

DOES ENTREPRENEURSHIP REALLY ENHANCE ECONOMIC AND HUMAN DEVELOPMENT IN THE MENA REGION?

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ABSTRACT

This paper aims to contribute empirically to the ambiguous debate on the link between entrepreneurship and economic development in Middle East and North African countries. By applying a balanced panel data with random effects methodology for eight MENA developing countries (Algeria, Morocco, Tunisia, Egypt, Jordan, Turkey, Saudi Arabia and United Arab Emirates) over the period (2006-2017), our findings indicate that entrepreneurship fails to return any significant impact on economic and human development in the study countries, meanwhile this latter is positively influenced by the increase of total population, financial development, and the money supply; consequently, we turn these results to several discussed factors in our analysis such as the predominant type of entrepreneurship, institutions and the misallocation of entrepreneurial ability. Concerning policy implications, the analysis recommends that policymakers should examine carefully the structure of national entrepreneurship and implement the appropriate institutions in order to extend entrepreneurial opportunities.

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KEYWORDS

Entrepreneurship, Human development index, Economic development, MENA countries, Panel data.

JEL CLASSIFICATION: L26, O11.

هل تعمل زيادة الأعمال حقا على تعزيز التنمية الاقتصادية والبشرية في منطقة الشرق الأوسط وشمال إفريقيا؟

ملخص

تهدف هذه الورقة البحثية إلى المساهمة بشكل تجريبي في النقاش الغامض حول العلاقة بين زيادة الأعمال والتنمية الاقتصادية في دول الشرق الأوسط وشمال إفريقيا. من خلال تطبيق بيانات البانل المتوازنة مع منهجية التأثيرات العشوائية لثمانية بلدان نامية في منطقة الشرق الأوسط وشمال إفريقيا (الجزائر والمغرب، تونس، مصر، الأردن، تركيا، المملكة العربية السعودية والإمارات العربية المتحدة) خلال الفترة (2006-2017)، أشارت نتائجنا إلى فشل زيادة الأعمال في إعادة أي تأثير معتبر على التنمية الاقتصادية والبشرية في دول الدراسة، بينما يتأثر هذا الأخير إيجابيا بعدة عوامل أخرى كالنمو الديمغرافي، التطور المالي، وعرض النقود. أرجعت الدراسة هذه النتائج إلى عدة عوامل نوقشت في تحليلنا مثل النوع السائد من زيادة الأعمال والمؤسسات وسوء تخصيص القدرات المقاولاتية في المنطقة. فيما يتعلق بالآثار السياسية، يحث هذا البحث صانعي القرار بضرورة دراسة هيكل تنظيم المشاريع الوطنية بعناية وتجنيد المؤسسات المناسبة من أجل توفير فرص مقاولاتية ناجحة.

كلمات مفتاحية

ريادة الأعمال ، مؤشر التنمية البشرية ، التنمية الاقتصادية ، دول الشرق الأوسط
وشمال إفريقيا ، بيانات البانل.

تصنيف جال. : L26, O11.

L'ENTREPRENEURIAT, AMÉLIORE-T-IL VRAIMENT LE DÉVELOPPEMENT ÉCONOMIQUE ET HUMAIN DANS LA RÉGION MENA ?

RÉSUMÉ

Cet article vise à contribuer empiriquement au débat ambigu sur le lien entre entrepreneuriat et développement économique dans les pays du Moyen-Orient et d'Afrique du Nord. En appliquant une méthodologie de données de panel équilibrée avec des effets aléatoires, sur huit pays en développement de la région MENA (Algérie, Maroc, Tunisie, Égypte, Jordanie, Turquie, Arabie saoudite et Émirats arabes unis) sur la période (2006-2017), nos résultats indiquent que l'entrepreneuriat échoue pour renvoyer tout impact significatif sur le développement économique et humain dans les pays de l'étude. Tandis que ce dernier est positivement influencé par l'augmentation de la population totale, le développement financier et la masse monétaire. Par conséquent, nous tournons ces résultats vers plusieurs facteurs discutés dans notre analyse, tels que le type prédominant d'entrepreneuriat, les institutions et la mauvaise allocation de la capacité entrepreneuriale. Concernant les implications politiques, l'analyse recommande que les décideurs politiques examinent attentivement la structure de l'entrepreneuriat national et mettent en

place les institutions appropriées afin d'étendre les opportunités entrepreneuriales.

