

The Impact of Entrepreneurship on Economic Growth in Transitional Economies: An Empirical Study

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Abstract:

Entrepreneurship research has evolved significantly over the last three decades, and applied research has varied the impact of entrepreneurship on economic growth, which mainly uses standard methods to estimate models and interpret relationships, in this paper we attempt to study the impact of entrepreneurship on economic performance in economies in transition through the panel data model. The study period runs from 1996 to 2025. The sample study includes 23 countries. The results of the study showed a positive moral relationship between the rate of self-employment (entrepreneurship) and per capita GDP growth. The results also showed that economic institutions have an important role to play in stimulating entrepreneurial activity and thus increasing production.

Keywords: transitional economy; entrepreneurship; economic growth; panel data.

Résumé : La recherche sur l'entrepreneuriat a considérablement évolué au cours des trente dernières années. Les études appliquées ont exploré l'impact de l'entrepreneuriat sur la croissance économique, en utilisant principalement des méthodes standard pour estimer les modèles et interpréter les relations. Cet article examine l'impact de l'entrepreneuriat sur la performance économique des économies en transition à l'aide d'un modèle de données de panel. La période d'étude s'étend de 1996 à 2025 et l'échantillon comprend 23 pays. Les résultats montrent une corrélation positive entre le taux d'auto-emploi (entrepreneuriat) et la croissance du PIB par habitant. Ils indiquent également que les institutions économiques jouent un rôle important dans la stimulation de l'activité entrepreneuriale et, par conséquent, dans l'augmentation de la production.

Mots-clés : économie en transition ; entrepreneuriat ; croissance économique ; données de panel.

1. Introduction

The transition to a market economy from a centrally planned to a more market-oriented economic system requires radical changes in the social, economic and political spheres

according to criteria based on openness towards foreign trade, economic liberalization and the emergence of a new system based on public-private duplication. That the failure of many developing countries to achieve a real economic transformation has prompted decision makers and researchers to find new ways, Although entrepreneurship was not a new approach, it was also not a common approach in the era of structural adjustment and macroeconomic change, Entrepreneurship has contributed to economic development, unlike previous methods of economic development, most development strategies start from top to bottom, unlike entrepreneurship starting at the local and regional levels, New companies can start directly creating benefits, so entrepreneurship can be considered an ideal solution in achieving the economic development of society.

In fact, the transition to capitalism occurs when resources are reallocated in which the private sector (new companies) must be the main actor. The economic transition provides many opportunities for "low-level" entrepreneurs to move resources from low-productivity to high-productivity uses, where the creation and growth of new businesses are the core of the transition process(Estrin S. M., (2006)). One of the most important obstacles facing countries in transition is the need to develop the private business sector by encouraging entrepreneurship(Smallbone, (2001).). The following problem can therefore be posed:

What is the impact of entrepreneurship on economic performance in transitional economies?

In this paper, we will try to clarify the role and the importance of entrepreneurship in economic activity, particularly in countries in transition, by trying to build a standard econometric model for the impact of self-employment (Entrepreneurship) on GDP per capita growth during the period 1996-2025.

2. The impact of entrepreneurship on economic performance

Entrepreneurship is of great importance to policy makers in transitional economies because of its significant impact on economic development (job creation, contribution to national income), rural development, industrialization, technological development, export promotion)(Khaksar, (2011).). Solow concluded that the "technical change" resulting from the research and development of institutions is responsible for the majority of economic growth in The W.M.A. during the period 1909-1949, Fabricant also estimates that about 90% of the increase in per capita output in the United States between 1871 and 1951 was derived from technical advances(Cameron, (1996).), where more than 50% of the wealth created in developed countries use obtained or derived from innovation that was the result of research and development(Akinwale, (2012).). Successful economies are usually associated with effective innovation systems resulting from high levels of entrepreneurship, while vulnerable economies are those with failed innovation systems and lower levels of entrepreneurship(Huggins, (2015).)

