

THE INFLUENCE OF ENTREPRENEURSHIP POLICY ON ECONOMIC GROWTH IN DEVELOPING COUNTRIES**Prima Ariestonandri^{1*}, Agus Suryono², Suryadi³, and Ainul Hayat⁴**^{1,2,3,4}Faculty of Administrative Science Brawijaya University, Malang, Indonesia*Corresponding Author: ariestonandri@student.ub.ac.id**Abstract**

This study explores the influence of entrepreneurship policy on economic growth in developing countries through a systematic review of 53 peer-reviewed articles published between 2005 and 2024. Using the EPPI-Centre framework, this research synthesizes evidence on how entrepreneurial ecosystems, institutional quality, and policy implementation contribute to growth trajectories. The findings reveal that opportunity-driven entrepreneurship, when supported by effective regulatory environments, access to finance, and institutional strength, significantly correlates with increased GDP and job creation. However, necessity-driven or informal entrepreneurship often yields limited or negative economic impact. Comparative analysis indicates that Indonesia has established a more structured policy framework—across micro, meso, and macro levels—yet still faces high business failure rates due to limited capital access, weak innovation, and fragmented policy implementation. Key policy challenges include institutional weaknesses, inadequate financial inclusion, and regulatory inefficiencies. This review highlights the critical role of context-specific, evidence-based entrepreneurship policies tailored to each country's institutional capacity and development stage. It further emphasizes the need for integrated digital ecosystems, education reform, and local government empowerment to enhance entrepreneurial productivity and sustainability. The study concludes that while entrepreneurship policies have the potential to stimulate inclusive and sustained economic growth, their success relies on coherent institutional support, contextual policy design, and robust implementation. Recommendations include policy contextualization, focus on opportunity entrepreneurship, regulatory reform, financial literacy enhancement, digital integration, and decentralization of entrepreneurship initiatives. Limitations involve the absence of primary empirical data and long-term policy impact evaluations, suggesting avenues for future research.

Keywords: Entrepreneurship Policy, Entrepreneurial Ecosystem, Developing Countries, Systematic Review**INTRODUCTION**

Many national and international literatures have discussed the role of entrepreneurship in driving economic growth. Studies such as Nugroho (2015), Purnomo et al. (2021), Wennekers and Thurik (1999), Wong et al. (2005), and Keilbach et al. (2009) are among them. Entrepreneurship with high growth potential has proven capable of creating jobs and increasing productivity, which are key elements in long-term economic transformation (Premkumar et al., 2014). The results of a study conducted by the OECD show that entrepreneurship has become an important factor and policy strategy used by many developed countries to accelerate their economic growth. To reduce poverty in low-income countries, enhancing the productive capacity of entrepreneurs is the best way. Therefore, the OECD and other international organizations encourage governments in developing countries to create policies that are more focused on entrepreneurship (OECD, 2023).

Entrepreneurship has become one of the main drivers of economic development in various developing countries in Asia and Africa. Entrepreneurship policies—defined as government initiatives to encourage the creation of new businesses and strengthen the entrepreneurship ecosystem—are increasingly recognized as strategic instruments for stimulating economic growth, creating jobs, and fostering innovation (Zouita (2021); Peparah and Adekoya (2020)). In developing countries, these policies are generally designed to address market failures, improve institutional weaknesses, and facilitate access to financing and infrastructure (Al Shukaili et al., 2018). Various empirical studies show that entrepreneurial activities make a significant contribution to economic growth, especially in low-income and developing countries. This relationship is particularly strong when the entrepreneurship that develops is opportunity-driven, innovative, and supported by a conducive institutional environment (Urbano et al. (2020); Ivanović-Đukić et al. (2022)).

The success of entrepreneurship policies is not uniform across every country. High-growth-oriented entrepreneurship has proven to create jobs and technological advancement, while necessity-driven or informal entrepreneurship can generate limited economic value or even hinder productivity (Ivanović-Đukić et al., 2022). Policies imported from developed countries often fail in developing nations due to institutional voids and infrastructure barriers (Schøtt & Wickstrøm Jensen, 2008). Unlike developed countries, the implementation of entrepreneurship policies in developing countries faces its own challenges, including resource limitations, political instability, and socio-cultural constraints (Panda and Dash (2014); Khan et al. (2023)). Necessity-based or informal entrepreneurship in developing countries may stagnate or negatively affect GDP growth (Shetty & Sundaram, 2018). This underscores the importance of entrepreneurship policies tailored to the local socio-economic structure and institutional capacity.

