

# THE ROLE AND PROSPECTS OF INNOVATIVE ENTREPRENEURSHIP IN THE ECONOMIC PROGRESS OF DEVELOPING COUNTRIES

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## Sosanidze M. O., Mshvidobadze T. I., Osadze L. T. The Role and Prospects of Innovative Entrepreneurship in the Economic Progress of Developing Countries

Nowadays, the role of innovation in the economy is rapidly growing. It is impossible to imagine the modern world without innovations that have already taken place and contribute to further evolution. Most scholars agree that innovation has become a major driver of economic and social development. In a rapidly changing global economy, technology has become a prominent factor in changing the world, both by improving connectivity and by shaping production, distribution and service. Innovation is widely recognized as a critical driver of economic growth, competitiveness and societal progress. The global economic landscape is evolving rapidly, and innovation is at its core. Innovative entrepreneurship, like innovation itself, is increasingly recognised as a key driver of economic development, especially in developing countries. This article explores the nature of innovation, the importance of entrepreneurship and its impact on economic growth. Through case studies, we highlight the challenges and opportunities faced by innovative entrepreneurs in developing countries. The results emphasise the need for supportive ecosystems that foster innovation, build skills and facilitate access to finance, thereby paving the way for sustainable economic development. Developing countries face significant challenges, including poverty, unemployment and limited access to resources. Understanding the role of innovation and innovative entrepreneurship in this context is critical to designing effective policies and strategies that promote sustainable development. The aim of this study is to provide information on how innovation and innovative entrepreneurial activity can stimulate economic growth, job creation and improved living standards in emerging regions. It is analysed how innovation contributes to competitive advantage and economic sustainability. Given the current global economic uncertainty, understanding the role of innovative entrepreneurship becomes crucial for policy makers, investors and entrepreneurs. The results are expected to provide information on the promotion of innovation-driven economic development, especially in regions where traditional business models are failing. The research methodology used in this study includes a comprehensive literature review of academic articles, reports and case studies related to innovative entrepreneurship. Data were collected from academic journals, reports from international organisations and interviews with local entrepreneurs and policy makers. The analysis focuses on identifying key themes, challenges and success factors related to innovative entrepreneurship.

**Keywords:** innovation, innovative entrepreneurship, economic diversification commercialisation.

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**Sosanidze Maka O.** – Professor, Gori State Pedagogical University (53 Ilia Chavchavadze Ave., Gori, 1400, Georgia)

**E-mail:** makasosanidze2@gmail.com

**ORCID:** <https://orcid.org/0000-0002-1572-1471>

**Scopus Author ID:** <https://www.scopus.com/authid/detail.uri?authorId=58805056143>

**Mshvidobadze Tinatin Ia.** – Doctor of Sciences (Engineering), Professor, Gori State Pedagogical University (53 Ilia Chavchavadze Ave., Gori, 1400, Georgia)

**E-mail:** tinikomshvidobadze@gmail.com

**ORCID:** <https://orcid.org/0000-0003-3721-9252>

**Scopus Author ID:** <https://www.scopus.com/authid/detail.uri?authorId=54898057800>

**Osadze Lali T.** – Doctor of Sciences (Economics), Professor, Gori State Pedagogical University (53 Ilia Chavchavadze Ave., Gori, 1400, Georgia)

**E-mail:** l.osadze@gmail.com

**ORCID:** <https://orcid.org/0000-0003-1394-3633>

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## Сосанідзе М. О., Мшвідобадзе Т. Я., Осадзе Л. Т. Роль і перспективи інноваційного підприємництва в економічному прогресі країн, що розвиваються