MOTS-CLÉS

Entrepreneuriat, Indice de développement humain, développement économique, pays MENA, données de panel.

JEL CLASSIFICATION: L26, O11.

INTRODUCTION

In the last four decades high unemployment rates and stagflation caused the urgency to reevaluate factors that determine the economic development of nations (Audretsch et al., 2006), in the meantime the perception toward small businesses was gaining a growing attention by both governments and policymakers alike, this interest was due to the contribution of entrepreneurs with their successful innovations in improving the standard of living, creating jobs and enhancing favorable conditions for the well-being of societies. Nevertheless, the role of entrepreneurship in generating economic development remains uncertain and ambiguous in most of developing countries (Marcotte, 2014). In addition, it was observed that any institutional and policy changes, including innovation policies in emerging economies, often track a non-linear and unpredictable approach (Hoskisson et al., 2000; Peng, 2001, 2003) due to the spread of several phenomena in the their economies which are generally represented by the unripe legal, political and financial institutions, it is also a fact that creating private businesses in low economic development countries could be taken by necessity or by the need to survive which would limit the capacity of entrepreneurs, holding them dependent on traditional industries which may hinder the success of entrepreneurship in being the engine of economic and human development.

As mentioned above having a developed economy represents both an issue and a goal for countries, MENA region in particular , the

interest in development is rising fast coinciding with the highest rates of unemployment for over 25 years (Kabbani, 2019) reaching 30% in 2017 as well as the highest youth population shares in the world (The world bank report, 2019). These two factors gave policymakers and governments a sense of urgency about the need to create enough and adequate jobs to absorb the incoming flow of young workers. According to the World Bank report 2004, the MENA economies would have to generate at least 97 million jobs from 2000 to 2020 in order to address the employment needs of their rapidly rising populations. However, the increasing young population and the diverse natural resources may also represent a great potential for securing sustainable growth if used in the right way.

Despite all the facts provided by the World Bank group concerning MENA region's potentials for enormous growth opportunities through hydrocarbons and a large well-educated youth population that has an immense capacity to drive future development and business creation, we still face the lack of evidences about the impact of entrepreneurship on economic and social development in this developing region, thus the aim of the present paper is to investigate the effects of entrepreneurship on both economic and social development in selected MENA countries in order to contribute in lightening the road for policymakers when designing their economic policies. The following parts of the article are organized as follows. In section 2 we briefly present the theoretical background concerning the connection between entrepreneurship and economic development and the different positions that entrepreneurship could take in affecting social and economic development. Section 3 displays data, variable descriptions, and methodology. Section 4 provides the empirical results and section 5 concludes the study.

1- LITERATURE REVIEW

This section consists of two parts; the first part examines the role of entrepreneurship in the process of economic development and the second reviews the different positions that entrepreneurship could take in affecting economic and social development.

1.1- Entrepreneurship in the process of economic development and wellbeing of nations

The possibility of a connection between entrepreneurship, wealth and economic development is undoubtedly one of the most studied subjects in the economics of entrepreneurship (Parker, n.d. 2009. p 269). The common question that has always been looked for is what is the role of entrepreneurship in economic development?

In recent years, the role of entrepreneurship in economic development and growth has been given a totally renewed attention, this is related to the shift that entrepreneurship has shown, from large firms to small firms, however a large pack of the extant literature stresses that the new form of entrepreneurship has come to be perceived as a machine to boost the economy for many countries especially developed ones (Audretsch, Keilbach & Lehmann, 2006. P12).

Furthermore, policymakers have been increasingly interested in the position of entrepreneurship in generating economic development, this latter is seen as the process in the structural transformation of countries from low income, primary-sector based companies into high-income service and technology-based ones (Naudé.W, 2008).The concept of economic development is much broader than economic growth, since it reflects both economic and social progress and requires economic growth, where growth is an essential part of development, but is inefficient to guarantee economic development alone. If both social and economic modifications lead to clear improvements in human well-being, they are usually regarded as economic development, According to Amartya Sen (2001) development is embodied in the facilitation to

access opportunities and freedom of people to choose their own destiny.

