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Legal and Organizational Aspects of the Development of Entrepreneurship in Bulgaria

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Abstract

The development of entrepreneurship in Bulgaria has its historical traditions and a certain amount of experience. Over the years of transition from a planned to a market economy, a set of deficits has accumulated, which have been identified. Still, the complexity of overcoming them and resistance has led to significant problems. This paper examines the legal and organizational aspects of entrepreneurship development, based on a certain comparison of the development of other countries that are members of the European Union. An attempt is made not only to define problem areas, but also to give certain recommendations for their elimination. The analysis is based on the expertise of the authors, which has been accumulated in the management of the central state administration and the management of small and medium-sized enterprises.

Keywords: Entrepreneurship, Bulgaria, Legal aspects, Organizational aspects, European Union, Small and medium-sized enterprises

1. Introduction

Entrepreneurship is the process of starting a new enterprise or renewing an already established one. The logic of the meaning is related to the fact that a person decides to take new actions on a future project to create a business or on a current one that has

already been created. We refer to the economic activities related to the creation of a new commercial company or the renewal of an existing one. An entrepreneur is an employer who registers their own commercial company individually or in partnership. For understandable economic reasons, we associate entrepreneurial

functions mainly with the sector of small and medium-sized enterprises, known as small businesses, because large enterprises are not at the beginning of the creation of a new organization.

2. Entrepreneurship – History and Development

Entrepreneurship is described as “the ability and willingness to develop, organize, and manage a business venture, including all risks, in order to achieve profit”. Although the definition of entrepreneurship usually focuses on starting and running a business, due to the high risk involved in starting a business, a significant proportion of start-ups have to close due to “lack of financing”, poor business decisions, economic crisis, lack of market demand, or a combination of all of these. A broader definition of the term is sometimes used, especially in the field of economics. In this usage, an entrepreneur is an enterprise that has the ability to find and act on opportunities to transform inventions or technologies into new products: “An entrepreneur can recognize the commercial potential of an invention and organize the capital, talent, and other resources that transform the invention into a commercially viable innovation. In this sense, the term Entrepreneurship also encompasses innovative activities by established organizations, in addition to similar activities by new ventures.”

2.1. “Ethnic” Entrepreneurship

The term “ethnic entrepreneurship” refers to self-employed business owners who belong to racial or ethnic minority groups in the United States and Europe. A long tradition of academic research has examined the experiences and strategies of ethnic entrepreneurs as they seek to integrate economically into mainstream American or European society. Classic cases include Jewish merchants and traders in large cities in the United States in the 19th and early 20th centuries, as well as Chinese and Japanese small business owners (restaurant owners, farmers, shop owners) on the West Coast. In 2010, ethnic entrepreneurial initiatives were studied in the case of Cuban business owners in Miami, Indian motel owners in the United States, and Chinese business owners in Chinese-speaking areas of the United States. While entrepreneurship offers these groups many opportunities for economic advancement, self-employment and business ownership in the U.S. remain unevenly distributed along racial/ethnic lines. Despite the many success stories of Asian entrepreneurs, a recent statistical analysis of U.S. census data shows that whites are more likely than Asians, African Americans, and Latinos to be self-employed in prestigious, lucrative industries.

2.2. Institutional Entrepreneurship

The American-born British economist Edith Penrose emphasized the collective nature of entrepreneurship. She mentioned that in modern organizations, human resources must be combined to capture and create better business opportunities. The sociologist Paul DiMaggio extends this view to say that “new institutions emerge when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly.” The concept has been widely applied.

2.3. Cultural Entrepreneurship

According to Christopher Rea and Nikolai Volland, cultural entrepreneurship is “a practice of individual and collective agency characterized by mobility between cultural professions and modes of cultural production,” which refers to activities and sectors of the creative industries. In their book *The Business of Culture* (2015),

Rea and Volland identify three types of cultural entrepreneurs: “cultural figures”, defined as “individuals who construct their own personal creativity as a cultural body and use it to create and sustain diverse cultural enterprises”, “tycoons,” defined as “entrepreneurs who build substantial influence in the cultural sphere by building synergies between their industrial, cultural, political, and philanthropic interests”, and “collective enterprises,” organizations that may engage in cultural production for profit or non-profit purposes.

