



## ORIGINAL ARTICLE


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## Study of legislative and administrative obstacles to SMEs business in the Czech Republic and Slovakia

**JEL Classification:** L26; O16

**Keywords:** *small and medium-sized enterprises; SMEs; legislative obstacles; administrative obstacles; business environment; stability of business environment*

### Abstract

**Research background:** SMEs represent an integral part of the economy environment in a majority of the countries all over the world. They signify the most efficient, progressive, and important part of the advanced economies. The long-term effort of the EU countries, as well as other advanced economies is to create quality and stable conditions for their development in order to be able to respond to all the possible changes in the business environment that is being changed to more and more comprehensive in the recent time.

**Purpose of the article:** The objective of the contribution is to examine administrative and legislative obstacles to SMEs business in the Czech Republic and Slovakia and the quantification of the differences in perceiving legislative and administrative obstacles to business by entrepreneurs in both countries.

**Methods:** A questionnaire survey was conducted within SMEs in the Czech Republic and Slovakia in 2019. The research sample included 641 SMEs, 312 from the Czech Republic and 329 from Slovakia. We focused on 5 dimensions related to legislative and administrative obstacles to SMEs business within which selected statements were examined. Contingency tables were used to analyze the ratios of the examined variables.

**Findings & Value added:** The differences detected in both countries in the respondents' perception and assessment are evidence of the changes in the business environment of both countries, giving rise to the questions about the extent to which the legislative and administrative obstacles, as well as the obstacles related to law enforcement and bureaucracy are acceptable and by which groups of entrepreneurs. The results of the research provide valuable findings for the creators of regional and national policies, and represent a valuable basis for the creation of the concepts focused on the SMEs' development in both countries. The results of the study also support the implementation of follow-up research in this area that will reveal other determinants affecting the development of SMEs. They also create a valuable platform for the construction of national and international benchmarking indicators in this area and the implementation of comparative analyses. This will also support the methodological area necessary for a creation of high-quality concepts and strategies.

## Introduction

Small and medium-sized enterprises (SMEs) play an important role in all the market economy countries. The EU members, as well as other developed countries, have long paid a maximum attention to the state and development of SMEs and they are constantly take measures in order to develop them, such as to support the business environment. Support small and medium-sized enterprises have become an important part of the economic strategies of the developed countries in the last two decades. The existence of SMEs is considered to be the best way of maintaining competition and avoiding monopolies in any field.

In recent years, the support of SMEs as well as the elimination of the obstacles to SMEs' development has been implemented as a part of the overall economic strategy of the countries, which requires preparation of many concepts and tools at the national and international level (Matijová *et al.*, 2019; Dvorský *et al.*, 2019). Their optimal setting is not possible without the identification of the aforementioned problems, obstacles, disadvantages, and subsequent study of their impact on the system of the business environment (Buno *et al.*, 2015; Onuferova & Cabinova, 2018). It is a complex dynamic process of identifying the extent to which the business environment is affected by many external and internal factors that are technically impossible to be monitored permanently (Ariel & Rocha, 2012). Each country has its own agencies, organizations, and institutions responsi-

ble for the monitoring of the business environment quality in order to provide relevant data for the creation of policies (Anand, 2015; Abrham *et al.*, 2015). In this context, research studies are an important informational base. In addition to the function of monitoring the current state, these studies examine causal effects between the variables in the business environment and enable them to identify other determinants of SMEs' development (Mura & Kajzar, 2019; Čepel, 2019). In the Czech Republic and Slovakia, the most common obstacles to the development of SMEs' business environment include poor law enforceability, instability (a lot of changes), and ambiguity in the law, levies, bureaucracy, and corruption. These are long-term problems that require a systemic approach and participation of many interested parties. The regulatory burden on business is currently one of the most complex and serious problems the business environment has to face in the Czech Republic and Slovakia as well as throughout Europe. The activities to address these problems are dealt with also by the European Commission. In this process, it is very important to initiate changes in the existing approaches to the adoption of regulations affecting the business environment in order to define the rational objectives of business regulation.

These consistent facts were a motivation for us to conduct this research, whose partial results are presented in this paper. The objective of this contribution is to examine administrative and legal obstacles to SMEs business in the Czech Republic and Slovakia in order to find out potential differences in their perception among entrepreneurs in both countries and to identify the factors that initiate the biggest differences between the countries and groups of SMEs. Hence, the research methodology is selected according to these facts. It is quite difficult to formulate the explicit scientific hypotheses in this way. Therefore, the main research question is arisen. It expresses a fundamental state that the respondents from the Czech Republic possess the same attitude as the respondents from the Slovak Republic.

The first section Introduction serves as an elementary entrance to the topic with an offer of the scientific sources that deal with the similar contents. The Literature Review section browses through the references tackling with the same theoretical background. The third section is devoted to the description of the applied methodology with information about the data. The Discussion is followed that compares the obtained result with the other studies. Finally, the Conclusion summarizes the analysis outcome.

## Literature review

In the last decades, the determinants of SMEs' development have been dealt with in numerous studies by various research teams. Interesting aspects of these studies are their geographical dimension, research framework, as well as the methodological aspects determined by a research sample and availability of databases. These studies are of significantly heterogeneous characters; they represent results achieved by specific research teams and differ by their focus, research objectives, and methodologies. On the one hand, the systemic complexity of many studies and their conceptual heterogeneity hinder the unification of the results; on the other hand, individually, they can provide an important platform to identify the relationships in the context of changes in external influences in the national and international environment.

Di Pietro *et al.* (2018) examine the effect of the institutional environment on regional development as well as on the capital structure of SMEs. The research was conducted on a sample of 6,560 Spanish enterprises. The results of the analyses showed the importance and stability of SMEs for the Spanish economy; however, the authors state that the country is characterized with strong regional differences at various levels, which can represent another obstacle for the future development of SMEs.

The authors emphasize the importance of the institutional environment for the development of SMEs. The study by Kraśnicka and Głód (2016) focused on examining the importance of enterprises showing high growth and analysis of selected factors that may affect the enterprises' growth dynamics. The research sample consisted of 4,000 Polish enterprises included in the category of high-growth enterprises. The rapid growth of enterprises is an important indicator in terms of the economic development. Therefore, the authors call for the examination of other factors, such as the employment rate and the value of capital, which are used as basic indicators of enterprises growth.

