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DETERMINANTS OF ECONOMIC GROWTH: THE ROLE OF ENTREPRENEURIAL CULTURE

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ABSTRACT

This article aims to review economic concepts based on the results of previous empirical studies on entrepreneurial culture on the determinants of economic growth. The review includes an explanation of entrepreneurial culture, followed by the concept of entrepreneurial culture influencing economic growth, as well as indicators of entrepreneurial culture that play an important role in encouraging growth. Leibenstein's model explains that entrepreneurial culture affects the economy through the production function. It was found that the values of entrepreneurial culture influence the formation of new companies. In the entrepreneurial culture variable, the review summarizes various indicators of entrepreneurial culture which include entrepreneurial attitudes, trust, managerial competence, and cultural ethnic differences affect economic growth. The findings of this review suggest that studies on the topic of entrepreneurial culture on economic growth must consider many important aspects such as the determinants of economic growth when using an entrepreneurial culture review and need to use appropriate measures of entrepreneurial culture.

KEY WORDS

Entrepreneurial, economic growth, entrepreneurial culture.

National and regional economic growth is the goal of development. This goal is achieved by considering the determinants or factors that determine the economic growth of a country or region. According to economists, one of the variables that determine economic growth is the role or contribution of entrepreneurs. These efforts are carried out by modeling the role of entrepreneurs (Lucas 1978; Kihlstrom and Laffont 1979; Schmitz 1989; Jovanovic 1994).

The concept of the role of entrepreneurship can be reviewed based on the entrepreneurial culture that affects the economic growth of a region. Entrepreneurial culture has characteristics that can influence the economy. However, according to economists, empirically measuring the contribution or role of entrepreneurial culture to growth finds obstacles or challenges. This is based on the problem that in measuring entrepreneurial culture using residual effects or fixed effects (Davidsson 1995; Georgellis and Wall 2000; Guerrero and Serro 1997; Wagner and Sternberg 2002). Thus limiting the scope or generalization in the case of a large sample (Saxenian 1994).

This paper aims to review the economic concept of entrepreneurial culture on the determinants of economic growth. The first part of the discussion of this paper will review the entrepreneurial culture, followed by the concept of entrepreneurial culture affecting economic growth, indicators of entrepreneurial culture that play an important role in encouraging growth, as well as the entrepreneurial condition of MSMEs in Indonesia in facing the Covid 19 pandemic crisis.

Few empirical studies that examine the determinants of economic growth using an entrepreneurial culture have been carried out. Research conducted by Sjoerd Beugelsdijk (2007) Paul Collier (2000), Sjoerd Beugelsdijk, Niels Noorderhaven (2004), Leon de Wet Fourie (2008), Paul J Zak, Stephen Knack (1998). The discussion on entrepreneurial culture explains the role or contribution of entrepreneurial culture in economic growth.

METHODS OF RESEARCH

The type of research used is qualitative that produces information in the form of notes and descriptive data contained in the text under study (Mantra, 2008). This study uses literature research from previous studies. This research contains theories that are relevant to the research problems. In this study, an assessment of the concepts and theories used was carried out based on the available literature. This study uses descriptive research that focuses on a systematic explanation of the facts obtained when the research was conducted. This study uses secondary data obtained from relevant literature and previous research.

In library research, the method used to collect research data is in the form of library data that has been selected, searched for, presented, and analyzed. The data source of this research is looking for library data whose substance requires philosophical and theoretical processing actions. The literature study here is a literature study without empirical testing (Muhadjir, 1998). The data analysis technique used in this research is descriptive qualitative analysis using data analysis techniques in the form of content analysis.

DISCUSSION OF RESULTS

Economic growth is one of the main problems of development. The discussion about the influence of entrepreneurial culture on the economy is one of the binding assumptions in economics. The difficulty in understanding the role of entrepreneurial culture on economic growth is an obstacle in measuring culture itself.

Along with the times, economists recognize that culture has an influence on the economy, especially economic growth. This is done by expanding on new social issues in economics, especially those related to the contribution or role of entrepreneurial culture to economic growth. This is explained by Mark Cason that economics should explain the variation of various variables or new issues, especially those related to culture.

