Municipality of Resen). Although in Prespa area 50% of the companies stated that working capital is the purpose of the financing however, there is a decrease compared to 2021. Furthermore, we have decrease in refinancing / repayment of obligations in South-West region compared to 2021, and increase in investment project (e.g., land, property, equipment, etc.) in Polog and South-West regions compared to the previous survey (increase in investment project - Polog – 16% - 2021; South-West – 30%).

Concerning the availability of different types of finance for businesses in the regions, same as the previous survey, the respondents mostly mentioned long and short-term loans, bank overdrafts, and borrowings from family and friends which shows the absence of other alternative types of financing. In terms of usage, the 2022 survey results show that companies mainly use their own savings, especially in the South-West region (90%) which is significantly higher compared to other regions.

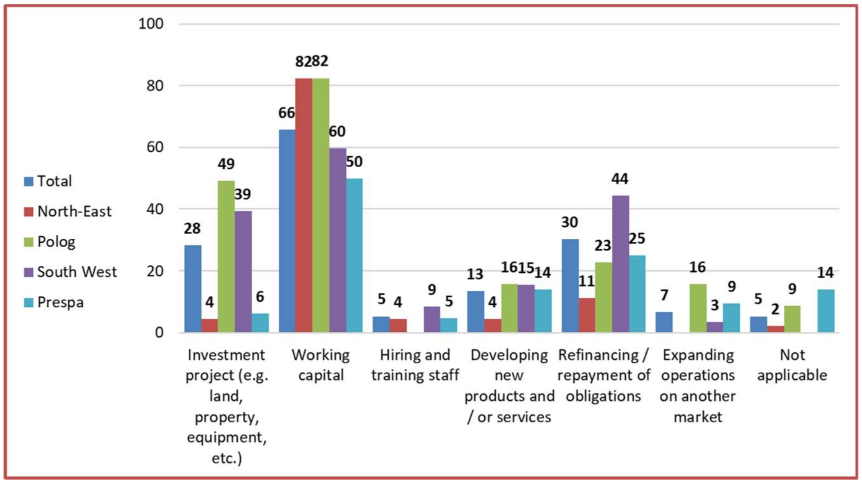



Figure 45: Purpose of the financing

The data from the 2022 survey show that a larger percentage of the respondents agree that women entrepreneurs have equal access to finance (North-East-54 %, Polog-48%, South-West-63%, and Prespa-71%). Even so, the level of agreement about this statement has decreased compared to the 2021 survey (North-East-72 %, Polog-56%, and Prespa-81%). On the other hand, the lowest agreement is with the statement that the legal framework is conducive to obtaining alternative forms of finance (North-East-13 %, Polog-7%, South-West-17%, and Prespa-37%). The same statement was also evaluated lowest in the previous survey. Moreover, in all regions except in South-West the level of agreement about the statement "Limited access to finance is the biggest obstacle for doing business" has dropped compared to 2021.

