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YOUNG ENTREPRENEURS' TRUST DURING THE RECESSION: EVIDENCE FROM SERBIA

ABSTRACT: *This paper deals with the influence of positive trust on business activities, entrepreneurship development, and economic growth. During the global recession, institutions make numerous decisions to find answers to the crisis that influence the behaviour of entrepreneurs. In such situations, significant stocks of trust are of great importance for economy stability and the motivation of future entrepreneurs. In the first section the terms, functions, and types of trust are defined. The second section presents the results of measuring the interpersonal and institutional trust of young entrepreneurs, representatives of future entrepreneurship and business and bearers of networking ideas in Serbia. The results show that young entrepreneurs have a serious trust deficit, which is worrying in people who are potential future business leaders. Only one fifth of the respondents intends to start their own firm when they have finished studying. The reasons most often given are that government economic policy and monopolies hamper starting a business. Most of the respondents thought that the government should be more involved in providing a better environment for medium and small business. Most respondents believed that the Serbian recession was caused foremost by wrong governmental economic policy, followed by corruption.*

KEY WORDS: *Trust, Young entrepreneurs, Trustworthiness, Recession*

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INTRODUCTORY REMARKS

The global financial crisis, created in the financial markets of the most developed countries, turned into a dramatic and extended period of crisis in the unstable economies on the European fringe (Serbia, Macedonia, Bulgaria, Greece). Serbia has a record budget deficit accompanied by continuous growth of unemployment, which particularly affects the young. Research shows that 24.1% of the economically active population is now unemployed (Statistical Office of the Republic of Serbia 2013). Since Putnam (2001), studies have shown that crisis periods are accompanied by a decline in the stock of social capital, reflected in declining community participation in the work of associations, NGOs, and clubs, and a deterioration in institutional and interpersonal trust. In the transitional economies, which are characterized by low generalized trust and instability of institutions, the decline in social capital stocks is also reflected in the economic development. The study by Horvat (2012) proved the positive impact of trust on long-term economic growth. According to this study, in countries characterized by weak rule of law, trust is as an extremely important variable for creating economic growth. The economic references provide reliable proof of the positive link between social capital and economic growth – Putnam effects (Putnam 1993). Significant methodological procedures have also been developed that show quantitatively the volume of social capital (Beugelsdijk and Van Schaik 2005). According to Zaric and Babic (2012), there is a significant correlation between financial trust among Serbian entrepreneurs and real wages, business reach, and investment trends.

Baker (1990) determined that the networking and trust of individual economic agents represents their significant capital, a sort of venture capital. In fact, economic agents derive specific resources from their social networks, using them in pursuit of their interests. There are a growing number of articles explaining social capital as a factor of venture capital (Liao and Welsch 2005). This approach provides a solid basis for research on the trust manifested by the young; trust both in associates and friends and in institutions. Social capital creates one of the most important cognitive elements affecting regional differences in orientation toward starting a business. Social capital theory, neo-institutional analyses, and intentional behaviour of young entrepreneurs are the main elements of the models which serve to measure regional variations in entrepreneurial cognition (Linan, Urbano and Guerrero 2011). The involvement of young people in the reconstruction of Serbian society has been recognized by advocating the prevention of brain drain (Bolcic 2013) and their involvement in entrepreneurial activities.

The subject of this paper is quantification of the Serbian student population's stock of social capital from the perspective of social capital's impact on entrepreneurial and economic activity. The purpose of the paper is to measure the constituents of social capital, which include institutional trust and trustworthiness. Institutional trust is a frequent topic in academic debate, while from the perspective of youth it is also important to comprehend trustworthiness in order to build capacity to take part in economic activities. The personal characteristics that the respondents in this research particularly appreciate in their business partners and faculty colleagues can define the participants in a competitive business environment, both positively and negatively. The research could also be useful for future analysis between countries.

