

CZU: 332.1:339.137.2(4-11)

DOI: <https://doi.org/10.53486/dri2022.01>

ENTREPRENEURIAL COMPETITIVENESS: COMPARATIVE ANALYSIS BETWEEN THE REPUBLIC OF MOLDOVA AND OTHER EASTERN EUROPEAN NATIONS

AUGUSTIN IGNATOV¹

Abstract: *The Eastern Europe is the region which in the past decades has met important socio-economic changes determined by the transition period. Some of the countries managed to overcome these difficulties and, therefore, be able to integrate in the EU, while other states failed in this pursuit, presently, confronting with severe poverty, corruption and emigration. The present study aims in this regard to analyse entrepreneurial competitiveness of the Eastern European countries, identifying the leading and lagging economies and, respectively, the evolution of the performance discrepancies.*

Key words: *entrepreneurial competitiveness, the Eastern Europe, the Republic of Moldova, economic growth, development discrepancies*

JEL CLASSIFICATION: F41; F43; O10; O52; R11.

INTRODUCTION

The Eastern Europe is the region which in the past decades has met important socio-economic changes determined by the transition period. Some of the countries managed to overcome these difficulties and, therefore, be able to integrate in the EU, while other states failed in this pursuit, presently, confronting with severe poverty, corruption and emigration. Moreover, the modern business sectors of the Eastern European economies are challenged by globalisation which puts important pressure upon entrepreneurs, small and medium sized enterprises as well as larger firms and economic clusters. The competitiveness on the various markets has much increased due to growing globalisation which is presently identified with liberalisation of trade and migration, progress in the area of technologies and orientation of economies towards innovation, optimisation of international production, and declining transport & communication costs. Thus, businesses and their networks need significant support and stimuli from institutions and governments as to be able to survive, develop and progress. Even if some of the Eastern European nations joined the European Union, this region is still underdeveloped as compared to the Western EU being characterised by lower standards of living and economic strength. It should be underlined that economic development and competitiveness is dependent on business and its growth, since it determines capital formation, innovative and technological investments, economies' export capacities, trade comparative and competitive advantages and FDI attractiveness as well as purchasing power of the citizens which, from the perspective of this research. One of the main causes why the Eastern Europe is underdeveloped regards the low level of social trust in institutions as well as relatively high levels of

¹ Ph.D Student, email: augustinignatov1@gmail.com
ORCID: 0000-0002-3422-2598

corruption. These factors diminish economic competitiveness, as well as, business strength since both external and internal investors are less willing to develop risky, yet profitable projects. Entrepreneurs within an unsecure business environment tend to minimize their expenses to become less exposed to uncertainties, while in a stable and transparent environment they invest more to gain more return and therefore increasing overall societal wealth. Therefore, it is necessary to raise awareness to protect businesses from excessive bureaucracy and corruption in order to determine higher economic activity. Moreover, the economic potential of the Eastern Europe is rather reduced especially due to modest level of technological development and innovation which are crucial in determining increased efficiency of entrepreneurial activities and of the business sector. Moreover, the countries lose the human capital potential which plays a catalysing role establishing more favourable economic environment due to massive emigration. These elements of socio-economic environment are key factors establishing countries' present and future competitiveness and economic structure.

The present study aims in this regard to analyse entrepreneurial competitiveness of the Eastern European countries, identifying the leading and lagging economies and, respectively, the evolution of the performance discrepancies. Particular objectives include: study of relevant theories and literature explaining the dependence of entrepreneurship on various socio-economic factors. In this regard, the study intends to develop an econometric model explaining the dependence of entrepreneurial competitiveness on these factors considering the context of the Eastern Europe. This model should be the main contribution of the paper and it is set to deepen the existing knowledge with empirical exemplification. Finally, the research aims to answer whether modest entrepreneurial competitiveness is determining reduced living standards in the referred region. The data sources used by the study comprises the Global Competitiveness Reports provided by the World Economic Forum as well as the World Bank's various indicators, various periods for raw data assessment. Nevertheless, the period considered for econometric analysis is strictly 2010-2017.

The study concludes that the least entrepreneurially competitive states in the Eastern Europe are the Republic of Moldova, as well as other nations of the Eastern Partnership. The business activity in these countries is weak and the determinants of entrepreneurship are underdeveloped, the situation reducing the nations' growth potential. Thus, a competitive entrepreneurial environment requires strong cooperation between the private and public sector to make more efficient networking in the economic clusters as to deliver most competitive products and services. In this regard, the main task of governing elites is to provide the business sector with efficient regulation, supportive policies and strategies as well as competitive and transparent services. This should aim reducing bureaucratic pressure, improving productivity, insuring stability of the macroeconomic environment. Since the business sector is the main component fostering growth, it needs to be backed to improve its capacity in accumulating industrial and human capital, know-how, business expertise, to allow them to efficiently compete for most favourable positions in global and regional supply chains.

LITERATURE REVIEW

Entrepreneurship is one of the fundamental components determining economic development since it alongside with labour force, land, and capital, and natural resources can generate profit. Entrepreneurship is closely linked to risk taking and engaging in innovation related activities, and certainly, it is a key determinant of nations' ability to compete for profit and welfare. Discussion of entrepreneurship was begun by the representatives of the Classical Political Economy who provided important theoretical background, yet, not comprehensive and specific. In this regard, it should be

underlined the role of Richard Cantillon, an early Irish-French economist, who was the first theoretician who introduced the word “entrepreneur” in its modern understanding, i.e. a risk bearer, in economics in the early 18th century. He defined entrepreneur as an agent who buys factors of production with the aim of reselling them at a higher price in a combined or not form (Cantillon, 1881 & Cantillon, 2010). According to Peter Drucker (1993), the father of modern business corporation and management science, the term “entrepreneur” was popularised by Jean-Baptiste Say around 1800, one of the most known pioneer economists and businessman of French origin, who said that “he shifts economic resources out of an area of lower and into an area of higher productivity and greater yield”. Say also attributed the following functions to entrepreneurs including coordination, organization and supervision which are key in the business activity. Entrepreneurship has been a concept of key importance in economics, the study of which started in the late 17th and early 18th centuries, yet, it has been rather ignored by theoreticians until the early 20th century. The interest in entrepreneurship increased only in the second half of the 20th century (Drucker, 2006 & 2014).

The concept of “entrepreneurship” in the Classical Political Economy was not comprehensively tackled. The theoreticians tended to define the people doing business only from the position of capital holders and skilled labour providers. The main framework of thought of this flow of ideas was orienting away from entrepreneurship. This evolutionary direction of economic thought could be clearly identified in the works of David Ricardo who prioritised land, labour and capital within the framework of rent, wages and profits. Ricardo, in a Malthusian style, mentions that wages and profits from capita will decline over time while rents will growth, economy diverting towards subsistence. Namely it was, some kind of economic gravitational force which was natural and impersonal. In these conditions, entrepreneurship is rather neglected and excluded. Ideas of Ricardo about entrepreneurs are more or less similar to those of Smith, Senior, Marx and Mill, other key representatives of the classical political economy (Ricketts, 2006). For instance, the labour theory of value of Smith, which was based on his “natural law”, rather concentrated on the role of labour for economic development rather than the production function plan based on which this labour is directed. However, it should be noted that Smith was less formal than Ricardo in establishing his economic model the fact which permit to implicitly accredit, at an incipient stage, a key role of entrepreneur for development (Ricketts, 2006). J. S. Mill (1848) developed further the concept of “risk taking” and linked it to entrepreneurship alongside with profits mentioning that “what a person expects to gain, who superintends the employment of his own capital, is always more, and generally much more, than this. The rate of profit greatly exceeds the rate of interest. The surplus is partly compensation for risk”. Despite the fact that Mill analysed entrepreneurship from the perspectives of profit and risk, he used the terms “entrepreneur” and “capitalist” as synonyms, which according to Joseph Schumpeter (Schumpeter, 1939, 1983) are not equivalent, risk associated with innovation is characteristic for entrepreneurs while that associated with profit is linked to capitalist.

