

Political drivers of entrepreneurial growth: A case study of Romania's North-East region

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Abstract: This study adopts a political-environmental perspective on the entrepreneurial ecosystem, focusing on the interactions between the Romanian state, local authorities, and entrepreneurs seeking preferential access to resources. The objective is to identify the key challenges entrepreneurs face in their business activities. It further examines the intricate relationship between innovation, entrepreneurship education, and entrepreneurial activity, with a strong focus on the diverse economic effects of entrepreneurship. Entrepreneurship environments, recognized as instruments for economic advancement, are scrutinized to highlight the need for a systematic approach in both their construction and the identification of potential inefficiencies. The research urges policymakers to prioritize regional and urban areas in fostering entrepreneurial ecosystems, with a specific emphasis on the Romania North-East region. The findings underscore the critical influence of the policy environment on entrepreneurship, providing meaningful perspectives for policymakers and researchers involved in the development of entrepreneurial ecosystems. In addressing the complexities and rapid technological changes associated with Industry 4.0, this research applies a mixed-method approach, incorporating both qualitative and quantitative data collection and analysis. The study explores how various policy factors drive entrepreneurial initiatives and seeks to determine the most effective ways to tap into emerging opportunities. Utilizing a policy-oriented questionnaire, this research presents an in-depth overview and validated analysis of the entrepreneurial landscape in Romania, contributing to innovative strategies for economic growth and sustainable development. To thoroughly investigate the entrepreneurial landscape in Romania, particularly its interaction with the political environment, the study adopts a triangulated methodology that combines descriptive, explanatory and applied research methods. Triangulation ensures the consistency and validation of data, while the questionnaire gathers primary data on stakeholder perceptions of the entrepreneurial environment. This methodological integration enables the research to merge theoretical insights with empirical evidence, offering a balanced and robust analysis of Romania's entrepreneurial ecosystem.

Keywords: political factor, entrepreneurship, entrepreneurial ecosystem

JEL classification: L26, M13, M21

1. Introduction

To thoroughly analyze the entrepreneurial ecosystem in Romania from a policy-driven perspective, it is essential to explore the complex ways government policies and regulations affect entrepreneurial activities in this region. Government regulations, in particular, play a key role in shaping how businesses are formed, operated, and managed. These regulations encompass a broad spectrum of factors, such as registration requirements, taxation frameworks, labor laws, and environmental protection legislation. Each

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of these factors directly affects both the cost structure and the operational complexity of entrepreneurial ventures, thereby influencing the broader business environment.

A key determinant of entrepreneurial success in any region is political stability. A stable political climate allows entrepreneurs to make long-term decisions with confidence, offering greater predictability and reducing the risks associated with uncertainty. Conversely, political instability can create significant challenges for businesses, deterring both domestic and foreign investment. For example, frequent alterations in tax structures, trade policies, or regulatory frameworks can disrupt business planning and strategic development at the firm level, making it difficult for entrepreneurs to maintain a competitive edge in volatile environments.

Along with regulatory and political elements, business support policies are key pillars in building a strong entrepreneurial ecosystem". Businesses benefit from critical resources and support provided by government interventions like subsidies, low-interest loans, and economic development initiatives across different stages of their development. These regulations can encompass a wide range of initiatives, covering resources like investment funds for start-ups, programs for training and mentorship, and assistance in accessing international markets. By reducing barriers to entry and enhancing the availability of resources, these support mechanisms foster a more dynamic and resilient entrepreneurial ecosystem.

Additionally, economic stimulus programs, involving a combination of monetary and fiscal policies, exert a significant influence on the business climate. Such measures shape the cost of capital and market demand, both essential elements in the entrepreneurial landscape. For instance, policies that involve tax reductions, public investments in infrastructure, or incentives for research and development can create untapped market openings, promote innovation while strengthening the overall business environment. By lowering operational costs and enhancing market access, these efforts contribute to a dynamic environment where entrepreneurship can thrive.

A comprehensive examination of these policy factors is particularly relevant in the Romanian context. While Romania benefits from many of the same economic support measures as other European Union member states, the specifics of its regulatory landscape and political environment differ significantly, resulting in unique challenges and opportunities for local entrepreneurs. For instance, regulatory burdens and the degree of political stability in Romania may diverge from those of other European nations, impacting the entrepreneurial ecosystem in distinct ways. Entrepreneurs in Romania must navigate these country-specific challenges to develop effective and sustainable business strategies.

