FINANCIAL SUPPORT AND CAPACITY BUILDING OF SME\’S IN SERBIA FOR DEVELOPMENT FUNDS

ABSORPTION

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Abstract

Contemporary theory and practice of small and medium-sized enterprises shows that the success of their business and development greatly depend on the system of non-financial and financial support. Part of the development capacities for the successful establishment, and also for sustainable and successful business, these companies can provide through the system of institutional and financial support. One problem that appears in the possibility of using a system of support for SME development is that, in the period of establishing, they often choose independent activities and independent work, and rarely choose activities as a part in the supply chain of larger companies or for inclusion in networks and clusters. The consequence of this approach is that it does not realize synergy effects from the activities of partnerships. From this reason is necessary to strengthen their capacity and the capacity of institutions to support SME development for more efficient absorption of funds and resources. The aim of this paper is to analyze existing systems to support business and development of SMEs in Serbia and synchronizing the activities of various entities in this system.

Key words: Small and medium size enterprises, financial and non-financial support, development capacity

JEL codes: O16

INTRODUCTION

Contemporary business conditions in the dynamic and unpredictable business environment are major challenges for both large companies and for small and medium sized enterprises. A particular challenge is the negative impacts of the global economic crisis, which is due to globalization, rapidly spread to all national economies. In such conditions, entrepreneurship is essential for the processes of market adjustment and keep the competitive position, and expectations of small and medium enterprises to accelerate the development of national economy are higher. Entrepreneurship as an important development resource that puts the spotlight on innovative behaviour, determine
the overall economic and social development of each country. The important role of SMEs and its increasing contribution to overall growth and economic development is reflected in many indicators related to the participation of SMEs in total number of businesses, employment, total turnover, gross value added, foreign trade activities and the like. The development of the entrepreneurial economy based on knowledge and innovation and creation of strong, competitive and export-oriented SMEs is a necessity.

The low level of competitiveness of Serbian economy is a basic limitation of effective involvement in international business flows. Current activities on improving the business environment have given some results, but they are not yet fully adapted to the needs of rapid development of market economy.

The Republic of Serbia in recent years made significant progress in developing a functional framework to SMEs support [1, p. 4-10]. While the framework exists, implementation of support is still not adequately implemented. This led to some problems in access to appropriate forms of support to SMEs and to insufficient focus on SMEs with innovative and export potential, which are able to increase employment.

1. CAPACITY BUILDING OF SMEs

Despite the high inventiveness, flexibility and mobility of small and medium enterprises, especially in the early years of his life recorded a high mortality. Some are facing bankruptcy and are being liquidated because of a wrong choice of field engagement, and some because of unresolved assumptions and strengthen successful business. One of the biggest problems is reflected in the system, organization, coordination and synchronized activities of the institutions that should provide support to the development of these enterprises. Quality system to support the successful operation and development of SMEs requires well solved the problem of organizing and self-organization of this group of enterprises. This refers to the connection of the industrial, export clusters, value chains, connection within the business and technology centres and to link these companies in business associations, cooperatives, chamber system, and more. Reach practice in the world shows that, for successful business and strengthening the SME sector is extremely important cooperation, but in our conditions it is not enough represented and entrepreneurs do not show interest.

Development of entrepreneurship and small and medium business assumes the following general and specific requirements:
1. Market institutions, which should ensure the free functioning of commodity markets, capital markets and labour markets;
2. Rule of law, which should provide adequate regulation and ensure the effective implementation of laws;
3. Civil society, which emphasizes respect for human rights and freedoms;
4. Economic development and market conjuncture, which determines a new needs, i.e. demand to be met by expanding existing and establishing new enterprises;

5. Development of entrepreneurial infrastructure, which refers to the follow ups to the company, in terms of freight transport, energy transfer, access and transfer money, transfer of information and the like. Also, it refers on infrastructure building in terms of education entrepreneur in the profession and for conducting business, advising on the establishment enterprises, establishment of incubation centres, institutions for mediation in securing the initial capital, reduce risk and cost of establishment and the like.