The variation in policy outcomes shows that the governmental context of a country greatly determines its effectiveness. Policies that are successful in one country may not yield similar results in another due to differences in regulatory frameworks, stages of economic development, and the capacity of public institutions (Schøtt & Wickstrøm Jensen, 2008). Additionally, the influence of capital control and the level of financial liberalization can also mediate the extent of entrepreneurship's contribution to growth (Ajide et al., 2019). Therefore, more and more experts and policymakers agree that entrepreneurship policies should be tailored to the economic and institutional conditions of each country (Zouita (2021); Ciešlik (2016)).

Unlike other developing countries that generally face policy implementation issues, Indonesia actually has a fairly comprehensive but still fragmented entrepreneurship policy framework, with a strong emphasis on digital transformation and sectoral entrepreneurship—particularly in the tourism, agribusiness, and creative industries (Murniati et al. (2021); Mubarak et al. (2019)). The role of human and social capital is highly emphasized, as these two elements drive an entrepreneurial culture and support regional economic growth through the establishment of new institutions (Prasetyo and Kistanti (2020)). Furthermore, economic freedom and the quality of institutions—such as ease of starting a business and legal protection—remain important factors in strengthening the impact of entrepreneurship on national economic development outcomes (Khyareh & Zamani, 2022).

Entrepreneurship in Indonesia has been positioned as a national priority through various public policies that encompass micro, meso, and macro levels (Mirzanti et al., 2015a). The Micro, Small, and Medium Enterprises (MSMEs) sector contributes over half of the national GDP and is a fundamental part of entrepreneurial activities. However, it experiences a high failure rate due to limited capital, human resource quality, and adaptation to innovation (Vydia et al., 2023). The government has attempted to address these challenges through entrepreneurship education, business incubation programs, and ultra-micro financing schemes (Prasetyo, 2020). However, Indonesia's ranking in the Global Entrepreneurship Index indicates that there are still gaps in ecosystem readiness and global competitiveness (Mirzanti et al., 2015a, 2015b).

This study aims to explore the relationship between entrepreneurship policies and economic growth in developing countries, with a particular focus on Indonesia. The study conducts an analysis of entrepreneurship policies, institutional conditions, and program implementation that influence development growth in developing countries. Understanding these dynamics is crucial for the government, development institutions, and stakeholders committed to promoting inclusive and innovation-based growth.

Methodology

This research uses the systematic review method to analyze entrepreneurship policies in developing countries, including Indonesia. The SR method was chosen because it allows for a systematic, transparent, and replicable literature review process, while also helping to minimize bias and generate a comprehensive understanding of entrepreneurship policies in the region (Chandler et al. (2019); Gough et al. (2017)). This study aims to answer the main question regarding the relationship between entrepreneurship policy and economic growth in developing countries.

Before the literature search, the researchers developed a systematic review protocol based on the framework developed by the EPPI-Centre, which emphasizes the importance of transparency, consistency, and relevance at every stage of the study (Gough et al., 2017). This protocol is used as an internal guide to maintain the quality and traceability of the research process. This research chose the Scopus database for literature collection due to its extensive coverage of peer-reviewed journals, ensuring the quality and relevance of the articles. The timeframe was chosen between 2005 and 2024 to provide a comprehensive overview of entrepreneurship policy research in Southeast Asian countries over the past two decades.

The inclusion criteria for selecting articles are as follows:

1. Articles that explicitly discuss entrepreneurship policies in developing countries, including Indonesia.

- Articles published between 2005 and 2024.
- Articles are available in English.

This research uses combined keywords, namely: "entrepreneurship," "entrepreneurship policy," "developing countries," and/or "Indonesia" to be analyzed in this paper. This search was also expanded by using variations of "entrepreneurial ecosystem" to ensure comprehensive coverage (Papaioannou et al., 2016). Article selection was carried out in two stages. The first stage is screening based on titles and abstracts to ensure relevance to the topic of entrepreneurship policy in developing countries, resulting in 152 articles. The second stage is an in-depth review of the full text of the articles that passed the initial selection, totaling 53 articles. The entire selection process was conducted independently by the research team, and any discrepancies in the selection process were resolved through discussion to reach a consensus (Pope et al., 2007).