(Romer, 2007.)emphasizes the role of entrepreneurship in economic growth and says that "economic growth occurs whenever individuals use resources in a valuable way by using the best methods, where Entrepreneurship is seen as a process that stimulates competition and innovation(Huggins, (2015).). According to Fritsch, M. (2013) there can be no doubt about the impact of entrepreneurship on growth by introducing innovations, increasing competitiveness, and creating new jobs (Fritsch, (2013).)

Schumpeter J. noted that entrepreneurs are mostly innovative individuals, bringing new goods and technologies to the market, opening markets, processes and new ideas and marketing new knowledge(Sharma, (2007).). According to Schumpeter, Entrepreneurship involves delivering all that is new, a dynamic process of wealth creation(Fuentelsaz, (2018).).

Several studies((Davis, (2011)); (Reedy, (2011).) indicated that the decline in the employment rate in the U.S. economy is mainly due to the low rate of startups (entrepreneurship). Millions of jobs in the world are created through the growth of new business creation, and startups seem to play a crucial role in innovative activity that also contributes to growth and productivity growth (including productivity growth within the company) (Davis, (2011)). Entrepreneurship is one of the major contributors to job creation and productivity growth(Decker, (2014).), fritsch, M. asserts that there is no doubt about the impact of entrepreneurship on growth through innovation, increased competitiveness and new job creation (Fritsch, (2013).).

3. The development of entrepreneurship in transitional economies

In a first-of-its-kind study, Audretsch, Belitski, and Cherkas (2021) developed and tested a model of multidimensional institutional arrangements at the city level. They used new data from 1,652 ecosystem actors across sixteen cities in nine developing and transition economies during 2018–2019 to examine the role of institutional context in facilitating productive entrepreneurship and reducing unproductive entrepreneurship. The study concluded that to promote productive entrepreneurship, the focus should be on establishing supportive institutional arrangements and government programs, expanding informal networks, fostering an entrepreneurial culture, increasing entrepreneurs' sustainability orientation, and strengthening the role of civil society.

(Radukić, (2019).), began from the basic premise that economic growth affects entrepreneurship development, by examining the correlation between the number of entrepreneurs and GDP in Serbia during the period 2005-2017. In analysing correlation, the study found a negative correlation between per capita GDP and the number of contractors, while the results showed that per capita GDP had a significant impact on the development of female entrepreneurship in Serbia.

(Nurmalia, (2018).), their research on the role of entrepreneurship in Indonesia's regional economic growth, using panel data in 33 Indonesian provinces during 2008-2013, showed a significant increase in the number of entrepreneurs from 22.7 million in 2006 to 26.7 million in 2016. The contribution of SMEs was 60.3% of GDP in 2016.

(Pilková, (2017).), examined the development of entrepreneurship in Slovakia after the transition to market economy, the results of the study indicated that entrepreneurship in Slovakia contributes to job creation, and it is an important source of sustainable economic growth as it achieves added value. The study also confirmed that the biggest challenge lies in promoting opportunity-based entrepreneurship, where entrepreneurs will need greater support from both formal and informal institutions, ranging from getting rid of administrative and tax burdens to education and training programs.

(Popescu, (2014).), in his study on entrepreneurship, SMe and Innovation in Romania, showed that entrepreneurship in Romania encourages innovation, with innovation activities in

SMEs tending to create new products by 37.21%, and then new management and marketing methods by 19.57%. Romanian SMEs' efforts to develop new technologies reached 16.54% and modernize information systems 7.60% , while 40.52% of all innovation activities are implemented within SMEs.

(Chen, (2014).) , analyses the relationship between entrepreneurship, economic growth and employment in Taiwan during the period from 1987 to 2012, using the rate of establishment of new enterprises to indicate entrepreneurship, real GDP growth rate and employment rate.

The results of the study showed that entrepreneurship not only stimulates economic growth, but also increases employment rates, and there is interaction and mutual impact between entrepreneurship and employment. The study concluded that the more stimulating environment for entrepreneurship activity, the more it will have a positive impact on economic development and on increasing the employment rate.

(Cravo, (2012).) , confirm that the government's policy of "social and economic development" is to promote the development of the economy and to promote the development of the economy. He adopted the following variables: economic growth, population growth rate, average years of study to determine the human capital of entrepreneurs, in addition to the proportion of SMEs in the total official workforce in the manufacturing sector.

