

HOW DO ENTREPRENEURS FEEL BANKRUPTCY?

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ABSTRACT

Bankruptcy risk is always a constant threat to the SMEs, which determines how long the firms will survive. Since its identification, management, and control vested in the hands of the entrepreneurs and managers. A lot depends on their interpretations and beliefs. Therefore, to investigate this phenomenon, the present study aimed to investigate the attitude of the managers and entrepreneurs towards bankruptcy risk and to draw the conclusion on how the entrepreneurs' attitude differs among the Czech Republic and Slovak republic entrepreneurs as well. The study was conducted among 822 small and medium-sized companies from the Czech Republic and Slovakia. Chi-square and z-score test methods were used to test for the existence of a statistically significant difference between bankruptcy attitudes among Czech and Slovak entrepreneurs. Slovak entrepreneurs are more likely to regard bankruptcy as a natural part of the business, and they are less likely to identify an entrepreneur's mistake as the cause of bankruptcy. An important conclusion is that the experience of bankruptcy for entrepreneurs of both countries is assessed as a vital experience gained, which, however, negatively affects the self-esteem of an entrepreneur. This study contributes to the literature by offering insights over the attitude of SMEs' owners and entrepreneurs about bankruptcy risk in the context of the Czech Republic and the Slovak republic. From the policymakers' viewpoint, it is imperative to understand the attitude of SMEs' owners and entrepreneurs to design effective policies aiming to improve entrepreneurs with adequate skills, ability, and state support. The Originality of the paper deals with the entrepreneur's perception, behaviour, and attitude towards bankruptcy risk in SMEs.

KEYWORDS: Bankruptcy, SMEs, risk management, entrepreneurs, experience with bankruptcy

JEL CLASSIFICATION : L26, G32, G33

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INTRODUCTION

Business bankruptcy is a threat that is always attached to the business operation. Therefore, it is a key concern for all the managers and entrepreneurs to monitor, control, and manage it with utmost care. Bankruptcy has an adverse effect on all the stakeholders such as suppliers, employees, creditors, employees, consumers, even the community too. Large size firms with bigger resources can fight longer to economic challenges than the small business as they have very limited resources, few wrong decisions and few poor planning can end their game. Studies reveal several causes that dominate the firm's life

throughout its life cycle. Young and new firms mainly fail due to inner deficiencies. Established and the average size of firms fail because of severe competitive rivalry and economic challenges (Kücher et al., 2018). Among many challenges, bankruptcy is one of the biggest and can devastate the business (Kliestikova et al., 2017). Bankruptcy could be the reason for the SMEs' failure and can affect at any stage of the firms' life cycle. An analysis of Slovak corporate performance reveals that in most of the cases before the bankruptcy happened, they had experienced financial trouble as a sign for several years (Kliestik et al., 2018). Therefore, bankruptcy can happen due to many reasons, but the most pertinent can be poor financial risk management such as poor debt management as it deals with financial management in the firm. A large debt burden increases firms' level of risk, which can lead the firm to default risk, and ultimately, it leads to bankruptcy (Kristanti et al., 2019). Studies also indicate that even mismanagement, underestimation and not considering the business risks seriously, can also lead towards bankruptcy, hence a right choice and approach towards risk management can safeguard the firms (Belás et al., 2015; Kozubíková et al., 2015).