Bearing in mind the importance of the sector of small and medium sized enterprises, very important issue is to strengthen their capacity to absorb development funds. This activity is relevant to:

a. State should provide the institutional framework and provide financial support to business entities to run business and for business growth.

b. Institutions (national, regional, local) that are focused on developing and improving the economy, have the task to strengthen the competence, knowledge and social networks with related institutions for the effective performance of functions of education, assistance and service for independent entrepreneurs and SMEs in their establishment, growth and development.

c. Entrepreneurs and small and medium enterprises, whose management must be focused on the strengthening of resources, especially human and other intellectual property, to ensure the process of innovation and development of adequate programs for product development, process, technology, for which it will seek financial support.

Promotion of entrepreneurship has a vital role in improving the competitiveness of small businesses and improving situation in terms of employment. So there are numerous programs of the European Union defined and implemented for this purpose. The EU experience shows that the best way for the development of entrepreneurship and SMEs should be in accordance with an integrated approach, which has three hierarchical levels [2].

- Strategic level (policy definition of the relevant state authorities),
- Institutional level (establishment and operation of a set of support institutions),
- The level of enterprises (SME)

Above mentioned levels made pyramidal structure to support SME development in which the strategic level, understandably, is located at the top and is reserved for the state. Institutional level is in the middle and represents the link between policy-makers and SME development. The third level of the participants is SME sector - a number of micro, small and medium sized enterprises and their associations. This structure is coherent only if there is mutual coordination and cooperation [3]. In most developing countries, including Serbia, there is a problem in all three levels. Even when governments
do not aim high priority the development of SMEs, support for private sector development and provision of infrastructure are items that are particular in focus of their attention.

2. THE ROLE OF DIFFERENT INSTITUTIONS IN SERBIA IN SMEs SUPPORT

2.1. The Role Of State

The state should create a business environment for growth and development of SMEs. In addition, the existing level of development of society and economy of a country is a determinant of business growth and development of SMEs. The structure of the economy of a country is also important for the development of small business. Dynamic development of production sector is crucial because it is the basis for the development of the service sector, in which a significant role belongs to SMEs. For the development of this sector is important the existence of large enterprises, about which is gather small businesses as sub-contractors and business partners. Significant constraint to development of SMEs makes legislation and characteristics of the system of taxation. In order to develop, the government should solve next problems: conditions for obtaining loans, reducing the tax burden, quality of inspection services, reduce administration, legal system efficiency, stimulating exports of SME sector and many others. All of these moments require continuous improvement of the various laws.

The role of government in Serbia is primarily in creating quality of legislation related to the establishment and development of SMEs and the creation of administrative preconditions for the establishment, operation, growth and development. Reasons why it is important to promote the so-called administrative environment for SME development are the following:

• The need to simplify procedures for the establishment (registration) of the company and obtain certain permits for construction, exports, imports and the like;

• The need to shorten the time required for the establishment / registration of enterprise;

• The need to lower operating costs that are necessary for the establishment / registration of enterprise and prevent administrative corruption.

2.2. The Role of State Institutions

Considering the great importance of SMEs they have in the contemporary socio-economic development of each country (especially for employment, innovation, balanced regional development, etc.) an indispensable role of the state that will establish, direct and control the institution to support the development of entrepreneurship and SMEs. Establishing, managing and
developing successful business is difficult and risky job that requires a lot of knowledge, resources and effort. Government of market oriented economies developing a system of institutional support for SME development, because of the rules of the free market, small companies (because they are small - with limited resources, personnel and knowledge) in an unequal position compared to large enterprises. These institutions operate at:

1. National level (ministries and government agencies),
2. Regional and / or local level.

The need for the existence of these institutions comes from the problems that come because of the complexity of the business environment. Complex economic conditions sometimes have elements of the crisis (high inflation, rising unemployment, lack of liquidity businesses, decrease the value of real wages, i.e. low purchasing power of population, etc.). Also, strong constraints can be seen in the lack of capital, underdeveloped financial systems, limited in manpower and experience, the inability to develop competitive advantages and others.