The results of the study showed that SMEs are negatively associated with regional economic growth in Brazil, and that the human capital of SMEs has a limited positive impact on economic performance. This is due to the poor quality of enterprises that prevent SMEs from accessing effective performance.

(Baliamoune-Lutz, (2009).), attempted to discover the impact of institutional and policy reforms on the relationship between entrepreneurship and growth in 44 developing and transitional countries through Arellano-Bond GMM estimates during the period 1990-2002. The growth rate was used per capita income, and entrepreneurship was expressed in terms of the proportion of self-employed in total non-agricultural employment, as well as indicators of economic openness, private sector credit, domestic investment and the Global Index on International Risk to express institutional reform.

The results indicated that trade and financial reforms can reduce the effects of the growth of entrepreneurship activity, as the results showed a negative impact of trade and contracting reform on economic growth and the interaction between financial sector reform and contracting had a nonlinear effect on growth, as it had a positive impact at the beginning of the reforms. The study concluded that the growth of entrepreneurship is mainly based on already existing levels of entrepreneurship and on policy reform.

(Petrescu, (2016).) , examines the effects of different types of institutions (corruption, legal system, regulation, bureaucracy, investment and property rights) on the size and growth of companies, building a comprehensive measure based on these six types of institutions, concluded that increasing the quality of these institutions leads to increased partnerships and improved productivity. This confirms that the right institutions are a necessary step in the development of contracting in developing countries.

(Bogdan, (2018).)'s study on innovation and contract representatives in Romania found that Romanian entrepreneurs are forced to view instability as an opportunity and a crisis as a natural and sustainable way of life, which does not correspond to traditional western norms

because it exercises the rules of the game in a different social and economic matrix. In a small market, especially in cultural products, under the pressure of mass western production, the creative entrepreneur is above all a generator of innovative and unexpected ideas, someone who solves crises, someone who risks because he cannot calculate a situation unduly.

4. Measuring the impact of Entrepreneurship on Growth

The methodology of the study is the use of the Data Time Series Panel using three models: The Pooled Regression Model, the Fixed Effects Model (FEM) Random Effects Model (REM), and the Hausman test will be applied and used to choose between the FEM and THE REM.

4-1 Econometric study

Through this research article, we use the model proposed by (Saber, (2019).), (Bashir, (2011).),(Zhang, (2010).).

In the standard analysis, this study uses an integrated database (cross-section and time series) with 23 n-it units in 23 countries , At the same time, each it unit contains a series of time t-29 periods, covering the annual period from 1996 to 2025 , Thus, the number of views used in the analysis (txn) is 484, and in light of the sample used in the analysis, the function is written according to the basic version of the data stack as follows:

$$\text{GDP_PER_CAPITA}_{it} = \alpha_i + \beta_1 \text{selphit} + \beta_2 \text{buss_freit} + \beta_3 \text{d_pit} + \beta_4 \text{fin_freit} + \beta_5 \text{invest_freit} + \beta_6 \text{trad_freit} + \varepsilon_{it}$$

The following table shows the definition of the study's variables:

Table 1. Study variables

Code variable	Variable name	Study data sources	Period of study
GDP_PER_CAPITA	Per capita GDP	World Bank	1996-2025
BUSS_FREE	Freedom of Business	Freedom house	1996-2025
D_p	Property rights	Freedom house	1996-2025
FIN_FREE	Financial Freedom	Freedom house	1996-2025
INVEST_FREE	Freedom of investment	Freedom house	1996-2025
SELPH	Selph-employment	World Bank	1996-2025
TRAD_FREE	Free Trade	Freedom house	1996-2025

Table 2. Descriptive statistics of interpretive variables

	GDP_PER - CAPITA	BUSS_ FREE	D_P	FIN_ FREE	INVEST_ FREE	TRAD_ FREE	SELPH
Mean	7695.21	65.22	48.75	50.43	53.85	72.03	35.92
Median	5367.68	66.65	50.00	50.00	50.00	73.80	28.43
Maximum	35917.27	100.00	93.70	90.00	90.00	89.40	94.65
Minimum	337.05	35.50	10.00	10.00	15.00	13.20	6.08

