

Supply-Related Difficulties and Firms' Regional Density. Evidence from Romania

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Abstract

SMEs represent the vast majority of firms in all world economies, and their contribution to creating jobs, economic growth, innovation and technology, generating individual wealth and revenues for local and national administrations is remarkable. Nonetheless, many of these benefits that the society expects from SMEs are threatened by a series of difficulties, limitations and lack of support, restricting the role and potential of SMEs in solving the major problems of the economy and society. The aims of the present paper are to understand the connection between the most important supply-related difficulties, as reported by firms, and the density of SMEs in Romanian development regions, using a panel autoregressive distributed lag method. We discovered that difficulties about the access to resources and technology are the most important in the long run (leading to a decrease in density by 1 and 0.6 firms/1,000 active inhabitants per 1% increase in firms complaining of these difficulties), while an increase in firms complaining of difficulties regarding the access to qualified employees is associated with a higher density of firms in the long run (by 0.5/1,000 active inhabitants per 1%). The short-term relations are more complex, but weaker, at less than a quarter of the strength of the long-term effects, and vary significantly between regions.

Keywords: SMEs, difficulties, supply-side, Romania, panel data