2.4. Feminist Entrepreneurship

A feminist entrepreneur is an individual who applies feminist values and approaches through entrepreneurship to improve the quality of life and well-being of girls and women. Many do this by creating businesses “for women, by women.” Feminist entrepreneurs are motivated to enter commercial markets with a desire to create wealth and social change based on an ethic of collaboration, equality, and mutual respect.

2.5. Social Entrepreneurship

Student organizers from the Green Club at Newcomb College Institute founded a social entrepreneurship organization in 2010.

Social entrepreneurship is the use of start-ups and other entrepreneurs to develop, finance, and implement solutions to social, cultural, or environmental problems. This concept can be applied to a variety of organizations of different sizes, goals, and beliefs. Non-profit entrepreneurs typically measure performance using business metrics such as profit, revenue, and stock price appreciation, but social entrepreneurs are either non-profit or combine profit with generating a positive “return to society” and therefore must use different metrics. Social entrepreneurship typically seeks to achieve broader social, cultural, and environmental goals, often related to the voluntary sector, in areas such as poverty alleviation, health, and community development. Sometimes, social enterprises may be established with a profit-making purpose to support the organization’s social or cultural goals, but not as an end in itself.

2.6. Nascent Entrepreneurship

A nascent entrepreneur is someone who is in the process of creating a business venture. In this view, the nascent entrepreneur can be seen as pursuing an opportunity, i.e. an opportunity to introduce new services or produce new products, to serve new markets, or to develop more efficient production methods in a profitable manner. Before such a venture is created, an opportunity is only an idea of risks. In other words, the opportunity pursued is perceptual in nature, supported by the nascent entrepreneur’s personal beliefs about the feasibility of the outcomes that the perceiving entrepreneur is trying to achieve. The value of this action cannot be confirmed *ex ante*, but only gradually, in the context of the actions that the entrepreneur takes to create the venture. Ultimately, these actions may lead to a path that the nascent entrepreneur considers no longer attractive or feasible, or they may lead to the emergence of a (viable) business. In this sense, over time, the acquiring entity may move towards termination or a successful exit as an operating unit.

The world is changing at an extremely fast pace today, and entrepreneurship is at the center of these ongoing transformations. Today, more than ever, the entrepreneurial spirit is a driving force for innovation, economic growth, and social development. What are the key trends shaping the present and future of entrepreneurship? What challenges and opportunities await

entrepreneurs in the coming years? Will entrepreneurship become a sustainable area of economic development or will it stick to low levels of competitiveness and human resource utilization? All these are a set of questions that are difficult to give a clear answer to.

We are currently witnessing a boom in digital technologies, globalization, and the growing importance of sustainable development. Entrepreneurs are taking advantage of new technologies, digitalization, and green transformation to create innovative products and provide new services, reaching global markets. At the same time, they are faced with the challenges of increasing competition, market uncertainty, and especially the need to adapt to a rapidly changing environment.

The challenges facing entrepreneurs related to technological innovations, sustainable development, globalization, and a multitude of social problems require targeted policies and tools through which to regulate processes. Artificial intelligence, big data, blockchain technologies, and other innovations are fundamentally changing the way business activities are carried out, as well as the entire business environment. Entrepreneurs play a key role in the transition to a sustainable economy by developing environmentally friendly products and services. Entrepreneurship, oriented towards solving social problems, is gaining increasing popularity. Despite the fact that discussions continue about whether entrepreneurship is a business or just a craft, whether entrepreneurship occupies a sufficient share in the economy, and what type of entrepreneurship is important for economic development, it goes its own way, understood or not, appreciated or not, supported or not. This is happening because the free initiative, the creative spirit of many people is looking for its chance and interest in real business and economic life.

The phenomenon of entrepreneurship is not new to Bulgaria, as well as to much of Europe. Entrepreneurship in Bulgaria began with the development of crafts. Craftsmen played an important role in the economy, producing various goods, from textiles to metal products, from cultural and household items to drones. Trade also developed, especially in cities, where bazaars were created, and trade routes were a good prerequisite for carrying out this activity. All this is included in the history of entrepreneurship. During the period of industrialization of the country, the first significant entrepreneurs appeared, who invested in new technologies and production, i.e. entrepreneurship made its way and entrepreneurs became part of the middle class, especially in some industries such as construction. Entrepreneurship went through various restrictions related to the models of economic development. In the conditions of a centrally planned economy, the state completely controlled production and trade, and the entrepreneurial spirit was suppressed and limited. Entrepreneurs were subject to restrictions and difficult regulations. The period of democratic changes after 1989 became favorable for the revival of the entrepreneurial spirit, especially in the field of services and trade. The challenges facing the overall economic development of Bulgaria are serious and this is reflected in the dynamics of the development of entrepreneurship. Despite the progress, entrepreneurs still face bureaucracy, corruption, and limited access to financing.