Std. Dev.	6667.61	11.77	20.15	18.26	19.70	13.41	23.02
Observations	720	720	720	720	720	720	720

Source: Prepared by researchers based on test results using EViews 14

Sample countries: Algeria, Malaysia, Vietnam, Thailand, Indonesia, India, Pakistan, China, Nigeria, Belarus, Czech Republic, Estonia, Georgia, Croatia, Hungary, Lithuania, Poland, Romania, Russia, Turkey, Ukraine, Argentina, Brazil, Chile.

4-2 The link between interpretive variables:

Testing the correlation matrix between interpretive variables allows you to identify possible correlation pairs between these variables and thus make sure that the model is free of the most important problems that can occur when estimating the panel data model. Multiple link transactions are related to the decline of each independent variable for the rest of the interpretive variables calculated by using the different programs of the standard economy, and after relying on the EViews 14 software, we get the following table:

Table 3. Matrix link between variables

	PIB_H	SELF_EMPL	BUS_FR	D_P	TRA_FR	INV_FR	FIN_FR
GDP_CA	1						
SELF_EMPL	-0.59	1					
BUS_FR	0.38	-0.38	1				
D_P	0.37	-0.21	0.43	1			
TRA_FR	0.53	-0.49	0.42	0.27	1		
INV_FR	0.487	-0.29	0.507	0.488	0.369	1	
FIN_FR	0.52	-0.32	0.50	0.48	0.44	0.779	1

Source: Prepared by researchers based on test results using EViews 14

Through this table we note that the correlation matrix between these explanatory variables shows the following results:

- The self-employed index is negatively associated with all variables, especially with GDP per capita, Trade freedom and business free, where the correlation transactions obtained between the dependent variable and these interpretive variables are estimated at 0.59, 0.49, 0.44, respectively.
- There is a positive correlation between GDP per capita with the Trade Freedom Index and the Financial Freedom Index, so that the correlation factor is estimated at 0.53, 0.52, respectively.
- There is a strong positive correlation between the Freedom of Investment Index with the Financial Freedom Index and the Freedom of Business Index, with the correlation factor estimated at 0.779, 0.50. There is also a correlation between property rights index and freedom of investment, with an estimated 0.48 correlation factor.

Table 4. Results of LLC, IPS, and ADF-Fisher tests for the stability of panel variables

Variables		Test type			Decision
		ADF - Fisher Chisquare	Im, Pesaran and Shin W-stat	*Levin, Lin & Chu t	
GDP_PER_CAPITA	I(0)	7.7003 (1.0000)	10.4358 (1.0000)	5.6929 (1.0000)	I(1)
	I(1)	-17.4857 (0.0000)***	-16.0839 (0.0000)***	313.484 (0.0000)***	
BUSS_FREE	I(0)	-0.2726 (0.3925)	-0.8887 (0.1871)	51.4393 (0.3407)	I(1)
	I(1)	-21.5129 (0.0000)***	-21.6155 (0.0000)***	437.405 (0.0000)***	
D_p	I(0)	-1.0397 (0.1492)	-1.4180 (0.0781)	85.1948 (0.0008)***	I(1)
	I(1)	-21.1810 (0.0000)***	-19.9660 (0.0000)***	409.237 (0.0000)***	
FIN_FREE	I(0)	-2.7467 (0.0030)***	-5.5153 (0.0000)***	128.090 (0.0000)***	I(1)
	I(1)	-11.6440 (0.0000)	-21.0809 (0.0000)***	416.714 (0.0000)***	
INVEST_FREE	I(0)	-3.5108 (0.0002)***	-3.0294 (0.0012)***	83.4867 (0.0006)***	I(1)
	I(1)	-16.6156 (0.0000)***	-19.1002 (0.0000)***	376.769 (0.0000)***	
SELPH	I(0)	-4.1235 (0.0000)***	0.1805 (0.5716)	56.7868 (0.1803)	I(1)
	I(1)	-12.6973 (0.0000)***	-14.0535 (0.0000)***	270.059 (0.0000)***	
TRAD_FREE	I(0)	-9.4793 (0.0000)***	-6.4347 (0.0000)***	135.756 (0.0000)***	I(1)
	I(1)	-22.9083 (0.0000)***	-22.9619 (0.0000)***	461.294 (0.0000)***	

Source: Prepared by researchers based on test results using Eviews 14

Obs: *, **, ***, represents the statistical value of t statistic, This means that the index is moral at 10%, 5% or 1% respectively.