The study by Rahman *et al.* (2017) deals with examining the determinants of enterprises growth. According to the authors, the key strategy for SMEs' growth and survival is the foreign market. The results of the analyses indicate that SMEs need to focus on the key obstacles to their entrance in foreign markets and their identification. The authors carried out an analysis that included 212 Bangladeshi SMEs. In their conclusions, they identified the following basic institutional factors affecting SMEs' entering in foreign markets: political instability, corruption, the level of support from government, investment in research and development, legal procedures, language barriers, and social approaches. Based on their findings, the au-

thors state that the entrance of SMEs in the developing countries in international markets is more complicated if there are more economic obstacles. The study provides multiple implications for the policy creators aimed at overcoming economic and social barriers in the country and supporting the development of SMEs.

The primary objective of the study by Perez-Gomez *et al.* (2018) was to examine the factors of efficiency and profitability of Spanish SMEs. They were also interested in the factors that determine the impact of the technological and environmental differences between these companies on their efficiency. For the examination, the stochastic frontier analysis was used. The results of the analysis show that the company size, orientation on export, support from state, and labour productivity have a positive impact on SMEs' efficiency, while age is negatively related. In conclusion, the authors provide interesting implications for policy-makers and provide a discussion on the strategic effects of their research findings.

Wang (2016) analyses the biggest obstacles to the SMEs' development in order to specify the determinants affecting these obstacles. The author was interested in business managers' perception of these obstacles. He used the data from Enterprise Survey by the World Bank, data from 119 developing countries in total. The author emphasizes the macro-economic importance of the SMEs' development through the economic growth of the country, with the creation of jobs in these countries. What is interesting is the author's focus — he was interested in the obstacles to the SMEs' development, as well as to what extent these obstacles change depending on the company size and the length of their operation in the market. Five most important obstacles perceived by SMEs' managers include "access to finance", "tax rate", "competition", "electricity", and "political factors". With the growing size and age of companies, larger and older SMEs will be less likely to perceive the access to finance as a serious problem. The author states that many external financial factors are related to the imperfection of financial systems in relevant countries.

## **Research methodology**

In order to address the current issue of selected aspects of business environment in the Czech Republic and Slovakia, empirical research was conducted in 2019. For its implementation, the form of online survey and the method of random selection of companies were used. In the survey, the research team defined 9 basic areas for research: business support from the state, macroeconomic environment, quality of business environment, access

to financial resources, quality of tertiary education, personal traits, benefits of business, disadvantages of business, propensity to do business. In addition to these dimensions, multiple classification criteria were used: gender of respondents, their education, company size, duration, region, and sector of business activities. The research sample was obtained from the Albertina (CR) and Cribis (Slovakia) databases. A total of 10,000 SMEs were selected and subsequently contacted via e-mail requesting the completion of the research survey. In total, 641 responses were obtained: 312 respondents from the Czech Republic and 329 from Slovakia. In terms of gender differentiation, more men than women participated in the survey (487 men and 154 women), which also results from the preferential management of companies by men in both countries. Within the research material, 76 statements were examined, which were subject to several analyses in order to determine the casual relationships and quantify the differences in the examined aspects.

For the purposes of comparison, due to the category of the responses, mainly contingency tables with Fisher's test were used to test the dependence of an entrepreneur's response and potential determinant that may affect the response. Due to a large number of tests, the critical p-value of the Fisher's test was specified by means of Bonferroni correction at  $p \leq 0.001$  and the value of adjusted residual at  $|AR| \geq 3.3$ , which corresponds to two-sided quantile of normal distribution for  $p = 0.001$ . In the contingency table, the abbreviation "AR" for "Adjusted Residual" is given below the absolute number (Count). It is a variable indicating the size of the deviation between the actual and expected number as well as its sense. If the value of AR is negative, the actual number is lower than the expected number (in the given field, the number is lower than it should be in the case of independence of tested characters). If the value is positive, the actual number is higher than the expected one (in the given field, the number is higher than it is supposed to be). The symbol indicates the sense of the deviation. The absolute value of AR indicates whether the difference between the actual and expected number is significant (for clarity, the values of AR in the tables will be rounded to one decimal place). If  $|AR|$  is higher than 2, the difference between the actual and expected number is at significance level of  $p < 0.05$ . If it is higher than 2.6, the difference between the actual and expected number is at the significance level of  $p < 0.01$ . If it is higher than 3.3, the difference between the actual and expected number is at significance level of  $p < 0.001$ .

From the perspective of achieving the research objective, the authors focused on 5 dimensions within which the individual statements were de-

fined. They are selected according to the questionnaire from the carried out survey.

The following dimensions were defined:

A. Assessment of macro-economic environment:

- I consider macro-economic environment favourable for business activities depending on the size of the company.
- Assessment of judicial system:
- In the field of trade law, the judicial system works well by country.
- In the field of trade law, the judicial system works well depending on country by gender.

B. Assessment of law enforcement:

- Law enforcement in our country is good by country.
- Law enforcement in our country is good depending on country by gender.
- Law enforcement in our country is good by company size.
- Law enforcement in our country is good by the education of the respondent-entrepreneur.

C. Assessment of administrative burden on entrepreneurs:

- Administrative burden on entrepreneurs has been reduced in the last five years by country.
- Administrative burden on entrepreneurs has been reduced in the last five years depending on country by gender.
- Administrative burden on entrepreneurs has been reduced in the last five years by the length of business activities.

D. Assessment of state bureaucracy:

- State bureaucracy does not affect negatively the business environment by the length of business activities in the Czech Republic.
- State bureaucracy does not affect negatively business by company size.

The results of the analyses are described in the analytical part.

## **Results**

The results described in the analytical part are structured depending on the dimensions defined in the methodology part. They also include contingency tables, whose number corresponds to the number of statements assessed within the individual dimensions. In the complex assessment, the results of the analysis are significantly heterogeneous. Therefore, the unification and generalization of the results related to how the entrepreneurs in both countries perceived the examined dimensions would be problematic. The au-

thors thus focused on the summary of results in a qualitative form separately for each country so that the disproportions in perceiving the state and conditions of business environment and their risks were clear for each country. The five essential fields are observed in order to be able to accomplish a complex view on the entrepreneurship area (see also Balcerzak, 2020). These five cover evaluation of the macroeconomic environment, juridical system, law enforcement, administrative burden on entrepreneurs, and state bureaucracy. Altogether, it creates the business environment with as many aspects as possible for the sake of reality for at least a minimum necessary level.

