Abstract: Macedonia has experienced an increasing trend of GDP over the past decade. Although it has made significant progress in terms of its economic development, efforts are still needed to generate economic growth that will create jobs and improve living standards for all. This paper focuses on the entrepreneurial activity as a factor for economic growth in Macedonia by elaborating on the following issues:

- The impact of the entrepreneurial activity on economic growth
- Most important factors influencing entrepreneurial activity in Macedonia
- Options to improve economic development through entrepreneurial activity.

Literature review is the methodological approach used in this paper. It takes into consideration qualitative and quantitative data from different sources. The quantitative data is mostly taken from the 2015/2016 Global entrepreneurship monitor Report, as well as from the State Statistical Office of Macedonia, World Bank etc. The analysis shows that compared to the EU countries of the region, the entrepreneurial activity in Macedonia is on a satisfactory level. However, most of the entrepreneurs start their business because of necessity, which could be seen in the lack of available jobs. In addition, the businesses are not investing enough in innovation, which is a very important factor for their competitiveness. Even though the framework conditions for entrepreneurial activity are seen as favorable, there could be improvements in order to increase the level of innovation in the total entrepreneurial activity and the level of improvement as an important motive for an entrepreneurial activity, as opposed to the necessity.

The final conclusion is that entrepreneurial activity has a positive impact on the economic growth. Most important factors influencing entrepreneurial activity in Macedonia are: necessity as a result of the lack of employment opportunities, perceived opportunities and own capabilities, as well as the fear of failure. The influence of the society is also important seen in the status of the successful entrepreneurs in the society. The options to improve economic development through entrepreneurial activity can be seen in increased investments in innovation, which can be achieved through: Improved availability of finance for investments in innovation, stronger governmental policies stimulating innovation, greater emphasis on innovation taught as part of the formal and informal education.

Keywords: entrepreneurship; economic development; innovation; business.

1. INTRODUCTION

Macedonia has experienced an increasing trend of GDP over the past decade. The GDP real growth rate was steadily increasing during the period 2002 – 2008 averaging 4.3%, while is slowed down since 2009 to around 3%\textsuperscript{27}. The main drivers of growth since 2009 have been construction (supported by sizable public investments), industry (particularly manufacturing), and wholesale and retail trade. Although the country has made significant progress in terms of its economic development, efforts are still needed to generate economic growth that will create jobs and improve living standards for all. According to the World Bank, Macedonia’s real GDP growth would need to accelerate to around 4.5% for the living standards to converge with those of the new European Union member states within the next 20 years.\textsuperscript{28}

This paper focuses on the entrepreneurial activity as a factor for economic growth in Macedonia by elaborating on the following issues:

- The impact of the entrepreneurial activity on economic growth
- Most important factors influencing entrepreneurial activity in Macedonia
- Options to improve economic development through entrepreneurial activity

2. METHODOLOGY AND THEORETICAL REVIEW

Literature review is the methodological approach used in this paper. It takes into consideration qualitative and quantitative data from different sources. The quantitative data is mostly taken from the 2015/2016 Global entrepreneurship monitor Report, as well as from the State Statistical Office of Macedonia, World Bank etc. The


\textsuperscript{28} The World Bank http://www.worldbank.org/en/country/macedonia/overview
data is run through existing theoretical models in order to explore the case on Macedonia. Those models are reviewed below.

Different authors have different views on what makes an entrepreneur. Israel Meir Kirzner and Joseph Alois Schumpeter belong to the group of authors that define the entrepreneur using an economic approach. According to Schumpeter (1934), opportunities arise from the entrepreneur's internal ability to initiate changes in the economy. The entrepreneur is an innovator who disturbs the economic equilibrium during times of uncertainty, change, and technological upheaval. On the other hand, according to Kirzner (1973; 1997) individuals secure entrepreneurial profits due to the gaps in knowledge and information in the market. In this view, the entrepreneur is an alert person, discovering opportunities.

Meredith belongs to the group of authors that use the psychological approach in order to define the entrepreneur. Thus, he sees the entrepreneur to be self-confident, risk-taker, flexible, in need for success and independence.

A third group of authors use the socio-behavioral approach and believes that the dominant factor for entrepreneurial development is the influence of the context.