Therefore is important to develop a system of institutions, among which there will be coordination and cooperation in policy, and implementation of various programs at the national and local levels. Also, it is necessary to strengthen the capacity of these institutions - human, financial and development cooperation with foreign institutions.

In addition to financial support, also is relevant non-financial assistance from government in development of entrepreneurship and SMEs. This assistance can be in terms of organization of production, service and other elements of management (planning, management, etc.). The government helps by organizing lectures, seminars, educational training for managers and employees, through establishing information centres, consulting centres to a variety of business problems, providing assistance in connection with financial institutions in the country and abroad. Also, the government should create opportunities for various forms of business associations and other organizations, acting in field of support of innovation and competitiveness of the SME sector. The state should develop programs and activities to support innovation in the SME business, either internal business processes, or products / services that are recognized as the market demands and accepted by consumers and other stakeholders.

2.3. The Role Of Local Authorities

As already emphasized, the role of government in terms of SME development is to create a positive business environment, primarily through legislation, promotion and implementation of national program support and infrastructure to assist SMEs. Development of existing and establishment of new SMEs should to contribute to the increase of GDP, exports and employment and to facilitate accelerated socio-economic development. In addition, government action to create the general conditions and support for SME development and the
support of local self government is also important for the development of SMEs. Local self government bodies in municipalities and cities should play a significant role in encouraging the development of SMEs. Local authorities can contribute to the promotion and implementation of programs to support and build the infrastructure to support SMEs and thus make a significant contribution to their development.

Flexibility and efficiency of business operations has its repercussions on the intensity and changes of the local community, and the living standard of its population. Local self government should be, in the broadest sense, is struggling to care for companies that already operate in its territory, but also for the establishment of new, that will empower local communities with capital and knowledge, which will mean more funds for infrastructure and social standards. Local development policy should be use some positive experiences of regional policies in developed areas of the world and acts to:

• be attractive to companies, primarily by creating adequate business environment, both in physical terms (construction sites, industrial and other zones, etc.), and in terms of relationship with citizens. Therefore, the local self government has to allocate some funds for the development of certain activities, and also for the realization of the potential economic, social and cultural development of communities;

• Initiate the creation of innovation and introduction of new technologies in traditional activities and also encourages the improvement of competitiveness. This is especially true of local communities that have a strong concentration of economic-technological complex;

• If the local economy prevailing economic structure characterized by the use of traditional knowledge and outdated forms of decision-making system, there is a risk of economic recession. New communications technologies require a different entrepreneurial environment, knowledge and skills. In this situation, the further economic development depends on fundamental structural changes, retraining of unemployed workers and attracting international business particularly in new sectors / activities. This process is important to human capital, including the intellectual capital of the company;

• In conditions of growing competition local self governments should act to strengthen its image and developmental benefits. Through combination of urban, contemporary development policy and economic development, local government has the ability to create market advantages and new development opportunities.

Local communities need to set up development centres to deal with supporting the development of SMEs in terms of aid in determining the development of programs (projects), as well as providing information about them to interested stakeholders. Local communities need to invest in their establishment and functioning, in order to realize the quality of their support in order to increase efficiency and competitiveness of SMEs. These centres should be initiators of new economic activities and the promoters of the idea of business
networking, exchange of technology, improvement of technical infrastructure, including the commercial (business) incubators, clusters, technological or industrial parks and other similar associations.

It is necessary to raise awareness of local authorities (government) to support the economy and its pro-active role. Accelerated regional development is not possible without the action of local authorities (government) in terms of improved service quality of local businesses and citizens, simplify procedures and creation of infrastructure conditions, and even different funds to support the SME sector.

