

# CHANGES OF THE AGE STRUCTURE OF ENTREPRENEURS IN SLOVAKIA COMPARED TO THE COUNTRY'S DEMOGRAPHY

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## Abstract

A country's demographic characteristics, such as gender and age, can influence its economic situation in several aspects. Starting and running a business is a task that requires a lot of energy and creativity. Young entrepreneurs are more likely to be open to new solutions, while older entrepreneurs presumably have more practical experience. The aim of the work is to map the demographic distribution of entrepreneurs in Slovakia and to compare it with the demographic characteristics of 10 years ago. Our goal is to examine whether the distribution of entrepreneurs has changed over the past 10 years. Small and medium-sized enterprises are of indisputable importance for the country's economy. In Slovakia, SMEs account for 53% of the employment rate and more than 30% of GDP. Using secondary sources, we analyze the demographic characteristics of the country's businesses and their changes over the past 10 years. The obtained results are represented graphically.

**Key words:** age structure, entrepreneurs, demography, Slovakia

**JEL Code:** J10, J11, L26

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## Introduction

Small and medium-sized enterprises are indispensable for the economic situation, development, and competitiveness of a country. In Slovakia, 99.9% of enterprises are small and medium-sized enterprises, they contribute greatly to job creation, the country's economic performance and success. As a result, the analysis of the characteristics of businesses and entrepreneurs can be vital for the country. The aim of the work is to examine the age groups to which entrepreneurs currently belong in Slovakia, and whether the age distribution of entrepreneurs has changed in the last 10 years. Based on studies, people belonging to the younger age group react more easily to risk factors, solve emerging problems in a more innovative way, and adapt more easily to unexpected environmental factors, which can affect the survival and success of the business.

## **1 Theoretical summary**

Small and medium-sized enterprises are the main job creators both in Slovakia and in the European Union. The systematic improvement of the conditions of small and medium-sized enterprises is therefore key to the creation of new jobs and the reduction of the unemployment rate. Among other things, SMEs are the country's main economic driving force due to their flexibility, economic support and job creation capabilities, and the introduction of innovative technologies (Hitka et al., 2021). Recognizing this, the government of the Slovak Republic places great emphasis on creating a suitable business environment, which not only serves the interests of large investors, but also improves the competitiveness of small and medium-sized enterprises, thus influencing the country's competitiveness. (Peráček et al., 2020).

One of the methods that can be used to analyze the business environment is business demography, which examines the challenges of business life using demographic data (Thomas R. K., 2018). Entrepreneurship requires energy and creativity, as well as business acumen. Younger entrepreneurs are characterized by higher creativity and motivation, but business skills grow with age and experience. (Liang et al. 2018; Sasu and Sasu, 2015). Managers belonging to different age groups create different work environments. Differences also arise from demographic factors such as age, gender, etc. (Larsson and Björklund, 2020).

Young entrepreneurs form a special segment of small and medium-sized enterprises. According to Belás and Sobeková (2016), young businesses are the drivers of economic innovation, but at the same time, they face more serious credit risks compared to other businesses. According to Hincapie (2020), individuals today rarely start businesses, and if they do, only in their 30s, even though supporting young businesses has a higher economic return than supporting old entrepreneurship. Young entrepreneurs have limited business connections and social capital that can influence the creation and operation of businesses or the development of relationships with key parties. Education and training systems tend to fall short of promoting entrepreneurial attitudes and skills, but rather prepare students for paid work. The result of this is, among other things, the lack of entrepreneurship education and the limited access of young people to entrepreneurial skills, which can be an obstacle when starting a business (OECD, 2017).

Young entrepreneurs often have problems with collateral requirements and interest rate increases, obtaining bank loans. Dong and Men (2014) and Sobeková et al. (2014) prove that small and young companies can face serious financing obstacles. Young age is considered a credit risk factor, as young entrepreneurs usually have a short company history,

weak capital and few guarantees (Sobeková, 2016). Most of the companies operating in Slovakia realize their innovations from income, only a small part from European Union funds. In Slovakia, the environment is not sufficiently motivating for the development of SMEs, the size of enterprises greatly influences their success (Ivanová, 2017).

