

Emerging Market Queries in Finance and Business

# The Entrepreneurship Impact on the Dynamic of Macroeconomic Results

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## Abstract

In Romania 70% of the national production is generated by the economy private sector, which is still relatively at a low value compared to the share registered in the developed countries. The economic crisis has affected the entrepreneurship sector quite to a large extent. The main consequences of that circumstance are: the ratio of new businesses founding decrease, the ratio of business liquidation growth. This process was relatively asynchronous with that of the developed European Union countries, but common in the former planned economy countries and the dominance of state property. Based on some comparable data sets, this paper includes an econometric modeling for the new enterprises founding impact on the dynamic of national production, as measured by GDP. The paper's findings may provide a ground for governmental strategies regarding the private sector development and the private economic initiative.

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## 1. Introduction

The economical mechanism was restructured along with the event in 1989, from a centralized economy based on state ownership to a market economy, a certain overlapping of transformations took place: the transition from mainly state property to mixed property, the transition from a planned mechanism to free

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market, from a strict price control to general market pricing, the change in wealth distribution, in society classes, the transition from dictatorship to democracy. Of all these processes, perhaps the most important one from the economic consequences standpoint was changing the property structure, which was made in two manners: by stimulating free initiative and property transfer.

1.1. *The foundation rate*

The foundation rate, calculated by comparison to the existent number in January 1<sup>st</sup> 1995, is placed in the field 13-17% until 2001, afterwards registering a significant growth, due to the improvement of the business environment, also leading to a growth of the national production expressed through the GDP. The number of new founded companies exceeds 100,000 after 2003, with a maximum in 2005, than the process of enterprise foundation decreased further on. Figure 1 presents the foundation rates calculated by division of the newly founded enterprises to the existent number in January 1995. The absolute values of the new enterprises highlight a dynamic trend, especially after the year 2000, which reflects a entrepreneurial environment more and more favorable, and if we correlate this fact with the age of the new entrepreneurs, mainly young people, we can appreciate the consolidation of the entrepreneurial market in Romania.

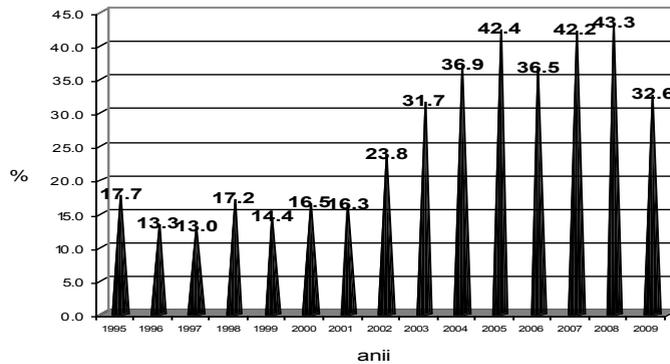


Fig. 1. The new enterprise foundation rate in the period 1995-2009

1.2. *The regional dimension of the new enterprises*

By regions, the partial rates indicate a maximum dynamic of the Bucharest-Ilfov region 9.6% in 2007 and 6.1% for 2009, while the North-Western (4.7%) and North-Eastern (4.3%) regions register minimum dynamics. In the analyzed period, a certain diminution took place concerning the regional discrepancies, although the differences remain high. Thus, in 2001 the foundation rate was 2.9 % in the North-Eastern region while 1.3% in the Western region, which imply the necessity to apply in a different manner the policies for the activation of the regional economic environment. From the regional dynamics point of view, the situation for the last three years concerning the foundation of new enterprises is as follows: North-East: 148.3%; South-East: 131.0%; South: 266.7%; South-West: 250.0 %; West: 246.2%; North-West: 188.0%; Centre: 222.2%; Bucharest-Ilfov: 254.2%. The dynamics between the years 1995-2009 generated a certain attenuation of the territorial discrepancies. Except for the Bucharest-Ilfov region, which is in a special situation, we can observe an increased dynamics in the regions that still have low weights in the national total (South-West, West and South), which can be interpreted as an efficient response to the economic development stimulation actions, and to the private initiative in the less developed regions.

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