2.4. The Role Of Think Tanks (Policy Centres)

In the area of institutional infrastructure policy development, should emphasize the role of the Policy Centres or Think Tank Centres that focuses on the development of entrepreneurship and SMEs. Policy Centres or Think Tank Organizations have an important function in creating public policy in developed democratic countries. Think tanks is "... institution, corporation or group organized for interdisciplinary research (technological or social problems) [4, p. 6]. These organizations are also called "factories" of thinking. Otherwise, the Think Tank Organization can be also consulting group of experts that undertakes research and provides advice, especially for the government.

Think Tanks are usually non-profit, independent organizations which through seminars, conferences, workshops and publishing various publications influence the political decision-making process. Think Tanks expand its policy research on various issues and problems in society. Their areas are: scientific research, research for the purpose of government (legislative, public safety), research for individual companies (group), research for certain political parties and others.

As the founder of Think Tank organizations appear intellectuals, academics, governments of some countries, political parties, companies, consultants and researchers, as well as various local and foreign donors. Founders based on their goals, affecting the work of the organization, research, growth and funding organizations, but also have influence on the choice of institutional form of Think Tank Organization. The basic concern of the Think Tank Organizations is maintaining independence in their research and realizes the impact to the area and users of research.

Schneider [4] lists three different types of Think Tank Organizations: academic, for-profit and non-profit. They have three development phases. In the first, there is very small number of full-time researchers (one or two people), a large number of associates, and sources of funding are not entrenched. If you want to continue development and transition to the second phase (large number of permanent researchers from 5 to 10, a relatively stable sources of funding, greater specialization of researchers in certain areas), these organizations need to develop their managerial and financial systems to make them more efficient and
effective. The third developmental stage is characterized by organizations that have their own action, provided the title or the most prestigious in the field of its activities and to achieve significant social impact [5].

Financing of Think Tanks is different. Independent Think Tanks can’t completely rely on various state funds. Depending on the founders, customer research, and other moments, the sources of funding these organizations are [6]: 1. Private foundations (e.g. the Open Society Institute); 2 Different government agencies or entrepreneurial funds (e.g. USAID, British Know-How Fund); 3 State Foundation; 4 International organizations (World Bank, International Monetary Fund, etc.) 5. EU funds (structural funds, the framework for funding R & D). The largest number of such organizations does not have a single source of funding. Most funding is directed to cover the costs of research, and problem is covering the fixed costs (administration, rent, phone costs, internet, etc.). To cover these costs, these organizations can go to:

1. Association with academic institutions (universities, colleges, academies of sciences);
2. Association with a for-profit organizations (consulting, financial institutions, commercial enterprises), and
3. Reducing the number of employees, engaging volunteers for administrative tasks, employing researchers as needed for individual projects [7].

Think Tanks are mediators between the government and the public. They are the voice of the public in the policy process and affect the democratic development of the society. Their independent research into these processes brings new ideas and innovative solutions in the interest of citizens. As a product of these organizations, in addition to reports, publications, research, considered and staff who serve as advisors to the government authorities for the area which used to be specialized. The biggest beneficiaries of Think Tanks are policy makers, the media, the public - civil society, universities, business sector, trade unions and others.

3. INSTITUTIONAL FRAMEWORK FOR DEVELOPMENT AND SUPPORT OF SME SECTOR

The institutional framework for developing and supporting the SME sector, develop each country according to its strategic and economic objectives, and this framework is composed from a set of different bodies and institutions, from national to local levels. These institutions are public, because they are organized by state. Also, there are institutions that are semi public because they organized by state in cooperation with other institutions, banks, foundations and the like. Otherwise, these institutions are usually non-profit. The success story of these institutions presupposes a continuous dialogue and exchange of information between the SME sector and state institutions. This will allow state institutions to better and more quickly identify all the key issues and priorities of
the sector. Some SME associations should be organized for representing the interests of the SME sector in the government departments and so to be a partner of state in continuous dialogue.