Most of prevailing literature on entrepreneurship and economic development assert that entrepreneurship plays a major role in nurturing economic development (Acs 2006, Carree and Thurik 2003). According to Holcombe (1998), “entrepreneurship is increasingly recognized as an engine of economic growth” (P.60), whereas Anokhin, Grichnik, and Hisrich (2008) consider it as “the main vehicle of economic development” (p. 117). Entrepreneurship can affect economic development in several ways as it represents a means to ensure innovation capacity and competitiveness of nations, It is characterized mainly by the act of business creation initiated by an individual will of a future entrepreneur with a strong sense of ownership risky, according to Paul-Arthur Fortin (2002) entrepreneurship is « A mentality, an attitude that drives an individual, alone or with others, to start a new activity and exploit the means to achieve a desire or a dream » (p82).

By their successful innovations entrepreneurs can modify our way of living and working and improve our standard of living, also creating new firms lead to create more jobs and develop the conditions for a prosperous society ; additionally new and improved goods from entrepreneurs services or technologies that have spawned countless industries, enable new markets to be developed and new wealth to be created by stimulating related businesses or sectors supporting the new venture, furthering economic development (Audretsch et al., 2006; Baumol, 1986, 2010; Birch, 1979).

It is argued also that entrepreneurship could affect negatively economic development, in this regard Naudé. W (2008) states that not all type of entrepreneurship serves in the favor of economic development however, some kinds of entrepreneurship practices can even hinder the progress of the economy. The same author attributed these potential negative effects of entrepreneurship to two basic elements; first the perverse allocation of entrepreneurship where this depends on whether entrepreneurial ability is allocated towards

productive, or non-productive, destructive or evasive ends; however the misallocation of entrepreneurship abilities will definitively harm economic development (Acemoglu 1995; Mehlum et al. 2003). Secondly, the entry of entrepreneurs with low ability might hamper economic development through the impact of entrepreneurial ability on the productivity of employed workers which leads to replicative entrepreneurship where low-quality entrepreneurs create more low-quality entrepreneurs (Ghatak et al.2007:2).

1.2- Different positions of entrepreneurship in affecting social and economic development

While a large body of literature suggests that entrepreneurship plays a significant role in generating growth and the well being of societies (Acs, Estrin, Mickiewicz & Szerb, 2018, Aparicio, Urbano & Audretsch, 2016, Galindo & Méndez, 2014, Ácset al., 2013;Acs,Audretsch,Braunerhjelm, & Carlsson, 2012; Szirmai et al., 2011; Naudé, 2011; Braunerhjelm, 2010Mueller, 2007), less is known about the place of entrepreneurship in less developed countries (LDCs) growth processes(Adusei, 2016; Chamlou, 2007; Stel, Carree & Thurik, 2005) in other words entrepreneurship in (LDCs) remains a relatively under-researched phenomenon (Naudé.W, 2008). Here, we rise again a question that was a part of many precedent researchers; Why have some countries succeeded in taking advantage of entrepreneurship while others have not? To answer this question, several research papers have been conducted on the impact of entrepreneurship on growth and economic development in different regions of the world.

Some researchers consider the level of economic development as the main factor that makes entrepreneurship effective, according to Doran, McCarthy, O'Connor & Nsiah (2018) the role of entrepreneurship in determining GDP per capita differs depending on the development stage of an economy however entrepreneurial activity (comprised of indicators of business formations and necessity-based entrepreneurship) has a negative effect on growth in middle/low-income countries. Meanwhile, entrepreneurial attitudes have positive

effects on GDP in high-income countries. these results are consistent with the one carried by (Stel, Carree & Thurik, 2005) which claims that entrepreneurship takes different positions in different stages of economic development, however. The impact of entrepreneurial activity increases with per capita income and developing countries fail to benefit from entrepreneurial activity.

In this regard, a number of studies have discussed the failure of entrepreneurship in attaining economic development in less developed countries, Valliere & Peterson, (2009) in a research paper examining the effect of entrepreneurship in both developed and developing countries, they found that only high-expectation entrepreneurs who recognize and exploit high-growth opportunities, and effectively contribute to the economic growth of nations ; as for developing countries , it was noticed that a high prevalence of necessity entrepreneurship (individuals embrace entrepreneurship out of necessity or survival) therefore, entrepreneurs do not make a significant contribution to economic growth, but only employment.