The data extraction process was carried out to collect important information from each article, related to the type of entrepreneurship policies, then institutional conditions, and program implementation that affect development growth in developing countries. The collected data were analyzed using a narrative synthesis approach to map policy patterns, the relationship between entrepreneurship policies and economic growth in developing countries and Indonesia in particular, and to draw conceptual conclusions (Thomas and Harden (2008); Gough et al. (2017)). The report of the systematic review is structured and developed according to the principles established by the EPPI-Centre and Cochrane Collaboration (Chandler et al. (2019); Gough et al. (2017)). Validation was conducted through internal triangulation, namely by cross-checking among researchers to ensure the accuracy of data extraction and the consistency of data interpretation.

Results and Discussions

Entrepreneurship Policies in Developing Countries

The study results show that entrepreneurship policies have a significant impact on economic growth in developing countries, but with a level of effectiveness that is highly influenced by the institutional context and type of entrepreneurship. From the total literature analyzed, several key themes emerged that illustrate the dynamics of the relationship between policy, entrepreneurship, and economic growth. *First, the positive contribution of entrepreneurship policies to economic growth.* Most studies conclude that entrepreneurial activities contribute positively to economic growth, especially in low-income countries. This effect is stronger when the activities are opportunity-driven entrepreneurship, have a high growth orientation, and are supported by adequate government policies (Zouita (2021); Peprah and Adekoya (2020); Ivanović-Đukić et al. (2022)). For example, government support programs in the form of loans and tax incentives help new entrepreneurs overcome initial barriers and increase their contribution to GDP (Al Shukaili et al., 2018).

Second, the role of institutions and regulations. Findings from various studies indicate that the quality of institutions and the regulatory environment are determining factors for the success of entrepreneurship policies. Countries with good governance, efficient licensing systems, and broad access to credit tend to create more productive entrepreneurial ecosystems (Urbano et al. (2020); Álvarez et al. (2014)). Additionally, variables such as the minimization of the number of procedures to start a business and the coverage of private credit are positively correlated with the growth of innovation-based entrepreneurship. *Third, unproductive entrepreneurship.* The study results also show that not all forms of entrepreneurship have a positive impact. Necessity-driven entrepreneurship that arises due to economic pressure or lack of job alternatives often tends to be unproductive, even hindering growth (Shetty & Sundaram, 2018). This emphasizes the need for policy differentiation between promoting productive entrepreneurship (quality) versus policies that only increase the number of entrepreneurs in general (quantity). *Fourth, the variation in the impact of entrepreneurship policies.* The impact of entrepreneurship policies on economic growth varies depending on the stage of a country's economic development. Countries that are in the factor-driven and efficiency-driven stages, the increase in the number of entrepreneurs does not necessarily correlate with an increase in GDP. On the other hand, countries that have reached the innovation-driven stage tend to benefit more from investments in entrepreneurship policies (Shetty & Sundaram, 2018).

The stages of development were first introduced by the World Economic Forum (WEF) within the framework of the Global Competitiveness Index (GCI) and were widely adopted by the Global Entrepreneurship Monitor (GEM). In the initial stage, known as the factor-driven stage, countries rely on comparative advantages of basic production factors such as cheap labor and natural resources, with a still simple economic structure and a dominance of necessity-based entrepreneurship. As productivity and efficiency improve, the country enters the efficiency-driven stage, where economic growth relies on the efficiency of the labor market, education, financial systems, and better industrialization. At the innovation-driven stage, economic growth is powered by technology, creativity, quality human resources, and opportunity-driven entrepreneurship within a mature innovation ecosystem. Each stage requires a different policy approach to support entrepreneurship and economic development (Acs et al. (2017); Baldegger et al. (2021); Gama et al. (2020)).

Fifth, the role of capital control policies. Capital controls are policies or regulations implemented by a country to manage the inflow and outflow of cross-border financial capital. The purpose of capital controls is to maintain macroeconomic stability, protect currency exchange rates, avoid capital flight, and reduce vulnerability to global financial turmoil. Forms of capital controls include: (1) restrictions on foreign direct investment (FDI) or portfolio investment; (2) taxes on international financial transactions; (3) bans or quotas on the transfer of funds in foreign currencies; (4) licensing requirements for foreign loans; and (5) restrictions on the conversion of domestic currency to foreign currency. Several studies highlight that the intensity of capital controls can strengthen or weaken the relationship between entrepreneurship and economic growth. When combined with macroeconomic stability and trade policy support, entrepreneurship can become a driver of sustainable growth (Ajide et al., 2019).

