

# **The Role of Higher Education in Strengthening Entrepreneurship and Economic Development: A Systematic Literature Review**

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**Abstract.** This paper explores the role of higher education institutions in promoting creativity, community development, and economic growth. Using a meta-analysis approach, it assesses scientific research contributions in various domains. The study identifies five key objectives for higher education institutions, with the first four aligning with traditional roles of preserving, creating, transmitting, and disseminating knowledge. The fifth objective responds to contemporary demands, focusing on the role of higher education in local economic development. The study reveals a research gap concerning how higher education influences entrepreneurship in local economic development. It highlights the importance of creating entrepreneurial ecosystems within these institutions to foster innovation and equip students with practical business skills. Additionally, higher education institutions play a crucial role in stimulating entrepreneurship for local economic growth while addressing societal and economic challenges. This research strengthens the connections between higher education and broader societal and economic activities, extending beyond teaching and research.

**Keywords:** role of university, higher education, entrepreneurship, local economic, economic growth, economic development.

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## 1. Introduction

In today's global landscape, higher education institutions occupy a pivotal role marked by complexity and influence. Amidst a backdrop of multifaceted challenges and opportunities spanning political, economic, and social dimensions, universities are crucial agents in shaping knowledge perspectives and societal responsibilities (Sharma & Radhe 2015). Their strategic positioning enables them to forge both local and global connections, thereby influencing community development through innovative collaborations and engagement initiatives (Trippel *et al.* 2015; Luvalo & Loyiso 2014). Facilitating direct interaction between constituents and local communities is essential for fostering knowledge exchange and exploring creative ideas through practical, community-focused projects (Kitagawa *et al.* 2013).

The imperative to enhance population well-being necessitates leveraging all available national resources, with higher education emerging as a significant contributor. Universities play a central role in national development through scientific and technological advancements, which underpin economic growth and societal transformation (Veugelers & Reinilde 2014). Education serves as the cornerstone for societal progress, providing graduates with the skills and knowledge critical for economic and social development and fostering human freedom (Kozma 2005). Scientific planning, intertwined with educational outcomes, ensures a skilled workforce and advances in knowledge critical for economic planning and development (Lavoie & Don 1985; Batty 1994; Pickett *et al.* 2004). Education thus serves as a potent tool for directing and influencing developmental trajectories in alignment with societal interests (Srikanthan *et al.* 2003).

Furthermore, higher education institutions can significantly contribute to economic development by supporting emerging enterprises, facilitating global standardization, and promoting sustainability within the entrepreneurship sector (Zahra 1993; Kenney *et al.* 2004; Klofsten *et al.* 2019). Empowering future generations with entrepreneurial skills and fostering innovation through strategic support mechanisms are crucial for driving economic growth and competitiveness.

In recent years, global higher education has seen a marked increase in student enrollment, raising concerns about the readiness of graduates and staff for a rapidly evolving labor market, particularly in fields such as science and technology. This has underscored the need for universities to demonstrate their ability to address societal and economic challenges effectively. Integral to this challenge is the incorporation of sustainable human development into educational curricula, emphasizing higher education's role in cultivating skilled human resources and advancing societal well-being. However, despite its recognized role in societal development, many institutions still primarily prepare graduates for public-sector careers and emphasize theoretical knowledge over practical skills

and critical thinking, leading to curricula that may not align adequately with current economic needs. This gap limits higher education's engagement in local economic development and community growth. Overall, the multifaceted role of higher education institutions extends beyond academic boundaries to shaping knowledge paradigms, fostering community development, and driving economic growth through innovative partnerships and educational strategies, crucial for preparing graduates to navigate and contribute effectively in an increasingly complex global landscape.

Our research centers on the significance of the connection between higher education and its impact on economic development. This impact is twofold: the direct involvement of universities in economic development and the indirect influence achieved by fostering specialized entrepreneurship aligned with the economic requirements of the community.