Moreover, a nuanced understanding of how these policy drivers interact with broader macroeconomic trends is essential for fostering an environment conducive to entrepreneurial growth. Policymakers must carefully evaluate the impact of regulatory frameworks, political steadiness and institutional support for businesses to implement customized measures that respond to identified needs of Romanian entrepreneurs.

This includes designing tailored strategies to mitigate risks associated with political instability and regulatory unpredictability, as well as enhancing access to capital, markets, and training resources.

Following these affirmations, we consider that the analysis of the entrepreneurial environment in Romania through the lens of policy factors highlights the intricate relationship between governance, economic frameworks, and entrepreneurial success. By understanding how government regulations, political stability, business support policies, and economic stimulus measures interact within the local context, entrepreneurs can better navigate the complex landscape of opportunities and challenges. At the same time, this analysis delivers key guidance to policymakers looking to create a more favorable environment for entrepreneurship, fostering sustainable development and long-lasting economic expansion.

2. Literature review

An analysis of the political, economic, and educational foundations of entrepreneurship highlights the complex and interrelated factors that fuel business growth and success. Each pillar is crucial in creating a supportive entrepreneurial environment, shaping aspects such as individual initiative, access to critical

resources, and the development of key business management skills. (Acs et al., 2017). Conversely, economic downturns, inflation, or restrictive financial environments can stifle innovation by limiting access to resources and shrinking market demand (Acs et al., 2014). By reinforcing these pillars and fostering a cohesive support ecosystem, societies can more effectively encourage and maintain entrepreneurial activities, thereby driving innovation and supporting long-term economic growth and sustainable development (Tufte, 1992).

The political ideology or regime of a country plays a decisive role in shaping its entrepreneurial landscape. Political systems significantly impact the emergence, progress, and overall entrepreneurship trends in a specific region or country. This influence remains highly relevant today, as the movement of capital markets, particularly stock exchanges, is extremely sensitive to political instability. Political factors, such as regime shifts, changes in leadership, or policy reforms, can dramatically affect investor confidence, thereby impacting the financial environment in which entrepreneurs operate (

Drawing on Magureanu's political systems theory (2006), the relationship between the political system and the broader environment can be conceptualized through the interaction of inputs and outputs. According to this framework, the political system constantly receives signals and demands from individuals, advocacy groups, political organizations, and communication channels. These inputs reflect societal requirements, expectations, and external circumstances that the political system must respond to. The system processes these signals and produces outputs, including policy choices, statutes, and regulations that influence the socio-economic context. In the context of entrepreneurship, political systems respond to societal demands—such as the need for a stable regulatory framework, equitable access to resources, and policies that foster innovation—by generating outputs that can either facilitate or hinder entrepreneurial activity. For instance, pro-business policies, tax incentives, and infrastructure development are examples of outputs that promote entrepreneurship, while excessive regulation or policy unpredictability can serve as barriers.

The stability of a political system, therefore, becomes critical in shaping an environment where entrepreneurial initiatives can thrive. Political instability or frequent policy changes may erode trust in the system, complicating long-term business planning and inhibiting investment by both local and foreign investors. In contrast, a politically stable environment allows for predictability and strategic planning, which are essential for business development and scaling.

Economically, resources availability and financial markets accessibility are closely linked to political decisions and the overall steadiness of the governing regime. Stock markets, in particular, are highly responsive to political signals, reflecting the broader economic confidence in the system. Consequently, political systems that uphold transparency, accountability, and the rule of law tend to promote vibrant capital markets conducive to entrepreneurial expansion. Conversely, regimes marked by corruption, instability, or poor governance may hinder entrepreneurial initiatives by generating financial and operational uncertainties.

Moreover, the educational pillar plays a crucial role in providing individuals with the skills and knowledge needed to successfully navigate the complexities of the entrepreneurial ecosystem. Education systems that emphasize innovation, critical thinking, and practical business skills contribute significantly to the development of a capable and adaptable entrepreneurial workforce. Policies that invest in entrepreneurship education, mentorship programs, and vocational training further strengthen this pillar by preparing individuals to effectively manage businesses and leverage emerging opportunities.