Table 1. Key Topics in Developing Countries

No.	Main Topics	Key Findings	Source
1.	<i>Economic Growth</i>	Entrepreneurial activities have a significant positive impact on growth, especially in low-income countries.	Zouita (2021)
2.	<i>Institutional and Regulatory Factors</i>	The quality of regulation and access to credit reinforce the positive impact of entrepreneurship.	Urbano et al. (2020)
3.	<i>Unproductive Entrepreneurship</i>	Policies from developed countries are not always effective in developing countries. Informal and needs-based entrepreneurship can negatively impact GDP.	Shetty and Sundaram (2018)
4.	<i>Impact of Entrepreneurship Policy</i>	Each stage of economic development requires a different approach to entrepreneurial policy; In a country that is at the <i>factor-driven</i> and <i>efficiency-driven level</i> , the increase in the number of entrepreneurs is not necessarily directly proportional to the increase in GDP.	Gama et al. (2020); Baldegger et al. (2021); Acs et al. (2017)
5.	<i>Capital Control</i>	Well-managed capital controls strengthen the relationship between entrepreneurship and economic growth.	Ajide et al. (2019)

Besides aggregate economic growth, entrepreneurship has also proven to drive job creation and innovation. These factors are crucial for developing countries' structural transformation. Entrepreneurship with *high-growth expectations* contributes more to national productivity compared to micro or informal-scale entrepreneurship (Premkumar et al. (2014); Ivanović-Đukić et al. (2022)). Policy support such as skills training, access to technology, and the provision of business incubators are key to strengthening these positive impacts. However, there are forms of entrepreneurship that do not always have a positive impact. *Necessity-driven entrepreneurship* and the informal sector may hinder GDP growth. This phenomenon is also referred to by Thurik et al. (2008) as the refugee effect. They initiate businesses, predominantly in the informal sector, as an alternative to unemployment due to limited work opportunities. These activities are survival-oriented, tend to be stagnant and undeveloped, and have minimal contributions to innovation or economies of scale (Shetty & Sundaram, 2018). These findings highlight the critical need for policy formulation that prioritizes not only the quantity but also the quality and sustainability of entrepreneurial ventures.

Institutional factors play a crucial role in strengthening or weakening the relationship between entrepreneurship policies and economic growth. The quality of regulations, ease of starting a business, protection of intellectual property rights, and the coverage of private credit have been proven to enhance the contribution of entrepreneurship to economic development (Urbano et al. (2020); Álvarez et al. (2014)). Therefore, institutional reform becomes an inseparable part of the entrepreneurship-based development strategy. Literature findings show that policies successfully implemented in developed countries cannot always be directly replicated in developing countries. In the context of *factor-driven* and *efficiency-driven* countries, an increase in the entrepreneurship ratio does not automatically result in an increase in GDP. Therefore, a context-specific approach becomes very important in formulating relevant and effective policies (Schøtt and Wickstrøm Jensen (2008); Shetty and Sundaram (2018)).

Finally, several studies note that the intensity of capital control can also influence the relationship between entrepreneurship and economic growth. If managed well, capital controls can strengthen the contribution of entrepreneurship to development, particularly through macroeconomic stability and international trade integration (Ajide et al., 2019). Overall, these findings emphasize that entrepreneurship policies in developing countries should be designed contextually, evidence-based, and supported by strong institutions to have an optimal impact on economic growth.

Entrepreneurship Policy in Indonesia

Research findings indicate that entrepreneurship policies in Indonesia play a strategic role in driving national economic growth. Both through strengthening individual capacities, developing organizations and ecosystems, as well as through broader national policy interventions. These findings align with the three-tiered policy approach by Mirzanti et al. (2015b), which states that entrepreneurship policies in Indonesia consist of micro, meso, and macro levels. At the *micro level*, strengthening individual capabilities through entrepreneurship training, vocational education, and increasing entrepreneurial motivation has proven effective in fostering entrepreneurial intentions among the younger generation (Rahayu et al. (2024); Agung and Sutadji (2023)). However, the gap in access to training and the disparity in digital literacy across various regions pose challenges that need to be addressed to evenly expand the impact of policies.