The most important risks in SMEs which determine their performance and quality are market, economic, and financial risk (Dvorský et al., 2019) and if business fail to plan and follow adequate management strategy, it may fail to sustain (Belas & Sopkova, 2016). Bankruptcy can be the consequence of poor Financial risk management. As the financial risk is an integral part of SMEs, it cannot be avoided and has a substantial influence on the business operation. Considering financial risk in-depth, we can conclude that it has different aspects such as loan risk, credit risk, overseas investment risks, market risk, liquidity risk, etc. (Pochitaev & Filippova, 2016). Albeit financial risks cannot be avoided, but it can be managed properly to prevent and minimize its negative impact. Thus, SMEs must follow effective prevention and control measures to reduce the chance of risk mishaps and ensure sustainable growth. Hence, to do this, SME must know how to comprehend the aspects and the root causes of financial risks. Assessing the current scenario, one of the vital problems SMEs are facing is financial risk management (Kljucnikov & Belas, 2016). Studies reveal that financial risk problems are related to external financing (Kozubíková et al., 2017). Studies perceived financial risk is related to firms' debt payments, a chance to default in debt repayment (Valaskova et al., 2018). Therefore, it depends on the SME owners and managers how efficient and effective they manage financial risk within the firm with their prudent planning and strategic decision-making. Simultaneously, they must know how to cope up with the external factors which affect financial risk. Therefore, a lot depends on the external environment for financial risk. They must manage in such way to avoid its severe impact on the routine operations and internal environment to utilise the financial resource optimally to make the best possible use of it for the firms' survival and growth. Among the many risks, the most important are economic and financial risks (Oláh et al., 2019). All the risks can cause payment defaults if not managed properly.

A lot depends on the managers, their knowledge, and skills on how they plan and manage business resources and operations. Therefore, it is pertinent to investigate how they manage. The present study is intended to inquire about the managers' perception of the current bankruptcy situation in their firms, their opinion about bankruptcy what they understand about it, do they think it is critical for business survival. How bankruptcy affects the business and entrepreneur's confidence to run the business, does it really about entrepreneurs' failure. As the economy of the Czech Republic and Slovak republic depends heavily on SMEs, hence it is valuable to study in the chosen area to give insight to the existing literature. The Czech Republic and Slovak republic share many common features, not only historical similarities but also share economic commonalities both the country's economy depends substantially on SMEs. SMEs are the key economic drivers of employment and industrial output in both nations as well as share a similar business environment (Oláh et al., 2019). The objective of the study is two-fold first to understand the managers' and entrepreneur's perceptions about bankruptcy and second to compare the perceptions of Czech and Slovak entrepreneurs' perceptions to conclude the differences in their perception. The outcome of the study will open new avenues for further research, and policymakers can

use it to increase the awareness of young entrepreneurs to make them agile against the bankruptcy risk in the SME segment.

To achieve its objectives, the study is framed in the following sequence. In section one, the study investigates the existing literature to bridge the gap in the literature. Second, the aim of the study, methodology, and data analysis. Third, analysis of the results and the last to discuss the key output of the study and conclude the finding with new avenues for future research.

1. Theoretical background

When a firm goes for bankruptcy, it means they are either intended to cease their operations and agree to liquidate all their assets to pay back the creditors and suppliers or want to file for a restructuring bankruptcy, to restructure the entire business operations. Regarding restructuring bankruptcy, firms opt for this option only after convincing the creditors with their action plans that they will succeed in the future business operations (Monteiro et al., 2019). SMEs encounter several challenges in routine business to achieve its strategic advantage over others and build their competitiveness to develop a sustainable business operation. But this is possible only when all the possible threats which can bring risk to the firms' operations are managed properly. Choosing and assigning risk management tasks to the right person is one of the vital issues of setting risk management appropriately. Large corporate can hire or outsourced a specialised manager in the field of risk management. If the firms failed to discuss this critical role in the company, the complete responsibilities would fall on the owner of the company or the whole top management (Kljucnikov et al., 2018). Many studies have different views about the owners' and managers' risk management. Entrepreneurs with university education have different approaches and perceptions regarding the intensity of factors related to the business environment differently and have better abilities to manage financial and business risks in the firms (Belás et al., 2016; Kljucnikov et al., 2018; Virglerova, 2018). This identifies another key concern over the role of managers education, does it influence managers' perception too.