There are two main areas of interest in which solutions for the development of entrepreneurship and its transformation into an important factor of a sustainable economy should be sought - the entrepreneurial environment (policies, strategies, laws, by-laws) and human resources (training, management, development). Transformations in both areas are present, but they are carried out

at different speeds, by different mechanisms, and are difficult to synchronize, requiring analysis that can provide the right solutions for successful development (Todorov, 2011; Koev, 2005; Avramov, 2007).

3. The Entrepreneurial Environment

The first visible thing that people involved in entrepreneurship want to change is to provide the opportunity for a greater number and more effective financial incentives from the state and municipalities – targeted, differentiated, flexible, and working. This depends on the region in which the entrepreneurial business is developing, as it has a serious dependence on local authorities. Here let us add the need for easier access to credit, in larger amounts and for a longer period of time – specifically, this is again financing that would provide access to the necessary investment and working capital. We also add the requirement to create a policy of tax breaks for entrepreneurs.

The second visible thing is relevant legislative changes. Here, the term “legislative changes” includes everything related to creating a legal basis for starting and developing an entrepreneurial business. This includes registration procedures, a set of benefits for entrepreneurs, employment contracts, flexible security, ensuring appropriate infrastructure, copyright, and related rights. Legal norms play a key role in the development of entrepreneurship. Clear, transparent, and predictable (those that have been created and function over a long period of time without fundamentally changing) laws, combined with an effective judicial system, are of key importance for creating a favorable business environment that encourages innovation, investment, and economic growth. Registration and licensing procedures, the tax system, protection of property rights, labor and contractual relations, and access to justice are of essential importance.

Procedures for registering enterprises and obtaining the necessary licenses should be simplified and fast. The digitalization of these processes can significantly speed up the start-up of a business. Laws should clearly define registration and licensing requirements to avoid bureaucracy and uncertainty. Information on legal requirements should be easily accessible and understandable for entrepreneurs.

The tax and social security system should be fair and competitive so as not to hinder business development. Tax laws should be transparent and easily understandable to avoid uncertainty. Tax breaks and incentives can encourage entrepreneurship and investment.

Laws should ensure effective protection of intellectual property, such as patents, copyrights, and trademarks. The protection of physical property is crucial for business security. Laws should prevent monopolies and ensure fair competition. Laws should protect entrepreneurs from unfair competition, such as dumping, etc. Laws should set clear rules for employment and non-employment relations to avoid disputes and conflicts. Laws must ensure fair working conditions and protect the rights of workers and employees. Laws must regulate contractual relations between entrepreneurs, customers, and suppliers. Mechanisms for resolving contractual disputes must be effective and rapid. An effective judicial system is key to resolving disputes and protecting the rights of entrepreneurs. Court decisions must be rapid and fair.

The third visible is the development of the necessary modern and convenient IT infrastructure. In the conditions of the digital world,

entrepreneurs expect full electronic communication at all levels and the exclusion of outdated methods of data and document transmission and transfer. Here the process is two-sided, since in certain cases it is part of the entrepreneurial business, especially that related to trade, that tries to avoid the full visibility that is guaranteed by digital communication models.

So far, everything stated can be summarized as expected and logical - finance and financing, laws and official standards, Internet networks and communications. Analytical examination of all elements in a number of analyses and studies, including our own, however, shows a serious discrepancy with expectations, even less with the enthusiasm and creative spirit of entrepreneurs.

For the development of entrepreneurship, a serious improvement of the environment is necessary. Bulgaria has the potential for the development of entrepreneurship, but it is necessary to overcome a number of challenges. They are related to simplifying the regulatory environment, improving access to financing, investments in infrastructure and education, and stimulating innovation. European funds can play an important role in this process, but their effective absorption and use are necessary. A comparison with other European Union member states shows clear areas in which Bulgaria needs to focus in order to create a more favorable environment for the development of entrepreneurship (Table 1).