#### *A. Assessment of macroeconomic environment*

##### Comparison of resulting values by company size for a given country

Reason for significance: in the case of small Slovak enterprises, the number of affirmative responses is lower ( $n = 42$ ;  $AR = -4.8$ ), while in the case of medium-sized enterprises, it is higher ( $n = 34$ ;  $AR = 5.0$ ).

Conclusion: Entrepreneurs from small Slovak enterprise evaluate the macroeconomic environment as less favourable compared to entrepreneurs from medium-sized enterprises.

As it is seen in Table 1, the responses to the statement “I consider macro-economic environment favourable for business activities” are relatively homogeneous, which is confirmed by the occurrence of residuals that have statistically significant value. In Slovakia, the positive responses to the statement have a statistically significant value in the case of the respondents from micro enterprises with less than 10 employees and small enterprises with 10–49 employees, while the difference of the absolute number of responses is not big. This could be explained by small differences between the number of responses in other categories; also, it partially confirms the homogeneity of the data, or a similar distribution of the responses. All other examined responses achieve low residual value, except for the dissenting opinion of the respondents from Slovakia; however, these results are not above the level of statistical significance. The number of negative responses is significantly larger in the case of enterprises with less than 10 employees compared to the category of enterprises with 10–49 employees. In the Czech Republic, statistically significant values of residuals were not detected. Overall, the criterion of company size does not provide space for further research for this statement. Nevertheless, a very low number of the responses is assigned to the complete agreement. It could be perceived as inappropriate, but there is to note such an opinion is quite categorical and



distinct. So, it is not expected generally. This can be applied to all the occurrences of such a response.

### *B. Assessment of judicial system*

There are mostly negative responses to the statement “In the field of trade law, the judicial system works well” in Table 2. The majority of responses correspond to this, while only 12% of the respondents from the Czech Republic and more than 18% of the respondents from Slovakia think otherwise. A large number of responses indicate that the respondents do not adopt any opinion to the statement, specifically one third in the case of the respondents from the Czech Republic and a quarter of the respondents from Slovakia.

#### Comparison of both countries in terms of gender

Cause of significance level: in terms of male respondents, a lower share (14.0%) of completely dissenting responses was detected in the Czech Republic compared to 27.1% in Slovakia. The share of dissenting responses was 9.7% in the Czech Republic compared to 17.9% in Slovakia.

Conclusion: Czech entrepreneurs are less dissatisfied with the quality of the judicial system in the field of trade law; on the other hands, they also appear to be less satisfied.

Table 3 demonstrates the statement that “In the field of trade law, the judicial system works well” was evaluated by both sexes consistently with the overall summarizing view. Most responses are negative, specifically more than 50% in the case of male respondents and almost 50% in the case of female respondents. The results clearly show male respondents’ strict view on the judicial system compared to female respondents. On the other hand, there were significantly more men that did not have any opinion related to this statement. Both male and female respondents agree on the positive and completely positive attitude to this statement, while there is a minimum number of responses (zero in the case of female respondents from the Czech Republic).

### *C. Assessment of law enforcement*

Regarding enforceability of law, as seen in Table 4, it is a question of a state determining that enforceability of law is good. This table demonstrates the disparities between the countries. The respondents from Slovakia mostly disagree with the statement. Almost 30% of the respondents com-

pletely disagree, and almost 40% of the respondents disagree. In the Czech Republic, only 16% of the respondents completely disagree and almost 50% expressed negative response. Almost 25% of the Czech respondents and 17% of the Slovak did not respond to this statement. About 12% of the Czech respondents and 14% of the Slovak respondents adopted a positive attitude. A complete agreement is expressed by a very low numbers of the respondents — not only in a relative way, i.e. 2.6% in the Czech Republic and only 0.6% in Slovakia, but also in an absolute way meaning 8 plus 2 respondents from the both countries. Altogether, there have been slightly more responses from the Slovak Republic than from the Czech Republic (more precisely, in Slovakia, there have been 17 more responses than in the Czech Republic). The highest number of responses was detected for the statement “Law enforceability in our country is good” in the case of Slovak respondents expressing disagreement. On the other hand, in the Czech Republic, almost 50% of the respondents did not have any opinion to this statement. There are many more negative responses in Slovakia, but paradoxically, there are also more positive responses, which obviously follow from the already mentioned adopted unbiased attitude of many respondents.

#### Comparison by gender for individual countries

Cause of significance level: male respondents. There is a lower share of completely dissenting answers in the Czech Republic (16.9%) compared to 30.7% in Slovakia. There is a higher share of disagreement in the Czech Republic (46.2% compared to 37.1% in Slovakia).

Conclusion: Czech respondents are less dissatisfied with law enforceability in their country.

#### Comparison by company size

Cause of significance level: higher number of dissenting responses ( $n = 226$ ;  $AR = 3.7$ ) and lower number of dissenting responses ( $n = 51$ ;  $AR = -3.7$ ) in the case of micro enterprises (fewer than 10 employees). Lower number of dissenting responses ( $n = 31$ ;  $AR = -3.5$ ) and higher number of positive responses ( $n = 27$ ;  $AR = 3.7$ ) in the case of small enterprises (with 10–49 employees).

Conclusion: the responses lead to the pessimistic conclusion that law enforceability depends on company size. Micro enterprises (with fewer than 10 employees) subjectively perceive lower law enforceability than small enterprises (with 10–49 employees) as seen in Table 5.