Managers and entrepreneurs at the small business are the key people who manage the risks, unlike large corporations who have the luxury of ample resources, a risk manager can be a distinct person from the owners. Therefore, in SMEs, managers play a dual role in the firm. As a risk manager, they are responsible for comply with government regulations and routine business operations of the firm. On one side, they bridge relationships, and requirements between environment, compliance with sovereign regulations. Another side they have the responsibility to manage within the firm's complex system to manage the impact of risk in their internal operations. Being an internal part of the firms, the firms have their own goals and values to achieve. Hence, being a risk manager, they have to act on the dual role and have to justify enough to fulfil all the regulatory framework as well as firms operational goals, and that's the biggest challenge for the managers and owners as risk managers (Van Der Voort et al., 2019).

SMEs run under the supervision and direction of managers and owners. Managers are the ones who plan, execute, and control resources to achieve the set aim in the desired form. They need specific characteristics to accomplish the goals and must have fair managerial skills. And it is about their capabilities, aptitude, expertise, and competence to accomplish the set tasks (Popescu et al., 2020). A definition of risk management brings out that it is on the owners and managers responsible for the risk and resource management in the firms. According to Head (2009), risk management at firms is about planning, directing, controlling, and organizing resources to accomplish the set objectives in an uncertain environment, which can bring good or bad events. This reflects that it is on the owners' and managers' abilities and skills how they plan and manage it. Therefore, a careful and analytical attitude of managers can protect the firms from the unwanted risk internally and externally. This gives a strong reason to investigate the managers and entrepreneur's perception and attitude towards risk management and specifically those severe risks which can bring bankruptcy to the firm. Studies indicate the most severe risk which managers must take care of, are market, financial, economic, and personnel (Hudakova et al.,

2018). Thus, the poor management of the financial, market, economic, and personnel risk can expose the firms towards bankruptcy risks.

In SMEs, managers are the one who decides when and what can be done. Their key management styles are related to proper management of resources, a better relationship with external communities, supervise and lead the business towards the right direction. Also to deal with routine and unexpected problems to find the solutions to keep the business operation smooth and away from negative environmental effects (de Oliveira et al., 2015). This again highlights managers and owners in the small business are the key persons who take decisions, plan, and executive orders. Consequently, the responsibility falls on the shoulders of managers to cope up with the risks. Studies indicate that poor decision making, poor policies framing are some of the hurdles that can be found in the organizational structure. Business leaders' inability to frame good policy standards, develop knowledge, congenial environment, and skills for better decision making are the causes behind the many business operational challenges, which even led the firms towards shutting down their operations (Ejimambo, 2015). Managers are loaded with the accountability of leading their establishments to accomplish aims and quantified goals. This does not only need resourcefulness and ability, but more suitable knowledge management with brilliant decision-making (Abubakar, Elrehail et al., 2019).

Firms face the challenge of bankruptcy due to uncertainty, competition, complexities in the system, dynamic financial, economic, and market risks. Even the established companies cannot opt to keep the risk of bankruptcy away. The global scenarios are unstable, and the risk of bankruptcy is always open for the firms. Though sudden bankruptcy is rare, in most of the firms' bankruptcy take five to six years, it is a continuous process; it passes through many stages, a financial crisis in the firms could be the first sign, and further inappropriate actions can make the situation worse and can lead towards bankruptcy when no other options any more seem feasible. Hence, for managers, it is imperative to read the warning signals and detect them as early as possible, plan, and take measurable action to keep the situation under control (Korol, 2018). Even the laws in different nations such as in France, it has a procedure in the law that itself stimulates managers to be proactive and take an active role for the timely decision to avoid the situation of bankruptcy (Marco et al., 2018). The above discussion stress again on the role of managers and entrepreneurs towards bankruptcy avoidance.