1. THE CONCEPT OF TRUST IN ECONOMICS

Trust is an exceptionally important element of social capital. Numerous authors give it the significance of a weighted variable, and some even identify it with social capital. At the end of the 1990s an increase in the complexity and insecurity of the business environment caused major economists to be interested in the concept of trust. Trust is a specific notion but it can have different meanings and can be looked at from different angles. Though the term 'trust' is in everyday use, in surveys it is rarely defined clearly and unequivocally, and in the literature there are different definitions of trust. Thus operationalization of this term can be a problem. The concept of trust in economic relations is only relevant if at least one party is exposed to risky or opportunistic behaviour (Williamson, 1993). Peter Preisendörfer defines trust as a mechanism that surpasses the time problem and overcomes risky information so that the confidential actor realizes a one-sided concession (Hohmann and Malieva, 2002). In Partha Dasgupta's survey (2000) the term 'trust' refers to clear expectations of business activities having an influence on a person's choice of action which has to be undertaken when not having control. James Coleman (1982) defines trust as a one-sided control transfer over resources, activities, and events. Even money represents trust in the form of the central bank of a country or group of countries. Modern monetary systems are built on participants' duties and obligations. Cash and bonds are the central bank's obligation, whereas loan contracts are the personal client's responsibility. The owner of US treasury bonds, National Bank of Serbia treasury bills, old frozen bonds and loans for Serbian revival must have trust that competent institutions will service them. Therefore trust, or the lack of it, in the government, the central bank, commercial banks, agencies for investment risk assessment, etc. becomes an issue. Investment risk evaluation is carried out by

government agencies (US Bureau of Public Debt, UK Debt Management Office, Agence France Tresor, etc.) and private agencies such as Standard & Poor's, Moody's, and Fitch. These agencies do depth analyses of state finances, including credit, inflationary risk and other indicators, to determine the investment risks of bonds in a given country. Standard & Poor's periodically rate government bonds. The ratings go from D to AAA: D – risky or potentially risky bonds, CC - bonds of poor quality, CCC - basically risky, B - very speculative bonds, BB - low quality bonds, BBB - minimal security for investors, A - high quality bonds, AA - very high quality bonds, and AAA - the highest possible rating (Standard and Poor's 2013).

Trust is one of the most important elements in all transactions. An ideal model of a market economy starts with the assumption that customers are rational and will not spend more than they have at their disposal. It also supposes that suppliers will always deliver goods and services according to the arranged terms. However, the ideal market model does not consider agents' honesty: it does not examine if those carrying out transactions are fair, or whether their education dictates previously arranged obligations. An ideal market model does care if there is a suitable agency in a given country that will react adequately if one side does not respect a contract, and whether the law is sufficient to prevent unrealized obligations. Legal institutions for solving contractual disputes (courts and other agencies) should be reliable, socially responsible, and efficient. Individuals and legal institutions are interdependent: if our trust in legal institutions declines, we will stop believing that business partners will respect contracts and business will decline. The same can be said about the economic subject's trust of government and financial institutions. In new classical macro-economics, trust in government and government reliability and credibility are key to economic policy. New classical macro-economists claim that disinflation costs do not exist. This enables the existence of rational subjects and monetary power that has the credibility to reduce inflation by means of restrictive monetary effects, without negatively affecting employment and salaries. If monetary powers neither possess trust acquired on the basis of already undertaken actions, nor have public trust that the actions will proceed, inflation expectations will not be revised low enough.

In order to have someone's trust it is necessary that the person's promises be credible. Trust in a person is acquired on the basis of knowing someone's tendencies, skills, and possible options and their consequences. Based on these facts, expectations are formed concerning the person's future behaviour. Someone else's promise is a move in a game. It influences our expectations of which options the other side will choose and what kind of consequences will