Government measures must be taken in due consideration based on the real needs of SMEs, since in this way benefits are achieved for both parties, to develop the SME sector and to promote national (economic) policy. Fostering the competitiveness of SMEs means to support innovation in business, in which different institutions can provide different contributions: from the education of entrepreneurs, managers and other employees, to the grant schemes for innovation by relevant ministries.

3.1. National Agency for SME Development

Agency for SME Development of Republic of Serbia is a non-profit, professional organization established by the government, in order to monitor and coordinate activities that will encourage the development of entrepreneurship, establishing new enterprises and improving the competitiveness of the sector of SME with other state institutions. Agency for SME Development at the national level has the following features:

- Creating an enabling environment for growth and development of SMEs in cooperation with relevant ministries and other government agencies;
- Creating and maintaining databases on the SMEs sector, and institutions to support their development, and database of development potentials and untapped resources and opportunities for SME development;
- Monitoring the implementation of the principles of the European Union Charter for Small Enterprises, and implementation of National strategies for development of entrepreneurship and SMEs;
- Participate in the creation of legislation and creation of institutional infrastructure for the establishment and development of SMEs;
- Direct non-financial support for SMEs (consulting, information, networking companies, facilitating access to funding sources);
- Education function i.e. training services for entrepreneurs and managers of SMEs;
- To assist SMEs in new technologies adopting and support their innovative activities (IR connectivity sector, universities and SMEs);
- Collaboration with the National Bureau for Employment in the function of assisting the unemployed in education and training for self-employment, the provision of necessary funds for new employment, to stimulate employment in certain activities;
- Cooperation with international organizations to implement the special incentive programs and projects;
- Cooperation with universities, centres and organizations for the entrepreneurs, organizations for education and improving the competence of the entrepreneur.
3.2. Regional Agency for SME Development

As a measure of support for SME development is the establishment of regional agencies for the development of small and medium enterprises which have the task to give information and advisory services, and training programs directly or indirectly by the qualified business consultants of the SME sector. Agency also carried out and different training for the unemployed in order to enable them to establish new SMEs. In this regard, these institutions provide information about legislation and measures of economic policy, information relevant to starting, organizing and conducting financial assistance in terms of finding funding sources, assist in research and introduction of technology, as well as assistance in contracting with large companies and government agencies and providing other specific types of assistance to entrepreneurs and SMEs.

One of the tasks of these agencies is to establish and create an environment that will empower the establishment of new and development of existing SMEs. Creating a desirable environment means that the regional agency for SME development must be an active participant in finding real and long-term potential for the economy and development, establishing an interactive relationship with key local stakeholders. Regional agencies should provide information in different areas: business planning, management of SMEs, marketing, legal regulations, potential local and foreign strategic partners, government programs to support SME support programs in the form of grants, technology transfer, sources of finance, trade fairs at home and abroad, and information regarding the harmonization of regulations and methods of working with the EU.

Regional agencies should also provide business advice and help with registration and activities, ways of applying for credit, making business plans, then how SMEs develop their business through the establishment of cooperation with similar companies in the region and abroad. Developing capacity for long-term sustainable development of SMEs through the creation and implementation of projects that can help increase the efficiency of these enterprises, competition in the domestic and export markets, quality of business, internationalization, implementation of information technology, as well as raising awareness, promoting and initiating various instruments for the business cooperation and networking of SME sector with similar companies and foreign partners, are key functions of regional agencies. Therefore, regional agencies, in cooperation with other stakeholders in the region, should help SMEs to solve business problems and raise the level of competitiveness and increase efficiency of operations, but also to provide all the necessary preconditions for increasing the number of new shops and SMEs.

3.3. Development Fund
National development fund was established by state governments with different business goals. Among others, stand out as follows:

- Encouraging economic and balanced regional development;
- Improving the competitiveness of the domestic economy;
- Encouraging the development of artisanship and service industries;
- Encouraging employment;
- Encourage the development and dynamics of capital markets and others.