Furthermore, a favourable business environment, together with institutional and regulatory settings, is vital to reward the risk-taking behaviour of entrepreneurs and foster business growth possibilities. Despite various improvements in many countries, the complication of rules and regulations, high compliance costs, and inefficient bankruptcy rules continue a major hindrance to business activities (OECD, 2018). In the context of Europe, it is a hub of twenty-five million SMEs, which gives two out of three jobs, diversified in model and structure, size, age, and entrepreneurs' profiles. Still, there are many challenges which are affecting European SMEs, and these are related to routine compliance with rules and information accessibility, markets, and financing mechanism are still a challenge to all the European nations. Almost every individual knows about entrepreneurship, and that's a very positive aspect in Europe. Considering this, the framed strategy in Europe for the future is based on three aspects, first, build capacity and support the convergence to digitalisation and sustainability. Second, minimise regulatory burden and enhance market accessibility and the last focus is on the increase and support finance accessibility (European Commission, 2020). This reveals the foci of the European Commission is on sustainability, digitalisation, regulatory burden, and financing. Since they are in focus, these points of foci could be the threats as of now, which needs to be improved for the firm's sustainability. Of course, these favourable conditions can support managers and owners to sustain in a difficult time and manage the risk arising from the identified current challenges.

In the specific context of the Czech Republic and Slovak republic where SMEs covered most of the business, bankruptcy risk can be a potential threat. Considering the data from (Economic, 2019) nations

are expected to moderate in line with the recession in the Eurozone but will remain robust in few economies and decrease in insolvencies can be seen in some countries, such as in the Czech republic from -17% in 2018 to -10% in 2019 whereas in Slovak republic it is expected to increase by +16%. This attracts the researcher's attention and gives scope for further investigation of why it is expected to go up in Slovak and why not in Czech, though they share many similarities in their economic, cultural, and historical aspects. This may be due to many reasons, but it opens a key aspect for the present study to analyse i.e., the managers' and owner's perception, and what are the differences in the perception of managers from the twin countries. Managers are the ones who can protect the firms from the risk of bankruptcy, therefore, it is imperative to study the managers' perception regarding bankruptcy threat in the SME segment. Hence, the key people who manage business have a major role to play in firms' risk management and bankruptcy risk reduction.

A study in Latvia found another interesting aspect and revealed insolvency administrators found unethical behaviour of entrepreneurs is also a cause of business failure (Sauka & Welter, 2014) this reveals another cause to understand their perception regarding bankruptcy. Another aspect to explore from the different viewpoint is insolvency management and failure experience this can strengthen the firm's competitiveness and growth, can give new insight about the market and can help in the reshuffling of resources and skills into new and better activities. Bankruptcy can give experience and better understanding, and this can help the firms to take better action and more efficient policies by integrating bankruptcy as natural mechanisms of firms and market life (Eklund et al., 2020). Therefore, the research must examine is there any positive impact of bankruptcy, does it hurt the entrepreneur's confidence and reflect the entrepreneur's complete failure? It would be interesting to find these perspectives from the entrepreneurs' viewpoint. Thus, the aims of the present study first to identify important issues about bankruptcy in the SME segment and situation in the Czech Republic and Slovakia. Second, to present the attitudes of entrepreneurs towards the bankruptcy of companies in the SME segment. Part of the goal is also to compare these attitudes between the Czech Republic and Slovakia.

2. AIM, METHODOLOGY AND DATA

This study examines bankruptcy in the SME segment. The article aims to present the attitude of entrepreneurs in the segment of small and medium-sized businesses to bankruptcy and to compare these attitudes among entrepreneurs of the Czech Republic and Slovakia.

An empirical study on SMEs was conducted from October 2019 to April 2020 in the Czech Republic and Slovakia. Data was obtained using an online questionnaire. From the Cribis database, 8250 companies in the Czech Republic and 10100 companies in Slovakia were selected using a random selection method. The average percentage of return of the questionnaires was 5.5% in the Czech Republic and 3.6% in Slovakia. The Faculty of Management and Economics of Tomas Bata University in Zlin conducted the study in cooperation with the College of Business and Law in Prague; Faculty of Economics and Business of Pan European University in Bratislava; Faculty of Social and Economic Relations of Alexander Dubcek University in Trencin.