The contribution of political, economic, and educational dimensions to entrepreneurship underscores the multifaceted and interdependent nature of factors that shape the entrepreneurial ecosystem. Political systems, through their inputs and outputs, play a critical role in creating conditions conducive to entrepreneurship. Economic policies, shaped by political regimes, determine the availability of resources and the stability of financial markets, while education provides the foundational skills necessary for entrepreneurial success. By harmonizing these key pillars and addressing the specific needs of entrepreneurs, societies can foster innovation, economic resilience, and sustainable development.

3. Data and methodology

This research evaluates the role of economic actors, particularly entrepreneurs, within entrepreneurial ecosystems, emphasizing their significant contribution to entrepreneurial outcomes. It draws on recent research that underscores the critical influence of local and institutional contexts in shaping the development of entrepreneurial ecosystems. By examining the paradigms of ecosystem evolution, the study addresses the variability in defining and measuring these ecosystems, reflecting the dynamic and context-dependent nature of their formation.

The concept of the entrepreneurial ecosystem is explored as an active, interactive network of participants whose continuous interactions enable and shape the entrepreneurial landscape. Similar to natural ecosystems, entrepreneurial ecosystems are governed by specific principles that regulate the flow of resources, knowledge, and opportunities within a constantly evolving and interconnected environment. This comparison to natural systems highlights the importance of understanding entrepreneurial ecosystems as open, overlapping entities where various actors exchange resources, ideas, and support in ways that promote sustainable growth and innovation. Emphasizing actions that align with the ecosystem's natural growth trajectory is crucial for fostering a healthy and productive entrepreneurial environment.

From a policy perspective, the study proposes a structured approach to addressing the challenges faced by entrepreneurs within these ecosystems. It offers different classifications of the core components of entrepreneurial ecosystems, including entrepreneurs, resource providers, entrepreneurial connectors, and policy factors. The coordination and interaction among these actors are seen as vital to the success of the ecosystem, as they collectively contribute to the flow of resources, knowledge, and opportunities that drive entrepreneurial activity. The role of policy in facilitating this coordination is highlighted, with an emphasis on creating an enabling environment that fosters collaboration, innovation, and access to essential resources (Belitski et al., 2017).

The study also frames entrepreneurial ecosystems as embedded, spatial, relational, and social phenomena. This conceptualization recognizes that ecosystems are not only influenced by geographic and institutional factors but are also shaped by the social and relational networks that exist among entrepreneurs, resource providers, and other stakeholders (Audretsch, 2007). These networks contribute to the ecosystem's overall resilience and adaptability, allowing it to respond to external changes and challenges. Despite this understanding, the measurement of entrepreneurial ecosystems remains a topic of ongoing debate, with varying approaches and methodologies attempting to capture the complexity and diversity of these systems.

Policy factors and their impact on Romania's entrepreneurial environment

Entrepreneurs in Romania operate within a complex bureaucratic framework, characterized by a multitude of regulations and administrative procedures that can hinder the establishment and operation of businesses. While significant reforms have been implemented in recent decades to streamline these processes, challenges remain.

Political Business Support: The Romanian government has introduced a range of supportive measures aimed at fostering entrepreneurship, including grant programs and tax incentives. These initiatives are designed to promote start-ups and facilitate the growth of business incubators, reflecting an effort to nurture the entrepreneurial ecosystem. However, the effectiveness of these measures can be constrained by the overall regulatory environment.

Political Stability: While Romania enjoys a relatively stable political climate, frequent changes in government leadership can impact the predictability and stability of the business environment. These political fluctuations create uncertainty for long-term business planning, posing a risk for entrepreneurs who require a stable policy framework to thrive.

Challenges

- **Corruption and Transparency:** Corruption remains a persistent issue in Romania, undermining trust in public institutions and creating additional barriers for entrepreneurs. This lack of

transparency can distort market conditions and reduce the efficiency of government support programs, deterring investment and innovation.

- **Access to Financing:** Despite the availability of various funding sources, many entrepreneurs—particularly those managing small and medium-sized enterprises (SMEs) or start-ups—encounter significant difficulties in securing the necessary capital. As noted by Belitski, Grigore, and Bratu (2021), access to financing remains a critical challenge, limiting the potential for business expansion and innovation.