The term “entrepreneur” in the framework of the Neo-Classical theory was developed by Menger (1871), Marshall (1890) and Jevons (1871). The fundament of the entrepreneurial analysis in this period was closely linked to the principles of the systematic and subjective marginal analysis, as Jevons underlined “value depends entirely upon utility” referring to marginal utility. Thus, economics was gravitating around the subjective value theory and marginal analysis as compared to the previous period when objective (labour) theory of value was the central point of reflection. As the priorities in economics shifted towards diminishing marginal utility, the views related to entrepreneurship revolved around individual maximising decisions based on the coordinating role of prices (Ricketts,

2006). At the same time, it should be underlined the contribution of Leon Walras, French mathematical economist and General equilibrium theorist, who mentioned that entrepreneurship occur in disequilibrium situations when individuals could benefit from the existing differences between competitive market prices and average costs of production (Jolink, 1996). It is also implied that technology is constant, and it the economy in equilibrium is providing zero-profit opportunities for entrepreneurs (Ebner, 2005 & Walker, 1986). Simultaneously, it should be distinguished, in the context of entrepreneurship, between firm as an organisation, a forth factor of production, and managerial capabilities which is closer denoting the capacity of building proper strategies of exercising efficient activities of the enterprise (Walker, 1986).

The modern ‘Austrian’ school in the context of neoclassical marginalism is the case which researched entrepreneurship in most relevance and it be distinguished from the neoclassical tradition. It reached such important achievements due to its methodological orientation which considered “individualism, subjectivism, the evolutionary nature of institutional change, and the importance of historical time in approaching economic development” (Ebner, 2005). Some of the most important representatives were Friedrich Hayek, Anglo-Austrian economist and Nobel Prize laureate, and Israel Kirzner, British-born American economist. According to Hayek (1937, 1978), entrepreneurship is a market process in which business people search for and implement new techniques and procedures to gain advantage from price differences. Kirzner (1973, 1999) developed the ideas established by Hayek, and introduced several new concepts including “spontaneous learning”, “alertness” and “entrepreneurial discovery”. While, the main focus of Neoclassical analysis (especially considering Marshall, 1890) concentrates on the conditions to necessary to sustain an equilibrium, Kirzner, one of the pioneers of the Neo-Austrian approach, concluded that at the beginning the economy is not in an equilibrium, this is reached as a result of the competition among “alert entrepreneurs” who are permanently searching for information and knowledge disequilibrium or “uncertainties” which are unevenly distributed across the market. Thus, entrepreneurs are attributed the “information-transforming” function which was earlier defended by Hayek (1948), since he transforms irregularities into opportunities. Entrepreneurs in the process of finding irregularities involve “spontaneous learning” empowered by “alertness”, i.e. receptiveness or preparedness to recognize possibilities of any kind, and the opportunity found is “entrepreneurial discovery”. Thus, entrepreneurs are forces of equilibrium balancing the economic system.

Joseph Schumpeter is one of the greatest economists of the first half of the 20th century. Schumpeter’s main contributions to economics are related to his comprehensive study of the concepts of innovation and entrepreneurship. In his views, entrepreneur is the revolutionary innovator capable of introducing new processes, products allowing the economy to be dynamic and evolutionary. Schumpeter mentions that an entrepreneur is someone who could revolutionise production by implementing an invention, or technology. He was the first theoretician who divided the process of innovation in five steps which lead to the economic development: launch of a new product/service; application of new methods of production or sales of a product; opening of a new market; acquiring of new sources of supply and new industry structure (Śledzik, 2013). Schumpeter considered that innovation is a driver of competitiveness and the core of change causing "creative destruction" which is defined as "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one" (Schumpeter, 1994). In the views of Schumpeter’s first theory of entrepreneurship, entrepreneurs generate new opportunities for investment, development and employment through their implementation of

innovations in the economy. Invention in his views is less important than diffusion and imitation which have larger impact on the economic development (Śledzik, 2013). Schumpeter (1983) linked entrepreneurs to innovation on the basis of their functional interrelation. In this regard, the entrepreneur is a pioneer capable to act in unknown conditions and circumstances to the benefit of the individual interests “act with confidence beyond the range of familiar beacons”, “his characteristic task – theoretically as well as historically – consists precisely in breaking up old, and creating new, tradition”. Schumpeterian entrepreneur is determined to act by three key motivations including: the desire to create "own kingdom"; the desire for gain; the joy of creation (Śledzik, 2013). The second theory of entrepreneurship developed by Schumpeter underlines that much smaller role of entrepreneurs for economic development than proper innovation being less individualised (Schumpeter, 1939 and 1994). According to Śledzik (2013) depersonalisation “is a radical departure from his earlier recognition entrepreneur as an outstanding individualist” which in general received less attention due to larger concentration historical analysis methodology.

William Jack Baumol, remarkable Neo-Keynesian economist, mentioned in an article published in 1968 that the functions of the entrepreneur are to identify new ideas, opportunities and locate them, and put those ideas to use to generate profit and economic advantage. Baumol’s entrepreneur is closely linked to the Schumpeterian one who should have leadership and initiative promoting economic growth. He underlines (1968, 1990) that the entrepreneurship is hard to be explained through formalised analysis and mathematical models due to the fact that charisma and inventiveness, perseverance, key characteristics of entrepreneurs, could not be quantified. The neoclassical model is not able to comprehensively tackle the issue of entrepreneurship since it could not be effectively fitted in formalised into a specific function. He does not criticise in any sense the neoclassical model, yet highlights that there is space for improvement. Uncertainty and unpredictability and closely linked to entrepreneurship since there are many variables linked to it. According to Baumol (1990) entrepreneurs are not always performing a productive task for society leading to economic development since they are the “persons who are ingenious or creative in finding ways to add to their wealth, power, or prestige” which not necessarily presuppose benefit for the society. For instance, in an unfavourable environment, entrepreneurs may search for tax-loopholes, or engaging in warfare. Thus, institutions and the environment is also determinative in motivating entrepreneurs in following one or another goal. Certainly, Baumol’s main contribution to entrepreneurship is linked to understanding its qualitative aspects.

Certainly, entrepreneurship is linked to uncertainty. One of the most known economist researching this relation was Frank Knight, adept of the Chicago School of Economics tradition, who published in 1921 the work “Risk, Uncertainty and Profit”. He starts from analysing the Walras’ situation of economic equilibrium when not profit can be reported by entrepreneur, thus, it is inferred that profits are linked to economic disequilibrium which could be viewed in the form of an unexpected change. For Knight, profit is rather associated to uncertainty rather than risk. According to Ricketts (2006) an uncertainty is “an uncertain situation was one in which probabilities could not be assigned to outcomes so that decision making was impossible to model in terms of neoclassical optimization”. In a world of uncertainty, there could be situations in which it could be reported either pure profits or losses, thus presupposing residual income different of the contractual one. In this circumstances, Knight analyses the entrepreneur from the perspective of pure profit and a residual income seeker. Entrepreneurs are distinct from capitalist since their main asset is judgement, the fact which could explain modern venture capital or the relation between money-seekers and investors. Nevertheless,

the relation between these economic agents is very close, unless the ideal cases are considered. Carter et al (1994) pointed that there ventures capitalism is the form of capitalism which best describes the relations between entrepreneurs and capital, talent or abilities of people and one of the fundament of economics i.e. capital.