The total number of questionnaires received in the Czech Republic was 454 and in Slovakia 368. The questionnaires were filled out by business owners and top managers of companies. In the Czech Republic, it was 354 owners and 100 managers. In the Slovak Republic, 285 owners and 83 top managers. A short test showed that the approaches of owners and managers did not have significant differences, so the label "entrepreneur" will continue to be used in the article.

As part of our study, 290 micro-enterprises (up to 9 employees), 107 small-enterprises (10 to 49 employees), and 57 medium-sized enterprises (50 to 249 employees) were registered in the Czech

Republic. Business duration: 119 firms have been in business for up to 10 years inclusively, and 355 for over 10 years. In Slovakia 216 micro-enterprises, 106 small and 46 medium-sized enterprises were registered, of which 105 companies have been operating for up to 10 years and 263 for over 10 years.

This article examines the attitude of entrepreneurs through the following statements:

- ST1: Bankruptcy is a natural part of the business.
- ST2: The bankruptcy of the company brings valuable experience for further business.
- ST3: A bankruptcy does not mean an entrepreneur's failure.
- ST4: Bankruptcy does not reduce the self-confidence of the entrepreneur.

Entrepreneurs could choose from the following answers: strongly agree, agree, neither agree nor disagree, disagree, strongly disagree.

In the null hypothesis, we argue that there are no statistically significant differences in the perception of bankruptcy between Czech and Slovak entrepreneurs (H0). Further, we formulated working hypotheses:

- H1: There is a statistically significant difference in the perception of bankruptcy between Czech and Slovak entrepreneurs.
- H2: In both countries studied, entrepreneurial failure is considered the most common cause of bankruptcy.
- H3: Entrepreneurs in the Czech Republic and Slovakia believe that bankruptcy negatively affects the entrepreneur.

Pearson's chi-squared test method and the Z-score test method were applied to evaluate the hypotheses. When conducting research, it is often necessary to consider the relationship between categorical variables and compare groups by the categorical outcome. Chi-square tests are the most commonly used tools when analysing questions about similarities or differences between categorical variables. This article uses the Pearson chi-square test to examine the differences between two independent samples (responses from entrepreneurs from the Czech Republic and Slovakia) for the variables of interest. This type of test is often used in evaluative and applied research (Franke et al., 2011).

Z-score test is used to obtain confirmation of the existence or absence of differences for the two groups according to the selected characteristic. In our case, the attitudes of entrepreneurs were evaluated according to the mentioned above statements. The Z-score test method was used to find statistical differences between the positive answers (for both "strongly agree" and "agree" answers) in the selected groups; the p-value of the normal (standardized) distribution was applied to evaluate its parameters. Each hypothesis was tested at a 5% statistical significance level. With a p-value less than 0.05, the assumption that there is no difference between Czech and Slovak entrepreneurs is rejected.

3. RESULTS AND DISCUSSION

The results of the study and its statistical processing are presented in the form of tables. About 42% of Slovak entrepreneurs agreed with ST1. As table 1 shows, in general, Slovak entrepreneurs more admitted that bankruptcy is a natural part of the business than their Czech counterparts (p-value = 0.01468). Based on the p-value chi-square (0.000112), it can be seen that, in general, the overall structure of the responses of Czech entrepreneurs is different from Slovak ones. Thus, it can be assumed that Slovak entrepreneurs are more likely to experience bankruptcy, but only a minority of them consider it to be a natural phenomenon in business. As can be seen from table 1, Slovak entrepreneurs accept bankruptcy as a

natural part of the business, which can indicate that they face bankruptcy more often than Czech entrepreneurs.

