

HOW DOES ENTREPRENEURSHIP IMPACT ON ECONOMIC DEVELOPMENT?

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Abstract. *It is often acknowledged that entrepreneurship is a major factor in economic growth and has a significant impact on how countries and communities evolve. Its importance stems from a myriad of factors that contribute to fostering innovation, creating jobs, generating wealth, and promoting sustainable growth. Innovation, job creation, wealth creation, regional growth, productivity increase, market competition, FDI attractiveness, and cultural and social advancement are all facilitated by entrepreneurship, which is a major force behind economic development. Around the world, entrepreneurship is a dynamic force driving economic progress. It embodies the spirit of innovation, risk-taking, and resource mobilization, driving economies forward through the creation of new businesses, products, and services. As economies evolve in an increasingly interconnected world, the role of entrepreneurship becomes ever more prominent in shaping growth trajectories, job creation, wealth distribution, and societal progress. Policymakers, corporate executives, and other stakeholders may create plans to support entrepreneurial ecosystems, lower entry barriers, and create an atmosphere that encourages innovation and expansion by acknowledging the significant influence of entrepreneurship on economic development. Embracing entrepreneurship as a cornerstone of economic policy enables nations to unlock their full potential, creating pathways to prosperity for present and future generations. The objective of this review study was to determine the impact of entrepreneurship on the economic development. To achieve the intended objectives, research and review articles were searched on the major databases including Scopus, Web of Science and ERIC by defining the inclusion and exclusion criteria. The inclusion criteria were to find the articles having the title impact of entrepreneurship on the economic development. Initially, 39 articles were found related to the topic. The duplicate records were also removed and after removing the duplicate articles, 30 articles remained. The articles based on abstract review, not relevant and not in English were also removed. After removing these articles, 22 articles were remained. The exclusion criteria were also set and only the articles were included that have full text access. So, finally 10 articles were finalized and included in the study. The articles finalized reviewed and the results of the study indicated that entrepreneurship has a positive effect of the economic development of a country.*

Keywords: *Economic Development, Entrepreneurship, Impact.*

1. INTRODUCTION

The entrepreneurial function has long been recognized as a crucial element of economic growth, and recent empirical research contends that historical theories that explain economic growth through capital accumulation and labor force expansion now fall short of implicitly explaining the production function, and the lessons gained from the experiences of the nation's support this perspective (Sajjad et al., 2020). Since it fosters innovation, employment, and welfare, entrepreneurship is currently seen as a key driver of economic growth. However, elements like the host nation's institutional framework and degree of economic development may distinguish the dynamics of entrepreneurship, leading to wide variations in how entrepreneurial activities are introduced across nations (Dhaliwal, 2016).

In neoclassical or exogenous growth theories, technological advancement is the exogenous driver of economic growth. The theories of the new economic growth or

endogenous growth models, on the other hand, contend that the accrediting of technologies and knowledge, which are viewed as factors inherent in the economic system, promotes economic growth. According to Romer's stock of human capital model, economic growth depends on it, hence nations with higher human capital stocks will see quicker economic growth (Ranjan, 2019).

Objective of the study

The objective of this study was to determine the impacts of entrepreneurship on economic development.

Research Question

This study was intended to find the answer of the question that how does entrepreneurship impact of economic development.

2. LITERATURE REVIEW

"Innovation" is one of the most often used terms in entrepreneurial literature. This has to do with technology, strategy, or business, but more significantly, it has to do with "social entrepreneurship," which addresses social, cultural, and environmental challenges in addition to profit-seeking (Achim et al., 2021). According to several research, the private sector creates innovation, but the public sector actually works against entrepreneurship (Jones & Sakong, 2020). Since social progress and economic growth rely on effective public sector organizations that provide high-quality services, the public sector is essentially one of the main forces behind entrepreneurship. The study demonstrated the flexibility and complexity of the relationship between innovation policy and the public sector (Lepojevic et al., 2016). Many factors, such as technological advancements, entrepreneurs' risk aversion or willingness to borrow money or capitalize their resources to finance their own business, changes in services or organizational and managerial structure, etc., can be used to explain the relationship between R&D expenditure and policies and the innovative economic environment. Since the public, private, and non-governmental sectors are all interconnected in the private public-social sector, there should be ongoing communication and exchanges between them in addition to innovation to boost entrepreneurship (Martínez-Fierro et al., 2016; Ghura et al., 2017).