The perspective of gender brings a partially inconsistent outcome as pictured by Table 6. Whilst the majority of the female Slovak respondents do not agree with the statement that enforceability of law is at a good level in their country, the female respondents are not so strict in their opinion. More than 30% of the male respondents in Slovakia absolutely disagree with the statement; on the other hand, in the Czech Republic, it is only slightly more than a half of this share. While approximately the same percentage of the respondents disagree with this statement in the Slovak Republic, the situation in the Czech Republic is different — there is three times higher number of dissenting responses. There are almost a quarter of the Czech respondents without any attitude adopted to this statement, while it is only a sixth of the whole set did not express their opinion in the Slovak Republic. In terms of positive responses, there is not such a big difference — almost 11% share in the Czech Republic compared to almost 14% share in Slovakia. The lowest number has been detected in the category of complete agreement, with 2% of the respondents of the Czech Republic and only a sole reply in Slovakia. In the case of female respondents, the situation is particularly different. The difference between the complete disagreement and the disagreement in the case of the female Slovak respondents is almost two, while in the case of the male respondents, it is only a little above 1.

#### Comparison by education

Cause of significance level: significantly higher number of entrepreneurs ( $n = 101$ ;  $AR = 4.0$ ) with tertiary education completely disagree with the statement that law enforceability in their country is good.

Conclusion: entrepreneurs with tertiary education are more pessimistic in terms of their perception of law enforceability.

From the perspective of education illustrated by Table 7, there are significant differences corresponding to the individual level of the education attained by the respondents. The higher the level of education, the more prone to complete disagreement the respondents appear to be. The residual analysis shows that the most extreme situation is in the case of the respondents with tertiary education who tend to disagree completely with the statement that law enforceability in their country is good. On the other hand, the respondents with secondary education show a different ratio of negative responses (38 to 97, while in the case of the respondents with tertiary education, the ratio is 101 to 144. There is a very low number of positive responses and an extremely low number of completely positive responses.

#### *D. Assessment of administrative burden on entrepreneurs*

The number of responses, as well as the respondents' attitudes towards the statement "Administrative burden on entrepreneurs has been reduced in the last five years", is only partially different in both countries as seen in Table 8. There is a large number of completely negative attitudes in the Czech Republic and negative attitudes in Slovakia. Compared to the Czech Republic, the Slovak respondents were three times more prone to have no opinion to this statement. The situation is similar in the case of completely positive attitude.

##### Comparison by gender for a given country

Cause of significance level: In the case of the Czech entrepreneurs, there is a higher share of completely dissenting responses (43.6% vs. 29.1%) and a lower share of positive responses (5.1% vs. 14.7%) compared to Slovak entrepreneurs. Similarly, in the case of female entrepreneurs, there is a lower share of positive responses (5.3% vs. 15.4%  $p = 0.008$ ).

Conclusion: Czech male and female entrepreneurs are less satisfied with the reduction of the administrative burden in the last five years.

From the perspective of gender, the responses to the statement "Administrative burden on entrepreneurs has been reduced in the last five years" are almost evenly distributed in individual options. It is clear that the perspective of gender does not play any role. There are more positive responses in the case of Slovak male and female respondents (about three times more than in the case of the Czech respondents) in Table 9.

##### Comparison by duration of entrepreneurial activity

Cause of significance level: higher number of dissenting responses ( $n = 154$ ;  $AR = 5.1$ ) and lower number of positive responses ( $n = 22$ ;  $AR = -3.7$ ) in the case of longer duration of entrepreneurial activity.

Conclusion: long-term entrepreneurs tend to believe that the administrative burden on entrepreneurs has not been reduced in the last five years.

The responses to the statement that "Administrative burden on entrepreneurs has been reduced in the last five years" are relatively consistent in terms of the duration of entrepreneurial activity as they are visible in Table 10 and in Table 11. Extreme value has been recorded in the case of the negative opinion of the respondents from business entities which have been operating in the market for more than 10 years. Other respondents are of a similar opinion, but in terms of residual analysis, the negative attitude is

not extreme. It prevails in both age categories (1–5 years and 5–10 years). An interesting fact is that it is not possible to specify exactly the same shares corresponding to the positive attitude as well as the neutral opinion. There is only a minimum number of the completely positive responses.

### *E. Assessment of state bureaucracy*

#### Comparison by company size

The duration of entrepreneurial activity significantly influences the responses to the statement “State bureaucracy does not affect negatively the business environment”, as the distribution of the responses in the categories is quite uneven. In the Czech Republic, the completely dissenting opinion was expressed by approximately the same number of the respondents from the business entities with the duration of entrepreneurial activity between 1 and 5 years as the respondents adopting dissenting opinion and no opinion. A completely different situation is in the case of business entities with the duration of entrepreneurial activity between 5 and 10 years (25 responses), where only 5 responses express a completely positive attitude and 2 respondents do not adopt any attitude. Paradoxically, there is approximately the same number (4) of completely positive responses. The situation is different in Slovakia — the intermediate category of business entities is not significantly different from other two age categories. Whereas the share of completely positive and positive responses, or completely dissenting and dissenting responses is approximately the same compared to the Czech Republic, there are many more respondents who adopt no attitude. However, in terms of residuals observation, these are not statistically significant cases. Cause of significance level: higher number of positive response ( $n = 17$ ;  $AR = 3.7$ ) in small companies (10–49 employees).

Conclusion: entrepreneurs from small enterprises (with 10–49 employees) are more prone to believe that state bureaucracy does not have any effect on business.

The only statistically significant case from the perspective of residual analysis was in the case of positive response to the statement “State bureaucracy does not have any effect on business”, with 17 recorded responses of business entities with 10–49 employees. 27 responses came from micro-enterprises with up to 10 employees; none of the medium-sized enterprises with 50–249 employees agree with this statement. In this category, only one completely dissenting response has been recorded as shown in Table 12.

## Comparison by company size for a given country

Causes of significance level: in the case of Slovak medium-sized enterprises, the number of positive responses is higher ( $n = 15$ ;  $AR = 3.8$ ).

Conclusion: Entrepreneurs from medium-sized Slovak enterprises perceive a smaller influence of bureaucracy on business.

For the statement “State bureaucracy does not have any effect on business”, there is only one case of a statistically significant number of responses in terms of residuals analyses, namely in the case of the positive response of small enterprises with 10–49 employees (15 respondents) in Table 13. The same attitude was expressed by 16 micro-enterprises. In the case of medium-sized enterprises with 50–249 employees, no response was recorded. Similarly, no response was recorded in the category I completely agree.

## Discussion

The results of the analytical part relate to 5 dimensions within which the examined statements specified in the methodology part were defined. The selected dimensions correlate with the most frequently stated obstacles to start-up and development of business of SMEs as well as to the development of business environment presented by national agencies and institutions supporting the development of business environment. The results of the analyses provided interesting findings.