result. Simultaneously, the other side's expectations regarding our choices are being changed. This is illustrated in the following example. Suppose that a system includes a large group of individuals who, by chance, begin a mutual transaction. At any meeting each side chooses between two options: **A** (fair transactions) and **B** (cheating). The sides choose their actions simultaneously. Each individual will choose option **A** rather than option **B** if the person s/he meets also chooses **A,** and vice versa: if an individual chooses option **B** the person s/he meets will also choose option **B**. Suppose now that each side prefers option **A** to option **B**. In any population there are two types of people: type 1 has fair instincts, whereas type 2 is susceptible to cheating. Tables 1 and 2 represent payments to a person of each type when s/he takes part in a transaction. Table 1 represents payments to a person of type 1 and it is supposed that s/he chooses the row (let us presume that the other person in the transaction chooses the column). The second table represents payments to a person of type 2 and it is supposed that s/he chooses the row (let us presume that the other person in the transaction chooses the column):

Table 1: Payments to a type 1 person who chooses the row

	A	B
A	30	5
B	5	10

Source: own

Table 2: Payments to a type 2 person who chooses the row

	A	B
A	20	5
B	5	10

Source: own

Identical payment matrixes are put into the tables, except in the grey field (Table 1). It is a sufficient indicator that a type 1 person tends more towards fair transactions. Let us suppose that a population, where a game is going on, is sufficiently big so that two partners who did not know each other before meet accidentally. The optimal choice of the type 1 person is option **A** when he estimates that probability **p** is overcoming ⅙ when the other side chooses option **A**. His optimal choice is **B** if the probability is less than ⅙.

The type 1 person would choose either **A** and **B**, if **p** satisfies the following conditions:

$$30p + 5(1 – 5) = 5p + 10(1 – p) \tag{1}$$
$$6p + (1-5) = p + 2(1 - 5)$$
$$6p + 1=2$$
$$p=1/6$$

In the case of the type 2 person the optimal choice is **A** when s/he estimates that probability **p** is overcoming ¼ when the other side chooses option **A**. His optimal choice is **B** if the probability is less than ¼.

Since ⅙ is less than ¼, the type 1 person has less problem choosing **A**. Therefore, it can be concluded that the type 1 person is more inclined to fair transactions. Let us suppose that the share of type 1 person is well known in population **P**. If each person in the population expects the others to choose option **A**, then the others will choose the same option. On the other hand, if each person expects the others to choose option **B**, then the others will also choose option **B**. So, both options **A** and **B** represent balanced behaviour. In such a situation expectations play a crucial role. If everyone expects the others to be fair in their transactions, then all of them will incline to fair business. If everybody expects the others to be involved in cheating, then all of them will incline to business speculation. Each insignificant deviation from the balanced expectations quickly returns to the balanced position so that expectations are being adapted vis-a-vis average behaviour in the past. If partners choose option **B** (unfair transactions), the other side's choice will most probably be **B**. Eventually both sides realize they have become poorer than if they had chosen option **A** where mutual confidence exists. To develop trust among individuals it is necessary to repeat previous meetings. In this way the results of previous meetings are memorized. In the long-term there is an essential element connected with trust, business reputation. A business reputation is built up gradually. Someone's reputation is ascribed to public opinion. Obtaining a business reputation takes a long time and demands specific effort (transaction costs). On the other hand, a business reputation can be quickly lost. One inappropriate event (unfair transaction) is almost enough to destroy a long- accumulated business reputation. Since trust is a concept with different meanings, it is necessary to point out that there are several types of trust. 1) According to Sako (1992), the first type is *competence trust*. If competence trust is challenged, the other side usually asks for expert help. 2) In the case of *intentional trust*, a person's vulnerability does not depend on the competence of a business partner, but on her/his behaviour. 3) *Contractual trust* refers to expectations that given promises will be realized. 4) *Goodwill trust* represents expectations that the other side's vulnerability will not be abused, even if the possibility occurs. This

trust includes partners' readiness to achieve more than is in their contractual obligations.