## **2 Research methodology**

The aim of the research is to get an idea of the age group distribution of entrepreneurs operating in Slovakia and to compare it with the data from 10 years ago. In addition, the aim of the work is to examine how the proportion of young entrepreneurs has developed compared to the proportion of other entrepreneurs. To investigate this question, we chose a secondary research method. In the theoretical part of our research, we get a general picture of the current situation of small and medium-sized enterprises in Slovakia, and the characteristics of young entrepreneurs. The data included in the study were obtained from the Slovak Business Agency and the DATACUBE database, which contains the country's main statistical data. In the first half of our work, we prepared an analysis of the country's economic situation, presenting the characteristics and basic data of businesses. The obtained results were illustrated in tabular form and graphically. All figures are based on secondary data. We preliminarily assume that there has been a change in the distribution of the age groups of entrepreneurs in the last 10 years.

## **3 Research results**

Based on data from the Statistical Office of the Slovak Republic, there were 634,309 active small and medium-sized enterprises in the country at the end of 2021, which represents a 6.2% increase compared to the previous year. The most dynamic growth occurred in the category of micro-enterprises, the number of such enterprises increased by a total of 6.4% compared to the previous year. In 2021, the proportion of micro-enterprises in relation to the number of active enterprises was 97.3%. The measure of the business activity of SMEs, which expresses the number of active small and medium-sized enterprises per 100 economically active inhabitants, rose to 23.5% in 2021. This means that there are approximately 24 active SMEs per 100 economically active inhabitants in Slovakia.

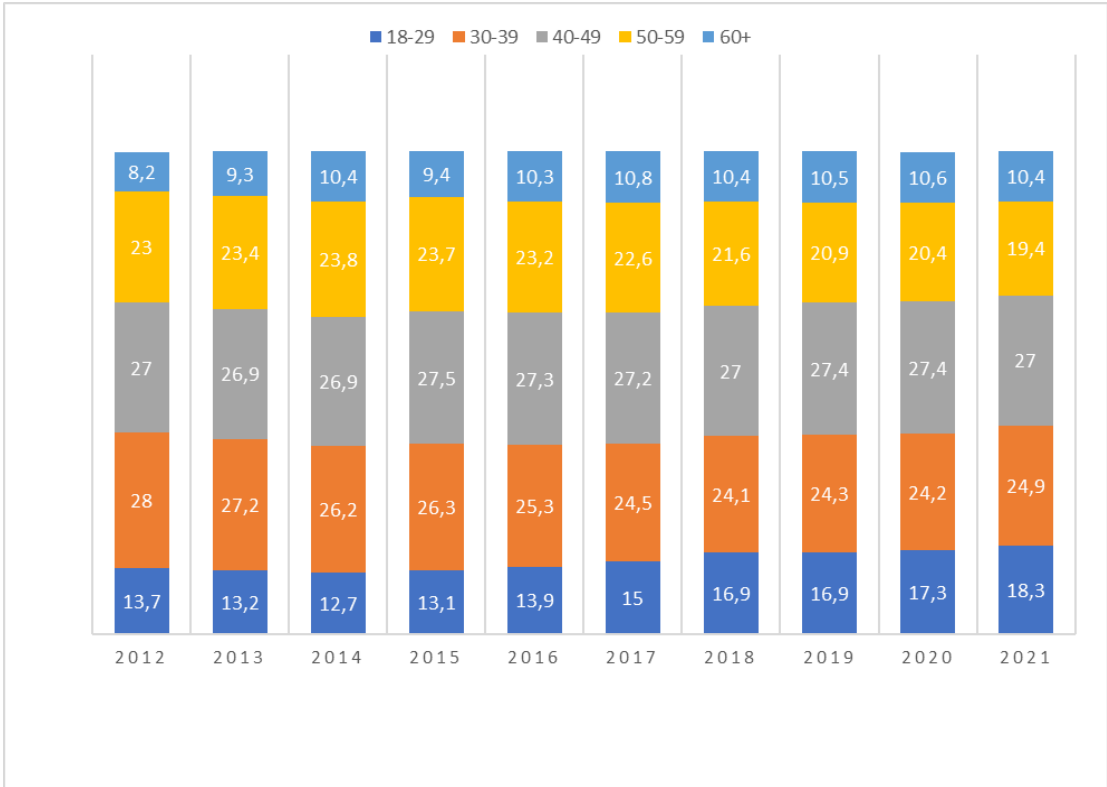
The Slovak economy was able to show positive results in 2021, with GDP increasing by 3.0% annually. Looking at the sectoral situation of Slovakian SMEs, the majority of small and medium-sized enterprises operate in the field of services, in 2021 27.7% operated in this

sector. The second most represented sector is the construction industry, with 18.9%. By the end of 2021, 13.4% were operating in the industrial sector. In terms of country demography, the population of Slovakia is 5,465,575 in 2022, which is 0.7% of the world population.