Starting with the hypothesis that entrepreneurship activity could be key factors in achieving economic growth and social welfare, Urbano and Aparicio (2016) tested the impact of capital entrepreneurship on economic growth across a heterogeneous sample of 43 developed and developing countries over the period (2002-2012). As a result, they found that necessity entrepreneurship didn't display any contribution to economic growth; however, entrepreneurship should be more encouraged in developing countries to obtain similar results as developed ones. The same experiment was conducted by Prieger, Bampoky, Blanco & Liu (2016) on 53 developed and developing countries during (2001-2011), they deduced that developing countries suffer from two main phenomena, first the predominant type of entrepreneurship in these countries is generally driven by necessity, second developing countries do not have enough entrepreneurs which remain one of many factors that reduce the impact of entrepreneurship on growth. Other noteworthy results were shown

by the same authors is that Higher levels of R&D (research & development) capability decrease the growth penalty of having too few entrepreneurs, suggesting that innovative entrepreneurship and R&D are recommended for developing economies, however Estrin et al. (2006) suggest that imitations and technological catching-up represent the best strategy for developing countries.

Whereas most of the above positions state that the effectiveness of entrepreneurship in providing growth and social welfare depends on the level of economic development, type of entrepreneurs and governments strategies however, it plays a positive role in high-income countries and remains immaterial in low-income countries, many other researchers present a case against it. Dhahri & Omri (2018) examine the contribution of entrepreneurship on the three pillars of sustainable development (economic growth, environmental objectives, and social conditions) using data from 20 developing countries. They find evidence in support of entrepreneurship in developing countries positively affects the economic and social dimensions of sustainable development, while its effect on the environmental dimension is negative while Ajide, Ajisafe & Olofin (2019) seem to share the same position that entrepreneurship had a robust, positive and significant effect on economic growth in developing countries (evidence from 44 developing countries over the period 2005-2015).

At the African level Adusei (2016) investigates whether entrepreneurship is of any relevance to the growth processes with panel data set from 12 African countries over the period (2004-2011) and shows the opposite of what was presented by previous studies where he found that entrepreneurship in developing countries including Africa even if replicative is helpful to economic growth. MUNEMO (2012) tests the impact of entrepreneurship in economic growth with data (2004-2009) from 44 developing countries and reports that entrepreneurship is significantly much lower in African countries than other developing countries, however it is important to implement

reforms for a better entrepreneurial eco-environment to enhance entrepreneurship in this area.

As far as we know, no previous empirical research has investigated the impact of entrepreneurship on economic and social development in the MENA region (the Middle East and North Africa region), in this context, we felt it was necessary to raise a special issue about entrepreneurship and economic development in MENA countries.

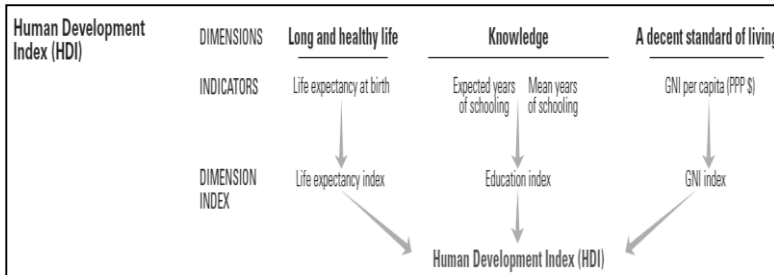
2- DATA AND METHODOLOGY

2.1- Data and measures

The main goal of this study is to investigate the impact of entrepreneurship (measured by the number of the new businesses registered in a country) on human and economic development (represented by the human development index) for 8 MENA countries over the period 2006-2017. All the time series data below were collected from the World Development Indicator database except entrepreneurship data was collected from the Global Entrepreneurship Monitor (GEM) data. Our data includes the following variables:

(HDI) the human development index: The HDI was introduced in 1990 as part of the United Nations Development Program (UNDP) to provide a means of measuring economic development in three broad areas - per capita income, health and education. The HDI is measured as the simple arithmetic average of the three indexes for each nation as demonstrated in figure 1 (Sagar & Najam, 1998; UNDP, 2015).