Entrepreneurial Culture

Porter (1990) states that entrepreneurship is at the heart of national excellence because entrepreneurship can explain economic success (Collier 2000). According to Rauch and Frese (2000), the factors that cause individuals to become entrepreneurs are different. However, in general, every individual becomes an entrepreneur because of the economic environment, work history, family background, organizational experience, social network, national culture, and individual personality. In relation to the company, Penrose (1959) argues that entrepreneurs are important for the growth of the company because they provide the vision and imagination necessary for opportunistic expansion. Entrepreneurs have different characteristics or cultures from non-entrepreneurs.

Cromie theory is a theory that is used as a basis to explain the differences between entrepreneurial and non-entrepreneurial cultures. This theory contains that there are seven characteristics of entrepreneurial culture that are different from non-entrepreneurs, namely first, the need for achievement (McClelland, 1961). This assumption emphasizes hard work to achieve success. Second, locus of control (Rotter 1966; Brockhaus 1982). This

assumption emphasizes that action is part of the responsibility that will determine the outcome. Third, risk taking (Cromie, 2000). The assumption shows that entrepreneurs generally tend to take risk. Fourth, creativity is the ability to generate ideas and innovation (Leibenstein 1968). Fifth, the need for autonomy, namely the ability to take advantage of existing opportunities (Lumpkin and Dess 1996). Sixth, tolerance for ambiguity, namely the ability to control all conditions of uncertainty, especially psychological discomfort (Scheré 1982). Seventh, be confident. This assumption emphasizes the ability to motivate oneself, cognitive resources, and control over certain conditions (Wood and Bandura 1989).

However, the cultural orientation of the community towards entrepreneurial activity is different (Wennekers et al. 2005). These differences in orientation have an important contribution and impact on entrepreneurial activity. McGrath et al (1992) explained that basically entrepreneurship has a persistent and distinctive value orientation regardless of national cultural values. This assumption shows that the cultural characteristics of entrepreneurs will create distinctive innovations. So that entrepreneurial culture is a collective programming of the mind oriented towards values and real entrepreneurial behavior (Uhlaner and Thurik 2007).

Entrepreneurship Culture and Economic Growth

McClelland's theory was the first attempt to link entrepreneurial culture with economic development. However, along with that assumption was later developed by the Austrians that the condition where a person or individuals do not dare to take a risk is a condition that has the potential to increase economic growth and development. While one of the entrepreneurial culture or character is the tendency to take risks. Thus, more and more entrepreneurs will have an impact on economic growth and development (Davidsson 1995; Uhlaner and Thurik 2007).

The theory of the correlation between entrepreneurial culture and economic growth has been explained by several previous studies. Several studies have stated that entrepreneurial culture is indirectly related to economic development. Leibenstein (1968) mentions that entrepreneurial culture has an impact on economic performance through the production function. This assumption is reinforced by Carree and Thurik (2003) who say that the level of entrepreneurship that exists in a country or region will affect economic growth.

The study of the relationship of entrepreneurial culture with economic growth is more specifically described in the process of company formation that involves local characteristics. Entrepreneurial culture as an instrument of local characteristics has an important role in the formation of new companies. This assumption is explained by Davidson (1995) that entrepreneurial values have an influence on the formation of new companies in Sweden.

The existence of theoretical gaps or differences in the results of previous studies related to the correlation of entrepreneurial culture with economic growth shows that the correlation of entrepreneurial culture and economic growth cannot be measured that simple. But it requires stronger empirical evidence. In contrast to the previous results which explained the positive relationship between entrepreneurial culture and economic growth, Fritsch and Mueller (2004) stated that there was a negative relationship between entrepreneurial culture and economic growth. This is supported by the assumption that the level of development will affect entrepreneurial activity on economic growth. Thus, the relationship between entrepreneurial culture and economic growth cannot be explained simply.