When examining the favorable macroeconomic environment for entrepreneurial activity by company size, it has been found that the number of dissenting responses is significantly high in the case of enterprises with up to 10 employees compared to the category of enterprises with 10–49 employees. Company size as a differentiation criterion does not provide space for further research.

The statement “In the field of trade law, the judicial system works well” is evaluated mainly negatively by the respondents, with only 12% of the respondents from the Czech Republic and more than 18% of the respondents from Slovakia adopting a positive attitude. The results show that the Czech entrepreneurs are less dissatisfied with the quality of the judicial system in the field of trade law and less satisfied at the same time. In terms of gender, the statement “In the field of trade law, the judicial system works well” is evaluated very consistently by both genders, with the overall summarizing view. Most respondents adopt a negative attitude, more specifically, it is more than 50% in the case of male respondents and almost 50% in

the case of female respondents. The results show that men adopt a stricter attitude to the judicial system than women. Furthermore, the authors were interested in the attitude to the statement “Law enforceability in our country is good” evaluated by managers from both countries. The analysis outcome demonstrated the differences between the countries. Almost 30% of the managers in Slovakia expressed a completely negative attitude to the statement, while in the Czech Republic, the absolutely negative attitude was adopted by 16% and 40% of the Czech managers disagree with the statement. Within this research, the aspect of company size was considered. Micro-enterprises (up to 10 employees) perceive subjectively lower law enforceability than small enterprises (with 10–49 employees). When examining the influence of gender on the attitude to the statements given above, several differences were detected. Most Slovak female respondents disagree with the statement that law enforceability is good. More than 30% of the Slovak respondents’ responses are completely negative. This is more than half of this share in the Czech Republic. No big differences were detected in terms of positive responses — 11% in the Czech Republic and 14% in Slovakia. Law enforceability was examined also in relation to the managers’ education. The results of the analysis show that the entrepreneurs with tertiary education are more pessimistic when evaluating law enforceability in their country. The responses were also different when implementing another criterion — the influence of company size on law enforceability. Small enterprises, as well as medium-sized enterprises with 50–249 employees are not persuaded about law enforceability in their country.

The evaluation of the selected dimensions of the business environment is influenced by education and its specific type. There are significant differences between the respondents that appear to be dependent on the level of education attained. The higher the education, the more prone the respondents are to completely disagree. The most extreme cases were detected in the case of the respondents with tertiary education, who completely disagree with the statement that law enforceability in a given country is good.

The authors were also interested in the respondents’ attitude to the statement “Administrative burden on entrepreneurs have been reduced in the last five years” by country. The responses in both countries are partially different. In both countries, most responses were negative. Czech male and female entrepreneurs are less satisfied with the reduction of administrative burden on entrepreneurs in the last five years. Another aspect the authors were interested in was possible gender differences between the respondents’ attitudes. The responses were evenly distributed in the individual op-

tions, which it might be inferred that gender plays almost no role from. There were three times more positive responses of the Slovak male and female respondents than in the case of the Czech Republic. It can thus be concluded that most of long-term entrepreneurs do not think that the administrative burden on entrepreneurs has been reduced in the last five years. Within the research, the dimension of the duration of entrepreneurial activity was also considered. The responses to the statement “Administrative burden on entrepreneurs has been reduced in the last five years” are relatively consistent within the dimension mentioned above. Extreme value was achieved in the case of completely dissenting response of the respondents from business entities that have been operating in the market for more than 10 years. Negative attitude prevails in both categories of the existence of the enterprises, more specifically, 1–5 years and 5–10 years.

The last dimension was related to the issue of state bureaucracy. Therefore, the authors examined the attitude to the statement “State bureaucracy does not have negative effect on the business environment”. Approximately the same number of the Czech respondents — entrepreneurs operating in the market for 1–5 years adopted a completely negative attitude, negative attitude or no attitude. Czech enterprises operating in the market for 5–10 years showed different attitudes. In Slovakia, the evaluation of this statement was completely different. The results of the intermediate category of business entities were not very different from other categories examined (operation in the market). In comprehensive evaluation of the responses, it can be concluded that the entrepreneurs from medium-sized enterprises (with 10–50 employees) are more prone to believe that state bureaucracy does not have any effect on business. The entrepreneurs from medium-sized Slovak enterprises less perceive the influence of bureaucracy on business.

Based on the findings, it can be stated that regulatory and legislative barriers to the development of SMEs’ business environment are perceived differently by entrepreneurs depending on the aspects examined. This corresponds with the findings in the studies by Ključnikov *et al.* (2017), Kot *et al.* (2018), Michalski (2013, 2014). An important differentiation criterion when evaluating the statements is the entrepreneurs’ education. The importance of financial literacy is highlighted in many studies (e.g. Bileviciute *et al.*, 2019; Nguyen & Rozsa, 2019), while many authors emphasise the importance of its development within the secondary and university education. In many countries, financial literacy is a part of educational strategies (Gavurova *et al.*, 2017, 2019). Although this aspect seems to be highly implicit when examining the issue of the effect of legislative and administrative barriers to business, it is considered very important for deal-



ing with administrative, bureaucratic, and legislative barriers to business in a given country. For many entrepreneurs, insufficient financial literacy will be an obstacle to dealing with these problems successfully, or, more precisely, it will be the main obstacle to start up and development of entrepreneurial activity and may be considered a significant risk factors (Nguyen & Rozsa, 2019). The importance of consultancy firms is thus growing; however, the use of their services and the satisfaction of entrepreneurs with such companies is much discussed (Lisowska, 2016). Gender differences in responses to the statements were smaller; however, in some dimensions, clear differences prevail between the managers' responses in the two countries. This raises the questions about the extent to which the legislative and administrative burden is favourable for the business environment in both countries. Frequent changes in the legislation demotivate especially young entrepreneurs with insufficient experience, who consider the administrative and bureaucratic burden to be a risky component of business (Lisowska, 2016; Psárska *et al.*, 2019). On the other hand, some entrepreneurs (especially would-be) call for legislative changes, especially those that help them overcome the difficulties related to starting up a business. Young entrepreneurs also prefer changes in the legislation more often than long-term entrepreneurs do, emphasizing the importance of reducing tax and levy burden on entrepreneurs, reduction of administrative burden, and better availability of bank sources as well as the sources from the EU funds intended for supporting entrepreneurship. The longer a company has been operating in the market, the lower the demand for legislative and administrative changes is. The current problem in business is also a demand for qualified workers, which increases with the size of the company (Buno *et al.*, 2015; Wang, 2016).