Сьогодні роль інновацій в економіці швидко зростає. Неможливо уявити сучасний світ без інновацій, які вже відбулися та сприяють подальшій еволюції. Більшість учених погоджуються, що інновації стали головним рушієм економічного та соціального розвитку. У мінливій глобальній економіці технологія стала помітним фактором зміни світу, як шляхом вдосконалення зв'язку, так і шляхом формування виробництва, розповсюдження та обслуговування. Інновації широко визнані критичним рушієм економічного зростання, конкурентоспроможності та суспільного прогресу. Глобальний економічний ландшафт швидко розвивається, і інновації – це основи. Інноваційне підприємництво, як і самі інновації, все більше визнається ключовим рушієм економічного розвитку, особливо в країнах, що розвиваються. У статті досліджено природу інновацій та їхній вплив на економічне зростання підприємництва. За допомогою тематичних досліджень висвітлено проблеми та можливості, з якими стикаються інноваційні підприємці в країнах, що розвиваються. Результати підкреслюють необхідність підтримуючих екосистем, які сприяють інноваціям, створюють навички та полегшують доступ до фінансів, тим самим прокладаючи шлях до сталого економічного розвитку. Країни, що розвиваються, стикаються зі значними проблемами, такими як бідність, безробіття та обмежений доступ до ресурсів. Розуміння ролі інновацій та інноваційного підприємництва в цьому контексті має вирішальне значення для розробки ефективної політики та стратегій, що сприяють сталому розвитку. Метою цього дослідження є надання інформації про те, як інновації та інноваційна підприємницька діяльність можуть стимулювати економічне зростання, створювати робочі місця та вдосконалювати рівень життя в регіонах, що розвиваються. Проаналізовано, як інновації сприяють конкурентній перевазі та економічній стійкості. Враховуючи нинішню глобальну економічну невизначеність,

розуміння ролі інноваційного підприємництва стає вирішальним для політиків, інвесторів і підприємців. Очікується, що результати нададуть інформацію щодо просування економічного розвитку, орієнтованого на інновації, особливо в регіонах, де застосування традиційних бізнес-моделей зазнає невдачі. Методологія дослідження, що використовується в цьому дослідженні, містить всебічний огляд літератури академічних статей, звітів і тематичних досліджень, пов'язаних з інноваційним підприємництвом. Дані були зібрані з академічних журналів, звітів міжнародних організацій та інтерв'ю з місцевими підприємцями та політиками. При виконанні аналізу зосереджено увагу на визначенні ключових тем, викликів і факторів успіху, пов'язаних з інноваційним підприємництвом.

**Ключові слова:** інновації, інноваційне підприємництво, комерціалізація економічної диверсифікації.

**Бібл.:** 10.

**Сосанідзе Мака Отарівна** – професор, Горійський державний педагогічний університет (просп. Іллі Чавчавадзе, 53, Горі, 1400, Грузія)

**E-mail:** makasosanidze2@gmail.com

**ORCID:** <https://orcid.org/0000-0002-1572-1471>

**Scopus Author ID:** <https://www.scopus.com/authid/detail.uri?authorId=58805056143>

**Мшвидобадзе Тінатін Ясонівна** – доктор технічних наук, професор, Горійський державний педагогічний університет (просп. Іллі Чавчавадзе, 53, Горі, 1400, Грузія)

**E-mail:** tinikomshvidobadze@gmail.com

**ORCID:** <https://orcid.org/0000-0003-3721-9252>

**Scopus Author ID:** <https://www.scopus.com/authid/detail.uri?authorId=54898057800>

**Осадзе Лалі Тарешівна** – доктор економічних наук, професор, Горійський державний педагогічний університет (просп. Іллі Чавчавадзе, 53, Горі, 1400, Грузія)

**E-mail:** l.osadze@gmail.com

**ORCID:** <https://orcid.org/0000-0003-1394-3633>

Innovative entrepreneurs operate in the most complex and high-risk industries with high growth potential. An entrepreneur is a person who, at his or her own risk, develops or creates new markets for goods and services, making efficient use of available resources, experience, knowledge, cultural and other features of the environment.

Innovative entrepreneurship, like innovation itself, is increasingly recognised as a key driver of economic development, especially in developing countries. This article explores the nature of innovation, the importance of entrepreneurship and its impact on economic growth. Through case studies, we highlight the challenges and opportunities faced by innovative entrepreneurs in developing countries. The results emphasise the need for supportive ecosystems that foster innovation, build skills and facilitate access to finance, thereby paving the way for sustainable economic development.

Developing countries face significant challenges, including poverty, unemployment and limited access to resources. Understanding the role of innovation and innovative entrepreneurship in this context is critical to designing effective policies and strategies that promote sustainable development [1].

The purpose of this study is to:

- ✦ provide information on how innovation and innovative entrepreneurial activity can stimulate economic growth, Job creation and improved living standards in emerging regions;
- ✦ analysing how innovation contributes to competitive advantage and economic sustainability.

The concept of innovation is very broad and can encompass a wide range of changes in economic activity, ranging from the introduction of entirely new

products or production processes, the use of new intermediate inputs, the adoption of new ways of managing firms, or the utilisation of intellectual property.