The political dimension plays a crucial role in shaping Romania's entrepreneurial ecosystem, encompassing government regulations, political stability, and policies designed to support business growth (Badescu and all, 2024). The country faces distinct challenges, such as bureaucratic complexity and corruption, which can dampen the entrepreneurial climate. In comparison, many other European countries benefit from more streamlined regulatory environments and sustained political stability, offering a more favorable climate for business development. Understanding the interplay of these factors is essential for entrepreneurs, policymakers, and researchers aiming to formulate effective strategies to enhance business growth and success in Romania.

Research objectives and methods

The primary objective of this research is to investigate the interplay between economic growth and entrepreneurial dynamics, focusing on the influence of various economic factors. Specifically, we aim to identify entrepreneurial opportunities, assess the skills and preferences of entrepreneurs, and understand how these elements are affected both directly and indirectly by the economic landscape. The political factor is recognized as a crucial pillar that significantly impacts economic conditions and, consequently, entrepreneurial activity.

To facilitate this case study, we employed a questionnaire-based methodology. The questionnaire was designed to gather insights regarding the political environment at both national and local levels. Our research seeks to elucidate the intentions of political entities, identify the main challenges faced by Romanian entrepreneurs, and capture perceptions of entrepreneurship as influenced by political factors.

Entrepreneurial activity arises from the correlation between an individual's perception of opportunities and his capacity to act, alongside the distinct environmental conditions that entrepreneurs encounter. The evolving nature of entrepreneurship is intrinsically linked to the factors that either enhance or inhibit the formation of new businesses. The pillars of the entrepreneurial ecosystem, which include governance mechanisms, access to resources and support networks, are pivotal components that directly affect the availability of entrepreneurial opportunities, the capabilities of entrepreneurs, and their preferences.

Recognizing the significance of these pillars, the second phase of our research aims to conduct a comparative analysis of the key entrepreneurial pillars that influence the sustainable growth of regions in Romania. This analysis will provide valuable insights into the conditions that foster or hinder entrepreneurial development, ultimately contributing to a deeper understanding of how to create a more stimulating environment for entrepreneurs in the country. By examining these dynamics, we hope to inform policy recommendations and strategic initiatives that enhance the entrepreneurial ecosystem, promoting sustainable economic growth across Romania's diverse regions.

The main objective of the questionnaire administered to both the national and local political environment was to assess the perceptions of entrepreneurs and political actors regarding entrepreneurial activity and entrepreneurial education in Romania. The questionnaire was designed to collect data that would allow for a reliable comparison of key factors, including levels of entrepreneurial knowledge, trust in the banking system, and perceptions of the Romanian state and the European Union. Additionally, it sought to identify factors that contribute to effective entrepreneurship levels. By exploring these variables, we aimed to uncover the elements influencing individuals' decisions to engage in the entrepreneurial ecosystem. The research methodology utilized was a questionnaire-based interview. A total of 41

questionnaires, each comprising 11 questions, were manually recorded and analyzed using the Survio application to produce a detailed analysis of the results.

4. Research results and comments

The demographic breakdown of respondents revealed that they included both local elected representatives (51.2%) and members of parliament (48.8%), predominantly from the North-East Region (63.4%). The majority were male (68.3%) and had over five years of entrepreneurial experience (36.6%). Respondents identified the industrial sector (43.9%) as the primary economic focus for the Romanian state and noted that successful entrepreneurs predominantly belong to Generation X (1961-1980) and Generation Y (1981-1995).

With respect to the support extended by Romania's national and local authorities, findings indicated a nuanced perception among respondents. A significant portion believed that government policies moderately (46.3%) to largely (41.5%) favor the establishment of new enterprises. Furthermore, 31.7% felt that changes in legislation were very supportive, while the same percentage indicated moderate support for entrepreneurial initiatives. When it came to financial assistance, 46.3% viewed grants and soft loans as highly supportive, and the same percentage believed that efforts to reduce bureaucratic hurdles were beneficial for entrepreneurship. This balanced assessment reflects an acknowledgment of the state's role in fostering an environment conducive to entrepreneurial activity, while also recognizing areas for improvement.