The instability in business environment is also characterized by constant changes in laws. Entrepreneurs in both countries criticize the fact that the changes in laws are often prepared without prior conducting impact studies on the business environment, which can have fatal consequences for their business. They also criticize the insufficient flexibility of the legislation towards changes in the external environment. During the year, there are usually frequent changes in the laws related to business and entrepreneurship. Therefore, entrepreneurs often complain about the impossibility to monitor the changes permanently and are thus exposed to many business risks.

Another long criticized fact in both countries is law enforceability, which also includes the disproportionate length of litigations. The above facts only confirm the need for active addressing this multidimensional issue of the business environment development in the segment of SMEs

and the creation of the supporting system at the national and international level.

It should be noted that the original sample selected from the whole set of the enterprises in the both countries consists of 10.000 items. It is very difficult to obtain answers from entrepreneurs generally. Hence, a set of 641 responses creates an appropriate database in order to explore this area. However, some of the categories are represented by a low number of enterprises. It is not a case that such numbers could be distorting, because they come from the primary research database. However, it is necessary to have a pure look on these numbers and in a case of extreme results, an investigation of the suitable interpretation of the analysis outcome should be employed.

## **Conclusions**

In the light of the impact of the world economic and financial crisis on the economies of the countries, the competitive potential of companies is being examined more intensively. The evaluation of the competitive potential includes also the quality of the economic conditions and preconditions for economic activity of business entities in the country. An important part of the development of all advanced economies are small and medium-sized enterprises, which ensures regional development as well as the creation of jobs.

The conditions for entrepreneurship in the Czech Republic and Slovakia are affected by changes in the geopolitical situation of the countries, reforms, and transformation processes. From a macroeconomic point of view, there is also the influence of the goals of the EU, which are transformed into various initiatives in both countries and are aimed at the creation of the optimal environment in order to ensure the prosperity of entrepreneurs and establishing new business entities. To this end, it is necessary to create policies that relevant administrative authorities could use to react to the needs of SMEs.

These facts emphasize the need for research in business environment and mapping of various dimensions, qualitative and quantitative factors and relations between them in order to capture the most important ones in complex business systems. The research in this paper was focused on the segment of SMEs and its aim was to examine the selected legislative and administrative obstacles to business as well as the identification of the differences and causes of their origin. The results of the study provided interesting findings and showed the need for conducting further research that

would reveal the causes of the differences between the countries and define new causal links.

The differences in the different perception and evaluation of the respondents from both countries are evidence of changes in both countries' business environment and raise questions about the extent to which law enforceability and bureaucracy are acceptable and by which groups of entrepreneurs. Education, company age, and gender differentiation are the factors that might affect the evaluation of the obstacles to business. Therefore, the authors call for more detailed sector analyses that would show whether accepting legislative and administrative obstacles to business is not related mainly with the history of entrepreneurship activities in a given industry or with the degree of current competitiveness, etc. The results of this research provide valuable findings for the regional and national policymakers and represent valuable background for the creation of the concept focused on supporting SMEs in both countries. They also encourage subsequent research and the discovery of new determinants affecting the development of SMEs. The results from the implementation of primary research enable the setting of national as well as international benchmarking indicators and the improvement of the methodological platform for international comparative analyses.

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## Annex

**Table 1.** Contingency table of responses to the statement “I consider macroeconomic environment favourable for business activities” by company size

Statement		Company size (number of employees)			In total		
		1-9	10-49	50-249			
CZ	I completely agree	number	22	5	2	29	
		AR	-1.0	0.6	1.0		
	I disagree	number	97	12	4	113	
		AR	1.1	-1.2	0.0		
	I have no opinion	number	60	7	2	69	
		AR	1.1	-1.0	-0.3		
	I agree	number	77	18	3	98	
		AR	-1.3	1.6	-0.3		
	I completely agree	number	2	1	0	3	
		AR	-0.7	1.0	-0.3		
	Total		number	258	43	11	312
	SK	I completely disagree	number	36	7	1	44
AR			1.7	-1.0	-1.4		
I disagree		number	117	24	10	151	
		AR	2.3	-2.3	-0.4		
I have no opinion		number	33	6	6	45	
		AR	0.4	-1.4	1.7		
I agree		number	<b>42</b>	<b>34</b>	7	83	
		AR	<b>-4.8</b>	<b>5.0</b>	0.5		
I completely agree		number	6	0	0	6	
		AR	1.6	-1.3	-0.7		
Total		number	234	71	24	329	

**Table 2.** Contingency table of responses to the statement “In the field of trade law, the judicial system works well” by country

Statement		Country		In total	
		CZ	SK		
Response	I completely disagree	number	<b>48<sub>a</sub></b>	<b>83<sub>b</sub></b>	131
		%	<b>15.4</b>	<b>25.2</b>	20.4
	I disagree	number	111 <sub>a</sub>	109 <sub>a</sub>	220
		%	35.6	33.1	34,3
	I have no opinion	number	119 <sub>a</sub>	75 <sub>b</sub>	194
		%	38.1	22.8	30,3
	I agree	number	<b>33<sub>a</sub></b>	<b>54<sub>b</sub></b>	87
		%	<b>10.6</b>	<b>16.4</b>	13,6
	I completely agree	number	<b>1<sub>a</sub></b>	<b>8<sub>b</sub></b>	9
		%	<b>0.3</b>	<b>2.4</b>	1,4
Total	number	312	329	641	
	%	100.0	100.0	100.0	

**Table 3.** Contingency table of the responses to the statement “In the field of trade law, the judicial system works well” depending on country by gender