Figure 1: human development index (dimensions, indicators and dimension index)



Source: (Human Development Index (HDI) | Human Development Reports, 2019)

The introduction of the index was an explicit acceptance that development is a considerably broader concept than growth, and should include a range of social and economic factors. According to Kelley (1991) HDI is one of the best tools to keep track of the level of development of a country as it combines all major social and economic indicators that are responsible for economic development, however GDP per capita alone is clearly too narrow as an indicator of economic development and fails to indicate other aspects of development, such as enrolment in school and longevity. Hence, the HDI is a broader and more encompassing indicator of development than GDP, though GDP still provides one-third of the index.

The purpose of this study is to gauge the contribution of entrepreneurship on both social and economic development, thus basing on the following the extant literature (Kelley, 1991; Blanchflower & Oswald, 2005). The human development index (HDI) is used as the dependent variable in the chosen model.

Entrepreneurship (E): measured with the number of new businesses registered in a country in a fiscal year (Wong et al., 2005; Reynolds et al., 1999; Klapper et al., 2007) using data from the global entrepreneurship monitor data and the international monetary fund (IMF) data. The entrepreneurship variable is lagged for the logic that it

takes time for entrepreneurship to have an impact on economic and social development.

Financial development (FD): measured by credit to the private sector as a share of GDP. A broad array of researchers emphasize that a well developed financial system has a positive impact on economic performance by enhancing intermediation (Schumpeter, 1911; McKinnon, 1973; Shaw, 1973; Levine, 1997; Singh, 2008).

Foreign direct investment (FDI): proxied by the foreign direct investment net inflows from the world bank database. From the literature, FDI has a profound effect on a host country's welfare, however it serves to increase overall welfare, as measured by knowledge, health, and standard of living (Lehnert, Benmamoun & Zhao, 2013).

Money supply (MS): is the money supply term *ms* (sourcing its data from the WDI) (Galindo & Méndez, 2014)

Total population (pop): Millions of inhabitants *ms* (sourcing its data from the WDI) Ferreira et al (2016)

2.1.1. Descriptive statistics

Table 1 presents the descriptive statistics for all variables used in the empirical study. As can be readily seen from this data, the average growth of the eight studied countries during (2006 – 2017) indicated a value of 0.586 and a maximum value of 0.863. Also, the regular number of newly registered businesses in a fiscal year during the period under examination is 17559.77, Compared to 365939,545, the average number of firms registered in the Russian Federation during the same period. Thus, we can report as a first note that entrepreneurship is extremely low in the Middle East and north of Africa. This probably explains the apparent break between developed and developing economies.

Table 1. Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
HDI	96	.7374583	.0703766	.586	.863
E	96	17559.77	16274.02	1982	68056
GS	96	16.56582	4.560413	6.733024	30.00348
FDI	96	3.42821	3.399102	-.2431944	23.53737
lnPOP	96	17.03448	.9034498	15.47222	18.39591
FD	95	52.82133	21.80529	12.1171	91.76892
BMG	96	11.96814	7.773879	-2.04208	41.40799

Source: Author's calculation with Stata 15.1

2.2- Methodology

In order to tackle this issue, we use panel data methodology for several reasons, first panel data allows the control for individual or time heterogeneity by blending inter-individual differences and intra-individual dynamics. Secondly, it usually contains more degrees of freedom and less multicollinearity than cross-sectional data which can be viewed as a panel with ($T = 1$), or time series data which is a panel with ($N = 1$), thus improving the efficiency of econometric estimates (HSIAO, 2005). Our model is generally assumed as:

$$y_{it} = \alpha_1 + \alpha_2 f_{it} + \mu_i + \varepsilon_{it}$$

Where y signify the human development index (HDI), f represents the explanatory and control variables $\mu_i + \varepsilon_{it}$ refers to the unobserved country-level effects and the error term.

Using either the estimator of fixed effects (FE) or the estimator of random effects (RE) on the presented equation assumes that all explanatory variables are exogenous and, in particular, the concentration of new business growth is regarded as unaffected by the Human Development Index.

If this assumption fails, neither FE nor RE, "both members of the Least Square Estimator (LS) family," are impartial and consistent. A specification test on endogeneity derived by the Durbin-Wu-Hausman test (1978) can therefore be used to analyze whether the structure is suitable for the FE, RE, or instrumental variable (IV), precisely two

stages least square (2SLS). FE and RE are consistent and effective under the null hypothesis of no endogeneity, whereas the estimator of 2SLS is consistent but inefficient. 2SLS is, however, consistent in the presence of endogeneity, while FE and RE are not.