Other researchers studied the relation between entrepreneurship and economic efficiency. Thus, according to Casson (1982), who extended the ideas of Knight, entrepreneurs coordinate the allocation of scarce resources in the search of pure profit. A dynamic economy provides permanent opportunities, thus, the situation of equilibrium could not be reached, hence, entrepreneur has an intermediary function or “market maker” who exploits the differences in the marginal valuation of goods and services. Casson (2001) underlined the key role of cultural environment which determines the role and behaviour of entrepreneurs as well as of firms. Neoclassical focus on the pure individualism which is socially unrelated to other firms is not corresponding to the real economy, yet, most of the processes could be explained by predicted opportunism. Entrepreneur is the generator of dynamics in firms identifying and exploiting opportunities through improving the transaction costs, information flows, associations and leadership. Gary Becker, another representative of Chicago School of Economics and a Nobel Prize laureate, was a pioneer of applying economic analysis to human behaviour in such areas as discrimination, marriage, family relations, and education, areas which were previously considered as areas of sociology. In his work of 1993, Becker underlined that linked entrepreneurship to human capital creation based on rational benefits, cultural environment, and investments. Investments in the human capital include educational, health care and skills training as well as other factors. He focused on identifying the costs and returns of investments in the human capital, and the private and social gains of individuals.

Wennekers & Thurik (1999) linked entrepreneurship to economic development “entrepreneurship matters. In modern open economies it is more important for economic growth than it has ever been”. Globalisation and ICT revolution caused the massive disequilibrium which requires change and reallocation of resources which, in turn, demands strong entrepreneurial capacities. Entrepreneurship is capable of being identified both at individual, firm and macro levels, in the following dimensions: conditions for entrepreneurship, key elements and impact, an important challenge often met by previous theoreticians. Thus, entrepreneurial capacities at the individual level are expresses through psychological endowments key elements being attitudes, skills and actions, while the impact is self-realization and personal wealth. At the firm level, conditions for entrepreneurship are culture, institutions, business opportunities, elements being innovation, new entries and new markets, the impact resuming to firms’ performance. At the macro-level, key conditions are culture and institutions, elements are identified through variety, competition and selection, while impact results in competitiveness and economic growth. Stevenson & Jarillo (2007) as well as Suddaby et al (2015) have concluded that a competitive and business oriented economy should meet the following conditions including: open-mindedness, acceptance of risk, long term orientation, opportunities and favourable institutions providing incentives. Jones (1975) underlined that economic growth could not appear without the intermediation of entrepreneurship which is responsible for connecting demand and supply. Moreover, entrepreneurs are responsible for the creation of new markets, as well as introducing innovation which is responsible for technological advancement. Shane and Venkataraman (2000) as well as Stevenson & Harmeling (1990) say that the discovery of entrepreneurial opportunities as well as the decision to exploit entrepreneurial

opportunities are generated by the initiative of individuals driven by the intention to obtain economic advantage, which is the payment of the market for the entrepreneur for his intermediation function.

It is important to understand the psychological fundament of entrepreneurship. Espiritu-Olmos and Sastre-Castillo (2015) concluded that there is a strong relation between personal traits and entrepreneurship, some of the most important being internal control, need for achievement, kindness, tolerance of ambiguity, tolerance for risk and extroversion. Namely the persons having these characteristics are more likely to undertake business activities. McClelland & Burnham (2008) highlight that entrepreneurship, in order to be successful, needs to be established on effective management characterised by consistent sense of responsibility, organizational clarity and efficient team spirit. Namely, managers are the successful entrepreneurs who stabilise and exploit business opportunities favouring societal and economic development. They sacrifice self-interest for the welfare of the organization and its operational and strategic purposes. Reynolds (1992) underlines that entrepreneurship has an important role for socio-economic development and by permitting individuals to benefit from their intermediation function realising their potential and competences connecting people and satisfying their needs. It should be considered also that entrepreneurial success presupposes trust among market participants since it is the fundament for building long run relations (Rotter, 1967). Goethner et al (2012) point that entrepreneurship at the level of psychology is influenced by the following determinants including social norms, accepted attitudes, on which the human and social capital is based, as well as expected benefits from performing activities.

METHODOLOGY

The dependent variable reflecting entrepreneurial competitiveness of the Eastern European countries is new business density (new registrations per 1,000 people ages 15-64). New business density (hereafter NBD) directly shows the number of new registered firms within the economy, higher rates of this indicator marking that the business environment is favourable and the competition among entrepreneurs is growing. Favourable dynamics of NBD show that the economy is healthy it assuring enough opportunities for the business sector. Growing business density is a sign of stronger and increasing business competitiveness as new companies enter the market, the economy enhancing its growth potential. The present research has chosen 9 independent variables which will complete the analysis of entrepreneurial competitiveness of the Eastern European countries. First independent variable determining the strength of the business sector is the market size (hereafter MS). The larger is the market the higher are the domestic business opportunities, thus, larger economies can develop more complex and advanced entrepreneurship due to wider resources and opportunities availability. Another determinant of entrepreneurial competitiveness is higher education and training (hereafter HT) which influences the availability of the human capital within the economy assuring it with necessary skills, abilities and knowledge. The goods market efficiency (GME) is further considered which shows the efficiency of the allocation of each factor of production, thus, determining businesses to produce and sell at lowest prices. It also defines the efficiency of market competition and characterises the rapidity to which information influence the prices. Another determinant is labour market efficiency (LME) defining the level to which workers can find the right jobs for their available training and knowledge. It also determines the overall impact of existing incentives both for employers and workers to develop human capital and report the highest productivity. Simultaneously, labour market efficiency marks the level of its flexibility pointing the easiness to

which to individuals could shift from inefficient firms and orient towards more profitable ones. Financial market development (FMD) is further analysed. FMD is a key component of the economic systems, acting as a platform enabling the allocation of financial resources toward most profitable and productive areas of economic activity. It defines, therefore, the efficiency of intermediation, having proper depth and breadth, providing a wide range of financial instruments to fund business activities, reduce risks, provide investments, assuring the economy with necessary liquidities fostering entrepreneurial activities. The sixth factor is the overall macroeconomic environment (ME) which determines the trends in income, inflationary patterns, employment, spending priorities, monetary and fiscal policies. It characterises the extent to which governmental macroeconomic policies stimulate the activity of the private sector. The seventh factor acting as an entrepreneurial performance enhancer is innovation (IN) which fosters competition and its complexity. The proper innovation capacity of the nations defines the existing intensity of investments and efficiency in the research and development of new technologies, products, processes driving economic development and progress. The eighth factor acting as a business competition amplifier and stimulating its complexity growth is business sophistication (BS). It is a sign of an innovation-driven economy marking the efficiency of business networks, as well as, it shows the quality of operations and strategies of the existing business environment. Finally, it is considered log GDP per capita (Inc.) marking the overall income of the population and the overall wealth of the country which certainly determines the strength of the business sector and, respective, entrepreneurial competitiveness level. Afterwards, it is calculated the descriptive statistics of the dataset. The summary statistics will permit to better understand the data sample and form a basis of the initial description. Afterwards, it is analysed the Pearson's correlation coefficients among the variables to show the extent to which the indicators are linearly associated. To identify the extent to which the model build is relevant, a multi-linear regression analysis is performed between the NBD, which is the dependent variable, and the examined independent variables i.e. MS, HT, GME, LME, FMD, ME, IN, BS and Log GDP. The Kaiser-Meyer-Olkin test is performed to analyse the proportion of variance in the variables that might be determined by underlying factors as well as Bartlett's test of sphericity to prove that the variables are unrelated and therefore unsuitable for structure detection. In this way, it can be identified where the dataset is adequate and the regressions are relevant. It is important to underline that the econometric analyses considered the period of 2010-2018 for all calculations.