The results shown in Table (03) indicate that all study variables are stationary at I (1), which allows us to apply the Panel Data method.

Table 5: Results of Pedroni's Integral and Simultaneous Relationships Test

Pedroni Residual Cointegration Test

Trend assumption: No deterministic trend

Alternative hypothesis: common AR coeffs. (within-dimension)

	<u>Statistic</u>	<u>Prob</u>	<u>Weighted Statistic</u>	<u>Prob</u>
Panel v-Statistic	-1.572235	0.9421	-2.445011	0.9928
Panel rho-Statistic	0.919670	0.8211	2.438989	0.9926
Panel PP-Statistic	-6.802724	0.0000	-4.469960	0.0000
Panel ADF-Statistic	0.065588	0.5261	0.065995	0.5263

Alternative hypothesis: individual AR coeffs. (between-dimension)

	<u>Statistic</u>	<u>Prob</u>
Group rho-Statistic	4.442760	1.0000
Group PP-Statistic	-2.160458	0.0154
Group ADF-Statistic	1.157893	0.8765

Source: Prepared by researchers based on test results using EViews 14

The results shown in Table (4) indicate the absence of cointegration relationships among the studied variables of the same order, represented by GDP per capita, business freedom, property rights, financial freedom, investment freedom, Self-employment, and free trade. This is observed through the ADF, PP, RHO, and V statistics, which show the rejection of the alternative hypothesis and the acceptance of the null hypothesis, thus indicating the absence of cointegration relationships within the individual components of the basket (Com. AR). Furthermore, the statistics for the ADF, PP, and RHO groups show no cointegration relationships among the individual differential basket components (Indiv.AR) of the first order, and the acceptance of the null hypothesis for one of Pedroni's seven statistics.

b. Model estimation: fixed effects or random effects.

This model is estimated either as a fixed-effects model or as a random-effects model to explain the relationship between the dependent variable Y and the other independent variables. The results are as follows.

Table 6. Estimating the model with fixed or random effects

Dependent variable: GDP_PER_CAPITA			
Period :N=30 T=22 1996-2025 Total panel observations:484			
Interpretive variables	Aggregation regression model	Fixed effects model	Random effects model
Constante	coff 738.63	coff 22960.01	coff 2411.667

	(tstatistic) 0.496813	(tstatistic)*** 7.555928	(tstatistic) 1.282359
BUSS_FREE	coff -66.23392	coff -69.83314	coff -57.05297
	-(tstatistic) *** 3.50447	-(tstatistic) *** 3.721046	-(tstatistic) *** 3.145296
D_p	coff 98.54590	coff 84.45711	coff 102.0971
	(tstatistic) * * * 7.519527	5.872101(tstatistic)***	(tstatistic) *** 7.551236
fin_free	coff 43.80589	coff -38.01633	coff -10.45674
	(tstatistic) *** 2.777637	-(tstatistic) * * 38.01633	-(tstatistic) 0.677326
invest_free	coff 18.87353	coff 6.195530	coff 11.25408
	(tstatistic) 1.275949	0.381038(tstatistic)	0.744717(tstatistic)
Selph	coff -111.5936	coff -11.64842	coff -155.6137
	-(tstatistic) *** 12.89795	-(tstatistic) *** 500.9049	-(tstatistic) *** 9.544649
Trad_free	coff 100.7246	coff 65.94483	coff 132.4207
	(tstatistic) *** 6.449169	(tstatistic) *** 3.591405	(tstatistic) *** 8.462397
Number of obs	720	720	720
R- squared	0.545	0.689	0.342
Adj R- squared	0.541	0.676	0.336

Source: Prepared by researchers based on test results using EViews 14

*, **, *** , represents the statistical value of t statistic, This means that the index is moral at 10%, 5% or 1% respectively.