5) *Interpersonal trust* is of vital significance to all market transactions if partners are not ready to only rely on institutional arrangements and cultural norms. In such a situation some individuals evaluate risk on the basis of their perceptions. They either rely on information based on reputation or they estimate the extent to which sanctions will be applied. Sanctions can include various sorts of pressure, such as exclusion from future business arrangements, recourse to authority, and even threats of violence. Trust can exist without calculations and estimations. Definite customary norms have a positive influence on trust, together with the rules of behaviour that have been established over time. Customary norms define which business activity will be considered acceptable, representing an important element of trust. These norms may even refer to sanctions that will follow if a business contract is broken. There are numerous studies of the influence of customary norms on economic development. Methodologically, this research relies on game theory, together with ethnographic and historic studies that examine how customary norms form people's behaviour, collaboration, and interaction. Even some types of sanction are analysed in the name of breaking customary norms. Remorse represents a specific sanction of interior character. Remorse can provide respect for moral principles much more efficiently than any other external sanction. Despite societal differences, there are certain more or less constant moral norms in all moral systems.

6) *Institutional trust* is formed out of a critical mass of people believing in economic, political, and social institutions. These formal institutions should intervene in solving problems connected with enforcing contract collection, standardization, measurement and quality, providing information, and other economic areas. In this typology it is necessary to classify another very significant sort of trust, especially relevant during the ongoing global recession: *financial trust*. Financial trust is a very important input variable of social capital. Declining financial trust leads to economic consequences such as reduced investment, reduced demand for plants, machinery, and vehicles, negative consequences for business service suppliers, potential loss of jobs, contraction in household spending, falling industrial production, diminished returns on investments, and a fall in GDP (Zaric and Babic 2010).

Directly connected to trust is a complex variable called trustworthiness, which in literature is frequently identified with trust, although there are some evident differences. Trustworthiness is interpreted as a group of characteristic individual

inclinations to acquire trust. It is a qualitative measure whose origin should be looked for in the business ethic, cultural-religious values, and virtues prevailing in an observed country. Therefore it is difficult to standardize measurement of this variable, as it implies specific values that differ from one country to another. The European Values Study established a correlation between predictive virtues and the achieved level of economic development in the European countries (EVS 2011).

2. ANALYSIS OF THE TRUST OF FUTURE BUSINESS LEADERS IN SERBIA

This chapter will present some of the results of a survey of the trust of representatives of future entrepreneurship and business and the main bearers of networking ideas. It will analyse young entrepreneurs' attitudes towards starting a business, the business environment, and the causes of the recession, and a trustworthiness variable will be methodologically conceptualized and operationalized. The sample of young entrepreneurs constitutes 105 students from The Faculty for Business Studies at Megatrend University and Belgrade Business School. The young entrepreneurs represent potential business leaders and business networkers in Serbia. Data was collected using a written questionnaire with both closed and open answers, together with Likert four-grade and five-grade scales. The survey first measures interpersonal trust. It starts from the following hypothesis: H_1: *The interpersonal trust of young entrepreneurs is at a low level.* The young entrepreneurs were asked, *Do you trust other people?* Likert's scale was used to measure interpersonal trust with grades defined as follows: 1. I do not trust at all. 2. I do not have enough trust. 3. I have trust. 4. I trust completely. Hypothesis H_1 is rejected if more than 50% of the respondents trust the others. The existence of interpersonal trust is proven if the share of answers expressing interpersonal trust (a sum of the responses "I have trust" and "I trust completely", registered in percentages) exceeds the share of answers expressing interpersonal mistrust (a sum of the responses "I do not trust at all" and "I do not have enough trust" expressed in percentages). 10.5% of students answered that they had no trust at all, 50.5% did not have enough trust, 38.1% had trust, and only 1% had complete interpersonal trust. Since 61% of the respondents did not have interpersonal trust, hypothesis H_1 is confirmed. Further research tests the following hypothesis: H_2: *Young entrepreneurs' trust in institutions is at a low level.* The students' trust in 19 institutions directly or indirectly connected to economic and financial spheres was measured. The young entrepreneurs were asked, *"How high is your degree of trust in each of the following institutions?"* To measure trust Likert's scale was used with the following grades: 1. I do not trust at

