Year: 2013
Volume: 58
Issue: 3

STUDIA
Universitatis Babes-Bolyai
OECONOMICA

HOW FOREIGN PARTICIPATION IMPACT COMPANIES' PERFORMANCE: EMPIRICAL EVIDENCE FROM ROMANIA

Simona-Gabriela MASCA[*]
Babeș-Bolyai University, Romania

Maria CIUPAC-ULICI
Babeș-Bolyai University, Romania

Abstract: Romania, as other emerging countries, was caught in the "euphoria" of foreign capital as main engine of growth. The economic growth registered from 2003 to 2008 has been put on account of foreign capital. In theory, the perception on FDI role in development process is mixed, proceeding alternatively from an optimist approach to a pessimist one, and arriving recently to a more nuanced understanding of FDI impact. The empirical studies realized on CEECs samples found, at their best, a FDI contribution through capital accumulation, while technological transfer through FDI does not constitute a valid channel for economic growth. A descriptive and empirical analysis is performed over a sample of 96 firms from Romania, observed between 2003 and 2008. The paper's aim is to investigate the role of foreign investment in improving the performances of firms in Romania. The results show that foreign investment has a neutral impact for the production/productivity of the firm, a positive one being conditioned by R&D investments of the firm. The implications of our findings in terms of public policies are drawn at the end.

JEL classification: F21, F23, F43

Keywords: FDI, CEECs, economic growth, firms' production and productivity, panel econometrics

[*] Corresponding author. Address: Teodor Mihali str, no.58-60, 400591, Cluj-Napoca, Romania, Tel: +40 264 418 654, E-mail: simona.masca@econ.ubbcluj.ro