The figure below shows the evolution of the age groups of entrepreneurs in the last 10 years. The source of the data is the report of the Slovak Business Agency. As can be seen, compared to 2012, the 50-59 age group decreased by 3.6%, but at the same time, the number of young entrepreneurs increased continuously over the years. Approximately 5% more young entrepreneurs under the age of 30 are operating in Slovakia in 2021 than in 2012. Based on the findings, the number of young entrepreneurs increased in all regions of Slovakia.

This may also result from the fact that almost half of young people think that the business environment is suitable for starting a business, since 2016 more and more young people feel that they have the right knowledge and skills to start a business (SBA). In Slovakia, there are more and more grants with innovation at its core. Young entrepreneurs may be more receptive to these types of applications than entrepreneurs belonging to older age groups. At the same time, based on the analyses, among the most common obstacles to starting a business in Slovakia, young entrepreneurs mainly indicated access to financing.

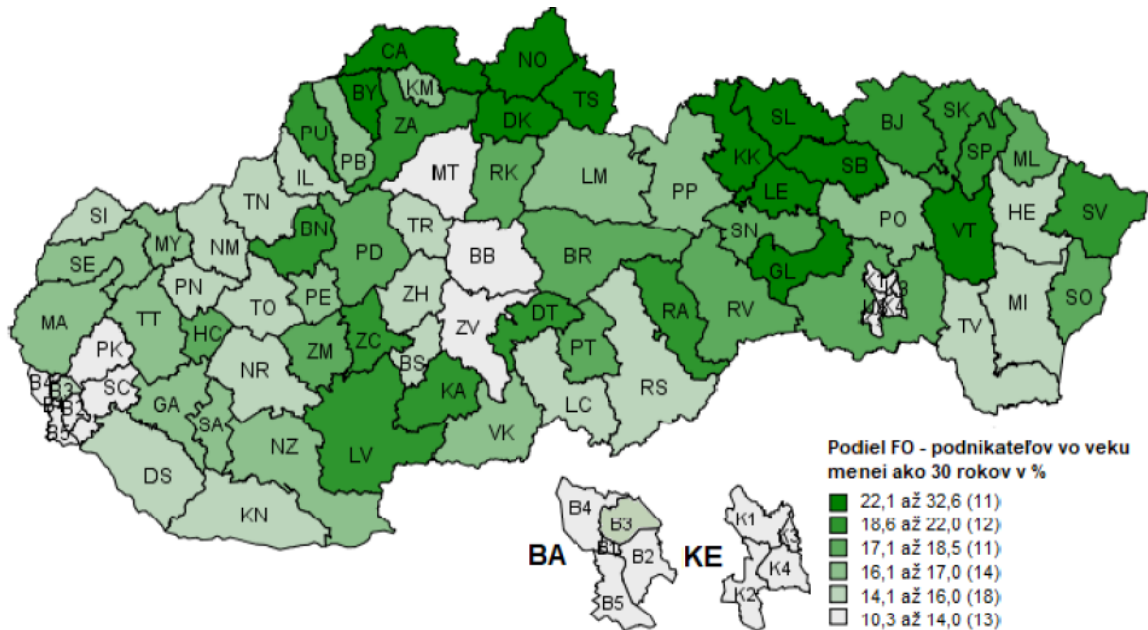
**Fig. 1: Entrepreneurs age**



Source: Own figure

The figure below, prepared by the SBA, shows the proportion of entrepreneurs under the age of 30 in Slovakia in each region. As can be seen, the majority of young entrepreneurs start their businesses in the northern districts, while the fewest are found in the capital and the central regions of Slovakia.