In light of the issues delineated above, this research aims to undertake a comprehensive review of the existing literature pertaining to the university's role in the advancement of entrepreneurship and economic development. This investigation underscores the significance of the role that higher education institutions should assume in fostering creativity, community development, and economic growth. To address these objectives, this research seeks to answer the following research questions:

*RQ1 What are the main roles of higher education institutions in supporting local economy and social development?*

*RQ2 What are the opportunities and challenges for higher education institutions in order to contribute to supporting creativity and local economic development?*

*RQ3 What are the contributions of scientific research in determination of the gaps that need further research?*

## **2. Theoretical Background**

### **Higher Education and Economic Development**

There was an old view of social development projects on the grounds that they are consumer projects and do not lead to a direct economic return as was the case in previous education (Psacharopoulos *et al.* 1993). But today, many educators have tended to link educational planning with economic and social development and coordinate between them (Chatterton *et al.* 2000; Blaug 1967). In order to benefit from linking educational planning with economic and social growth and coordinating between them is required to develop the activities of individuals and groups to benefit from the available capabilities to the greatest extent possible (Fägerlind 2016). Although the connection between education and social and economic advancement has only lately come to light, there is a strong and popular belief that education is a crucial starting point for economic and social growth

(Temple 2002). Eighteenth-century economist Adam Smith emphasized the need for education and training for increasing worker productivity and enhancing their physical capabilities (Sutherland & Kathryn 1987). In addition, the planning that goes into education and political and social stability—both necessary for economic development—are crucial (Levy 2020).

Higher education is an essential and necessary component in promoting human growth on a worldwide scale since it plays a fundamental role in developing education, research, and technology. But in addition to providing people from all walks of life with the foundational knowledge required for the workforce, a university degree also provides them with the necessary training. As a result, every one among them who has received training in fostering and strengthening analytical abilities and talents can support the expansion of the regional economy in addition to the social, cultural, and educational advancement of the community. Furthermore, it enhances the ability and decision-making abilities that affect the community as a whole (Goddard *et al.* 2013; Bikse & Veronika 2016).

A correlation has been found in numerous earlier research between economic development and higher education, and this correlation is evident when examining different emerging nations. The “Seven Tigers” Asian nations’ experience started with their desire for education (Nguyen *et al.* 2009; Lall 1996). For example, the United States has been forced to acknowledge how far behind Japan it is in terms of development because of Japan’s constant efforts to enhance its educational curricula. The Americans discovered that a flaw in a portion of their school curricula caused a relative economic slowdown. They created a paper titled “A Nation in Danger” and stated that the relative fall in science and the absence of ongoing reforms were to blame (Gardner 1983).

Despite the availability of numerous essential and significant economic and social disciplines, there is a decline in interest in scientific materials, curricula, and their ongoing development in various nations (De Haan 2006; Stuckey *et al.* 2013). However, the diversity of scientific disciplines means the diversity of the economy, and different degrees of education mean different levels of the economy. Free learning means a free economy and skills and knowledge resulting from education affect production, the ability to work, and continued growth (Olssen *et al.* 2005; Luke 1996). In order to guarantee that students have the information and abilities necessary to thrive in a society that is changing quickly, it is crucial to encourage the official integration of 21st-century knowledge and skills into teacher preparation programs. Education is crucial for individuals to thrive in a rapidly changing world and for societies to progress without leaving anyone behind. Thus, education-derived skills and knowledge have an impact on productivity as well as one’s capacity to work and advance (National Research Council 2012; Naidoo 2003). According to Darling-Hammond *et al.* (2020), the science of learning and development illustrates how closely linked developmental processes are and how they work together to produce the results that educators are

in charge of. Thus, social development can be defined as an economic program's efficacy that illustrates the connection between the economy and education. To reap the true rewards of long-term investment, this relationship is crucial.

### **Higher Education and Entrepreneurship**

The university's pioneering role is in promoting the culture of entrepreneurship and attracting international investments. This is through launching a package of regulatory initiatives aimed at enhancing the performance of the economic environment (Lalkaka 2003; Bramwell *et al.* 2008).