Hausman test

Based on the previous stages and after integrating the individual effects in the model, it is necessary to examine the nature of this effect, so that the first phase of the analysis is to identify the type of effects used by the marker α_i whether to follow a random effect (error compound model) or determinant (fixed effects model), then:

The fixed effects model, which is considered to be a set of fixed boundaries per unit.

The random effects model, which is considered to be part of the compound random error component.

The Hussman test is used to find out which effects are m-ost appropriate for estimating the model, whether they are fixed effects model or random effect models in order to identify which of the two models should be selected and used in our study, the nullity hypothesis takes the following form:

$$H_0 : E(\alpha_i / X_i) = 0$$

$$H_1 : E(\alpha_i / X_i) \neq 0$$

So this represents:

H0 : Is the nullity hypothesis when the random effects model is appropriate, in which case the generalized micro-square method is invoked “GLS”.

H1: This is the alternative hypothesis when the fixed effects model is appropriate, in which case the normal micro-square method is invoked “OLS”.

The Hausman test will therefore initially be carried out to determine the appropriate model for this study. The following table shows the results obtained through this test based on the EViews software:

Table 7. Hausmann Test Results

Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	103.5546	6	0.0000

Source: Prepared by researchers based on test results using EViews 10

Using the Hausman test result, we note that the test is statistically D at 0.05, with the probability value of the test (0.0000) indicating that the fixed effects model is the most appropriate model for study data.

Results of the study

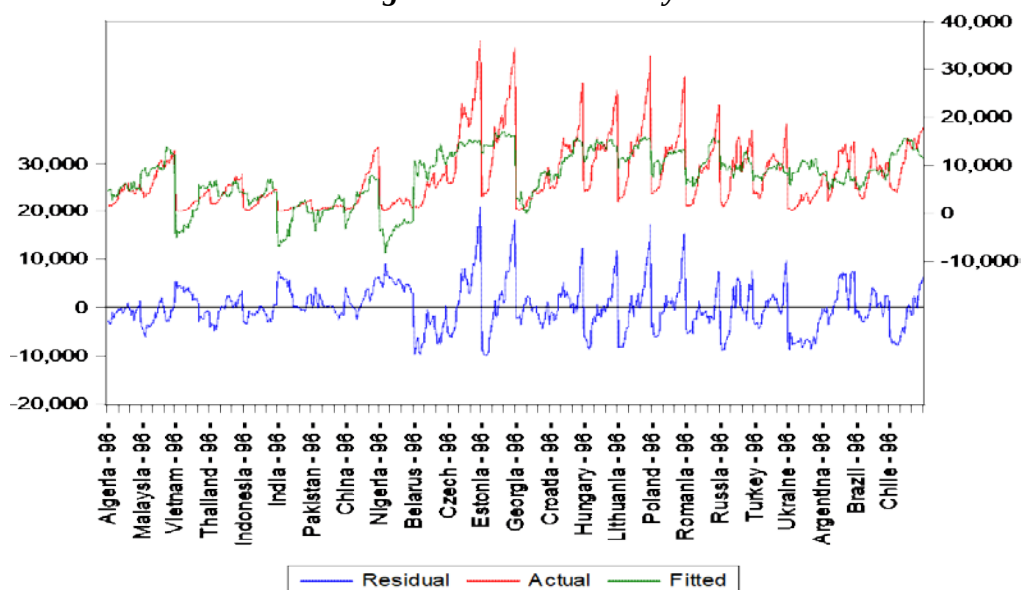
Interpret the most appropriate model results (fixed effects model)

After the results of the Hausman tests, we will assess the parameters of the model using the fixed effects model using the normal micro-square method based on EViews.14.

