THE EFFECT OF ENTREPRENEURSHIP ON GROWTH, INCOME INEQUALITY AND POVERTY IN THAILAND

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Abstrak


Kata kunci: Kemiskinan, Ketidaksamaan pendapatan, Keusahawanan, Pertumbuhan ekonomi.
Abstract

Entrepreneurship has been argued to play a key role in economic development. In this regard, Thailand has recorded remarkably high entrepreneurial activities compared to other Asian countries. Paradoxically, Thailand’s economic development in terms of growth, poverty and inequality has been relatively dismal compared to other Asian countries. Accordingly, these observations cast doubts on the role of entrepreneurship in economic development in Thailand. Therefore, the objective of this study is to investigate the impact of entrepreneurship on growth, poverty and inequality in Thailand. This study employs the growth regression model to investigate the relationship between entrepreneurship and growth. In addition, this study employs the inequality and poverty regression model to investigate the relationship between entrepreneurship and poverty, and between entrepreneurship and inequality. Besides, to ascertain the causality direction between entrepreneurship and growth, this study employs the Granger Causality test. This study uses the panel data for 76 provinces in Thailand covering the period 1997–2008. The results of the study show that entrepreneurship has a significantly positive impact on economic growth in Thailand. Entrepreneurship also is found to have a negative significant impact on poverty. However, the study fails to find evidence on the impact of entrepreneurship on income inequality and income of the poor. Furthermore, the Granger Causality test shows that entrepreneurship Granger-causes growth but not vice versa. Overall, the results imply that while entrepreneurship has a favorable effect on individuals as a whole, the benefits of entrepreneurship appear to accrue more to the non-poor individuals. Therefore, it is imperative that the policy-makers review the existing policies and strategies with regard to entrepreneurship development in Thailand.

Keywords: Poverty, Income inequality, Entrepreneurship, Economic growth.
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CHAPTER ONE
INTRODUCTION

1.1 Background

Schumpeter (1934) contends that the role of entrepreneurship is a central factor that affects the evolution of capitalist societies based on the argument that new businesses drive economic and employment growth. Entrepreneurship is also believed to be an important tool needed to achieve the target of economic growth and development of a nation (Schumpeter 1934; Wennekers and Thurik 1999; Baumol 2002; Van Stel, Carree and Thurik, 2005). This claim is also supported by Anokhin, Grichnik and Hisrich (2008), who regard entrepreneurship to be the main vehicle of economic development by fulfilling roles that have been emphasized by Schumpeter (1934) and Romer (1994), on promoting prosperity in a particular region by creating new jobs (Birch, 1987; Fritsch and Mueller, 2004; Van Stel and Storey, 2004), reducing unemployment (Evans and Leighton, 1989), increasing the economic development and growth of a region (Carree, Van Stel, Thurik and Wennekers, 2002; Van Stel, Carree and Thurik, 2005; Acs, Desai and Hessel, 2008) and also increase life and job satisfaction (Noorderhaven, Thurik, Wenneker and Van Stel, 2004). Economic development benefits from increasing productivity through efforts driven by entrepreneurs, who bring innovation, speed up structural changes in the economy, force old existing businesses to reform and increase competition. The fact that entrepreneurship represents a significant variable in propelling development and growth in any given locality cannot be underestimated.

Since entrepreneurship has been considered to be a significant feature in initiating development, many measurements of entrepreneurship have been taken as indicators
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