Development Fund, as well as financial institutions develop a variety of programs: investment loans, working capital, independent craft shop, lines of credit, term loans for temporary working capital to promote competitiveness and liquidity of the domestic economy, micro-credit for people who have lost their jobs, credit programs Support for Beginners (start-up), a program to encourage investment and employment in underdeveloped areas and others.

Requirements for the loan with the accompanying documents are submitted to the administrative staff of the Fund, which processes them, assess the creditworthiness of investors, as well as the entire investment project. Loan purpose is different:

- Loans for the establishment, starting a business and development of small and medium sized businesses and independent shops;
- Investments in new programs, the reconstruction and modernization of existing plants, as well as funding working capital;
- Loans for independent production, craft shops and service industries;
- Lending programs that provide improved competitiveness of domestic economy;
- Investing in programs that ensure the implementation of innovative technologies, etc.

After considering the Commission's Board of Directors, the Board makes a decision on loan approval.

3.4. Guarantee funds

Guarantee funds are financial institutions that are established with the aim to facilitate access to necessary financial resources of companies and their owners and managers for growth and development. Specifically, their task is to guarantee the loan or, as a rule, part of the credit granted by banks to small and medium enterprises, entrepreneurs and other business entities. Part of the loan to be insured may be different and move generally in the range of 50-80%. Guarantee Fund guarantees to creditors - banks that loan will be repaid. In this way, by providing guarantees to creditors, the guarantee fund as financial, government institutions facilitates SME access to bank loans.

Users of guarantee fund are banks with which the Fund has concluded an agreement on regulation of mutual relations in the business of giving guarantees. In order to stimulate and encourage the development of SMEs
carried out, it is important to provide a network of commercial banks with which the guarantee fund cooperates and concludes contracts on business cooperation.

Guarantee funds are negotiating with banks to calculate the borrower a lower interest rate for the portion of the loan which is covered by credit guarantee. In this way these funds are additional support for SME development and private entrepreneurship. The problem of access to small business capital required to finance can be facilitated and / or pending action of the guarantee funds. Bearing in mind that SMEs cannot provide adequate collateral required by commercial banks, they are totally disabled because it denied a loan. Guarantee funds, as public institutions, are an important link between entrepreneurs and banks. Usually operate on the principle of clients application submission (entrepreneurs or SMEs) to approve the loan guarantees. The Fund has a professional services and staff who analyze the financial justification of investments for which credit is sought, and they basically decide whether to approve loan guarantees. If provide a guarantee, a customer applies for credit with partners - banks with which the Fund has a business. In this case, it is essential that financial institutions have confidence in the guarantee fund.

3.5. Agency for Export Promotion of SMEs

Agency for export promotion of SMEs – SIEPA - was established with the aim to contribute to improving business conditions and increase competitiveness. Its export development programs can be implemented with various international organizations and programs. The point is that through these institutions, provide incentives (grants-donated or on loan on favourable terms) for enterprises that are export-commited. In addition to these programs, this agency implement programs and market research services of external consultants, assistance for participation in international trade fairs, product design, product testing and registration, introduction of quality systems, the visits of foreign buyers, visiting foreign markets creating promotional materials. These programs are focused on improving the marketing activities of export-oriented SMEs. In order to foster the development and promotion of the most successful companies, the agency consolidates systems grants annual awards (for example, the best exporter for the best new export product, the conquest of new markets) in terms of big companies, but also in the SME sector.

SIEPA is also able to achieve the function of helping foreign investors to start business and to connect them with local businesses. In addition, these agencies provide useful information and advice on the participation at home, especially in foreign markets.