Determinants of Entrepreneurial Culture

Entrepreneurship is a characteristic of a person's behavior that is built as an important factor in the formation of an entrepreneurial culture to increase company growth that can encourage economic development and growth. Timmons argues that entrepreneurship is a way of thinking, reasoning, and acting that is obsessed with opportunity, a holistic approach and a balanced leadership (Fourie 2008). The view of entrepreneurship is not merely a one-sided view, so that the results, its improvement, realization, and renewal of its value not only have an impact on the owner but also on the company and those who have an interest in the

business entity. In identifying entrepreneurship, Noorderhaven and Beugelsdijk (2004) measure it in at least two basic ways. First, entrepreneurship is operationalized as an entrepreneur (entrepreneur). Second, the total entry and exit of the company or also known as the level of turbulence.

The first measurement serves as a static indicator. Kuratko and Hodgetts (1989) prove that an important factor behind the progress and success of development achieved by developed countries in Europe and America is because it is supported by strong entrepreneurs. These entrepreneurs are said to be tough because they have characteristics and attitudes that are different from the non-entrepreneur human population. In 1985, Brockhaus identified three aspects that influence entrepreneurial behavior, namely achievement motivation which refers to the McClelland study (1961), internal locus of control derived from Rotter (1966), and the tendency to take risks which refers to the acceptance of risk and the possibility of failure. These three aspects were later developed by Steward, et al.

While the second measurement is measured to capture the dynamic aspects of entrepreneurship. Innovation preference as an important aspect that influences entrepreneurial behavior as developed by Steward, et al (1998) relates to how entrepreneurs respond to the level of turbulence and uncertainty in the market environment in terms of using and taking advantage of existing opportunities. In short, an entrepreneur is an innovator who is observant in recognizing and capturing every opportunity and opportunity to turn these opportunities and opportunities into something workable and marketable.

Trust is a set of values that is applied based on that the other party will take important actions for the party that gives confidence in the ability to monitor or control the other party (Ojha and Gupta, 1998: 107). According to Tschannen-Moran and Hoy (1998: 189) Trust can be measured by the following indicators: a) Good intentions i.e., good behavior and desires will create a relationship of trust' b) Reliability is dependence on other people to get comfort; c) Competence is the belief that one can complete or do a job well; d) Honesty is behavior that reflects the integrity that is the source or basis of trust; e) Openness is an attitude of mutual understanding and understanding between one another.

Trust has an important contribution in supporting economic growth. Trust will depend on the social, economic, and institutional environment. A high level of confidence will have an impact on investment which will ultimately affect economic growth. The optimal level of investment will depend on the magnitude of the expectation of fraud or fraud by the trader or entrepreneur. The level of fraud or fraud committed by entrepreneurs or traders will reduce the level of investor confidence so that it has an impact on income distribution and economic growth.

Yamagishi (1994) states that trust is a "Cognitive bias" which includes a guarantee and expectation of being treated well by trading partners. Trust has a correlation with economic growth across a region or country. Putnam (1993) states that trust is consistent with compelling evidence across countries or regions, for example Brazil and the Philippines have lower levels of trust than other countries. This assumption is reinforced by Knack and Keefer (1997) that trust, and growth have a strong correlation. This shows that the level of trust in each country varies greatly so that the contribution of trust to growth in each country also varies.

Entrepreneurship Manager Competencies

An important contribution of entrepreneurial culture is as a solution to the high unemployment rate by creating jobs and providing income for the community eventually to actively participate in the economy, even in the international sphere (Fourie 2008). Case studies in the United States and Malaysia show that entrepreneurship can drive economic development and growth. In the 20th century, the entrepreneurial approach defined by Cantillon in 1734 as "individuals who enter the business market to earn profits and take risks" has undergone a change where entrepreneurship must also focus on activities within the organization. The organization in question is company management. Entrepreneurship can be enhanced by good company management.

