

## **The possible effects of FDI companies on the regional entrepreneurial activity**

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Entrepreneurship is widely believed to be an essential driver of economic development, employment, and productivity growth at the national and regional levels. Several studies proved that new firms positively affect economic development; however, the magnitude of the impact varies significantly over regions (Acs – Varga 2005; Acs – Szerb 2007; Fritsch – Müller 2004, 2008). The context has an important role, as it regulates the quality and outcome of the entrepreneurial activity (Acs et al. 2014, Szerb et al., 2019). New entry firms result from the interaction between individual attributes and the context (Stam 2010, 2015). Entrepreneurial behaviour and attitudes, together with the context, could lead to an increased level of new startups (Welter 2011, Zahra et al. 2014).

FDI has essential contributions to economic development and the domestic stock of new knowledge and regional R&D (Varga – Schalk, 2004). However, its effect on entrepreneurship is somewhat ambiguous. On the one hand, FDI has a positive impact on entrepreneurial activity through the context (Kim – Li 2014), increasing demand (Ayyagari – Kosová 2010), and knowledge spillovers as they might bring the latest technology to the host country/region (Acs et al. 2007; Kosová, 2010; Bisztray, 2016). But on the other hand, the presence of FDI may crowd out local firms from the local markets (De Backer – Sleuwagen 2003; Kosová 2010), attract scarce local resources from domestic firms (Danakol et al. 2017) and influence the level of competition and wages (Abolhassani – Danakol 2019). Previous studies revealed a somewhat positive effect of FDI on the entry of new firms in the Czech Republic (Ayyagari – Kosová 2010; Kosová 2010) and the Visegrad countries (Wach – Wojciechowski 2016), but the extent of this effect was varying among the nations. Pavlinek and Zizalova (2014) found a low share of domestic suppliers in the total supplies of Czech-based foreign firms and diverse spillover effects from foreign to domestic firms. Domestic firms vary in their capabilities and absorptive capacity, which, along with the particular nature of the contemporary automotive value chain, significantly influence their ability and potential to benefit from linkages and spillovers.

Examining the effect of FDI companies on firm entry is an emerging field within entrepreneurship literature. This study contributes to this field by investigating how the presence of FDI influences entrepreneurial activity in Hungarian agglomeration areas. Building on a panel dataset of Hungarian firms provided by the Databank of the Centre for Economic and Regional Studies, the paper analyses whether the effects of the presence of FDI companies on firm entries is negative or positive. In the frame of this investigation, we attempt to reveal both the cross-sectional (region, industry) impacts and the time effects.