Table 1. Comparative characteristics of factors for the development of entrepreneurship in Bulgaria and the European Union

Factors	Bulgaria	European Union (average)
Regulatory environment	Complex, bureaucratic, not always predictable	Simple, transparent, entrepreneurship-oriented
Access to financing	Limited, especially for small and medium-sized businesses	Easier access, diverse sources of financing (banks, venture capital, grants)
Infrastructure	Developed in large cities, unevenly distributed across the country	Well-developed infrastructure in most European Union member states
Education and qualification	Quality is different, insufficient focus on entrepreneurial skills	High-quality education, many programs for developing entrepreneurial skills
Innovations	Limited investment in research and development, low innovative activity	High innovative activity, significant investments in research and development
Market environment	Limited competition in some sectors, problems with unfair competition	High competition, effective consumer protection
Administrative	Slow and complex	Simplified and

efficiency	administrative processes	efficient administrative processes
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Bulgaria is striving to create a favorable environment for the development of entrepreneurship, but the process is slow. European Union directives often lead to additional regulations. Support programs are available, but they are not always effective enough. Access to venture capital is limited. There is a need for investments in infrastructure, especially in regions outside large cities and district centers. There is a dependence of entrepreneurial activity on the region (regional management institutions and representatives of state institutions at the regional level), even the municipality (municipal administration and structures at the municipal level). There is no clear pattern for entrepreneurship considered by the level of economic development of the region - regional priorities and development strategies. However, in better-developed economic regions, entrepreneurs feel more comfortable. Economically strong regions, having tasted the taste of result-oriented small and medium-sized businesses, compensate for national deficits with local regulatory and financial frameworks. The expansion of entrepreneurial platforms helps to solve some regional problems - social and demographic. In the context of these efforts, local and regional authorities are striving to create a new educational and scientific infrastructure. The skillful combination of available opportunities and those of European funding funds, as well as other international programs, creates favorable conditions for the development of entrepreneurship. Bulgaria needs more programs for the development of entrepreneurship, for closer cooperation between universities and the business environment. The scientific basis of entrepreneurship is completely absent, which is why entrepreneurship is stronger in non-knowledge-intensive areas. It is necessary to increase investments in research and development, where the country still lags behind the European Union average. Here it is appropriate to draw an analogy with the emergence and development of startups. Entrepreneurship and startups are closely related, but not identical concepts. Entrepreneurship is a broader term that encompasses the creation and management of a new business, regardless of its size or stage of development. Startups are a specific type of entrepreneurial venture that is characterized by several key features:

- Innovation: Startups typically focus on innovative products, services, or business models that have the potential to disrupt the market;
- Scalability: Startups are designed to scale quickly to achieve a large market share;
- Rapid growth: Startups strive for rapid growth and expansion;
- Risk: Startups are riskier ventures than traditional businesses, due to the high potential for failure;
- Financing: Startups are often financed through venture capital or other alternative sources of financing.

Startups are a dynamic and important part of the entrepreneurial ecosystem. They are a driver of innovation and economic growth, but they are also risky ventures that require specialized skills and resources. Understanding the relationship between entrepreneurship and startups is key to fostering economic development and creating innovative business models.

The question arises: "Why is the creation of an environment for the development of startups taking place significantly faster than that

for ordinary entrepreneurship?" There is no unambiguous answer to this question, but it certainly does not contain the answer only because it is innovative. A large part of ordinary entrepreneurship is also innovative. It is important to study this process in order to establish a balanced environment that will not oppose the two types of business activities, but will also create a favorable competitive environment for their development. Bulgaria strives for a more competitive market environment, but there are still problems with monopolies and unfair competition. The need for digitalization of administrative services and simplification of procedures is also very important. E-government is a necessary, but not a sufficient condition for the development of entrepreneurship. Here, things are entirely in the hands of the state and its functions.

4. Human Resources Development

In this area, two main factors are of interest in terms of importance. The factor of better-targeted education and training stands out here. However, representatives of the entrepreneurial business place little emphasis on its importance. "Knowledge and good education" – this should not sound like a slogan, this is the paradigm of modern entrepreneurship, and at the moment it does not sound convincing in the environment of entrepreneurs. Compared to the option of expertise in knowledge and training, this underestimation sounds somewhat general and abstract - outside the pragmatism of business specificity, outside the sharpness of business competition.

