Entrepreneurship and Economic Growth: A Cross-Country Empirical Analysis with Quality Index

Jungsuk Kim
Department of Economics, Sejong university, Seoul, South Korea

Abstract

Background: Entrepreneurship is widely recognized as a key driver of economic growth, innovation, and structural transformation. This paper investigates the relationship between entrepreneurship and economic growth using cross-country panel data and introduces a novel Quality Entrepreneurship Index, which captures productivity-enhancing characteristics, including innovation, high-growth orientation, and export orientation. Employing System GMM estimation, we find that entrepreneurship positively influences economic growth, with quality entrepreneurship exerting significantly stronger effects than aggregate entrepreneurial activity. High-growth and innovative ventures, particularly in the early stages, generate the largest growth impacts, while opportunity-driven entrepreneurship consistently contributes more to growth than necessity-driven entrepreneurship. The analysis also reveals important differences across development levels. In advanced economies, innovation- and growth-oriented entrepreneurship serves as the primary engine of growth, whereas opportunity-driven entrepreneurship plays a more prominent role in emerging and developing economies, where structural constraints limit the expansion of high-growth firms. These findings suggest that entrepreneurship policies should prioritize innovation, productivity, and scaling potential by strengthening financial access, entrepreneurial education, supportive institutions, and targeted incentives. By introducing and empirically validating the Quality Entrepreneurship Index, this study demonstrates that the quality of entrepreneurship, rather than its quantity alone, is essential for achieving sustainable long-term economic growth and inclusive development worldwide.

JEL Codes: L26, M13, O47

Index Terms

Quality Entrepreneurship, Economic Growth, Development