By running an auxiliary regression for each potentially endogenous regressor on all (assumed) exogenous regressors, including the instruments, an augmented regression equation is given by adding the linear prediction of the endogenous variable on its instruments into the original equation. In this case, the Durbin-Wu-Hausman test, which is asymptotically similar to the Hausman specification test, boils down to an F-test of the linear predictions' joint significance. Rejecting a null hypothesis implies a problem of endogeneity.

3- ESTIMATION RESULTS AND DISCUSSION

The Durbin-Wu-Hausman test is conducted using the FE estimator, as we want to test whether the foreign share triggers an endogeneity bias. Due to the (potential) association of the individual fixed effects with some of the regressors, using pooled OLS or RE would make it difficult to distinguish this endogeneity bias from the omitted variable bias. The endogeneity test from table 2 indicates that the p-value of Wu-Hausman is greater than 0.05, which leads to accepting the null hypothesis that the variables are exogenous. As we might have expected, there is no problem with endogeneity; therefore, LS models appear to be the right choice.

Table 2. Durbin-Wu-Hausman test of endogeneity (LS vs IV)

Ho : variables are exogenous	
Durbin (score) chi2(1)	=.082846(p=0.7735)
Wu-Hausman F(1,85)	=.075787(p=0.7838)

Source : computed via STATA 15.1

Table 3 exposes the correlation among the explanatory variables; we thus find that there is no multicollinearity problem in our data since the correlations are within acceptable limits (Bryman and Cramer, 1997).

Table 3. Correlation matrix

	HDI	LNE	GS	FDI	LNPOP	FD	BMG
HDI	1.0000						
LNNBR	-0.0723	1.0000					
GS	0.0055	-0.1805	1.0000				
FDI	-0.0913	-0.5179	0.1214	1.0000			
LNPOP	-0.3599	0.4193	-0.1303	-0.3841	1.0000		
FD	0.1230	-0.0039	0.1403	0.3435	-0.6305	1.0000	
BMG	-0.0394	-0.0381	-0.4220	0.1635	0.1765	-0.2987	1.0000

Source: Author's calculation via STATA 15.1

Two models were projected, the first model tests the effect of lagged new businesses creation in a fiscal year on human development index (HDI) without including control variables, the second model explores the robustness of the outcomes of the first model by adding all control variables. As can be seen in table 4 the results of Hausman test estimations indicate that the optimal technique to use is the random effects as it yields a value of $\text{Prob} > \chi^2 = 0.0956$, this result fails to reject the null hypothesis of an absence of correlation between the individual country effects and the explanatory variables. Breusch and Pagan Lagrangian multiplier test for random effects yields a value of $\text{Prob} > \chi^2 = (0.0000)$ which leads us to reject the null hypothesis that the variances across entities are zero.

Table 4. Random effects regression results

Random-effects GLS regression. Dependent variable: Human development index (HDI)		
	Coefficient estimates (P-value)	
Independent variables	Model 1	Model 2
Constant	.6643595 (0.000)***	-.2370902 (0.464)
Ln E (-2) [entrepreneurship]	.0078595 (0.288)	.0046934 (0.103)
FD [financial development]	-----	.0009987 (0.000)***
Gs [government spending]	-----	.0020988 (0.042)***
FDI [foreign direct investment]	-----	-.0018377 (0.013)***
Ln POP [total population]	-----	.0495374 (0.009)***
BMG [money supply]	-----	.0004576 (0.086)**
Observations		94
Groups		8

Prob(F-statistic)	(0.0424)**	(0.034)**
Hausman test	Prob>chi2 = 0.7576	Prob>chi2 = 0.0956
Breusch &Pagan LM test	Prob > chibar2 =	Prob > chibar2 =
	(0.0000)***	(0.0000)***

Significant at: 1 %(***), 5 %(**), 10 %(*).

Source: Author's calculation using STATA 15.1

Unfortunately, the Random-effects GLS calculations reveal that entrepreneurship (E) fails to return any statistically significant effects on human development index (HDI), which lead us to conclude that entrepreneurship does not enable improvements to social and economic development in the study countries, this result corresponds to the general position of previous studies which argue that entrepreneurship is immaterial for growth and development In developing countries, (Acs and Varga, 2005; Acemoglu, 1995; Mehlum et al. 2003, Naudé, 2011;Urbano and Aparicio, 2016).