Depending on an economy's industrial environment, material resources, and political system's receptiveness to the entrepreneurial role, entrepreneurship plays a different part in economic growth in each one. When opportunity conditions are favorable, entrepreneurs contribute more than when they are in economies with comparatively less favorable characteristics (Munyo & Veiga, 2024). From the perspective of opportunity circumstances, undeveloped areas are less favorable for the formation of creative entrepreneurs, especially because of a lack of funding, a shortage of trained labor, and the absence of minimal social and economic overheads. Entrepreneurship in these areas does not arise from an industrial background with established organizations to foster and promote it. Because of this, entrepreneurs in these areas could not be innovators but rather imitators who would replicate the inventions made by the creative entrepreneurs in industrialized areas (Vatavu et al., 2022).

3. RESEARCH METHODS

The previous published studies were taken to determine the impacts of entrepreneurship on the economic development. The key words impacts, entrepreneurship and economic development were searched on the major data bases search engines like Scopus and web of sciences by setting the inclusion and exclusion criteria. By setting the inclusion and exclusion criteria, 10 articles were finalized to review and includes their results in the current study.

4. RESULTS AND DISCUSSION

4.1 Promotes Capital Formation

Entrepreneurs mobilize the public's idle funds to support capital formation. They use both borrowed and their own resources to launch their businesses. Such entrepreneurial endeavors result in wealth creation and value addition, both of which are critical to the nation's industrial and economic growth.

4.2 Creates Large-Scale Employment Opportunities

Entrepreneurs immediately assist the unemployed, a chronic problem in emerging nations, in obtaining large-scale employment. An increasing number of small and large enterprises are opened by entrepreneurs, creating a multitude of employment opportunities for others. As these companies grow over time, many more individuals have access to direct and indirect employment opportunities. In this way, entrepreneurs play a vital role in the country's efforts to fight unemployment, which helps to create the conditions for economic growth. Rising unemployment, particularly among educated individuals, is a concern for the country. The current work possibilities are only able to service 5–10% of the unemployed. Entrepreneurs create jobs both directly and indirectly. Through their self-employment as business owners and the founding of several industrial facilities, they directly and indirectly employ millions of people. Thus, business is the best way to combat the evil of unemployment.

4.3 Promotes Balanced Regional Development

By establishing enterprises in impoverished areas, entrepreneurs help to lessen regional disparities. The growth of companies and industries in these areas has several positive effects on the general population, including improvements in road transportation, health, education, and entertainment. By speeding up the development of undeveloped areas, the establishment of more industries promotes balanced regional development. New entrepreneurs are forced to start their firms in smaller towns that are further away from large cities because of the increasing competition in and around cities, which causes their enterprises to develop more quickly. This encourages undeveloped areas to grow.

4.4 Reduces Concentration of Economic Power

Economic power is a natural byproduct of business and industry. As a result of industrial development, which encourages the growth of monopolies, economic power is usually concentrated in the hands of a small number of people. To solve this problem and reduce the concentration of economic power in the people, a large number of entrepreneurs must be developed.

4.5 Wealth Creation and Distribution

In the greatest interests of the country, it promotes equitable redistribution of income and wealth to more people and areas, which benefits larger society sectors. Additionally, the economy is multiplied by entrepreneurial ventures, which generate additional activities.

4.6 Increasing Gross National Product and Per Capita Income

More entrepreneurs are required to fulfill the rising demand for products and services, which boosts the nation's revenue. Entrepreneurs are always looking for, investigating, and grabbing possibilities. They also encourage effective capital and talent mobilization, introduce new goods and services, and open up markets for economic expansion.