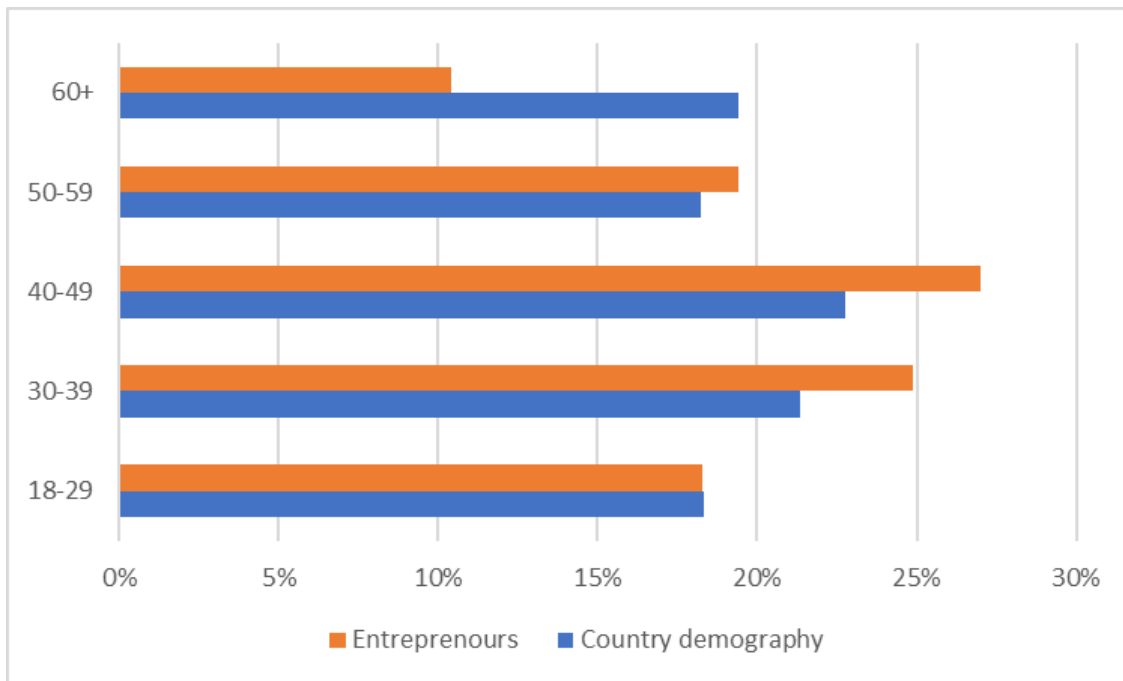
**Fig. 2: The share of entrepreneurs under the age of 30 in the total number of entrepreneurs in the districts of the SR in 2020**



Source: Slovak Business Agency (2021)

The third figure shows how the ratio of age groups of entrepreneurs developed in 2021 compared to the ratio of individual age groups in the country. As can be seen, the group of entrepreneurs under the age of 30 mirrors the national demographic ratios. The largest group is the group of 40–49-year-olds, similar to the national demographic data. There are the least number of entrepreneurs in the 60+ age group, which may be since running a business is already a challenge for people of this age, but at the same time, the proportion of entrepreneurs in the 60+ age group has not changed significantly in the last 10 years.

**Fig. 3: Age structure of Slovakia compared to the entrepreneur's demography**



Source: Own figure

## Conclusion

The purpose of our research is to examine the age groups of the country's entrepreneurs, compared to the country's demographic characteristics. In addition, we examined the change in the distribution of age groups in the last ten years, with regard to the change in the proportion of young entrepreneurs. Small and medium-sized enterprises are the backbone of a country's economy, and examining their characteristics is essential from the point of view of the country's competitiveness. The appearance of certain age groups can affect the flexibility of the country's businesses, based on research, young entrepreneurs are more creative and have more energy to solve certain problems. At the same time, young people's willingness to do business is influenced by the fact that they have more limited opportunities to borrow and have less business relationship capital, which is vital for success.

In Slovakia, the proportion of small and medium-sized enterprises increased by 6.2% in 2021 compared to the previous year, most of the enterprises operate in the service sector, the second strongest sector is the construction sector, and the third is the industrial sector. In our research, we examined the demographics of entrepreneurs based on secondary data. Based on the data from ten years ago, it can be said that the proportion of entrepreneurs aged 50-59 increased in the country, but at the same time, the largest increase was found in the age group of young entrepreneurs. From a regional point of view, the largest number of young

entrepreneurs are in the northern part of Slovakia, the least in the central areas of Slovakia and in the Bratislava region. The aim of the work was to present the demographic characteristics and possible changes of the economy. It can be said that the average age of entrepreneurs has increased, but at the same time, entrepreneurs under the age of 30 are starting up in the district in a higher proportion than in the previous decade.

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