

Entrepreneurship and Economic Growth: A Cross Country Empirical Analysis

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Abstract

Entrepreneurship, the process of starting and running businesses, is a key driver of economic growth and innovation. Entrepreneurs fuel dynamic Schumpeterian competition and overall economic dynamism. This paper advances the literature by using a cross-country empirical analysis with the Generalized Method of Moments (GMM) to examine the relationship between entrepreneurship and economic growth. We distinguish between opportunity-driven and necessity-driven entrepreneurship and explore their interaction with institutional factors like the rule of law and property rights, considering differences between advanced and developing economies. Our findings reveal that opportunity-driven entrepreneurship has a positive and significant impact on economic growth, particularly in innovation-driven sectors. Economies with more opportunity-motivated entrepreneurs experience stronger growth. Additionally, the positive effects of total early-stage and necessity-driven entrepreneurship are more evident in countries where the industrial sector holds a larger economic share. Overall, the study highlights the importance of differentiating types of entrepreneurship and recognizing the role of sectoral composition in growth outcomes. These insights suggest that policy frameworks should be tailored to foster opportunity-driven entrepreneurship while accounting for institutional settings and economic structures to effectively promote sustainable economic growth.

JEL Codes: L26, M13, O47.

Keywords

Entrepreneurship, economic growth, development.

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