Perceptions of European Union support. In terms of the support provided by the European Union, respondents expressed a moderate belief (43.9%) that the EU contributes to entrepreneurship development. Notably, 48.8% agreed that EU countries are developing applicable entrepreneurship models for Romania, while 53.7% perceived an increase in EU aid to Romania. Additionally, 51.2% felt that the EU is working to simplify the bureaucracy associated with accessing European funds, and 43.9% believed that the EU is creating new funding programs to support advanced technologies.

Support for innovation and education. Concerning support for innovation and technological industries, as well as initiatives related to digitization, the majority of respondents (41.5%) believed that the Romanian state and local authorities provide substantial support for the digitization of public institutions. However, they expressed a moderate perception (41.5%) of support for innovation and advancement of technologies, and a lesser belief in support for the digitization of the private sector (36.6%) or for entrepreneurial education based on artificial intelligence (31.7%).

When asked about entrepreneurship education across different educational levels, respondents largely agreed that such education is foundational for developing entrepreneurs (36.6%). They also believed that the entrepreneurial education models used in EU countries are more effective than those in Romania (58.8%) and that this education plays a supportive role in advancing entrepreneurship in Romania (43.9%). Furthermore, a majority (51.2%) believed that the ALPHA Generation (2013-present) would introduce a beneficial model for entrepreneurship in Romania. However, respondents were only moderately (34.1%) convinced that the Romanian state and local authorities actively support new entrepreneurial programs, courses, or applications aimed at enhancing entrepreneurial education.

Politician perspectives on international standards. When posed with the question, "Do you want a country like those abroad?", a notable 71% of political respondents expressed a positive response. This finding indicates a clear desire among politicians to align Romania with the standards and conditions prevalent in more developed countries. Such a sentiment reflects an orientation towards modernization and the adoption of governance and public policy models that are consistent with international best practices. This inclination underscores the recognition of the need to learn from and implement these standards to enhance life quality and drive local economic development.

Overall, the findings from the questionnaire reveal a complex interplay of perceptions regarding the role of government, the European Union, and the entrepreneurial ecosystem in Romania. By emphasizing both the strengths and weaknesses within the political and entrepreneurial spheres, this

research offers valuable insights that can guide policy formulation and entrepreneurial efforts to promote sustainable growth in Romania.

5. Conclusions

To enhance the entrepreneurial environment in Romania, the Romanian State and local authorities must implement a multifaceted support strategy. This should include the development of comprehensive educational programs in schools and universities, reforms in the budgetary system, and efforts to simplify legislation and reduce bureaucratic hurdles that currently hinder entrepreneurial activities.

The demographic profile of political representatives indicates a significant concentration from the North-East Region of Romania (63.4%). This regional bias in political decision-making may influence the prioritization and development of policies, potentially leading to disparities in support for entrepreneurship across different regions. A more balanced representation in political leadership could foster equitable policy-making, particularly concerning entrepreneurship support systems, which can vary significantly by geographic area.

Additionally, the data suggests that many political representatives lack substantial entrepreneurial experience, which could result in a limited understanding of the practical challenges faced by entrepreneurs. Issues such as regulatory compliance, red tape, and access to financing are critical areas where improved understanding is necessary. To address this gap, training programs or enhanced collaboration with the entrepreneurial community could be beneficial, equipping policymakers with the insights needed to create more effective support mechanisms.

The acknowledgment of Generation X and Generation Y as the most successful entrepreneurial cohorts indicates that political leaders recognize the contributions of these generations to the evolving entrepreneurial landscape. Furthermore, an awareness of the potential of Generation Z suggests a willingness among political representatives to support younger, more innovative entrepreneurial initiatives. This understanding could lead to the formulation of policies aimed at fostering technology-based enterprises and supporting young entrepreneurs through innovation-friendly measures.

Ultimately, policymakers need to enhance communication with the entrepreneurial community to gain a clearer understanding of the practical difficulties faced by business owners. By guaranteeing that government policies are not only well-intentioned but also efficiently executed—especially in terms of bureaucratic procedures and financial support—the Romanian State and local authorities can foster a more favorable environment for entrepreneurship. This strategic approach is poised to not only catalyze sustained economic growth but also to nurture a resilient and dynamic entrepreneurial ecosystem across Romania.

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