Since the revolutionary contributions of Schumpeter (1911),the literature emphasizes the role of financial development in determining economic and social welfare (Schumpeter, 1911; McKinnon, 1973; Shaw, 1973; Levine, 1997) However, our data show that financial development measured by credit to the private sector as a share of GDP has a robust positive statistically significant relationship with economic and social development, meaning that financial development has a crucial role in maintaining development in the study countries.

Government spending displays a positive significant impact on human development Index , this result corroborates with the one carried by Wanjiru (2013),who argues that government spending on education and health sectors leads to social and economic development.

Foreign direct investment generates a negative significant impact on human development index, this result corresponds to the one provided by (Susilo, 2018) which argues that not all forms of foreign investment contribute to the development of host economies.

Other important results are shown in Table 4 that the increase in population affects positively economic and social development this

result leads us to conclude that economic development in the study countries is driven by the quantity of workers, not quality.

We found also that there is a significant positive relationship between money supply and economic development meaning that an increase in the supply of money typically lowers interest rates, which in turn, generates more investment, thus enhancing economic and social development.

CONCLUSION AND POLICY IMPLICATIONS

The present study aims to contribute empirically to the ambiguous debate on the link between entrepreneurship and economic development in the Middle East and North African countries. To attain our main purpose, we have utilized data for eight MENA developing economies over the years 2006–2017 and we have regressed formal entrepreneurship (represented by the number of the new businesses registered in a country) on human development index (based on three equally weighted components: Longevity, knowledge and standard of living). Our findings indicate that entrepreneurship in the study countries fails to return any impact on the human development index (HDI), meanwhile the result also reveals that the (HDI) is positively influenced by the increase of total population, financial development, and the money supply, consequently we are inclined to argue that the failure of entrepreneurship in achieving economic and social development can be attributed to the following factors:

First, we turn this failure to the quality of entrepreneurs where the predominant type of entrepreneurship in MENA economies could be driven by necessity due to several factors including thig youth unemployment rate and low income which force individuals to embrace entrepreneurship out of necessity “Individuals embrace entrepreneurship by necessity because there were no better options for work, rather than because they saw the startup as an opportunity be self-employed in traditional industries”. This assumption aligns with many others (Hartog et al., 2010; Naudé, 2011; Lucas and Fuller, 2017)

who have discussed the different reasons behind how entrepreneurship can be unproductive or even harmful in developing economies, however there is a consensus that a large number of replicative entrepreneurs (that produce standard products in standard way) can be found in developing countries, therefore the overall impact on economic and social development cannot be significant.

Secondly, developing economies are characterized by a lower level of economic development compared to developed countries and suffer relatively from unripe legal, political and financial institutions, resulting in an ambiguous and uncertain business environment (Marcotte, 2014), As a consequence, such changing and uncertain contexts can theoretically restrict entrepreneurship and innovation , furthermore we can also turn this insignificant effect of entrepreneurship to the misallocation of entrepreneurial ability that might be allocated to unproductive ends which automatically thwart the economic and social development (Acemoglu 1995; Mehlum et al. 2003), This problem was also discussed by the (GEM) general entrepreneurship monitor scholars, for instance (Bosma et al. 2012), who claims that if the government fails to implement reforms to upgrade the right institution and the rule of law in order to frame entrepreneurship, then the impact would be insignificant.

Our investigation also reveals that foreign direct investment in the study countries has a negative effect on (HDI), we turn this to the form or the nature of FDI, however not all forms of FDI are beneficial to host countries (Susilo, 2018), therefore MENA countries should implement the right policy to select the right foreign investors.

How can MENA economies promote entrepreneurship to be more effective? We believe that researchers should examine the role of institutions, administrative obstacles, regulations and other determinants of business environment in order to identify the adequate sources of policy improvement, We also agree that policymakers must track carefully the structure of national business activity (regulate replicative entrepreneurship) and address supporting actions and

strategies for fast-growing innovative businesses, finally training programs should be aimed at self-employed individuals in order to enhance their management and innovative capabilities, Governments must invest more in human capital and skills and provide appropriate conditions to build a certain entrepreneurial ecosystem driven by opportunity.

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