

Chapter 4

Unlocking Algeria's Economic Potential: The Entrepreneurship's Effect on Growth

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ABSTRACT

The distinction between entrepreneurship and rent-seeking is acknowledged, highlighting the significant role that entrepreneurship education plays in fostering employment opportunities, productivity, economic growth, innovation, and competitiveness. This approach ultimately enhances a country's standing in the global market. This study aims to evaluate the effect of entrepreneurship on Algeria's economic development. Using annual data from 2006 to 2020, the Autoregressive Distributed Lag (ARDL) co-integration methodology is used to accomplish this. The analysis's main conclusions show that the variables of interest have a consistent, long-term relationship. Furthermore, the findings show that tertiary education (as a percentage of gross enrollment), new business density, and school enrolment all positively influence GDP growth over the short and long terms. These results offer strong proof of the beneficial impact of entrepreneurship on economic growth.

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I. INTRODUCTION

Entrepreneurs are the engine of economic expansion and innovation (Abdelli, Ul-Durar, & Wasef Hattab, 2023). Generally speaking, the economy has experienced significant change, particularly in recent decades. Research on the factors contributing to economic growth has expanded, as has the emphasis on indicators of the economy's sustainability. As a result, entrepreneurship and its impact on economic growth rates have come under closer scrutiny. Since Schumpeter's initial works, the notion of a strong and positive correlation between entrepreneurship and economic growth has undoubtedly spread around three key concepts:

First idea: Innovations are the primary source of long-term growth.

Entrepreneurial investments (in R&D, training, computer purchases, etc.) yield second-idea innovations. Economic incentives produced by institutions and policies about the economy also influence entrepreneurs. Stated differently, growth built on innovation is a social process involving growth policies and institutions.

The third concept is creative destruction, whereby new inventions supplant outdated technology; hence, the term "political economy of growth" (Aghion, 2018, p. 696) when a result, when more people become entrepreneurs, economic growth will rise because of their abilities and, more specifically, their tendency to innovate (Dejardin, 2012, p. 2).

In emerging nations especially, the majority of economists are attempting to provide answers to the following questions: How can economic growth be improved, and what are the growth conductors (I. D. Maja, Krsticbojan, & Radenovic, 2022, p. 66). Almost all emerging nations struggle with two main problems: the first is how to achieve and the second is how to maintain economic growth. Maintaining a rapid pace of growth is more challenging in developing nations (Arshad & Munir, 2017, p. 183). This caused many countries to reevaluate how they implement their economic policies. Algeria, in particular, with its sizable youth labor force and low-income level, was severely affected and began to shift its policies to support entrepreneurship as an exciting means of growth.

Regarding entrepreneurship as one of the primary drivers of economic growth, the Algerian economy has shifted its attention from natural resources to the skills and abilities of individuals in entrepreneurship. This has been achieved by differentiating between entrepreneurship and rent-seeking, and by realizing the important role that entrepreneurship education plays in creating job opportunities, productivity, economic growth, innovation, and competitiveness as well as in enhancing the competitiveness of nations in the international market. Therefore, the study's focus is on how entrepreneurship has affected economic growth in Algeria's economy between 2006 and 2021.

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