The present study has the following research hypotheses: first, the entrepreneurial competitiveness of the Eastern European countries is directly linked to all selected determinants. Secondly, more competitive states in terms of entrepreneurship are more developed. Thirdly, the EU integrated Eastern European states are more advanced in terms entrepreneurial competitiveness as compared to the rest of the nations. Finally, the Republic of Moldova is the Eastern European nations with the least competitive entrepreneurship and business.

RESULTS

A core component of entrepreneurial competitiveness is the availability of entrepreneurs, self-driven individuals which act as intermediaries leading economy towards steady equilibrium. Based on the information provided in table 1, it can be underlined that the Republic of Moldova is the fifth least competitive country in the region in terms of creation of new business entities. The results reached equal 1.82 enterprises per 1000 people or 182 new enterprises per 100 000 people. This rate is higher than in Armenia, Ukraine, Azerbaijan. Nevertheless, generation of entrepreneurial force in

the Republic of Moldova is much less active as compared to Estonia, Bulgaria or Georgia, nations in which are created 21.01, 10.92 and respectively 8.93 enterprises to 1000 people, while in the neighbouring country i.e. Romania this rate reaches 5.64. It should be underlined that the dynamics of new registrations in the Republic of Moldova is decreasing the fact which underlines the idea that the business environment is discouraged by weak institutional and regulatory framework as well as by high rates of emigration. Thus, it can be observed that the Republic of Moldova at the beginning of the researched period had levels similar to Georgia, the Czech Republic, and Lithuania, yet, government ineffectiveness, lack of proper reforms and unfavourable business environment demotivated population, the rate of new business registrations decreasing in dynamics.

Table 1. New business density, new registrations per 1,000 people ages 15-64

	2006	2007	2010	2011	2012	2013	2014	2015	2016	2017
Estonia	13.13	12.69	12.93	16.52	16.93	18.04	17.51	18.95	20.76	21.01
Bulgaria	7.22	7.44	6.47	7.98	9.03	8.96	8.96	9.84	10.89	10.92
Georgia	2.07	2.67	3.75	4.59	4.89	5.85	5.80	7.22	8.37	8.93
Latvia	7.21	7.73	7.88	12.18	11.63	11.45	10.55	9.66	8.04	7.57
Romania	6.16	6.80	3.45	4.39	4.12	4.33	4.07	4.84	5.61	5.64
Czech R.	2.24	2.85	3.03	2.89	2.96	3.09	3.42	3.70	3.98	4.23
Slovakia	3.48	4.11	4.45	4.86	5.11	5.59	3.10	2.71	4.70	3.13
Hungary	3.17	3.95	6.45	7.64	4.75	4.18	3.66	3.16	3.38	2.70
Lithuania	2.28	2.83	2.86	3.71	5.31	3.94	4.19	3.19	3.33	2.58
Poland	0.49	0.51	0.66	0.70	0.90	1.10	1.13	1.52	1.66	1.85
Moldova	2.07	2.38	1.61	1.75	1.73	1.75	1.92	1.80	1.75	1.82
Armenia	1.23	1.63	1.24	1.30	1.54	1.54	1.55	1.72	1.74	1.79
Ukraine	0.95	1.17	0.98	1.07	0.92	1.10	1.05	1.21	1.54	1.57
Azer.	0.60	0.90	0.55	0.63	0.69	1.05	0.98	0.75	1.03	1.01

Source: The World Bank Group, New business density, retrieved from data.worldbank.org on January, 22nd, 2019

Another important determinant of entrepreneurial competitiveness is market size on which business activate since it is directly linked to the number of available opportunities within the economy. Based on the information provided in table 2, it can be highlighted that the Republic of Moldova is the smallest market in the region registering the lowest score and one of the smallest in the world being ranked on 120th position. Similar sizes of the domestic market are characteristic for Armenia, Georgia and Estonia. The strongest market in the region is Poland, being 21st largest in the world, followed by Romania, the Czech Republic and Ukraine. The Republic of Moldova is located between two of the largest markets in the region the fact which reduces its potential in attracting investments since larger markets can be advantageous because of the economies of scale, thus, being more profitable. In this regard, the Republic of Moldova is less competitive for undertaking business activities as its small domestic market provides fewer opportunities as compared to the larger markets which can create substantially bigger incentives for generating and developing new activities and ideas. In the conditions when the country registers weak institutions and market mechanisms, one of the least efficient in the region, small market reduces entrepreneurial performance of the Republic of Moldova and, therefore, economic development.

Table 2. Competitiveness of countries in terms of market size, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Poland	21	5.08	19	5.12	19	5.12	21	5.13	21	5.17
Romania	43	4.41	43	4.41	45	4.44	42	4.53	41	4.61
Czech R.	42	4.47	40	4.51	42	4.49	46	4.43	46	4.49
Ukraine	38	4.53	38	4.60	38	4.58	47	4.40	47	4.49
Hungary	49	4.27	52	4.25	53	4.26	53	4.27	55	4.33
Slovakia	58	3.97	59	4.00	58	4.03	61	3.99	61	4.08
Azer.	76	3.46	76	3.51	72	3.66	63	3.89	63	3.97
Bulgaria	63	3.79	62	3.82	63	3.87	65	3.85	65	3.92
Lithuania	77	3.45	74	3.53	77	3.60	77	3.53	78	3.62
Latvia	95	3.04	91	3.11	95	3.20	96	3.15	92	3.24
Estonia	101	2.89	96	2.98	100	3.07	100	3.00	98	3.10
Georgia	107	2.80	99	2.87	103	2.98	101	3.00	100	3.09
Armenia	116	2.50	115	2.62	118	2.75	120	2.68	115	2.79
Moldova	121	2.40	121	2.51	124	2.60	124	2.56	120	2.68

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Another important dimension of entrepreneurial competitiveness serving as a fundament is competitiveness of higher education and training. Based on the information provided in table 3, it can be underlined that the Republic of Moldova is one of the least competitive countries in the region alongside with Georgia. Despite the fact that the score reported has increased within the period of 2010/11-2017/18, the ranking of the country has diminished, the fact underlining the idea that the world's dynamics, in general, has been more favourable. This situation demonstrates that the Republic of Moldova is meeting important challenge in terms of human capital availability which is a core component of the entrepreneurial competitiveness. The declining dynamics suggest that the state is not sufficiently investing into consolidating and enhancing the efficiency of the human capital the fact which reduce the economic potential of the nation through diminishing the fundament for productivity growth. The economic environment persisting in the Republic of Moldova is not demanding qualified individuals since both the private and public sector is allocating few investments. It can be underlined that in the Eastern Europe there are significant discrepancies in terms of higher education and training, Estonia, the Czech Republic, Lithuania as well as Ukraine being the leading forces which have the potential of attracting business investments both domestic and foreign requiring high quality human capital.