Table 1: Evaluation of bankruptcy in the Czech Republic and Slovakia (ST1)

ST1: Bankruptcy is a natural part of the business	Czech Republic (CR) 454	Slovak Republic (SR) 368	Z-score/ p-value CR/SR
1. Strongly agree	58	44	
2. Agree	98	113	
1+2 together: %, count	34.36/156	42.66/157	-2.4374/.01468
3. Neither agree nor disagree	123	114	
4. Disagree	104	73	
5. Strongly disagree.	71	24	
Chi-square/ p-value: CR/SR = 23.2688/0.000112			

Source: own research

The results can be associated with the data from Economic (2019), where there is a decrease in the level of insolvency in the Czech Republic from -17% in 2018 to -10% in 2010, while there is an increase in the growth of insolvency of SMEs in Slovakia by 16%. An increase in insolvency may affect whether entrepreneurs are more likely to experience bankruptcy while doing business. According to Pech et al. (2020), the development of bankruptcy is intertwined with the impact of the financial and economic crisis, while it is noted that bankruptcy of SMEs depends on the type of analyzed activity. From 2013-2014, the number of insolvency cases and the number of bankruptcies in the Czech Republic decreased. In 2018, 997 bankruptcies were declared, in contrast to the historical maximum in 2014 (2403 bankruptcies). Such data can explain the disagreement of Czech entrepreneurs with the fact that bankruptcy is a natural part of the business. Also, according to Dvorský et al. (2019), Slovak SMEs are more likely to perceive sources of financial risk than Czech ones.

Based on a study conducted by Wilson et al. (2016), it can be assumed that Slovak SMEs are more likely to experience bankruptcy since financial liberalization in this country was too late after the transition period and privatization. Poorly formulated credit decisions and valuations were made, truthful information was not available on prices reflecting the value of privatized firms; there was also politically motivated pressure on the bucks. Many privatized SMEs faced liquidity problems due to repayment of privatization financing debt.

H1 was confirmed.

Table 2: Evaluation of the impact of bankruptcy on the experience of Czech and Slovak entrepreneurs (ST2)

ST2: The bankruptcy of the company brings valuable experience for further business	Czech Republic (CR) 454	Slovak Republic (SR) 368	Z-score/ p-value CR/SR

1. Strongly agree	117	75	
2. Agree	136	165	
1+2 together: %, count	55.72/253	65.21/240	-2.7616/ .00578
3. Neither agree nor disagree	117	88	
4. Disagree	48	33	
5. Strongly disagree.	36	7	
Chi-square/ p-value: CR/SR = 29.7439/0.00001			

Source: own research

In both groups, a predominantly positive outlook is observed in the relationship between bankruptcy and experience gained. As can be seen from table 2, about 55% of Czech and 65% of Slovak entrepreneurs agreed that bankruptcy could bring valuable experience for their future business. At the same time, entrepreneurs from Slovakia with greater intensity agreed with ST2 (p-value = 0.00578).

Table 3: Evaluation of ST3 in the Czech Republic and Slovak and its statistical processing

ST3: A bankruptcy does not mean an entrepreneur's failure	Czech Republic (CR)	Slovak Republic (SR)	Z-score/ p-value CR/SR
	454	368	
1. Strongly agree	70	54	
2. Agree	95	121	
1+2 together: %, count	36.34/165	44.84/165	-2.4702/ .01352
3. Neither agree nor disagree	147	105	
4. Disagree	96	77	
5. Strongly disagree.	46	11	
Chi-square/ p-value: CR/SR = 27.0708/0.000019			

Source: own research

The financial stability of firms largely depends on the endurance of banks in the country, because it is they who are financial intermediaries and most often provide access to external capital. In the study of Kocisova et al. (2018), it is talked about the stable development of the banking system, both in Slovakia and in the Czech Republic. At the same time, a more stable situation is observed in the Czech Republic due to the growing profitability of companies and the growth of the liquidity component. Thus, it is interesting to evaluate the attitude of the entrepreneurs of these countries to the statement about whether bankruptcy is directly the fault of the entrepreneur or whether other external causes are possible.

