

Effect of Innovation, Markets, Infrastructure and Education on Entrepreneurship

Abstract

Do changes in a country's innovative capacity, markets, infrastructure, and/or education affect the incidence of entrepreneurship? This paper attempts to analyze data from 62 countries to link incidence of entrepreneurship such as nascent entrepreneurs and new business creation. The main theme of the paper is to prove that a higher level of innovation, better infrastructure, larger markets and better educational achievement lead to higher incidence of entrepreneurship and new business creation in these countries. Reasons for supporting or not supporting these hypotheses will be discussed.

Principal Topic

The creation of new business has been an important economic activity for countries and regions as they strive for job and wealth creation. Entrepreneurs are at the heart of this process and many authors have examined the motivations, environments and personalities of entrepreneurs (Dottore and Kassicieh, 2012). The environments in which entrepreneurs build their new companies are affected by factors such as innovation, markets, education and infrastructure. In order to study the effect that these factors have on the incidence of entrepreneurship, we analyze the relationship among the creation of new business, its success and the existence of these factors in the 62 countries covered by the Global Entrepreneurship Monitor data. This topic is essential for policy makers as they attempt to create situations that can improve their countries to affect more entrepreneurial activities but they are interested in figuring the areas of investment which lead to job and wealth creation.

Methodology / Key propositions

This paper examines the data available from the Global Entrepreneurship Monitor on the number of small and nascent businesses in the countries covered by the surveys. The data on business creation is linked to measures of innovative behavior, educational achievement, infrastructure creation and education attainment in these countries to establish a relationship between the data. Several hypotheses will be constructed and tested.

Results and Implications

By employing hypothesis testing, we can establish the existence (or lack thereof) of a relationship between these variables. Explanations using the literature on entrepreneurship and theories of economic development factors will be utilized to explain these relationships with clear recommendations to policy makers on agendas to pursue to enhance entrepreneurial activities in countries.

The important contribution of this research is the in understanding the effect of investment decisions on the enhancement of economic factors that lead to higher levels of activities in entrepreneurship.