Table 3. Competitiveness of countries in terms of higher education and training, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Estonia	22	5.17	25	5.17	20	5.49	18	5.54	19	5.52
Czech R.	24	5.11	38	4.87	35	5.02	27	5.20	27	5.25
Lithuania	25	5.07	26	5.15	26	5.30	26	5.25	29	5.16

Ukraine	46	4.61	47	4.70	40	4.93	33	5.08	35	5.09
Poland	26	5.00	36	4.92	34	5.04	37	5.03	40	4.98
Latvia	35	4.81	42	4.78	31	5.13	39	5.01	42	4.95
Bulgaria	67	4.14	63	4.31	63	4.49	56	4.64	54	4.62
Slovakia	53	4.49	54	4.50	56	4.65	61	4.54	62	4.54
Azer.	77	3.96	89	3.91	90	3.90	78	4.16	68	4.46
Armenia	91	3.66	70	4.22	75	4.20	71	4.38	69	4.42
Romania	54	4.47	59	4.36	58	4.63	67	4.45	70	4.41
Hungary	34	4.81	49	4.67	52	4.68	72	4.36	73	4.33
Moldova	78	3.95	88	3.96	84	4.08	91	4.04	83	4.09
Georgia	90	3.74	93	3.82	92	3.89	89	4.06	87	4.02

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Table 4 offers information regarding the competitiveness of the Eastern European nations in terms of goods market efficiency. As it can be observed, the Republic of Moldova is the second least competitive country in the region, following Ukraine, ranking 97th globally. It should be underlined that this performance has consistently increased during the research period. This fact underlines the idea that the intensity of local competition in the country is much lower as compared to the rest of the nations, the market being exposed to the risk of domination of just few companies, thus, it can be concluded that anti-monopoly policy in the Republic of Moldova is inefficient. This fact acts a serious impediment for entrepreneurial competitiveness, unfair competition raising the risk and minimising the profit opportunities for new comers or for those not benefiting from political protection. The business environment in the Republic of Moldova is one of the most restrictive in the Eastern Europe imposing unfavourable conditions in terms of taxation, business operation procedures, and customs regulation. The states such as Estonia, Azerbaijan, Armenia, the Czech Republic and Lithuania are the most favourable in terms of goods market efficiency, registering much higher performances than Romania, Bulgaria and Hungary, besides and Ukraine and the Republic of Moldova. In these conditions, the market of Moldova tends to be not competitive in promoting both local and foreign investments the situation reducing its capability to grow.

Table 4. Competitiveness of countries in terms of goods market efficiency, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Estonia	29	4.71	31	4.73	26	4.89	20	5.06	21	5.09
Azer.	93	3.92	60	4.31	72	4.31	50	4.49	31	4.80
Armenia	113	3.72	72	4.22	64	4.37	45	4.59	35	4.70
Czech R.	35	4.58	41	4.53	50	4.53	36	4.67	38	4.66
Lithuania	73	4.12	56	4.36	47	4.57	39	4.64	44	4.57
Poland	45	4.38	51	4.39	51	4.49	47	4.57	45	4.55
Georgia	64	4.18	82	4.18	60	4.40	46	4.57	50	4.51
Slovakia	51	4.34	54	4.37	66	4.36	53	4.45	55	4.48
Latvia	72	4.13	47	4.42	36	4.67	49	4.52	59	4.42

Hungary	67	4.16	67	4.28	65	4.36	59	4.40	64	4.38
Bulgaria	82	4.00	83	4.17	63	4.37	57	4.41	69	4.32
Romania	76	4.08	113	3.86	89	4.18	80	4.22	92	4.14
Moldova	104	3.83	100	3.98	103	4.07	107	3.99	97	4.06
Ukraine	129	3.53	117	3.82	112	3.99	108	3.98	101	4.04

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Another important aspect of competitive entrepreneurial environment is the presence of efficient labour market. As it can be remarked in table 5, the Republic of Moldova is the country with the lowest performance in terms of labour market efficiency in the region, ranking 94th globally. The dynamics consistently declined within 2010/11-2017/18, during this period the country has lost 26 positions. This situation characterises unfavourable evolution of the productivity of human capital, less harmony being registered between workers and employers. The labour market in the Republic of Moldova is less flexible in allocating the human resources to most productive sectors. In this regard, it should be mentioned that the country’s labour market is overregulated, the promoted employment protection policies being detrimental to fostering the shifts towards more productive industries, thus, the state losing potential gains from higher productivity. Rigid labour markets as it the case of Moldova decrease the ability of the country to concentrate production capacities to emerging and dynamic sectors fostering the workforce’s capability to meet the requirements of the new high-tech sectors. The leading force in the Eastern Europe in terms of labour markets efficiency is Estonia, followed by Azerbaijan, the Czech Republic and Latvia. It should be noted that similar to Moldova countries i.e. Armenia and Georgia register also high levels of competitiveness in this area.

Table 5. Competitiveness of countries in terms of labour market efficiency, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Estonia	17	4.91	10	5.11	11	5.02	15	5.03	15	5.02
Azerbaijan	25	4.82	26	4.80	33	4.59	26	4.77	17	5.01
Czech R.	33	4.75	75	4.32	62	4.26	44	4.50	41	4.49
Latvia	52	4.58	27	4.78	17	4.82	34	4.57	43	4.47
Armenia	47	4.61	30	4.72	74	4.20	55	4.40	51	4.40
Georgia	31	4.75	35	4.67	41	4.49	43	4.51	53	4.39
Lithuania	48	4.61	65	4.41	53	4.33	59	4.37	61	4.33
Bulgaria	58	4.51	49	4.54	67	4.24	54	4.40	67	4.25
Hungary	62	4.46	79	4.27	75	4.17	80	4.13	71	4.21
Poland	53	4.58	57	4.48	79	4.14	79	4.13	78	4.14
Ukraine	54	4.54	62	4.44	80	4.12	73	4.23	86	4.01
Slovakia	40	4.66	86	4.20	97	3.95	93	3.98	87	4.01
Romania	76	4.32	104	4.01	90	4.04	88	4.04	89	3.97
Moldova	68	4.41	81	4.26	82	4.11	91	3.99	94	3.94

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Competitive entrepreneurial environments are based on efficient financial markets which insure effective transfer of financial resources to most productive sectors. As it can be remarked in table 6, the Republic of Moldova is the Eastern European country with the least efficient financial intermediation in the region ranking 124th globally. During 2010/11-2017/18 the performance of the state has considerably diminished, 21 positions being lost. These modest results reflect unfavourable mechanisms of establishing prices which do not consider all available public information. Also, they demonstrate that the Republic of Moldova register consistent irregularities on various markets which considerably increase the risks for entrepreneurs. At the same time, they demonstrate serious impediments in directing savings towards most profitable investments areas. Moreover, the modest performance is determined by reduced credit liquidity, equity transfers, insurance activity, and little availability of other financial products, situation raising operational risks for the business. Countries with similar results as those of the Republic of Moldova are Ukraine, and at a longer distance, Romania, Azerbaijan, and Armenia. Thus, one of the key pillars of efficient entrepreneurial environment i.e. availability of productive financial intermediation mechanisms is weakly represented in the Republic of Moldova. The business sector in this regard is less competitive as compared to the leading forces of the region including Estonia, the Czech Republic, Slovakia, Hungary and Poland.