Table 3: Institutional trust of young entrepreneurs during the global economic crisis

	Do not trust at all %	Do not have enough trust %	Have trust %	Trust completely%
Commercial Banks	21	45.7	31.4	1.9
Large Companies	25.7	42.9	31.4	/
Central Bank (NBS)	27.6	41	23.8	7.6
Municipal Administration	37.1	45.7	15.2	1.9
Public Utility Companies	27.6	40	26.7	5.7
Serbian Government	60	28.6	7.6	3.8
Republic Parliament	57.1	32.4	9.5	1
Belgrade Stock Exchange	33.3	47.6	16.2	2.9
Ministry of Finance	47.6	41.9	7.6	2.9
Ministry of Economy	47.6	41.9	8.6	1.9
Privatization Agency	50.5	39	9.5	1
Statistical Office of Serbia	30.5	38.1	25.7	5.7
Political parties	71.4	21.9	3.8	2.9
Serbian Chamber of Economy	39	44.8	14.3	1.9
Belgrade Chamber of Economy	37.1	46.7	14.3	1.9
Agency for Business Registers	30.5	41.9	23.8	3.8
Agency for MSE	32.4	40	26.7	1
Investment Funds	41.9	43.8	11.4	2.9
Voluntary Pension funds	36.2	41	17.1	5.7

Source: own

all. 2. I do not have enough trust. 3. I have trust. 4. I trust completely. Hypothesis H_2 is rejected if the majority of the respondents have trust in more than 50% of the offered institutions. Trust in each of the institutions exists if the share of answers expressing institutional trust (a sum of the responses: "I have trust" and "I trust completely" expressed in percentages) exceeds the share of answers expressing institutional mistrust (a sum of the responses "I do not trust at all" and "I do not

trust enough" expressed in percentages). The obtained results were depressing from a Serbian business perspective. The respondents had least trust in political parties (6.7%), the Privatization Agency (PA), the Ministry of Economy (MEC), the Ministry of Finance (MFIN), the Republic Parliament (RP) (10.5% each), and the Serbian government (SGOV) (11.4%). The results were discouraging even for the remaining institutions (Table 3). 71.4% of the respondents have no trust at all in political parties and 21.9% do not have enough trust. In second place, young entrepreneurial representatives least trust the Privatization Agency: 50.5% have no trust in the PA at all, and 39% do not have enough trust. Better results are obtained for the Central Bank, which 33.3% of the respondents trust. 31.4% of the respondents trust both big companies and the Central Bank (CB), while 27.6% trust the Agency for Business Registers. Since the majority of the students trust none of the 19 institutions, hypothesis H_2 is confirmed. To test changes in the level of trust in these institutions since the recession began in Serbia, the respondents were asked, *"Compared to the period before the recession in Serbia (4th quarter of 2008), is your present trust in these institutions much lower, lower, without change, greater, or much greater?"* (Table 4)

Table 4: Changes in young entrepreneurs' level of institutional trust, now vs. before the recession

	Much lower %	Lower %	Without change %	Greater %	Much greater %
Commercial Banks	21.9	30.5	45.7	1.9	/
Big companies	17.1	30.5	51.4	1	/
Central Bank	20	38.1	40	1	1
Municipal Administration	21	32.4	43.8	2.9	/
Public Utility Companies	15.2	30.5	50.5	2.9	1
Serbian Government	34.3	26.7	37.1	1.9	/
Republic Parliament	36.2	23.8	39	1	/
Belgrade Stock Exchange	21.9	32.4	43.8	1	1
Ministry of Finance	27.6	31.4	39	1	1
Ministry of Economy	27.6	27.6	44.8	/	/
Privatization Agency	27.6	28.6	41.9	1	1
Statistical Office of Serbia	20	23.8	53.3	1.9	1
Political parties	36.2	24.8	35.2	2.9	1
Serbian Chamber of Economy	20	26.7	51.4	1.9	/