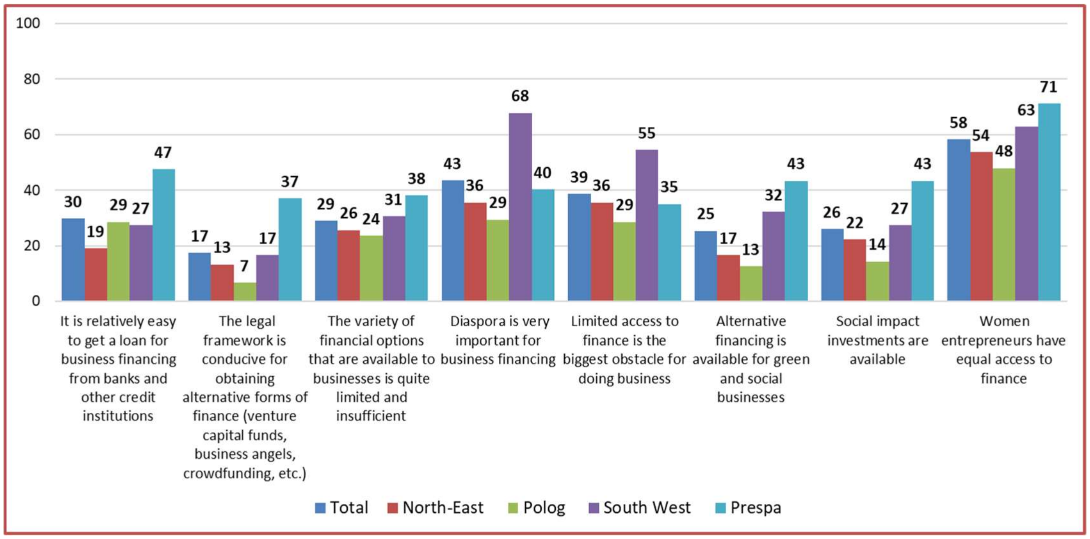



Figure 46: Access to finance

When asked questions about the entrepreneurial environment, the highest percentage of the respondents from North-East, South-West and Prespa agree that it is common for an entrepreneur to ask for help in the private and professional context (North-East-45%, South-West-73%, and Prespa-43%). There are not many differences in the evaluation of this statement compared to 2021 (North-East-48 %, South-West-76%, and Prespa-43). Thereafter the lowest agreement is with the statement that entrepreneurial activity is restricted to a certain ethnic/social/religious group of society (North-East-24 %, Polog-12%, South-West-38%, and Prespa-33%). This statement was also evaluated with the lowest agreement in the 2021 survey. In addition, almost in all regions except in South-West can be noted lower level of agreement about the availability of physical infrastructure, such as office space or maker spaces (e.g., collaborative workspace for making, learning, exploring and sharing), compared to 2021 (North-East – 13%; Polog -39%, Prespa -61% and South-West – 56%).

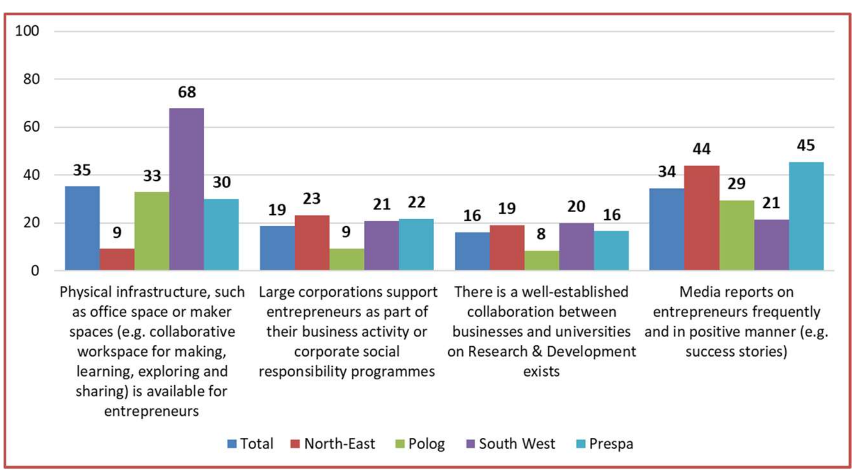



Figure 47: Entrepreneurial environment in the regions

## 9. Next Steps

This report is a summary of the findings of the survey conducted between May and June 2022. The survey consisted of 39 questions (and sub-questions) covering i) Business environment and investment climate; ii) Business Support Services; iii) Access to Finance; and iv) Entrepreneurial culture and attitude. The survey was designed to collect data on business owners' perception of the entrepreneurial ecosystem, assess the level of satisfaction with the quality and availability of business support services, and to identify the usefulness of the services and perceived gaps in provision.

Selected findings have been highlighted in this report that either support some assumptions of the project, provide new insights, or highlight areas of concern to be addressed. The questions selected/highlighted in future reports may differ depending on the degree of changes in responses or new insights that they may reveal.

The survey will be repeated following the same methodology annually during the implementation period of the project. A full database of responses is available and will be updated each year. The data collected from this year (2022) provides the theory of change data over the project period (2021).