

Innovation and Economic Growth in Middle Income Countries: A Cross-Country Empirical Analysis with Female Entrepreneurship

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Abstract

Entrepreneurship plays a pivotal role in driving economic growth and innovation. This paper extends the literature by analyzing the innovation–entrepreneurship–growth nexus through a gendered perspective, focusing on female entrepreneurship in 86 economies from 2002 to 2021. Using the Global Entrepreneurship Monitor (GEM) dataset and System GMM estimation, the study examines how different forms of women’s entrepreneurship—total, opportunity-driven, and necessity-driven—affect GDP growth across income groups. The results show that female entrepreneurial activity, particularly opportunity-driven entrepreneurship, has a positive and statistically significant impact on economic growth. However, the effect is weaker and less stable in middle-income countries, where structural barriers such as limited access to finance, weak innovation ecosystems, and informality constrain the growth potential of female-led ventures. These findings suggest that enhancing the quality and innovativeness of women’s entrepreneurship—rather than merely increasing participation—is critical for sustained productivity growth. This study emphasizes the need for targeted policies that promote digital inclusion, access to finance, and innovation-driven entrepreneurship. Strengthening these foundations can help women entrepreneurs become agents of inclusive and innovation-led development, enabling middle-income economies to accelerate their transition toward higher-income, knowledge-based growth.

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Keywords

Female Entrepreneurship, Innovation, Middle Income Countries, Economic Growth.