

# What Macroeconomic Factors Determines Growth in Micro, Small and Medium-Sized Firms in Europe: An Aggregated Panel Analysis

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## Abstract

Entrepreneurship is a process that provides businesses, mostly Micro, Small and Medium Enterprises (SMEs) the ability to discover and develop new innovations or ideas. SMEs are important because they contribute with employment to the Gross Domestic Product (GDP) of a region or country and the SMEs represent 99% of all businesses in the European Union (EU).

Literature on macro factors that can affect SMEs is quite recent. Although entrepreneurship scholars tend to agree which variables that are influencing SMEs, their empirical studies suggest different conclusions regarding the relative importance of each driver and at times to contrasting directions of influence.

In this study the determinants of entrepreneurship at aggregate level in Europe, distinguishing both the size and categories, have therefore been taken in consideration of exploring SMEs. The aim of this paper is to examine macro-level variables effect on SMEs in European Union (EU) 28 countries, from 2005 to 2018 in ten different sectors: Mining and quarrying; Manufacturing; Electricity, gas etc.; Water supply etc.; Transportation and storage; Accommodation and food service; Information and communication; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities. The macro-level independent variables are selected to fit Porter, Sachs and McCarthur's (2001) three stages and Thai and Turkina's (2014) macro-level classes: Economic opportunities, Resources and abilities and Quality of governance.

**Keywords:** Economic opportunities, entrepreneurship, regression, Resources and abilities, SMEs, Quality of governance