Table 2. The Level of Entrepreneurship Policy in Indonesia

No.	Policy Level	Key Findings	Source
1.	Level Micro (Individual)	Business skills development and opportunity identification encourage entrepreneurial intent, especially among youth and students.	Rahayu et al. (2024); Agung and Sutadji (2023)
2.	Level Meso (Organizations/ Business Actors)	Institutional support, business incentives, and a digital ecosystem increase the productivity of startups and MSMEs.	Dhewanto et al. (2022); Mirzanti et al. (2015b)
3.	Level Macro (National Policy)	Job creation policies and entrepreneurial culture have an impact on increasing the number of new businesses and contributing to GDP.	Nurmalia et al. (2020); Prasetyo (2020)

At the *meso level*, institutional support and the development of the digital ecosystem play a crucial role in enhancing the productivity of MSMEs and startups. A study by Dhewanto et al. (2022) emphasizes that post-pandemic digitalization drives competitiveness, particularly through initiatives such as Go Digital training and ultra-micro financing programs. This supports Indonesia's efforts to realize its vision as "The Digital Energy of Asia." However, the one-sided approach of the government without active involvement from the community and higher education institutions remains an obstacle in building an inclusive innovation ecosystem (Susilaningsih et al., 2023). At the *macro level*, national policies such as strengthening the entrepreneurial culture, creating business infrastructure, and fiscal incentives have been shown to positively correlate with an increase in the number of new businesses and GDP growth (Nurmalia et al. (2020); Prasetyo (2020)). However, this success is not evenly distributed because most SMEs in Indonesia still experience failure within the first three years of their business (Vydia et al., 2023), indicating the need for more adaptive policies based on local needs.

The results of the literature review indicate that entrepreneurship policies in Indonesia have a significant impact on economic growth through various mechanisms, both directly and indirectly. The findings are classified based on policy dimensions (micro, meso, macro), supporting factors, strategic sectors, and the challenges faced in policy implementation. In general, a multilevel policy approach that integrates human capital development, institutional support, and digital ecosystem development has proven to contribute positively to job creation, increased productivity of MSMEs, and regional economic growth.

This condition is reinforced by the endogenous growth theory, which positions human capital and social capital as the main catalysts for long-term economic growth (Prasetyo & Kistanti, 2020). On the other hand, the findings of Khyareh and Zamani (2022) emphasize the importance of economic freedom as an institutional prerequisite for entrepreneurship to develop productively. Thus, in addition to direct policy interventions, strengthening an efficient, open, and accountable regulatory system becomes crucial. Furthermore, sectoral policies such as those in tourism and the creative industry show great potential for creating jobs and improving regional welfare. In the tourism sector, entrepreneurship acts as a driver of local economic development, while in the batik industry, sustainability orientation encourages the creation of entrepreneurship that is not only profit-oriented but also values cultural and environmental aspects (Murniati et al. (2021); Wibowo (2025)).

Table 3. Key Topics in Indonesia

No.	Main Topics	Key Findings	Source
1.	Digitization of MSMEs	The "Go Digital" training accelerates the adoption of technology by small businesses and strengthens Indonesia's position towards the "Digital Energy of Asia".	Dhewanto et al. (2021)
2.	Human and Social Capital	Human and social capital drive productivity, innovation, and the formation of new economic institutions.	Prasetyo and Kistanti (2020)
3.	Challenges of MSMEs	The high failure rate of MSMEs (50–60% in 3 years) is caused by capital, human resources, and technological adaptation constraints.	Vydia et al. (2023)
4.	Economic Liberalization	The components of economic freedom (regulatory efficiency, market openness) reinforce the positive influence of entrepreneurship on economic growth.	Khyareh and Zamani (2022)
5.	The Role of Colleges	The low involvement of universities in creating an entrepreneurial culture is a challenge in the development of innovative ecosystems.	Susilaningsih et al. (2023)

Overall, although Indonesia's entrepreneurship policies have shown positive results, their sustainability heavily depends on the consistency of cross-sector policies, synergy among stakeholders, and the readiness of the local ecosystem to absorb and develop entrepreneurial initiatives sustainably.