Belgrade Chamber of Economy	22.9	23.8	50.5	1.9	1
Agency for Business Registers	20	27.6	49.5	1	1.9
Agency for MSE	20	31.4	46.7	1.9	/
Investment Funds	23.8	25.7	47.6	1	1.9
Voluntary Pension Funds	24.8	21	50.5	1	2.9

Source: own

On the basis of the low trust of institutions shown in Table 3, together with the high percentage of "without change" answers in Table 4, it can be concluded that young entrepreneurs had low trust in institutions even before the Serbian recession. 61% of the respondents have less trust in political parties and SGOV than before the recession, 60% have less trust in RP, 59% in MFIN, 58.1% in CB, 56.2% in PA, and 55.2% in MEC. The next block of questions asked the students if they intended to start their own business and what they considered the obstacles to conducting business in Serbia. To the question, "*When you have finished studying, do you intend to found a firm and start your own business?*" 20% of the respondents answered positively, 36.2% would not start their own business, and 43.8% answered "perhaps" (Table 5).

Table 5: Starting a business at the end of schooling

Answers	%
Yes	20
Perhaps	43.8
No	36.2

Source: own

The students were then asked to choose two factors that most make starting and conducting business in Serbia difficult. The results are shown in Table 6. The highest ranked factors are economic policy (42.9%) and monopolies (32.4%).

Table 6: Factors that make it difficult for young entrepreneurs to start & conduct a business in Serbia

Factors	Answers	
	Frequency of chosen factors	Percentage of frequencies in the sample N=105
Municipal administration	25	23.8%
Institutional instability	24	22.9%
Tax regulation	26	24.8%
Monopolies	**34**	32.4%
Adverse banking credits	27	25.7%
Bad infrastructure	8	7.6%
Grey economy	22	21.0%
Economic policy of Serbian gov.	**45**	42.9%

Source: own

When the respondents were asked about their attitude towards SGOV improving the business environment for small and medium businesses, 69.2% thought that SGOV should do more than it presently does. According to 29.8% of the respondents, the government has no effect at all, and only 1% thought that SGOV had made a great contribution. The young entrepreneurs were also asked what had caused the economic crisis in Serbia (Figure 1.)

Figure 1: Causes of the recession in Serbia
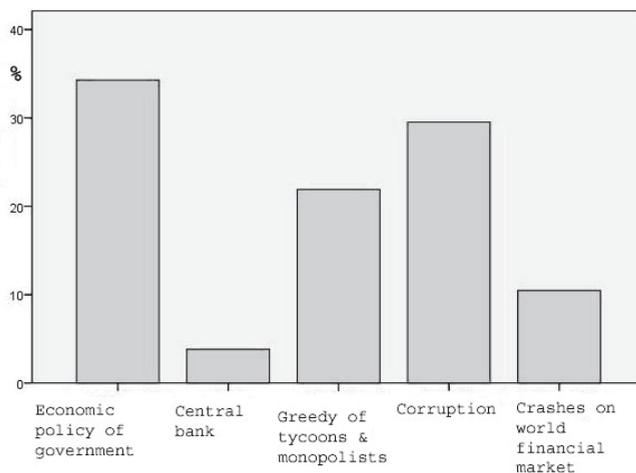
Source: own calculations

The largest number of respondents (34.3%) chose as the cause of recession the economic policy of SGOV, followed by corruption (29.5%). Asked about the possible duration of the economic crisis in Serbia, the majority of the young potential entrepreneurs (76.2%) thought that the crisis would last at least two more years.

The previous chapter considered trustworthiness from a theoretical point of view. It was stated that trustworthiness was a complex qualitative input variable for measuring social capital. Trustworthiness is a collection of characteristic individual inclinations to trust acquisition. Practically seen, this variable includes those values which subject A finds subject B should possess in order to deserve her/his trust. Trustworthiness is not a universal measure, and so its nature is determined by the business ethics, cultural-religious values, and virtues prevailing in an observed country. Young entrepreneurs were asked to choose the four most important personal characteristics out of twelve that a business partner should have in order to gain their trust. The characteristics were 1. Responsibility. 2. Keeping promises. 3. A sense of humour. 4. Reliability. 5. Loyalty. 6. Honesty. 7. Sincerity. 8. A good reputation. 9. Sympathy. 10. Physical attractiveness. 11. Morality. 12. Sociability. The respondents' answers are shown in Table 7.