Johannisson, Halvarsson & Lovstal (1997) in their study that aimed to stimulate and promote entrepreneurship through the organizational context of education and training at the Swedish University's Scandinavian Institute for Entrepreneurship Research. The results showed that the students were interacting in their offices during their work lead to increase their self-confidence as entrepreneurs and businessmen. In another hand the study of Charney & Libecap (2000) dealt with evaluating the impact of entrepreneurship education for the Berger Entrepreneurship Program at the University of Arizona in the period 1985-1999. The results show that entrepreneurship in education makes a difference and the comparison showed the existence of significant differences in favor of specialized students. It has also been shown that entrepreneurship in education contributes to encouraging risk-taking in building new projects, and increases the graduates' tendency for private work by nearly three times.

In addition, Jones & English (2004) in their study aimed to describe the design of a new program in entrepreneurship at the University of Tasmania in entrepreneurship education. This is to equip individuals with the knowledge and skill to seize business opportunities in a context of self-respect. Entrepreneurship in education includes identifying opportunities, marketing, organizing resources to face risks and establishing new enterprises. In this context, Mueller (2006) explored the relationship between entrepreneurship, university industry, and economic growth. The study found that knowledge, capital, and employment generated or owned by higher education/university institutions, together with collaboration with the business industry, are crucial elements of economic growth. Knowledge can be transformed into products and services, and in this way, they are commercially leveraged. Yusof & Jain (2008) also in their study examined the categories of entrepreneurship projects at the university level in light of university technology, showed the growing role of the university and its contributions to innovation and economic development. Three categories of leadership are defined at the university level: entrepreneurial university, academic entrepreneurship, and university technology transfer.

Therefore, today we have turned to education because it is the basis for the process of innovation and entrepreneurship, as it can be linked to scientific research centers and financing. Thus, it is expected that efforts will be combined to develop a plan to activate linking entrepreneurship and innovation funding institutions with scientific research in universities.

## **Entrepreneurship and Economic Development**

The main and only issue that we will address in this section is: What is the importance of entrepreneurship in economic development? Does it add significant independent influence to other widely factors to promote economic development?

Adam Smith (1776), as the first classic economist, did not give any importance to the role of entrepreneurship in economic development in his monumental work “An investigation into the nature and causes of the wealth of nations”. Smith hailed the rate of capital formation as an important determinant of economic development. Hollander (1911), in theory of economic development by David Ricardo, identified only three factors of production, which are machines, capital and labor. Through which the entire product is distributed as rents, profits and wages respectively. Ricardo appreciated the profit virtues of capital accumulation. According to him, profit provides the wealth which ultimately goes into capital formation. Thus, there is no room for entrepreneurship in all of the classical theories of economic development and economic development appears to be automatic and self-regulating. Schumpeter (1934) has modeled the businessman as the main figure in economic development due to his role in introducing innovations. Parson and Smelser (1956) described entrepreneurship as one of the two necessary conditions for economic development that leads to increase capital production. Harbison (1965) includes entrepreneurs among the main drivers of innovations while Youssef (1962) simply describes entrepreneurship as a necessary dynamic force. It is also clear that development does not occur spontaneously as a natural result when economic conditions are “right”. In other words: the incentives or factor are always necessary and this requires an ability to organize such projects.

The role of entrepreneurship in economic development varies from economy to economy depending on its material resources, industrial climate and the response of the political system to the task of entrepreneurship (Toma *et al.* 2014). Entrepreneurs contribute more to favorable conditions of opportunity than economies with relatively less favorable conditions of opportunity (Du *et al.* 2018). Currently, there is a clear focus by those concerned with economic affairs in the countries of the world on the important role that pilot projects play in establishing a solid national economy. Especially, these projects make a lot of contributions to employing manpower on one hand, and supporting large projects with many important services and commodities on the other hand (Ferronato & Navarro 2019). The outstanding importance of these projects is stimulating various economic sectors, including agricultural, industrial, commercial and service sectors (Rainville & Anne 2017). It also acts to meet social and economic needs that cannot play the required economic role, and thus contribute to solving multiple problems such as unemployment and poverty projects (Massarella & Kate 2018; Bencheva & Nelly 2017). Economic and social institutions pay special and clear attention during the current period to entrepreneurial business