3. ANALYSIS

The positive relation between entrepreneurial activity and economic growth has been proven by different authors. Amaghouss and Ibourk (2012) confirm the positive impact of entrepreneurship on economic growth and show that the indicators used to measure entrepreneurship become more significant in the presence of a favorable institutional framework. Similarly, Kritikos (2014) states that entrepreneurial activities may influence a country’s economic performance by bringing new products, methods, and production processes to the market and by boosting productivity and competition.

Starting from the premise that entrepreneurial activity has a positive impact on the economic growth, it is interesting to see what is the entrepreneurial activity in Macedonia and what stimulates its performance. According to 2015/16 report of the Global Entrepreneurship Monitor, 6.1% of the population aged 18 – 64 in Macedonia is involved in an early-stage entrepreneurial activity, while 5.9% have established business ownership. Compared to the EU countries of the region the total early-stage entrepreneurial activity (TEA) does not differ much. For example, TEA in Slovenia equals 5.9%, while in Croatia 7.7%. Established business ownership rate in Slovenia is 4.2% and in Croatia 2.8% (Figure 1). Still, out of the 60 world countries observed in the GEM report with different level of economic development, Macedonia takes 52nd place in terms of total entrepreneurial activity.

32 Same as 3
Since entrepreneurship is expected to increase economic growth through innovation (Kritikos, 2014), it is worth to look at the level of innovation in the entrepreneurial businesses. In Macedonia only 17% of the total entrepreneurial activity is innovative, which is similar to Croatia (16.9%), but much higher in Slovenia (30.7%), as shown in Figure 2.

The conclusion here could be that even though the total entrepreneurial activity in Slovenia is lower, it is much more innovative, which would be an important factor for economic growth.

Using the economic approach in determining the entrepreneur as someone that discovers opportunities, it is interesting to see how Macedonian entrepreneurs start their businesses. According to the survey conducted by GEM36 more than half (52.1%) of total entrepreneurial activities in Macedonia are necessity-driven, and the situation with Croatia and Slovenia and quite different, with special accent to improvement driven motivation (Figure 3).

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36 Same as 9
If we take in consideration the psychological approach, based on the GEM (2016) we can conclude that Macedonians have psychological potential for entrepreneurial activity, which is similar to the one in Croatia and Slovenia (Figure 4).

In terms of the socio-behavioral approach, the survey conducted by GEM (2016) showed that entrepreneurship is seen as a good career choice in Macedonia (67.1% of the respondents), successful entrepreneurs receive high status in society (57.1% of the respondents), and they get media attention (71.1% of the respondents).

The entrepreneurial framework conditions in Macedonia seem pretty favorable, having in consideration that all of the factors are evaluated with an above-average grade (on a scale 1 – 7, 1 being highly insufficient, 9 highly sufficient), as shown in Figure 5.

![Figure 4 – Psychological approach to TEA, Source: GEM (2016)](image1)

![Figure 5 – Entrepreneurial framework conditions, Source: GEM (2016)](image2)
Still, it is obvious that improvements are needed, especially if we analyze the reasons for business exits. Namely, 22.7% of the business exits in Macedonia are result of unprofitable business, 27.6% of problems with finance, 26.3% of problems with bureaucracy.

4. DISCUSSION

Compared to the EU countries of the region, the entrepreneurial activity in Macedonia is on a satisfactory level. However, most of the entrepreneurs start their business because of necessity, which could be seen in the lack of available jobs. In addition, the businesses are not investing enough in innovation, which is a very important factor for their competitiveness. Even though the framework conditions for entrepreneurial activity are seen as favorable, there could be improvements in order to increase the level of innovation in the total entrepreneurial activity and the level of improvement as an important motive for an entrepreneurial activity, as opposed to the necessity. Those improvements could include:

- Improved availability of finance for investments in innovation
- Stronger governmental policies stimulating innovation
- Greater emphasis on innovation taught as part of the formal and informal education

These measures should be a joint effort of the public authorities, financial and educational institutions, as well as the private sector.

5. CONCLUSIONS

Entrepreneurial activity has a positive impact on the economic growth. Most important factors influencing entrepreneurial activity in Macedonia are: necessity as a result of the lack of employment opportunities, perceived opportunities and own capabilities, as well as the fear of failure. The influence of the society is also important seen in the status of the successful entrepreneurs in the society. The options to improve economic development through entrepreneurial activity can be seen in increased investments in innovation, which can be achieved through: Improved availability of finance for investments in innovation, stronger governmental policies stimulating innovation, greater emphasis on innovation taught as part of the formal and informal education.

REFERENCES