

## **Innovation Companies led GDP Growth in Slovenia and Croatia: Granger Causality Approach**

**Violeta Sugar**

Juraj Dobrila University of Pula, Faculty of Economics and Tourism "Dr. Mijo Mirković", Croatia  
*vsugar@unipu.hr*

**Stefan Bojnec**

University of Primorska, Faculty of Management, Slovenia  
*stefan.bojnec@fm-kp.si*

**Sergej Gricar**

Novo mesto School of Business and Management, Slovenia  
*sergej.gricar@guest.arnes.si*

This abstract of the following paper is a fundamental research at the micro and macroeconomic level, using modern research methods, starting with the basic factor analysis. Research is focused on two countries, e.g. Slovenia and Croatia that emerged from the common economic and political space and we would analyse the comparison between them. Slovenia joined the European Union (EU) in 2004 and Croatia in 2013. In order to realize the advantages and disadvantages of joining the EU in the field of business factors in each country we are studying which factors affect small businesses in each country. After all it is analysed and studied the impact of EU membership and the impact of membership in the European Monetary Union (EMU) with the acquisition to the common currency euro.

In our research we are applying modern researching methods started from the factor analysis and simple regression analysis. Using these methods, we get the results for both countries, which are compared to each other. First, we examine the economy of Croatia and the factors affecting growth of small businesses. Secondly, we examine the Slovenian economy and factors on the growth of small businesses. Slovenia is part of the EU and has adopted euro as its national currency since 2007. The two countries, Slovenia and Croatia, have faced an economic crisis during the last few years. By comparing the findings of both countries we get an answer to the general question of performances and their factors for small businesses. Further emphasis are on cooperation between academy and industry and between two small open economies. It is also examine the impact of the degree of integration with the EU on the movement of small enterprises in each country. From the previous studies and observations funds from grants and other grant sources for small enterprises do not invest in innovation and business productivity, as confirmed by the recent publication of the European Commission published May 2015. In that sense the empirical part of the research is tested by two hypotheses (H): H1: The rate of growth of small businesses is not substantially different between the two countries. H2: The rate of growth of small businesses is positively associated with subsidies for small businesses.

We are using monthly data from national statistical offices of Croatia and Slovenia, the national business associations and from Eurostat for the period from 2000 to 2016. In the empirical study, we use variables, namely the number and amount of grants, newly opened small businesses, and small businesses exits or failures; Annual turnover and number of employees in SMEs. We are presenting a modern approach to the analysis of small business using factor analysis and even further regression analysis.

*Keywords:* dynamics of entrepreneurship, subsidies, small entrepreneurship