Table 6. Competitiveness of countries in terms of financial market development, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Estonia	45	4.50	39	4.51	29	4.67	22	4.82	22	4.85
Czech R.	48	4.49	57	4.25	44	4.45	27	4.74	23	4.80
Slovakia	37	4.61	48	4.45	39	4.50	33	4.56	32	4.55
Hungary	68	4.16	72	4.05	73	3.93	70	3.97	45	4.31
Poland	32	4.66	37	4.59	35	4.60	46	4.24	53	4.17
Bulgaria	91	3.95	80	3.97	60	4.17	59	4.14	58	4.14
Lithuania	89	3.95	87	3.86	65	4.09	60	4.13	59	4.10
Georgia	108	3.62	93	3.79	76	3.90	58	4.16	63	4.06
Latvia	86	3.98	52	4.40	33	4.63	52	4.19	64	4.05
Armenia	110	3.60	78	3.97	97	3.71	90	3.68	78	3.88
Azer.	71	4.12	98	3.73	89	3.77	97	3.55	79	3.84
Romania	81	4.01	77	3.98	64	4.12	86	3.73	88	3.74
Ukraine	119	3.31	114	3.52	107	3.54	130	2.95	120	3.11
Moldova	103	3.68	104	3.65	100	3.70	129	2.96	124	3.08

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Stability of the macroeconomic environment not necessarily promotes direct economic development, yet, it is an imminent condition to motivate business people to foster their activity by raising investments in the sectors with the highest productivity. The Republic of Moldova registers one of the lowest macroeconomic performances in the region, slightly higher than in Ukraine and Armenia, ranking 81st globally. It should be observed that the result recorded are evolving positively in dynamics, nevertheless, they are still modest to as compared to 2014/15 (table 7). The modest

results registered by the Republic of Moldova demonstrate that its economic environment tends to be rather fluctuating in terms of fiscal policy and inflation, situation which negatively affects capital accumulation and productivity growth within the economy. It is important to remark that volatile economic environment increase the business risks and the associated costs, factors which raise the costs of incurring debt. In these circumstances, entrepreneurial competitiveness is diminished since it is minimised the willingness of firms and banks to expand activities. It should be remarked that the Czech Republic is one of the leading economies on the planet in terms of macroeconomic environment being ranked the 8th in this regard. At the same time, leading regional economies are Estonia, Latvia, Bulgaria and Lithuania. From these perspective, the macroeconomic environment in the Republic of Moldova is rather not attractive for both domestic and foreign investors, modest scoring decreasing the willingness of entrepreneurs in expanding their activities.

Table 7. Competitiveness of countries in terms of macroeconomic environment, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Czech R.	48	4.90	42	5.19	40	5.37	19	5.89	8	6.23
Estonia	19	5.40	20	6.01	20	6.00	12	6.13	15	6.07
Latvia	84	4.47	46	5.06	32	5.52	24	5.56	23	5.77
Bulgaria	42	5.00	31	5.42	36	5.45	42	5.21	25	5.72
Lithuania	71	4.56	75	4.57	42	5.35	34	5.44	29	5.61
Slovakia	32	5.20	54	4.87	45	5.23	37	5.28	35	5.40
Romania	78	4.50	58	4.83	46	5.20	28	5.53	38	5.25
Poland	61	4.70	72	4.60	63	4.77	45	5.14	41	5.20
Hungary	69	4.59	44	5.15	61	4.78	47	5.12	46	5.13
Georgia	130	3.26	88	4.40	48	5.14	40	5.24	48	5.10
Azerbaijan	13	5.62	18	6.05	9	6.41	39	5.24	65	4.80
Moldova	90	4.31	93	4.35	56	4.91	100	4.14	81	4.53
Armenia	99	4.23	83	4.50	77	4.62	88	4.31	101	4.13
Ukraine	132	3.20	90	4.40	105	4.14	128	3.17	121	3.52

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Despite of the fact that the Republic of Moldova has a relatively high level of technological readiness, the innovation performance of both the private and public sector is reduced, the country being positioned on the last place in the region and on 128th in the world. This fact underlines the idea that the state does not provide a sufficiently efficient free market with enough players and effective competition capable of motivating business sector to invest more funds into research and development to gain competitive advantages. It can be underlined that throughout the years the score and ranking of the Republic of Moldova have remained the same the situation underling the lack of governmental involvement in promoting efficient policies in this area. Georgia and Romania are the next weakest innovators in the Eastern Europe. It should be highlighted that Ukraine registers relatively high performance, this fact being justified by its wide industrial soviet inheritance which put the basis for present technological fundament. Estonia, Azerbaijan and the Czech Republic are the nations with the highest innovation efficiency in the region being ranked 30th, 33rd, and 36th globally (table 8). In

this conditions, the chances that the Republic of Moldova will develop an entrepreneurial environment oriented towards innovation are reduced since neither the government nor the private sector pay sufficient attention in terms of motivating determinants and investments.

Table 8. Competitiveness of countries in terms of innovation, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Estonia	37	3.68	30	3.93	30	3.95	28	4.05	30	4.04
Azerbaijan	61	3.16	46	3.45	59	3.33	44	3.63	33	4.00
Czech R.	27	3.92	34	3.81	39	3.67	37	3.78	36	3.87
Lithuania	51	3.38	43	3.51	44	3.62	39	3.75	41	3.73
Poland	54	3.31	63	3.25	72	3.26	60	3.39	59	3.40
Ukraine	63	3.11	71	3.16	81	3.16	52	3.44	61	3.37
Hungary	41	3.55	37	3.61	50	3.50	80	3.24	62	3.36
Slovakia	85	2.95	89	2.98	78	3.18	68	3.32	67	3.33
Bulgaria	92	2.91	92	2.98	105	2.94	65	3.36	68	3.32
Armenia	116	2.63	105	2.89	104	2.95	87	3.20	70	3.31
Latvia	77	3.02	64	3.25	70	3.27	64	3.36	83	3.22
Romania	87	2.94	102	2.92	66	3.28	93	3.14	96	3.08
Georgia	125	2.51	126	2.60	121	2.71	116	2.85	118	2.79
Moldova	129	2.49	135	2.40	131	2.53	133	2.51	128	2.64

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

The business sector in the Republic of Moldova has a basic development level registering the lowest sophistication and complexity in the Eastern Europe, and one of the lowest in the world since the country is ranked 120th globally. It should be underlined that the performance has significantly diminished within the period of 2010/11-2017/18, the country losing 7 positions despite of increasing scoring (table 9). This fact underlines the idea that the country is stagnating in the area of entrepreneurial competitiveness since the complexity of the business activities remain reduced. Accordingly, productivity and the value added generated is also reduced the situation causing minimisation of the growth potential and development. Business activity in the country is elementary this situation persisting in dynamics. This situation marks the insufficient governmental efforts in promoting efficient market mechanisms and competition capable of improving the complexity of the entrepreneurial activities. Business sector is not motivated in developing its capacities as the entrepreneurial environment is overregulated, and suppressed by extractive intervention of bureaucracy in its activities. Low business sophistication causes reduced entrepreneurial competitiveness, the authorities not undertaking any significant step towards improving the situation. The most competitive countries in this area are the Czech Republic, Azerbaijan, Estonia and Lithuania. At the same time, Ukraine, as a neighbouring country to Moldova, registers higher results, while Romania records a performance similar ours.

Table 9. Competitiveness of countries in terms of business sophistication, 2010/11-2017/18, rank and score

	10/11	10/11	12/13	12/13	14/15	14/15	16/17	16/17	17/18	17/18
Czech R.	34	4.47	35	4.45	35	4.46	32	4.49	30	4.61
Azerbaijan	72	3.84	69	3.91	80	3.86	60	4.02	40	4.44
Estonia	56	4.13	51	4.20	48	4.32	44	4.26	45	4.36
Lithuania	49	4.21	56	4.16	49	4.31	42	4.28	46	4.35
Slovakia	57	4.12	61	4.02	65	4.00	55	4.10	54	4.19
Poland	50	4.20	60	4.06	63	4.06	54	4.10	57	4.11
Latvia	80	3.73	71	3.89	61	4.09	58	4.06	62	4.07
Armenia	109	3.33	92	3.70	93	3.73	81	3.75	68	3.99
Bulgaria	95	3.52	97	3.62	105	3.61	79	3.78	79	3.82
Ukraine	100	3.48	91	3.70	99	3.66	98	3.62	90	3.72
Hungary	69	3.87	86	3.74	92	3.75	113	3.47	96	3.68
Georgia	111	3.29	113	3.40	113	3.49	102	3.60	99	3.67
Romania	93	3.55	110	3.47	90	3.77	104	3.56	116	3.47
Moldova	113	3.28	120	3.30	124	3.35	127	3.20	120	3.36

Source: World Economic Forum, The Global Competitiveness Report, editions 2010/11-2017/18, retrieved from www.weforum.org on January, 22nd, 2019

Table 10 provides information regarding the descriptive statistics of the dataset including market size (MS), higher education and training (HT), goods market efficiency (GME), labour market efficiency (LME), financial market development (FMD), macroeconomic environment (ME), innovation (IN), business sophistication (BS), Log GDP per capita (Inc.) and new business density (NBD). As it can be observed, on overall, the Eastern Europe has stronger positions in terms of macroeconomic environment as well as higher education and training. The data is more spread out in the following areas including the market size and macroeconomic environment, as well as income, yet the highest spread is in terms of new business density.