Here a disturbing folk-psychological characteristic creeps in - the idea that entrepreneurship is among the things that we know a priori, according to our common culture and intelligence. For such things, there is no need to study specifically, to adjust the thought and psyche specifically - as if "everyone can do it, if only they want it". It is precisely in this idea that the understanding differs significantly from that in the Western countries of Europe, the so-called "developed countries" with high standards and effective practices in business entrepreneurship. There, these things have long been at the level of special education and training, special motivation, and value orientation.

This includes not only the opportunities for entrepreneurship training, already introduced in secondary and higher schools, although not enough in terms of efficiency and quality. Here, the skills with which young people enter the primary labor market must definitely be considered.

It is more than clear that the skills needed for the development of entrepreneurship today are concentrated around transferable skills. Decision-making skills, conflict resolution, accurate judgment, organizational skills, openness to new things, and initiatives form the entrepreneur's building platform. The need for transferable skills is better outlined by business representatives with experience, who have felt the difficulty of the entrepreneurial business. Business representatives have experience with their own business and entrepreneurship, or managing a team, i.e. we can consider them as "experts" in the field, while young people have recently entered or have been on the labor market for several years - for them the idea of entrepreneurship is rather theoretical.

However, professional skills are the mandatory basis that also forms the area in which entrepreneurship develops. Among the significant general professional skills are the skills to work with computers and the Internet. Here we observe a phenomenon that should not exist in the conditions of digitalization. The importance of these skills is mainly recognized by those who have already

entered the business, unlike those who are at the beginning of their career. The comparison between the two sides, between the way of thinking and the resulting drastically diverging assessments, is quite startling. We can look for the explanation in the way of thinking and the behavioral models that have been built. Young people deal with such things, but somehow they are not relevant as a significant issue in their minds, they are not relevant to them in a work and professional environment. It is as if young people have basic computer experience, but they do not think and project it in a work environment and in the field of their personal business as their "competitive advantage". Here there is a barrier in thinking that has formed, some dangerous non-self-assessment, which practically erodes the youth's potential for entrepreneurship.

In the second group of qualities are analytical skills. This is another significant deficit in the ideas and thinking about business entrepreneurship. Analysis of the conjuncture is crucial, and the identification of strengths and weaknesses is crucial for success. Despite existing economic theories that affirm analysis as an indispensable element of starting any kind of business, analytical skills are not "modern", they are left as if to institutional care - someone else to answer the questions and determine the status, compliance, economic, financial sense, and prospects. Analytical skills are a skill that allows for better decisions based on data, not just intuition.

Expert experience and qualifications have not yet risen to the awareness of the need for high and expert qualifications - narrower and more specialized, or broader - in order to undertake a business, in order to enter into fierce competition with others and with the big players on the market. In the practice of business entrepreneurship, a practice is often demonstrated, according to which so often and publicly intrusively "successful business" is done through family ties and mafia structures that a feeling of almost mass and prevailing practice is created. This is a real social picture, which fundamentally demoralizes, disorients values distort thinking and motivation among potential entrepreneurs. In such a social environment and under the pressure of such ideas, expertise really begins to seem like something unnecessary.

The personal qualities of entrepreneurs are of essential importance for their affirmation and development. The personal qualities that today provide opportunities for entrepreneurship, undoubtedly in the first place is "dedication to work, loving your job". This, obviously, is a leading quality in everyone's idea of entrepreneurship. In second place in both groups are "emotional-mental qualities". It is good that this is also emphasized, since business and entrepreneurship are done in the presence of energy and emotional resilience. The other significant factor is the need for favorable "social receptivity - a stimulating atmosphere in society".

5. Conclusion

The development of entrepreneurship has its own special importance for both the economic and social development of Bulgaria. The accumulated deficits during the period of the transformation of the economy from a planned to a market economy create serious difficulties at the present time. Their analysis is of particular importance for taking effective actions, as well as for achieving good results. Frequently changing legal regulation, frequent crises and a number of other factors create an uncertain and unstable business environment. All this hinders the development of small and medium-sized enterprises, which are the

basis of the Bulgarian economy (Terziev & Georgiev, 2019a; 2019b; 2019c; Terziev et al., 2025a; 2025b).

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