3.6. National Employment Service
National Employment Service can play a positive role in the development of entrepreneurship and SMEs. Its basic function is the mediation between employers and unemployed persons, and implementation of measures and actions for so-called active employment policies. The aim of its activities is to improve the efficiency of employment, and ensure efficient use of all available human resources for economic and non-economic activities, as well as provide a contribution to accelerating the process of getting a job.

National Employment Service is able to encourage entrepreneurship development by providing subsidies for self-employment of unemployed persons. In its activities National Employment Service is directed to co-finance market viable and socially acceptable programs. Also, these Service is organizing various training programs for vocational training and retraining the workforce to the demands of the market.

4. OTHER INSTITUTIONS TO SUPPORT SME’s AND THEIR FUNCTIONS

Support institutions - business incubators, innovation centres, industrial parks and technological-parks have proven to be effective instruments to assist entrepreneurs in starting their businesses, and enterprises in the initial stages of its life cycle. These institutions help them to "survive" during start-up period when they feared most at risk from the collapse of the market.

Business support institutions may be national, regional, public-private partnerships, subsidized private agencies and companies. In this way, these institutions can be categorized as: entities that provide services to SMEs, entrepreneurial organizations, nongovernmental organizations focusing on SMEs and research institutions.

Entities that provide services to SMEs are usually non-profit organization specialized in consulting services, services providing information, providing training services (training) of SMEs that already operate or are in the foundation. These are usually centres of business support, business information centres, business incubators, science / technology parks, innovation, research and technology centres.

Provision of advisory services, information services based on the following principles: 1 providing services as close as possible to the client and the most efficient manner; 2 close contact with entrepreneurs, including a visit; 3 partnerships with local, regional, national and European actors.

Institutions that offer, among other things, business incubation services are [8]:
  • Classic Business Incubators
  • Business and Innovation Centres (BIC) [9]
  • Innovation Centres
  • Incubators without walls
  • Industrial Parks
4.1. Business Incubator Centre

In contemporary conditions, there are a large number of limiting factors of small and medium enterprises. These factors are both internal and external. Given the need to overcome numerous barriers to the development of entrepreneurship in order to stimulate the improvement of business performances existing small and medium enterprises, business centres are establishing in Serbia. At this moment there are 21 active incubators in Serbia. This form is characterized by a prefix - "business incubation", as well as interactive development process which aims to encourage entrepreneurs to start their own business, and support already established SMEs to develop their business processes, innovate products and improve overall business performance. Word 'incubation' means the development of a stimulating environment for the realization of entrepreneurial ideas.

Business incubators [10, p. 121-130] have occurred in recent decades in the world, first in developed countries. In some countries created a network systems business incubation centres (incubation centres and technological / industrial / business parks) to facilitate development of small and medium enterprises, regional development and national economic development. The development of these business systems supported by the instruments and resources of local communities, states and others. Establishment and operation of incubator centres, and then entrepreneurs gathered in them, aided by the resources of various foundations, business associations, scientific, educational and research institutions.

The bottom line is operationalizing development strategies in different countries, their regions and sub-local areas, by helping entrepreneurs, small and medium enterprises, providing the necessary conditions and resources (physical, financial, intellectual).

Business Incubator Centre is organizational and functional units which should: 1) shall prepare and review various entrepreneurial initiatives, 2) provides certain resources to develop business entrepreneurs who are in it ("tenants business incubators") and 3) creates the conditions and became independent "tenants of business incubators" for the successful development and continuity of operations after a period of care and help provided.

The advantages of business incubation centres, among others, are reflected in various forms of support economic development: successful mastering of technology, improving relations with the business environment, reducing costs and business risks, developing innovative business culture and the like.
4.2. Cooperatives

Cooperatives is one of the oldest forms of long-term, linking of smaller companies producers) to cooperatives, as an entity united by co solve common business problems of small enterprises. Solving problems in business and contribution to more efficient operation are the key objectives of the cooperative association. Association to help resolve the various constraints, contribute to achieving more efficient procurement of inputs, more organized appearance on the market with products in the biggest offer, get better terms in negotiations with large systems and exporters, organized appearance to foreign markets and the like. Cooperatives Association means that the work reinforce and protect, and that without losing the independence of its members. In developed countries, there are very successful cooperative forms of small manufacturers, who solved their business problems arising from small (limited) resources, low economic power and other development constraints.