Table 10. Descriptive statistics of the dataset

	MS	HT	GME	LME	FMD	ME	IN	BS	Inc.	NBD
Mean	3.74	4.60	4.33	4.42	4.03	5.01	3.24	3.86	9.73	4.99
Standard Error	0.07	0.04	0.03	0.03	0.04	0.06	0.04	0.03	0.06	0.44
Median	3.84	4.61	4.36	4.41	3.99	5.03	3.25	3.84	9.94	3.56
Standard Deviation	0.77	0.47	0.29	0.29	0.43	0.68	0.41	0.35	0.59	4.65
Sample Variance	0.59	0.22	0.09	0.09	0.18	0.47	0.16	0.12	0.34	21.63
Kurtosis	-1.10	-1.01	0.21	-0.57	-0.25	0.51	-0.52	-0.94	-0.46	2.65
Skewness	0.02	-0.04	-0.11	0.35	-0.27	-0.39	-0.05	0.10	-0.86	1.70
Range	2.78	1.88	1.56	1.21	1.90	3.29	1.65	1.41	2.25	20.46
Minimum	2.40	3.66	3.53	3.90	2.95	3.12	2.40	3.20	8.25	0.55
Maximum	5.17	5.54	5.09	5.11	4.85	6.42	4.05	4.61	10.50	21.01
Count	112	112	112	112	112	112	112	112	112	112

Source: Own calculations

Based on the information presented in table 11, it can be underlined that the indicators are moderately inter-correlated since 23 calculated coefficients out of 50 are higher than 0.50. Nevertheless, in order to avoid the limitations of multi-collinearity, it has been undertaken a factor analysis to estimate the empirical model of the entrepreneurial competitiveness i.e. Kaiser-Meyer-Olkin measure of sampling and the Bartlett’s test of sphericity.

Table 11. Pearson’s correlation matrix of the indicators

	MS	HT	GME	LME	FMD	ME	IN	BS	Inc.	NBD
MS	1.00									
HT	0.37	1.00								
GME	-0.04	0.55	1.00							
LME	-0.39	0.14	0.38	1.00						
FMD	0.21	0.53	0.68	0.29	1.00					
ME	0.00	0.23	0.60	0.29	0.58	1.00				
IN	0.36	0.79	0.67	0.33	0.50	0.48	1.00			
BS	0.31	0.76	0.74	0.31	0.69	0.52	0.85	1.00		
Inc.	0.52	0.66	0.62	0.08	0.75	0.62	0.75	0.78	1.00	
NBD	-0.30	0.40	0.54	0.50	0.50	0.44	0.35	0.23	0.34	1.00

Source: Own calculations

Table 12 presents the model of estimation between NBD reflecting general entrepreneurial competitiveness of the Eastern European countries and other indicators determining entrepreneurship. As it can be noticed, the coefficient of determination is high reaching 0.80, the same observation could be made also for adjusted R square. The significance level F is 0.00, the fact marking the relevance of the model. The P-values of the dependent variables is significant for all cases, ranging between 0.00 and 0.01, except for innovation (IN) the value reaching 0.08, higher than 0.05. Nevertheless, it has been decided to make an exception and include the variable in the model since its P-value just slightly exceeds the admissible 0.05. Also, it has been decided to make this exception due to the fact that P-values of other variables are almost ideal and, therefore, this deviation will not diminish the relevance of the model on overall. By taking into account the information presented in table 12 it can be built the econometric model (1). Accordingly, it can be underlined that the entrepreneurial competitiveness is directly dependent on income or the level of GDP per capita, innovation, macroeconomic environment, financial market development, labour market efficiency, goods market efficiency and higher education and training. At the same time, it is surprisingly to find that the entrepreneurial competitiveness is inversely connected with the business sophistication and market size. Thus, in the case of the Eastern European countries business sophistication and market size is not always beneficial for entrepreneurial competitiveness.

Table 12. Multi-linear regression analysis between NBD and other indicators reflecting entrepreneurial competitiveness

Regression Statistics		ANOVA	df	SS	MS	F	Sig. F	
Multiple R	0.90							
R Square	0.80	Regress.	9	1930.03	214.45	46.48	0.00	
Adj. R	0.79	Residual	102	470.57	4.61			
SE	2.15	Total	111	2400.59				
Obs.	112							
	<i>Coeff.</i>	<i>SE</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>L. 95%</i>	<i>U. 95%</i>
Intercept	-44.43	7.57	-5.87	0.00	-59.44	-29.41	-59.44	-29.41
MS	-2.25	0.45	-5.01	0.00	-3.14	-1.36	-3.14	-1.36
HT	6.46	0.84	7.65	0.00	4.79	8.13	4.79	8.13
GME	3.48	1.38	2.52	0.01	0.74	6.22	0.74	6.22
LME	4.44	1.02	4.36	0.00	2.42	6.45	2.42	6.45
FMD	3.89	1.02	3.81	0.00	1.86	5.92	1.86	5.92
ME	1.24	0.48	2.59	0.01	0.29	2.19	0.29	2.19
IN	2.60	1.47	1.77	0.08	-0.31	5.51	-0.31	5.51
BS	-15.75	1.43	-11.03	0.00	-18.58	-12.92	-18.58	-12.92
Inc.	2.46	0.94	2.63	0.01	0.61	4.32	0.61	4.32

Source: Own calculations

Based on the model identified, it can be pointed the dependent variables which have the strongest favourable impact upon entrepreneurial competitiveness are: higher education and training, labour market efficiency, financial market development, and goods market efficiency. This situation is determined by the coefficients of the variables. It has been performed the Kaiser-Meyer-Olkin measure of sampling adequacy, the KMO measure reaching 0.86, the situation proving that the analysis provided reliable factors. Moreover, it has been performed the Bartlett's test of sphericity, the p-value of which being 0.000 the fact demonstrating that factor analysis is an appropriate method to apply.

$$(1) NBD=2.46Inc+2.60IN+1.24ME+3.89FMD+4.44LME+3.48GME+6.46HT-15.75BS-2.25MS-44.43$$

CONCLUSIONS

Certainly, entrepreneurial performance is a determinative factor of the economic competitiveness, this fact has been assessed not only at the level of the Republic of Moldova, but also in the cases of other Eastern European nations. It has been identified an explicit relation of dependence between the level of entrepreneurial competitiveness and other determinants of the business activity. It can be remarked a clear differentiation between the Eastern European economies which integrated in the European Union and those which are part of the Eastern Partnership initiative, the member of which is the Republic of Moldova. The competitiveness of the business sector of the Eastern Europe in the innovation driven sectors is modest. Lack of entrepreneurial competitiveness caused the business sector to stagnate. The unfavourable business environment is hindering entrepreneurial progress the situation minimising the growth potential of the states, especially, those which have not integrated in the EU. Unless an intensive entrepreneurial basis is developed, the economic competitiveness will be reduced. Development arrearage of the Eastern Partnership countries tends to increase in dynamics, the situation which weakens the ability of these states to progress in the future since underdeveloped economies are less likely to strengthen business competitiveness. Unless more radical reforms are promoted in the area of business sector

liberalisation, the country is set to confront with important economic challenges. The present study proposed the following research hypotheses: first, the entrepreneurial competitiveness of the Eastern European countries is directly linked to all selected determinants. Secondly, more competitive states in terms of entrepreneurship are more developed. Thirdly, the EU integrated Eastern European states are more advanced in terms entrepreneurial competitiveness as compared to the rest of the nations. Finally, the Republic of Moldova is the Eastern European nations with the least competitive entrepreneurship and business. It should be mentioned that the study accepts all formulated hypotheses, except the first. It has been found out that not all analysed determinants of entrepreneurial competitiveness have direct impact on entrepreneurship, in this regard I refer to business sophistication and market size.