Table 3 displays a look at whether an entrepreneur's mistakes can cause bankruptcy. Only 36% of Czech entrepreneurs believe that bankruptcy is not the result of a mistaken business, while almost 45% of Slovak entrepreneurs agree with this statement (ST3). In this case, the z-score test result is significant again (p-value = 0.01352). In general, it can be noted that entrepreneurs from Slovakia do not consider the actions taken by the entrepreneur as the main reason for the bankruptcy of the company. From the study, it is obvious that the structure of the responses in the groups is also different p-value chi-square (0.000019). Czech entrepreneurs are more inclined to believe that the mistaken actions of the entrepreneur lead to the bankruptcy of the company, this may be because studies reveal that majority of SMEs owners do not trust state support make them less dependable on the state (Virglerova et al., 2017), this might make them

more accountable, self-responsible and consider that the risk of bankruptcy is due to entrepreneurs' action. Basically, in SMEs, the role of risk management and making important strategic decisions in achieving the goals of the company lies with the role of the owner (or manager), unlike large corporations that have the opportunity to hire an external and more qualified employee for this position. At the same time, Slovak entrepreneurs are less in agreed with the statement that the bankruptcy of the company is the failure of the entrepreneur; almost 45% of the interviewed entrepreneurs from Slovakia believe the opposite. This view runs counter to the information provided in the literature review part of our research (Kljucnikov et al., 2018; Van Der Voort et al., 2019; Ejimambo, 2015), which argues that the main role in risk management rests with the entrepreneur and senior company management. This indicates that Slovak entrepreneurs are more likely to blame external factors for the bankruptcy of the company.

The data obtained by ST1 and ST3 may be of interest for further research. Nearly 45% of Slovak entrepreneurs believe that since entrepreneur failure is not the main cause of bankruptcy. The study can examine whether this opinion of Slovak entrepreneurs is the reason why bankruptcy is a natural part of their business or vice versa because they are more likely to experience bankruptcy than their Czech colleagues, they see the main reason for bankruptcy in other factors.

H2 was partially confirmed.

Table 4.: Evaluation of the impact of bankruptcy on the self-confidence of Czech and Slovak entrepreneurs (ST4)

ST4: Bankruptcy does not reduce the self-confidence of the entrepreneur	Czech Republic (CR) 454	Slovak Republic (SR) 368	Z-score/ p-value CR/SR
1. Strongly agree	25	19	
2. Agree	56	62	
1+2 together: %, count	17.8/81	22.01/81	-1.4943/.13622
3. Neither agree nor disagree	105	114	
4. Disagree	156	133	
5. Strongly disagree.	112	40	
Chi-square/ p-value: CR/SR = 28.7459/0.00001			

Source: own research

On the issue of the impact of bankruptcy on the entrepreneur's self-esteem among the studied groups, a similar opinion is observed about its negative impact. Only 22% of Slovak and 17% of Czech entrepreneurs believe that bankruptcy cannot lower their self-esteem, while the rest of the respondents do not agree with ST4. However, there is still a difference in the structure of the responses of Czech and Slovak entrepreneurs (28.7459/0.00001). Z-score p-value is not significant (0.13622). Thus, we can summarize that entrepreneurs are similar in evaluation concerning the negative impact of bankruptcy on the self-esteem of an entrepreneur.

The opinions of entrepreneurs from the Czech Republic and Slovakia are similar in that bankruptcy negatively affects the self-esteem of entrepreneurs. At the same time, both groups are quite optimistic about the impact of the bankrupt on the experience gained, which may prove valuable for future endeavours. In this aspect, the results of our study are consistent with Eklund et al. (2020), where the authors argue that bankruptcy can help entrepreneurs gain the necessary experience to change the strategy

in managing the company to avoid failures later. That is, the transferred bankruptcy of the company will not necessarily negatively affect the desire of the entrepreneur to try to start a new business. Such an optimistic view of entrepreneurs indicates that despite the failure to do business, they are ready to make further attempts to achieve success in new business.

H3 can also be partially confirmed.