Table 7: Four most important characteristics your business partner should have in order to gain your trust

Business partners' desired characteristic	Answers	
	Frequency of chosen answers	**Percentage of frequency N=105**
Responsibility	**91**	86.7%
Keeping promises	43	41.0%
Sense of humour	10	9.5%
Reliability	**68**	64.8%
Loyalty	30	28.6%
Honesty	**57**	54.3%
Sincerity	**48**	45.7%
Reputation	25	23.8%
Sympathy	3	2.9%
Physical attractiveness	3	2.9%
Morality	36	34.3%
Sociability	5	4.8%

Source: own

As can be seen, the respondents chose responsibility, reliability, honesty, and sincerity. The respondents were then asked to rank the importance of the four chosen characteristics (1-4), from the most to the least important (Tables 8-11).

Table 8: Ranking of the characteristic: Responsibility

Rank	Frequency of answers
1	40
2	26
3	19
4	6

Source: own

Table 9: Ranking of the characteristic: Reliability

Rank	Frequency of answers
1	10
2	19
3	21
4	17

Source: own

Table 10: Ranking of the characteristic: Honesty

Rank	Frequency of answers
1	8
2	14
3	18
4	8

Source: own

Table 11: Ranking of the characteristic: Sincerity

Rank	Frequency of answers
1	13
2	14
3	17
4	13

Source: own

Finally, the four characteristics were ranked by giving them weights. Rank 1 was given a statistical weight of 3, rank 2 was given weight 2.5, rank 3 was given weight 1.5, and rank 4 was given weight 1. Ranking was done according to the following model: for the personal characteristic 'responsibility': 40x3 + 26x2.5 + 19x1.5 +6. The same system was applied to the other three characteristics. After rank points for each characteristic were summed, a final hierarchy of characteristics of the complex variable 'trustworthiness' was obtained:

1. Responsibility
2. Reliability
3. Honesty
4. Sincerity

The respondents were next asked to choose the twelve personal characteristics their best friend had (Table 12).

Table 12: Characteristics possessed by best friend at the faculty, N=104

Characteristics possessed by best friend at the faculty	Answers	
	Frequency of chosen answers	**Percentage of frequency in the sample N=104**
Responsibility	57	54.8%
Keeping promises	50	48.1%
Sense of humour	50	48.1%
Reliability	48	46.2%
Loyalty	27	26.0%
Honesty	57	54.8%
Sincerity	64	61.5%
Reputation	8	7.7%
Sympathy	30	28.8%
Physical attractiveness	18	17.3%
Morality	36	34.6%
Sociability	14	13.5%

Source: own

Of the twelve characteristics, the respondents' best friends possessed firstly sincerity, then responsibility, honesty, keeping promises, and a sense of humour. Next, with the same twelve personal characteristics, young entrepreneurs were asked to decide the four most important characteristics their best faculty friend should have to gain their trust (Table 13). The goal was to compare the answers with the most important four characteristics which, according to the respondents, a business partner should have in order to gain their trust (Table 7).

Tab. 13: The four most important characteristics your best faculty friend should have to gain your trust, N=105

The four most important characteristics your best faculty friend should have to gain your trust	Answers	
	Frequency of chosen answer	**Percentage of frequency in the sample N=105**
Responsibility	**75**	71.4%
Keeping promises	42	40.0%
Sense of humour	39	37.1%
Reliability	**61**	58.1%
Loyalty	24	22.9%
Honesty	**56**	53.3%
Sincerity	**69**	65.7%
Reputation	3	2.9%
Sympathy	13	12.4%
Physical attractiveness	3	2.9%
Morality	26	24.8%
Sociability	8	7.6%

Source: own

The young entrepreneurs chose the same four characteristics as in case of trusting business partners (compare Tables 13 and 7). This correlation is explained by the fact that they experienced friendship with faculty colleagues as a potential business network or as capital that they will use in their future businesses. Afterwards, the respondents were asked to rank the four most important personal characteristics (1-4), from the most to the least important (14-17).