4.3. Clusters

One way to encourage local and the regional development is to encourage the formation of clusters. The initiative for the formation and development of the cluster must come from enterprises (SMEs). However, it is not always enough. Therefore, the State should substantially assist in providing the conditions for cluster development, such as [11, p. 107-119]:

- Creating a stable macroeconomic environment;
- Development of transport and market infrastructure;
- Development of research and development institutions,
- Professional consulting,
- Knowledge Base;
- Credit insurance and others.

In the aim of balanced regional development, cluster development has an important place in economic policy of each country. State institutions, development agencies (national and regional) and local authorities, keen to assist the development of clusters and achieve economic benefits. Governmental support can be in the form of laws that encourage cluster development, tax relief and incentive funds, but also in many other ways (professional teams for support and monitoring of clusters, providing training of employees in the cluster).

Regions that have developed highly specialized industrial clusters record economic growth, which tracks the growth of living standards of their populations. Because of that, local authorities are interested for cluster development. According to that, they can develop specific measures to support clusters in their area.

State support for cluster development, mainly involves the lifting of restrictions and limitations, facilitating financing and active support for cluster
development. When deciding which of these incentives to use, or combine them, one should bear in mind the situation in a particular area. This is what measures shall be taken by the public sector affected by environmental factors and factors within the cluster. It is necessary to consider all factors and on the basis of their analysis to make decisions. Of course, in all this is extremely important cooperation of SMEs as cluster members, authorities in the area, the various agencies and associations, and NGOs.

CONCLUSION

Economic progress and development of the Republic of Serbia demands the development of a competitive economy based on knowledge, new technologies and innovation. In achieving this goal, an important contribution to economic and social development are expected from entrepreneurship. Achieving this goal requires a coordinated action by all entities for financial and direct support to SMEs at all levels. At the strategic level there is a need to stimulate the development of environment for SMEs development, which includes government policies that promote entrepreneurship and SME sector, the obligation of the local community to facilitate SME access to markets, technological and financial resources and stimulate investment, create a political climate conducive to business development. At the institutional level, there is a need to establish and strengthen infrastructure to assist SMEs, which is reflected in the provision of information on how to start a business, how to find partners, access to financial resources and credit guarantees, support innovation and cooperation between small and medium enterprises. At the enterprise-level there are a need for access to enterprise development which includes the strengthening of entrepreneurial and managerial skills, securing external, consulting services, promote access to technology transfer, quality system development, the internationalization of small and medium-sized firms.

In most developing countries, including Serbia, there is a problem in all three levels. Even when governments do not aim high priority the development of SMEs, support for private sector development and provision of infrastructure are items that are particular to focus on their attention.

Forming, managing and developing successful business is difficult and risky business that requires a lot of knowledge, resources and effort. Moreover, because of the law of the free market small businesses in an unequal position compared to large enterprises, government market economies developing a system of institutional support for SME development. In addition to financial support is relevant and so non-financial assistance to help countries develop entrepreneurship and SMEs. This assistance can be in terms of organization of production, service and other elements of management (planning, management, etc.).

The institutional framework for developing and supporting the SME sector, develop each country according to its strategic and economic objectives,
and compose a set of different bodies and institutions, from national to local levels. These institutions are public in character, because they are organized by state. Also, there are institutions that have semi-public characters which organize the state in cooperation with other institutions, banks, foundations and the like. Otherwise, these institutions are usually non-profit. The success story of these institutions presupposes a continuous dialogue and exchange of information between the SME sector and state institutions. This will allow better and more quickly identification of all the key issues and priorities of the sector by state institutions.

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