CONCLUSIONS

In their activities, SMEs cannot avoid a collision with business risks. As a result of poor financial management, failure of a business plan, or inability to fulfil its financial obligations, the company may face bankruptcy. Sudden bankruptcy occurs rarely, and most often, it is a process that lasts several years and goes through several stages. In the Czech Republic and Slovakia, SMEs represent a large part of the business, which makes a considerable contribution to the development of the economies of the countries. Thus, it is essential to find out the attitude of entrepreneurs in relation to such a business aspect as bankruptcy, to understand how they assess the impact of this phenomenon on their business and its role in it, and subsequently take certain measures aimed at factors causing bankruptcy.

The main purpose of this article to obtain information about the attitude of managers and entrepreneurs to bankruptcy and compare the results between the entrepreneurs of the Czech Republic and Slovakia. In our study, we wanted to identify similarities and differences in the perception of bankruptcy among countries that are closely connected by a common history, have some economic similarities, and also whose economies largely depend on the success of the SME sector.

Based on the study conducted among 822 small and medium-sized companies from the Czech Republic and Slovakia, we can conclude that Slovak entrepreneurs are more likely to experience bankruptcy in their activities than their Czech counterparts. In general, according to most statements, there is a rather different perception of bankruptcy between the entrepreneurs of these countries. Almost 43% of entrepreneurs in their Slovakia believe that bankruptcy is a natural part of the business, however, at the same time, they are less in agreement with the assertion that the bankruptcy is the responsibility of the founder or senior manager of the company, which runs counter to the statements in the economic literature. At the same time, 32% of Czech entrepreneurs believe that bankruptcy is a natural part of the business, and only a small percentage of surveyed Czech entrepreneurs believe that bankruptcy is not an entrepreneur's mistake. Thus, we can conclude that there are differences in the business environments of these countries and the factors affecting the possible bankruptcy of firms, which would be interesting to identify in the following studies. Since in the economic literature, it is more often believed that the responsibility for managing risks and making decisions to minimize them rests with the founder or manager of the company (Kljucnikov et al., 2018). This discrepancy can be considered in subsequent studies to identify this phenomenon among Slovak entrepreneurs to find out why they see the causes of bankruptcy in external factors, as well as whether this is the reason that bankruptcy is for them a natural part of the business more than for their colleagues from the Czech Republic.

It is interesting to note that entrepreneurs of both countries indicate the possibility of a positive impact of bankruptcy on gained experience that will help avoid bankruptcy in the future. More than half of the respondents in both groups noted the possibility of gaining valuable and useful future experience after the bankruptcy of the company. This fact may indicate the willingness of entrepreneurs to learn from their mistakes and the fact that the previous bankruptcy does not prevent the entrepreneurs of these countries from developing new businesses. It also shows that owners (managers) of SMEs receive the necessary knowledge and analytical skills, which will subsequently be used for competent risk management. The general structure of the responses of entrepreneurs was different for each statement.

However, the entrepreneurs of both countries agree that bankruptcy negatively affects the self-confidence of the entrepreneur.

The main conclusion that can be drawn based on the study is that, despite a certain similarity and proximity of the historical past, as well as economic similarity, the attitude towards the bankruptcy of entrepreneurs in these countries is different.

This article is valuable as a basis for further researches. In the future, it is important to highlight the factors that influence such a different perception of the bankruptcy phenomenon among Czech and Slovak entrepreneurs. The study is essential for entrepreneurs in the SME sector of the Czech Republic and Slovakia, as it raises questions that need to be carefully considered, assessing the current state of the business and the possible causes of bankruptcy, as well as ways to overcome them. It can also be useful for policymakers who can focus on reducing the number of factors that can influence the occurrence of bankruptcy in Czech and Slovak firms, as well as to provide information on bankruptcy in the SME sector for young entrepreneurs.

This study has its limits. Responses from entrepreneurs were received in a favourable period of economic development, and the judgments of entrepreneurs depend on general macroeconomic conditions. Also, a comparison of the results is carried out only in two countries - the Czech Republic and Slovakia. It might also be important to take into account the entrepreneur's experience of bankruptcy, as well as to consider the attitude of entrepreneurs to claims in terms of their age and how long their business has been in existence.

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