Statement		Country		In total	
		CZ	SK		
Male respondents	I completely disagree	number	<b>33<sub>a</sub></b>	<b>68<sub>b</sub></b>	101
		%	<b>14.0</b>	<b>27.1</b>	20.7
	I disagree	number	86 <sub>a</sub>	77 <sub>a</sub>	163
		%	36.4	30.7	33.5
	I do not have opinion	number	<b>93<sub>a</sub></b>	<b>55<sub>b</sub></b>	148
		%	<b>39.4</b>	<b>21.9</b>	30.4
	I agree	number	<b>23<sub>a</sub></b>	<b>45<sub>b</sub></b>	68
		%	<b>9.7</b>	<b>17.9</b>	14.0
	I completely agree	number	1 <sub>a</sub>	6 <sub>a</sub>	7
		%	0.4	2.4	1.4
	In total	number	236	251	487
		%	100.0	100.0	100.0
%		100.0	100.0	100.0	

**Table 3.** Continued

Statement			Country		In total
			CZ	SK	
Female respondents Response	I completely disagree	number	15 <sub>a</sub>	15 <sub>a</sub>	30
		%	19.7	19.2	19.5
	I disagree	number	25 <sub>a</sub>	32 <sub>a</sub>	57
		%	32.9	41.0	37.0
	I do not have opinion	number	26 <sub>a</sub>	20 <sub>a</sub>	46
		%	34.2	25.6	29.9
	I agree	number	10 <sub>a</sub>	9 <sub>a</sub>	19
		%	13.2	11.5	12.3
	I completely agree	number	0 <sub>a</sub>	2 <sub>a</sub>	2
		%	0.0	2.6	1.3
	Total	number	76	78	154
		%	100.0	100.0	100.0

**Table 4.** Contingency table of responses to the statement “Law enforcement in our country is good” by country

Statement			Country		In total
			CZ	SK	
Response	I completely disagree	number	<b>50<sub>a</sub></b>	<b>96<sub>b</sub></b>	146
		%	<b>16.0</b>	<b>29.2</b>	22.8
	I disagree	number	142 <sub>a</sub>	127 <sub>a</sub>	269
		%	45.5	38.6	42.0
	I do not have opinion	number	75 <sub>a</sub>	57 <sub>b</sub>	132
		%	24.0	17.3	20.5
	I agree	number	37 <sub>a</sub>	47 <sub>a</sub>	84
		%	11.9	14.3	13.1
	I completely agree	number	<b>8<sub>a</sub></b>	<b>2<sub>b</sub></b>	10
		%	<b>2.6</b>	<b>0.6</b>	1.6
	In total	number	312	329	641
		%	100.0	100.0	100.0



**Table 5.** Contingency table of responses to the statement “Law enforcement in our country is good” by country and gender

Statement			Country		In total
			CZ	SK	
Male respondents	I completely disagree	number	<b>40<sub>a</sub></b>	<b>77<sub>b</sub></b>	117
		%	<b>16.9</b>	<b>30.7</b>	24.0
	I disagree	number	<b>109<sub>a</sub></b>	<b>93<sub>b</sub></b>	202
		%	<b>46.2</b>	<b>37.1</b>	41.5
	I do not have opinion	number	57 <sub>a</sub>	45 <sub>a</sub>	102
		%	24.2	17.9	20.9
	I agree	number	25 <sub>a</sub>	35 <sub>a</sub>	60
		%	10.6	13.9	12.3
	I completely agree	number	5 <sub>a</sub>	1 <sub>a</sub>	6
		%	2.1	0.4	1.2
Total	number	236	251	487	
	%	100.0	100.0	100.0	
Female respondents	I completely disagree	number	10 <sub>a</sub>	19 <sub>a</sub>	29
		%	13.2	24.4	18.8
	I disagree	number	33 <sub>a</sub>	34 <sub>a</sub>	67
		%	43.4	43.6	43.5
	I do not have opinion	number	18 <sub>a</sub>	12 <sub>a</sub>	30
		%	23.7	15.4	19.5
	I agree	number	12 <sub>a</sub>	12 <sub>a</sub>	24
		%	15.8	15.4	15.6
	I completely agree	number	3 <sub>a</sub>	1 <sub>a</sub>	4
		%	3.9	1.3	2.6
Total	number	76	78	154	
	%	100.0	100.0	100.0	

**Table 6.** Contingency table of responses to the statement “Law enforcement in our country is good” by company size

Statement		Company size (number of employees)			In total	
		1– 9	10–49	50–249		
Response	I completely disagree	number	107	32	7	146
		AR	-1.1	1.5	-0.4	
	I disagree	number	<b>226</b>	<b>31</b>	12	269
		AR	<b>3.7</b>	<b>-3.5</b>	-0.9	
	I do not have opinion	number	102	21	9	132
		AR	0.2	-0.6	0.8	
	I agree	number	<b>51</b>	<b>27</b>	6	84
		AR	<b>-3.7</b>	<b>3.7</b>	0.7	
	I completely agree	number	6	3	1	10
		AR	-1.3	1.0	0.6	
	In total	number	492	114	35	641

**Table 7.** Contingency table of responses to the statement “Law enforceability in our country is good” by the respondents’ education

Statement		Education			In total	
		Secondary education without maturita exam	Secondary education completed with maturita exam	Tertiary education		
Response	I completely disagree	number	7	38	<b>101</b>	146
		AR	-2.2	-2.8	<b>4.0</b>	
	I disagree	number	28	97	144	269
		AR	0.8	0.1	-0.5	
	I do not have opinion	number	15	60	57	132
		AR	0.9	2.6	-3.0	
	I agree	number	8	30	46	84
		AR	0.1	0.0	0.0	
	I completely agree	number	2	5	3	10
		AR	1.2	0.9	-1.6	
	In total	number	60	230	351	641

**Table 8.** Contingency table of responses to the statement “Administrative burden on entrepreneurs has been reduced in the last five years” by country

Statement		Country		In total	
		CZ	SK		
Response	I completely disagree	number	<b>131<sub>a</sub></b>	<b>92<sub>b</sub></b>	223
		%	<b>42.0</b>	<b>28.0</b>	34,8
	I disagree	number	<b>144<sub>a</sub></b>	<b>126<sub>b</sub></b>	270
		%	<b>46.2</b>	<b>38.3</b>	42,1
	I do not have opinion	number	19 <sub>a</sub>	57 <sub>b</sub>	76
		%	6.1	17.3	11,9
	I agree	number	<b>16<sub>a</sub></b>	<b>49<sub>b</sub></b>	65
		%	<b>5.1</b>	<b>14.9</b>	10,1
	I completely agree	number	2 <sub>a</sub>	5 <sub>a</sub>	7
		%	0.6	1.5	1.1
	In total	number	312	329	641
		%	100.0	100.0	100.0