Therefore, the study model is as follows:

$$\text{GDP_PER_CAPITA} = 2411.66708542 - 155.613674764 * \text{SELF_EMPLOYED} + 132.420744667 * \text{TRA_FR} - 57.0529736818 * \text{BUS_FR} + 102.097102349 * \text{D_P} - 10.4567441967 * \text{FIN_FR} + 11.2540791267 * \text{INV_FR} + [\text{CX}=\text{R}]$$

Figure 1. Model stability



The previous form indicates the stability and validity of the estimated form, which is shown by matching current and estimated values with a small area of random errors.

Interpreting the results

Statistical analysis is based on economic measurement tools, such as model quality tests by comparing statistical results with economic theory and verifying whether they are compatible or contradicted. It is clear from the results of the model that there is a very strong relationship between the dependent variable and the interpreted variables, which translates into the correlation coefficient (R^2 : R-squared) approaching 1. We also note the signifier of the model through the statistical value of F.

The results of the study revealed a negative and moral impact of contracting expressed by self-employment on GDP per capita, the study (Van Stel, (2005).) showed a negative relationship between contraction and GDP growth in developing countries. And in the same direction. The studies of (Almodóvar-González, (2020).) and (Liñán, (2014).) noticed the presence of variable effects of contraction on economic growth in developed economies has a positive impact and, in middle- and low-income economies, it has a negative impact.

Developing countries and transition economies often possess a weak regulatory institutional pillar, which diminishes the overall efficacy of the entrepreneurial ecosystem and fosters unproductive entrepreneurship. This deficiency stems from several interrelated factors: (a) the collapse or dissolution of pre-existing institutions following independence, armed conflict, or regime change; (b) an inefficient regulatory framework exacerbated by pervasive corruption and severe political or economic instability, particularly during governance transitions; and (c) weaknesses within the normative institutional pillar, including the lack of strong governmental traditions, underdeveloped civil society, restricted political and economic freedoms, and high corruption levels—all of which further channel entrepreneurial activity into unproductive avenues (Audretsch, Belitski, & Cherkas, 2021).

This can be justified in developing countries that do not benefit from entrepreneurial activity, since in these countries, self-employment often tends to be traditional simple activities and is to avoid unemployment, where entrepreneurial activity exists out of necessity and there are no incentive policies for entrepreneurial based on innovation.

It is clear from the statistical results that economic institutions (freedom of investment, financial freedom, freedom of trade, property rights) have a significant and positive moral impact on GDP per capita, which is consistent with many studies (Nyström, (2008).), (Dang, (March 1, 2009).), Experimental results show that reducing the size of the public sector, a better legal structure, securing property rights, as well as reducing laws or regulations on credit, labor and business leads to increase in initiative and enterprise.

Economic factors play an important role in stimulating and increasing per capita, as the positive and moral impact of investment freedom on economic growth is 5%, i.e.

There is a direct relationship between investment freedom and per capita GDP. It is clear that investment is an important factor in increasing per capita income, as investment increases productivity in the economy and this result is consistent with the study (Bengoa, (2003).)

Having a positive and moral impact of free trade, the latter leads to increase production revenues; which in turn will increase capital investment and then production within the economy thus increasing per capita income.

One of the most famous studies that has provided clear evidence of the positive effects of trade liberalization on growth in developing countries is (Dollar, (2003)).

5. Conclusions

The transition from an economic system oriented to a capitalist system has provided new opportunities for entrepreneurs to create new business. The creation and growth of new projects is at the heart core of the transition, and the change in the economic system occurs when resources are reallocated in which entrepreneurship (private sector) must be the main player.

(McMillan, (2002).) concluded that transition is not only a matter of policy development and adoption, but that the success or failure of the transition economy depends heavily on the performance of entrepreneurs by creating jobs, providing consumer goods, reducing the market power of public institutions, creating a dynamic of reform and achieving well-being.

Institutional development and capacity building are a prerequisite for developing contracting for countries in transition, as policies and institutions directly affect entrepreneurs. The state has an important role to play in promoting entrepreneurship by removing barriers, creating a business-friendly environment and contributing to the development of market institutions that play an important role in this environment, as well as developing effective innovation systems (such as innovation centres, technology parks and science parks) that will help stimulate entrepreneurial activity.

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