ENTREPRENEURSHIP AND RATE OF ECONOMIC GROWTH

- "How Entrepreneurship Affects the Economic Growth of High and Low Income Countries"

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This project will be Inspecting the relationship or causality between GDP Growth and Entrepreneurship and develop baseline regression model on GDP in current year with GDP in previous year and total entrepreneurship activity.

Definition of High and Low Income Countries

- Defined by GNI per capita in USD (World Bank Analytical Classifications, 2018)
- Methodology: Atlas Methodology (to reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes

≤1025	1026 -3995	3996 -12375	>12376
Low Income (L)	Low Middle Income (LM)	Upper Middle Income (UM)	High Income (H)

Entrepreneurship Variables

- by The GEM Adult Population Survey (APS) over 3,800 country experts and across 68 economies

1 Total Entrepreneurship Activity (TEA)

2 Business Start-Up as a Normal Job (NEWBUS)

3 Opportunity-based Entrepreneurship Activity (OPP)

4 Necessity-based Entrepreneurship Activity (NEC)

5 High-expectation Entrepreneurship Activity (HEA)
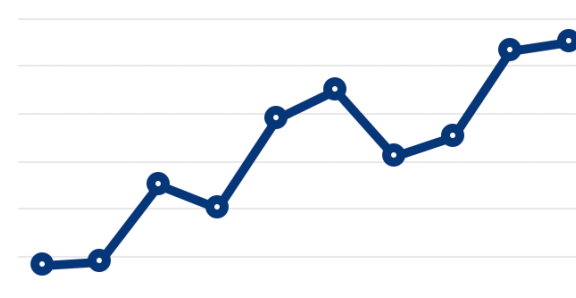
STUDY METHODOLOGY

200 observations from 2010 to 2017

Baseline Regression Model

Real GDP Growth$_{i,t}$

$= \alpha + \beta_1$Real GDP Growth$_{i,t-1}$ + β_2Entrepreneurship Proxy$_{i,t}$ + ε_{it}

Hypothesized Relationships

Higher TEA rates → Higher growth rates.

Impact on Growth

HIC | LIC

Entrepreneurial activity has a more significant impact in HIC than in LIC.

RESULT AND DISCUSSION

CORRELATIONS AND SUMMARY STATISTICS

1 All variables have positive correlation with read GDP growth rate

- GDP Growth in Previous Year (0.5488)*
- TEA (0.2957)*

*= correlation coefficient

2 An average of 9% of the population participating in entrepreneurship

- The mean of TEA is 8.9843
- Standard Deviation: 4.2195

REGRESSION MODEL

Real GDP (current year) = 1.309 + 0.906Real GDP (previous year) +0.077TEA

- When TEA is increased by 1 unit, Real GDP of current year will be increased in 0.077%

LIMITATION OF STUDY

Usually high or upper-middle income countries have available data.

TEA may fail to capture informal entrepreneurial activity, especially in LIC