**Table 9.** Contingency table of responses to the statement “Administrative burden on entrepreneurs has been reduced in the last five years” by country and gender

Gender		Country		Total	
		CZ	SK		
Male respondents	I completely disagree	number	<b>103<sub>a</sub></b>	<b>73<sub>b</sub></b>	176
		%	<b>43.6</b>	<b>29.1</b>	36.1
	I disagree	number	103 <sub>a</sub>	92 <sub>a</sub>	195
		%	43.6	36.7	40.0
	I do not have opinion	number	<b>17<sub>a</sub></b>	<b>46<sub>b</sub></b>	63
		%	<b>7.2</b>	<b>18.3</b>	12.9
	I agree	number	<b>12<sub>a</sub></b>	<b>37<sub>b</sub></b>	49
		%	<b>5.1</b>	<b>14.7</b>	10.1
	I completely agree	number	1 <sub>a</sub>	3 <sub>a</sub>	4
		%	0.4	1.2	0.8
	Total	number	236	251	487
		%	100.0	100.0	100.0

**Table 9.** Continued

Gender			Country		Total
			CZ	SK	
Female respondents	I completely disagree	number	28 <sub>a</sub>	19 <sub>a</sub>	47
		%	36.8	24.4	30.5
	I disagree	number	41 <sub>a</sub>	34 <sub>a</sub>	75
		%	53.9	43.6	48.7
	I do not have opinion	number	<b>2<sub>a</sub></b>	<b>11<sub>b</sub></b>	13
		%	<b>2.6</b>	<b>14.1</b>	8.4
	I agree	number	<b>4<sub>a</sub></b>	<b>12<sub>b</sub></b>	16
		%	<b>5.3</b>	<b>15.4</b>	10.4
	I completely agree	number	1 <sub>a</sub>	2 <sub>a</sub>	3
		%	1.3	2.6	1.9
	In total	number	76	78	154
		%	100.0	100.0	100.0

**Table 10.** Contingency table of responses to the statement “Administrative burden on entrepreneurs has not been reduced in the last five years” by duration of entrepreneurial activity

Statement			Duration of business activity in years			In total
			1-5	5-10	Longer	
I completely disagree	number	38	31	<b>154</b>	223	
	AR	-3.4	-2.7	<b>5.1</b>		
I disagree	number	70	56	144	270	
	AR	0.5	0.6	-0.9		
I do not have opinion	number	24	19	33	76	
	AR	1.4	1.2	-2.2		
I agree	number	24	19	<b>22</b>	65	
	AR	2.4	2.0	<b>-3.7</b>		
I completely agree	number	4	1	2	7	
	AR	2.0	-0.4	-1.4		
In total	number	160	126	355	641	

**Table 11.** Contingency table of responses to the statement “State bureaucracy does not affect negatively the business environment” by the duration of entrepreneurial activity in the Czech Republic

Country			Duration of entrepreneurial activity given in years			In total	
			1–5	5–10	Longer		
CZ	I completely disagree	number	14	5	63	82	
		AR	-0.2	-2.7	2.3		
	I disagree	number	17	25	90	132	
		AR	-2.0	1.5	0.5		
	I do not have opinion	number	<b>14</b>	2	17	33	
		AR	<b>3.9</b>	-1.6	-2.0		
	I agree	number	10	12	20	42	
		AR	1.1	2.5	-2.8		
	I completely agree	number	1	4	18	23	
		AR	-1.8	0.3	1.2		
	Total		number	56	48	208	312
	SK	I completely disagree	number	26	22	45	93
AR			-0.9	0.0	0.8		
I disagree		number	45	27	47	119	
		AR	1.8	-0.3	-1.4		
I do not have opinion		number	14	10	23	47	
		AR	-0.3	-0.4	0.6		
I agree		number	14	14	22	50	
		AR	-0.6	0.8	-0.1		
I completely agree		number	5	5	10	20	
		AR	-0.7	0.1	0.5		
In total		number	104	78	147	329	

**Table 12.** Contingency table of responses to the statement “State bureaucracy does not affect negatively the business environment“ by company size

Statement			Company size (number of employees)			In total
			1-9	10-49	50-249	
Response	I completely disagree	number	165	38	4	207
		AR	1.2	0.3	-2.7	
	I disagree	number	247	44	23	314
		AR	1.1	-2.4	2.0	
	I do not have opinion	number	47	13	7	67
		AR	-1.4	0.4	1.9	
	I agree	number	27	17	0	44
		AR	-2.5	3.7	-1.7	
	I completely agree	number	6	2	1	9
		AR	-0.7	0.4	0.8	
In total		number	492	114	35	641

**Table 13.** Contingency table of responses to the statement “State bureaucracy does not have any effect on business” by company size

Country			Company size (number of employees)			In total
			1-9	10-49	50-249	
CZ	I completely disagree	number	86	16	2	104
		AR	0.0	0.6	-1.1	
	I disagree	number	141	18	8	167
		AR	0.9	-1.7	1.3	
Response	I do not have opinion	number	19	7	0	26
		AR	-1.4	2.0	-1.0	
	I agree	number	11	2	0	13
		AR	0.2	0.2	-0.7	
	I completely agree	number	1	0	1	2
		AR	-1.2	-0.6	3.6	
In total		number	258	43	11	312

**Table 13.** Continued

Country			Company size (number of employees)			In total
			1-9	10-49	50-249	
SK	I completely disagree	number	79	22	2	103
		AR	1.5	-0.1	-2.5	
	I disagree	number	106	26	15	147
		AR	0.4	-1.5	1.8	
Response	I do not have opinion	number	28	6	7	41
		AR	-0.4	-1.2	2.6	
	I agree	number	16	<b>15</b>	0	31
		AR	-2.5	<b>3.8</b>	-1.6	
	I completely agree	number	5	2	0	7
		AR	0.0	0.5	-0.8	
In total		number	234	71	24	329