Tab. 14: Ranking of the characteristic: Responsibility

Rank	Frequency of answers
1	9
2	14
3	22
4	16

Source: own

Tab. 15: Ranking of the characteristic: Reliability

Rank	Frequency of answers
1	21
2	22
3	16
4	15

Source: own

Tab. 16: Ranking of the characteristic: Honesty

Rank	Frequency of answers
1	20
2	16
3	12
4	8

Source: own

Tab. 17: Ranking of the characteristic: Sincerity

Rank	Frequency of answers
1	35
2	16
3	8
4	8

Source: own

Finally the four characteristics were ranked by giving them weights. Rank 1 was given a statistical weight of 3, rank 2 was given weight 2.5, rank 3 was given weight 1.5, and rank 4 was given weight 1. Ranking was done according to the following model: for personal characteristic 'responsibility': 21x3 + 22x2.5 + 16x1.5 + 15. The same system was applied to the other three characteristics. After summing the rank points for each characteristic the final hierarchy of characteristics was obtained:

1. Sincerity
2. Responsibility
3. Honesty
4. Reliability

The ranking order of the characteristics' importance (sincerity ranked first, responsibility ranked second), in relation to the order of characteristics a business partner should have, is interpreted as follows. When ranking the four most important characteristics a best faculty friend should have to gain the respondents' trust, there is an interweaving of friend-collegial relations. During university studies these two spheres are not as precisely determined as in the business world. Moreover, one gets the impression that friendly relations have certain advantages over collegial-business relations because the young entrepreneurs are still studying. Therefore the respondents connected sincerity with friendly relations, while responsibility was connected to the business sphere. When creating a model to measure trustworthiness, business partners' desirable characteristics were taken into consideration:

$$T_w = r + r_b + h + s \tag{2}$$

where *r* denotes responsibility, r_b means reliability, *h* signifies honesty, and *s* denotes sincerity. On this occasion, responsibility was given a statistical weight of 2, reliability was given weight 1.5, and honesty and sincerity were given weight 1. A four-level Likert scale was used to measure the four variables in index T_w according to responses to the following question: *"On a scale of 1 to 4, evaluate to what extent your partners are responsible".* 1. They are not responsible at all. 2. They are not responsible enough. 3. They are responsible. 4. They are completely responsible.

CONCLUSION

The young entrepreneurs registered a serious deficit of interpersonal and institutional trust, and so the initial hypotheses H_1 and H_2 are confirmed. This result is cause for fear, bearing in mind that it refers to young people who are potential future business leaders. Only one-fifth of the respondents intended to start their own firm at the end of studies. They stated that government economic policy and monopolies are the biggest obstacles to starting a business. The survey results show that a large majority of the respondents believe that the government should be more involved in providing a better environment for MSE business. Most of the respondents thought that wrong economic policy of SGOV was the cause of the Serbian recession, with corruption coming second. Similar results were obtained in research conducted by the NGO, Civic Initiatives (Stojanovic et al. 2012). Their results showed that only 35% of the young Serbian respondents were planning on starting their own business. The reasons why they had not started their own businesses were lack of initial capital, knowledge, and business management skills, the high level of risk, and an unfavourable business environment.

This research analysed the concept of trustworthiness and established a model to measure it. It was concluded that this variable depends on the business ethics and cultural-religious values and virtues in an observed country. Interpersonal and institutional trust was measured in Belgrade, the economic capital and most important university centre in Serbia. Bearing in mind economic inequalities in Serbia, it is rational to expect that in other parts of the country the stock of measured trust would be even lower and the business environment worse.

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