According to Grichnik (2008), entrepreneurs must be able to overcome organizational problems and use and take advantage of existing opportunities to enter the market. Kendall (2006) was the one to identify the critical relationship between management and entrepreneurship and the benefits to be gained for organizations and individuals to ensure best practice. The relationship between corporate management and entrepreneurship is then defined by Pinchot (Boyet, 1997) as Entrepreneurship. In this case, entrepreneurship refers to employees who are willing, able, and allowed to use innovation, creativity, and self-determination to identify and transform opportunities into economic development.

Entrepreneurs have a more innovative attitude than non-entrepreneurs (Thomas and Mueller 2000). Some entrepreneurs choose to own and manage their own companies, while others prefer to provide their management and leadership in the secure environment of established organizations. Business leaders play a role in demonstrating the ability to design and develop a valuable strategic position, where the company's resources, competencies and capabilities are mobilized and managed to meet and meet the demands and expectations of key stakeholders (Fourie 2008).

Puhakka (2007) states that the most important force behind the company's success in achieving high growth in Europe is that the most dynamic entrepreneurs in Europe perceive those human resources are the main driver of competitiveness and shareholder value. Entrepreneurial managers with high competence and quality are indispensable to obtain and manage resources effectively, identify and exploit opportunities, respond to environmental turbulence and uncertainty and to ensure conformity between the environment, available resources, and the organization's value system.

Previous studies defined competence in general as the skills, knowledge, attitudes, attributes, and values needed to perform tasks and the ability to apply them in the world of work (Prettyhead, 2007; Ucbasaran, & Westhead, 2008; Lindsay & Stuart, 1997; Garavan, 2007; Barnicle & O'Suilleabhain, 1999). In Fourie's (2008) research, he said that managers need to have generic competency requirements in terms of planning, leadership, organizing, and controlling as well as additional competency requirements to become entrepreneurial managers. The additional competency requirements needed in entrepreneurship are those related to the requirements for skills, knowledge, and personal competencies.

Ethnic Culture Diversity

Frijins, Dodd, and Cimerova (2016) define ethnic or cultural diversity as a set of values and beliefs that guide how a person chooses or evaluates an action, event, or other person and is one of the bases for decision making. The similarities or differences in cultural values in every society grow from their life experiences, history, and belief systems as well as from their social environment.

In relation to entrepreneurship, ethnic and cultural diversity influences the formation of entrepreneurial behavior characteristics from the external side, namely the social environment. (Rante 2010) Ethnic and cultural diversity that exists in each region will shape the social capacity of its people in dealing with changing circumstances. Abramowitz in (Noorderhaven and Beugelsdijk 2004) argues that the potential for rapid economic growth depends on social skills as a characteristic of society, the key element of which is the ability to adapt to changing circumstances to catch up.

Influence Culture and ethnicity in entrepreneurship are closely related to environmental culture and technological developments (Collier, 2000). Indicators of ethnic culture that can shape entrepreneurial attitudes according to Rante (2010) are measured by identifying attitudes towards future orientation, work ethic: motivation, business instinct, never giving up, responsibility, cooperation, openness, tolerance, honesty, preservation of cultural values, sense of belonging. belonging, kinship, love to help, love to love, and environmental conservation. The output produced as an entrepreneurial culture formed from the characteristics of ethnic culture is willingness/competitiveness, discipline, hard work, honest, diligent, tenacious, creative, communicative, willing to take risks, observant in seeing opportunities. This culture will later provide a spark for economic growth.

CONCLUSION

Based on the discussion above, it can be concluded as follows: 1) The entrepreneurial culture basically includes seven characteristics, namely the need for achievement, locus of control, creativity, risk taking, the need for autonomy, tolerance for ambiguity and self-confidence; 2) Entrepreneurial culture has a positive relationship to economic growth. It is specifically explained that the values of entrepreneurial culture affect the formation of new companies; 3) The determinants of entrepreneurial culture include entrepreneurial attitudes, trust, competence of entrepreneurial managers and cultural differences in ethnicity; 4) The condition of MSME Entrepreneurship in Indonesia has greatly declined in the midst of the pandemic. Most MSMEs in Indonesia experienced a drastic decline in turnover.

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