



Extended Abstract

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doi: 10.22080/iejm.2020.17765.1727

Impact of Entrepreneurship Index and Legatum Index on Selected Islamic Countries Economic Growth with the Panel Smooth Transition Regression

Introduction

During the last few decades, the study of the effect of factors related to human capital on economic growth has become one of the main fields of research and study in economics; among the factors related to human capital are entrepreneurship and the success of this capital.

Manpower success conditions can be achieved in various ways such as impact on financial development, impact on inequality and income distribution, impact on the level of security, impact on household consumption, reducing government size, incentive to pursue personal interests, efficient information transfer, transparency and reducing corruption. Increase productivity, promote competition and competitiveness, reduce the informal sector, pave the way for the crystallization of innovative incentives to affect the performance of the economy.

In this regard, the main purpose of this article is to investigate the impact of entrepreneurship and sense of accomplishment on the economic growth rate in selected Islamic countries, based on access to data. In addition to the welfare of human capital conditions, which is reflected in the innovation resulting from entrepreneurship, there is no uniform definition of entrepreneurship, but in many evaluations, entrepreneurship is accepted as the creation of a new business.

Objective

In this regard, the main purpose of this article is to investigate the impact of entrepreneurship and sense of accomplishment on the economic growth rate in selected Islamic countries, based on access to data. For this purpose, endogenous growth theory was used with panel data of selected Islamic countries in the period 2006-2017 using nonlinear least squares analysis (NLS) and maximum likelihood estimator (ML).

So this research evaluates the effect of the LEG (Legatum) indicator and GEM entrepreneurship index on the real economic growth of selected Islamic countries during the period 2006-2017 by using the panel smooth transition regression (PSTR) model using two distinct gentle transfer functions.

Data/Methodology

For this purpose, a separate gentle transfer function was considered for each of the success indicators (legatum) of LEG and GEM entrepreneurship. The dual-mode PSTR model is specified with the LEG transfer function. This study will use other instrumental variables affecting economic growth in order to avoid incomplete specification of the model and potential extrusion bias that leads to inefficiency of estimates.

Using the studies of Bartolini et al. (2007), Chou (2006), Soda and Isis (2005) and according to the mentioned theoretical foundations, in order to evaluate the impact of entrepreneurship index and sense of success on the economic growth rate in selected Islamic countries. Including Turkey, Malaysia, Iran, Pakistan, Egypt, Saudi Arabia, Jordan, Qatar, Lebanon and the UAE in the period 2017-2017, the model of the PSTR threshold smooth transition panel is specified and the variables that are not proportional to the base year 2010 became real Eliminate the general level of prices between independent and dependent variables. For this reason, the inflation variable entered the model as an independent variable. The PSTR model will be estimated by eliminating the fixed effects and individual averages using the nonlinear least squares (NLS) method and the maximum likelihood estimator (ML).

Results/Findings

According to the results of calculations in the model with success transfer function, the transfer rate between the two regimes with a smooth transfer function is much higher than the transfer rate with an entrepreneurial gentle transfer function, which shows the improvement of success indicators in the short term and quickly affect economic variables. It will be, but in contrast to entrepreneurial indicators in the long run will have an impact on economic variables. This has led to the failure of the transfer curve and procedure in the first model and the proper curvature in the second model. Of course, in the high-success regime, changes in government spending have a negative but meaningless effect on economic growth, which shows that government spending in the high-regime is higher than the optimal government and has an export effect. In the second model, the variable of government spending in both regimes does not have a significant effect on economic growth, which shows that if it is a function of the transfer of entrepreneurship variable, strengthening entrepreneurship indicators can replace the effects of government fiscal policy on economic growth. In the low regime, the success and entrepreneurship of the Internet is not spent on GDP production, like in Iran, where a large part of the Internet is spent on social networks rather than national production. Domestic capital has the most significant impact on real economic growth in the low and high entrepreneurial regime.

Implications

Gross domestic capital formation with success transfer function does not have a significant effect on real economic growth and by changing the transfer function in the entrepreneurial model, this variable has a positive and significant effect on economic growth. Inflation in both models has no significant effect on real economic growth, which indicates that nominal variables do not affect the real variable. The degree of openness of the economy also has a threshold effect in both models

and the high degree of economic freedom does not have a positive effect on the economy, but its promotion along with the indicators of success and entrepreneurship in the long run has positive economic effects.

Keywords: Economic Growth, Entrepreneurship, Legatume, Smooth transition Function