Developing Countries vs Indonesia Policy

Based on the results of the literature review and analysis of entrepreneurship policies in developing countries and the specific case of Indonesia, it was found that there are similarities in policy objectives—namely, to drive economic growth through job creation, innovation, and the development of the MSME sector. However, the effectiveness of policies is greatly influenced by the institutional context and the country's capacity to design and implement targeted interventions. In general, developing countries show a positive relationship between entrepreneurial activity and economic growth, especially when supported by good institutional quality (Urbano et al. (2020); Zouita (2021)). However, challenges such as limited access to financing, weak infrastructure, and complex regulations remain major obstacles (Panda & Dash, 2014). Meanwhile, Indonesia has a more structured policy framework compared to some other developing countries, including 12 government entrepreneurship programs that reach the micro, meso, and macro levels (Mirzanti et al., 2015a). However, implementation issues and the high failure rate of MSMEs (50–60% in the first three years) indicate a gap between policy design and impact (Vydia et al., 2023). These findings emphasize that although the direction of entrepreneurship policy in developing countries and Indonesia is relatively similar, its effectiveness depends on contextual design, solid implementation, and the strengthening of supporting factors such as entrepreneurship education, access to financing, and institutional reforms.

Table 4. Comparison of Entrepreneurship Policies in Developing Countries and Indonesia

No.	Aspects	Developing Countries (General)	Indonesia
1.	<i>Main Objectives</i>	Boosting economic growth through innovation and job creation	Increasing the number of entrepreneurs, MSME digitalization, and unemployment reduction
2.	<i>Policy Approach</i>	Adapting the developed country model often results in a generalist approach.	Structured programs at the micro, meso, and macro levels (12 main programs)
3.	<i>Key Challenges</i>	Limited access to capital, bureaucracy, and institutional weaknesses	High MSME failure rates, low entrepreneurial interest
4.	<i>Supporting Institutions</i>	Weak and unintegrated	Developing, but not yet fully effective
5.	<i>Sector Focus</i>	General, without a strong sectoral focus	Tourism, creative industries (batik), and digital economy
6.	<i>Impact on GDP</i>	Positive, especially for entrepreneurship opportunities (Zouita, 2021)	MSMEs contribute >50% of GDP; impact not yet optimal due to structural barriers
7.	<i>Global Ranking</i>	Most are in Q3 and Q4 positions GEI	At the bottom of Q3 in the Global Entrepreneurship Index

The results of this study indicate that entrepreneurship policies play an important role in driving economic growth in developing countries. However, its effectiveness is highly determined by the quality of institutions, the relevance of the policy context, and the implementation capacity at both local and national levels. In line with the findings of Zouita (2021) and Urbano et al. (2020), policies that focus on the development of opportunity-driven entrepreneurship and are supported by strong institutions tend to have a positive impact on Gross Domestic Product (GDP) growth. In the context of developing countries in general, policies often adopt approaches from developed countries without considering structural differences such as infrastructure limitations, lack of access to financing, and regulatory vulnerabilities (Schøtt and Wickstrøm Jensen (2008); Panda and Dash (2014)). As a result, many policy interventions fail to create a sustainable entrepreneurial ecosystem. This challenge is exacerbated by the dominance of necessity-based entrepreneurship, which tends to have a low contribution to innovation and economic growth (Ivanović-Đukić et al., 2022).

Meanwhile, the Indonesian case study shows greater complexity. On one hand, the government has developed 12 relatively comprehensive entrepreneurship policy programs that reach various levels (Mirzanti et al., 2015a). On the other hand, the effectiveness of these policies is still limited, as evidenced by the high failure rate of MSMEs reaching 50–60% within the first three years (Vydia et al., 2023) and Indonesia's low ranking in the global entrepreneurship index. This indicates a gap between policy design and implementation, as well as the suboptimal national entrepreneurship ecosystem in supporting inclusive and sustainable economic growth. Furthermore, the comparison between developing countries and Indonesia underscores the importance of a contextual approach. Developing countries need to be cautious in adopting policies from developed countries, and conversely, they should develop policy models based on local needs and sectoral potential. Indonesia, for example, has shown promising initiatives in the digitalization of MSMEs, tourism-based entrepreneurship, and the preservation of traditional creative sectors such as batik (Murmiati et al. (2021); Wibowo (2025)). However, these policies need to be supported by strengthening entrepreneurship education, improving bureaucracy, and enhancing financial literacy to have a greater impact on national economic growth.