REFERENCES

1. Baumol, W.J. (1968) ‘Entrepreneurship in Economic Theory’, *American Economic Review*, 58, Papers and Proceedings, p.64-71.
2. Baumol, W.J. (1990) ‘Entrepreneurship: Productive, Unproductive and Destructive’, *Journal of Political Economy*, 98 (5), Part 1, p.893-921.
3. Becker, G. S., 1993, *Human Capital, A Theoretical and Empirical Analysis with Special Reference to Education*, The University of Chicago Press, Chicago.
4. Cantillon, R. (1881). The Nationality of Political Economy. *Contemporary Review*, 61. Retrieved from <http://www.ecn.ulaval.ca/~pgon/hpe/documents/physiocratie/Jevons%20sur%20Cantillon.pdf> on January 2, 2019.
5. Cantillon, R. (2010). *Essay on Economic Theory*, An. Ludwig von Mises Institute. Auburn.
6. Carter, N. M., Stearns, T. M., Reynolds, P. D., & Miller, B. A. (1994). New venture strategies: Theory development with an empirical base. *Strategic Management Journal*, 15(1), 21-41.
7. Casson, M. (2001) *Information and Organisation: A New Perspective on the Theory of the Firm*, Oxford University Press.
8. Casson, M. (1982) *The Entrepreneur: An Economic Theory*, Martin Robertson, Oxford.
9. Drucker, P. (2014) *Innovation and Entrepreneurship*. Routledge, New York.
10. Drucker, P. (2006). *Classic Drucker: essential wisdom of Peter Drucker from the pages of Harvard Business Review*. Harvard Business Press. Boston.
11. Espiritu-Olmos, R., & Sastre-Castillo, M. A. (2015). Personality traits versus work values: Comparing psychological theories on entrepreneurial intention. *Journal of Business Research*, 68(7), 1595-1598.
12. Hayek, F.A. (1937) ‘Economics and Knowledge’, *Economica*, (New Series), 4 (13), p.33-54.
13. Jolink, A., (1996), *The Evolutionist Economics of L’eon Walras*, Routledge, London and New York.
14. Jones, H.G. (1975), *An Introduction to Modern Theories of Economic Growth*, Nelson, London.
15. Kirzner, I. M., (1973), *Competition and Entrepreneurship*, University of Chicago Press, Chicago.
16. Kirzner, I. M., (1999), Creativity and/or alertness: A reconsideration of the Schumpeterian entrepreneur, *Review of Austrian Economics*, Vol. 11, Kluwer Academic Publishers, pp. 5–17.
17. Knight, F. (1921) *Risk, Uncertainty and Profit*, Houghton Mifflin Co, Boston and New York.
18. Low, M., and MacMillan I. (1988). “Entrepreneurship: Past Research and Future Challenges,” *Journal of Management*, 14 (2), 139-161.
19. Marshall, A. (1890). *Principles of Economics*. 1 (First ed.). London: Macmillan.
20. McClelland, D. C., & Burnham, D. H. (2008). *Power is the great motivator*. Harvard Business Review Press. Retrieved from <https://hbr.org/2003/01/power-is-the-great-motivator> on January 2, 2019.
21. Mill, J. S. (1848), *Principles of Political Economy with Some of their Applications to Social Philosophy*, (1 ed.), London: John W. Parker.
22. Reynolds, P. D. (1992). Sociology and entrepreneurship: Concepts and contributions. *Entrepreneurship theory and practice*, 16(2), 47-70.
23. Rotter, J. B. (1967). A new scale for the measurement of interpersonal trust. *Journal of Personality*, 35(4), 651-665.
24. Schumpeter, J. (1939) *Business Cycles I-II*, New York: McGraw-Hill. New York.
25. Schumpeter, J. A. (1994). *Capitalism, Socialism and Democracy*. London: Routledge. ISBN 978-0-415-10762-4.
26. Schumpeter, J., (1983). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Translated by Redvers Opie. New Brunswick: Transaction Books.

27. Shane, S., and S. Venkataraman (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25 (1), 217-226.
28. Stevenson, H., & Harmeling, S. (1990), "Entrepreneurial Management's Need for a More "Chaotic" Theory", *Journal of Business Venturing*, 5 (1), 1-14.
29. Stevenson H.H., Jarillo J.C. (2007), A Paradigm of Entrepreneurship: Entrepreneurial Management. In: Cuervo Á., Ribeiro D., Roig S. (eds) *Entrepreneurship*. Springer, Berlin, Heidelberg. DOI https://doi.org/10.1007/978-3-540-48543-8_7
30. Suddaby, R., Bruton, G. D., & Si, S. X. (2015), Entrepreneurship through a qualitative lens: Insights on the construction and/or discovery of entrepreneurial opportunity. *Journal of Business venturing*, 30(1), 1-10.
31. Wennekers S., Thurik R. (1999), Linking entrepreneurship and economic growth. *Small Business Economics*, 13 (1), p. 27–55.
32. Drucker, P. F. (1993). *Innovation and entrepreneurship: practice and principles*. New York: Harper Business.
33. Ricketts, M. (2006), "Theories of entrepreneurship: Historical development and critical assessment," in Casson, M., Yeung, B., Basu, A., and Wadeson, W. (eds.), *The Oxford Handbook of Entrepreneurship*. Oxford (Oxford University Press), pp. 33–58.
34. Walker, D.A. (1986), "Walras's theory of the entrepreneur", *De Economist*, 134 (1), pp. 1-24.
35. Ebner, A. (2005). Entrepreneurship and economic development: From classical political economy to economic sociology. *Journal of Economic Studies*, 32(3), 256-274.
36. Menger, C. (1871) *Grundsätze der Volkswirtschaftslehre*, translated and edited (1950) as *Principles of Economics*, Free Press, Glencoe, IL.
37. Jevons, W.S. (1871) *The Theory of Political Economy*, Collison Black, R.D. (ed.) (1970) Penguin Books.
38. Hayek, F. 1948. *Individualism and Economic Order*. Chicago: University of Chicago Press.
39. Śledzik, K. (2013), *Schumpeter's View on Innovation and Entrepreneurship*. Management Trends in Theory and Practice, (ed.) Stefan Hittmar, Faculty of Management Science and Informatics, University of Zilina & Institute of Management by University of Zilina, 2013, ISBN 978-80-554-0736-4.
40. Goethner, M., Obschonka, M., Silbereisen, R. K., & Cantner, U. (2012). Scientists' transition to academic entrepreneurship: Economic and psychological determinants. *Journal of economic psychology*, 33(3), 628-641.