4.7 Improvement in the Standard of Living

The improvement in the standard of living of the populace is one facet of the

country's economic development. Entrepreneurs make a substantial contribution to improving the standard of living for the general public by adopting the latest developments in the large-scale, inexpensive production of a variety of goods and services. Being able to buy better products at lower prices raises people's standard of living.

4.8 Promotes Country's Export Trade

An essential element of economic growth is a country's export-trade, which is bolstered by entrepreneurs. They produce goods and services on a large scale with the intention of making a sizable amount of foreign currency from exports in order to offset the demand for import tariffs. Thus, import substitution and export promotion provide economic independence and growth.

4.9 Facilitates Overall Development

Entrepreneurs are change agents who set things in motion. The moment a company is established; the industrialization process starts. This unit's production will be required by many other units, which will increase demand for the other types of units it requires. A region's overall growth is the outcome of growing demand and the construction of more and more units. By doing this, the entrepreneurs expand the number of their businesses, creating an exciting culture and contributing to the overall growth of the area.

4.10 Creating innovation

An entrepreneur is someone who is constantly looking for ways to improve things. He offers new ideas and factor combinations in addition to combining the elements of manufacturing. He is constantly trying to come up with innovative ways to produce goods and services. The outcome of economic entrepreneurship is innovation.

4.11 Entrepreneurs Create New Businesses

Entrepreneurs who provide innovative goods and services generate employment, which can boost the economy through a positive feedback loop or cascade effect. The stimulation of nearby businesses or industries that support the new venture promotes further economic development. For example, a few IT companies made the Indian IT industry a hub for backend programmers in the 1990s. The industry quickly gained momentum in its own programming domain. But more importantly, it benefited millions in other ways. Businesses in adjacent industries, such as contact center operations, network maintenance companies, and hardware suppliers, thrived. Educational and training institutes created a new class of IT experts with better, higher-paying jobs. As people relocated to employment hubs in pursuit of improved living conditions, infrastructure companies and even development real estate companies benefited from this growth. In a similar vein, future development projects in underdeveloped countries will require a competent work force, capital expenditures for everything from buildings to paper clips, and robust logistical support. From highly trained programmers to construction laborers, the entrepreneur enables individuals in a variety of economic sectors to benefit.

4.12 Entrepreneurs Also Create Social Change

By reducing reliance on outdated processes and technology through their unique new product and service offerings, entrepreneurs subvert convention and quietly advance freedom. Overall, this results in improved quality of life, morale, and economic independence. For example, the water supply in a region with scarce water sources may often force people to resign from their employment to obtain water. This will affect their business, productivity, and income. Imagine a state-of-the-art, low-cost, flow-based pump that can automatically fill individual water containers in homes. This kind

of setup would ensure that people could focus on their main responsibilities without worrying about a basic necessity like carrying water. Having more time to work leads to economic growth. For instance, cellphones and their creative apps have revolutionized the way people work and play globally in recent years. Smart phones are not limited to affluent countries or people. The growth of China's smart phone market and smartphone sector suggests that technology entrepreneurship will have a big, enduring impact on people everywhere. Additionally, because of the globalization of technology, entrepreneurs in less developed countries now have access to the same resources as their counterparts in more developed countries. Due to their cheaper cost of living, a young individual entrepreneur from a developing country may be able to compete with a multimillion-dollar product from a developed country.

4.13 Entrepreneurship puts new business ideas into practice

In doing so, it creates job possibilities that foster personal development. With their innovative and disruptive ideas, entrepreneurs may also tackle societal problems. Entrepreneurship clearly stimulates economic growth, so it's worth considering, but if it's not for you, find a method to teach the next generation about its principles and enroll in *How to Motivate and Instruct Our Kids*. Ultimately, stating that entrepreneurship is the cause of an economy is the greatest approach to characterize how it contributes to a country's economic progress.

CONCLUSION

The current study aimed to determine the impacts of entrepreneurship on the economic development. To achieve the intended objective of the study, previous published studies were reviewed and their results were interpreted and included in this study. The results of the study indicated that entrepreneurship is a key element for the devilmint of the economics of any state.

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