Additionally, institutional factors such as economic freedom, regulatory transparency, and ease of starting a business are determinants of the success of entrepreneurship policies (Khyareh & Zamani, 2022). Indonesia still needs to improve the quality of public institutions to provide a nurturing environment for innovative and productive entrepreneurs. Integrated institutional reforms, including strengthening the role of local governments in nurturing local entrepreneurs, are essential to create long-term impact. The discussion confirms that entrepreneurship policies must be tailored to each country's unique economic, cultural, and institutional structures. Indonesia has great potential as a developing country with a high productive population and a dominant MSME sector, but it requires more focused, inclusive, and data-driven policy commitments to optimize the contribution of entrepreneurship to economic growth.

Conclusion

This research asserts that entrepreneurship policies have a significant contribution to economic growth in developing countries, noting that their impact highly depends on policy design, institutional quality, and contextualization to local needs. In general, policies that support opportunity-driven entrepreneurship, strengthen access to financing, and build a supportive regulatory environment have proven to accelerate economic growth. However, the effectiveness of these policies varies greatly between countries. In many developing countries, structural challenges such as limited infrastructure, complex regulations, and weak institutional capacity remain major obstacles. Policy models that too closely mimic developed countries without local adjustments often fail to produce the expected impact.

The Indonesian case study shows serious efforts in developing entrepreneurship policies through various cross-level programs (micro, meso, macro). Although the MSME sector contributes significantly to the national GDP, there are still serious challenges such as high business failure rates, lack of innovation, and limited institutional support. The success of Indonesia in optimizing entrepreneurial potential is significantly influenced by initiatives to enhance the quality of human resources, integrate the digital ecosystem, and fortify institutions and regulations that support entrepreneurship. Entrepreneurship policies in developing countries, such as Indonesia, should be evidence-based, considering local traits, sector potential, and cross-sector actor participation. Strengthening entrepreneurship education, increasing economic freedom, and institutional reform are essential conditions for creating an entrepreneurial ecosystem that fosters inclusive and sustainable economic growth.

Based on the study and comparison between developing countries in general and Indonesia in particular, there are several policy recommendations that can be implemented to enhance the effectiveness of entrepreneurship policies in driving economic growth. *First, contextualization of policies.* Governments in developing countries should avoid a copy-paste approach from developed countries. On the contrary, policies should be designed based on an analysis of local needs, the level of institutional readiness, and the leading sectors of the domestic economy. *Second, focus on opportunity-driven entrepreneurship.* There needs to be a shift in focus from need-based entrepreneurship to opportunity and innovation-based entrepreneurship. This can be achieved by strengthening the entrepreneurship education system, business incubators, and early-stage entrepreneurship mentoring. *Third, improving institutions and regulations to support entrepreneurs.* Bureaucratic reform, simplification of business licensing procedures, and strengthening legal protection for intellectual property rights need to be accelerated to create an ecosystem that encourages productivity and competitiveness. *Fourth, access to financing and financial literacy.* The government and the financial sector must expand access to financing for MSMEs and new entrepreneurs through low-interest credit schemes, fintech lending, and revolving funds, as well as improve financial literacy so that funds are used productively. *Fifth, digital integration and technological innovation.* The development of digitalization programs for MSMEs, technology training, and support for digital-based startups is crucial to accelerate economic transformation, especially post-pandemic. *Sixth, strengthening the role of local governments.* Decentralization of entrepreneurship policies to the regional level, supported by fiscal and technical capacity, can accelerate the creation of new entrepreneurs relevant to the local context.

Although this study has provided an analysis of the relationship between entrepreneurship policies and economic growth in developing countries, there are several limitations that need to be noted. *First, the limitation of quantitative empirical data.* This study is based on a literature review and secondary sources, without including panel data or stronger empirical regression to measure causal relationships between variables. *Second, the generalizability of the findings.* Although there is a comparison between Indonesia and other developing countries, the findings cannot be fully generalized to all developing countries due to significant structural and economic cultural differences. *Third, the aspect of long-term impact evaluation.* This study does not examine the long-term impact evaluation of entrepreneurship policies on the quality of economic growth, such as reducing inequality or environmental sustainability.

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