Economic growth is a major challenge for public policy makers as well as for economists working on economic development issues. In today's rapidly changing world, the adoption of innovation has become crucial to the success and sustainability of the economy. Innovation involves the creation and application of new ideas, processes, technologies, or business models that lead to increased productivity, improved competitiveness, and overall economic growth. In this content, we will look at why innovation is vital to the economy and how it contributes to progress and prosperity. The importance of innovation is as follows.

#### ✦ Stimulating economic growth

Innovation plays a key role in fuelling economic growth by fuelling productivity growth and creating new opportunities. When businesses and industries innovate, they become more efficient in their operations, reduce costs and produce higher quality goods and services. These advances contribute to increased production and hence economic expansion.

Moreover, innovation often leads to the emergence of entirely new industries and markets, stimulating job creation and economic diversification. New technologies and breakthrough ideas open up opportunities for entrepreneurs and startups, fostering a dynamic ecosystem that encourages experimentation and creative problem solving.

#### ✦ Enhancing global competitiveness

In a globalised world, countries must remain competitive to thrive economically. By embracing in-

novation, economies can gain a competitive advantage over others in the international arena. Innovative products and services attract consumers both domestically and internationally, strengthening a country's exports and balance of trade.

**G**overnments and businesses that prioritise investment in research and development (R&D) and create policies to support innovation can attract foreign direct investment (FDI) and retain local talent. This leads to a self-reinforcing cycle in which a robust innovation ecosystem further strengthens a country's competitive advantage.

✦ Addressing social challenges

Innovation plays a vital role in addressing pressing social challenges such as climate change, health, education and poverty. Breakthroughs in renewable energy, sustainable agriculture and resource conservation are not only leading to a greener economy, but also creating opportunities for job growth and sustainable development.

Innovations in health care and biotechnology improve quality of life, increase life expectancy and reduce health care costs, benefiting both individuals and society as a whole. In addition, advances in educational technology can improve access to quality education, empowering individuals to contribute effectively to the economy.

✦ Sustainability and adaptability

Economies that embrace innovation show greater resilience in times of economic uncertainty or crisis. The ability to adapt to changing circumstances through innovative solutions enables firms to cope, sustain operations, and emerge stronger after recessions [2].

Ultimately, the widespread adoption of innovation leads to improved living standards. Innovation improves efficiency and productivity across sectors, making goods and services more accessible to a broader section of society.

**A**nalyses of entrepreneurial activity in developed market economies show that there are two models of entrepreneurship: classical and innovative entrepreneurship. Classical entrepreneurship is a traditional, conservative entrepreneurship aimed at maximising the return on resources, managing the volume of production, where external factors and internal factors are involved in identifying the firm's reserves to increase profitability, updating the range of products.

Innovation entrepreneurship is the process of creating and commercialising innovations. The innovation should be new not only for the company implementing it, but also for the market as a whole, i.e. something that no one else has offered at the moment.

The goal of innovation is to take a certain market share from competitors, as well as to expand the existing market - to attract new customers or to induce existing customers to increase consumption [3].

In the conditions of modern development of market economy, characterised by the need for prompt response to the instability of the market environment and the formation of long-term competitive policy and development strategy of enterprises, the issues of increasing innovation activity are of particular importance.

Innovations created by entrepreneurial companies have a tremendous impact on society. If we think of all the goods and services that make our lives easier, increase our productivity at work, benefit our health and boost our mood. Apart from improved healthcare, think of mobile phones, personal computers, online shopping. All these solutions have appeared quite recently, but it is already hard to imagine our world without them. For example, barcode scanning technology and the power of the Internet allow companies to analyse the purchasing power of different groups of people. In addition to the effect that entrepreneurial companies have on the economy and society, they have a significant positive impact on the performance of large companies.

**I**nnovative entrepreneurship is related to the creation, development and commercialisation of a new product or service. P. Druker notes that 'entrepreneurs are characterised by an innovative type of thinking. Innovativeness is a special tool of entrepreneurship' Innovative entrepreneurship is a special innovative process of creating something new, a business process based on the constant search for new opportunities, orientation towards innovation. It is associated with the entrepreneur's readiness to assume the entire risk of implementing a new project or improving an existing one, as well as the resulting financial, moral and social responsibility. Innovative entrepreneurship is the highest stage of entrepreneurial activity, providing customers with new solutions to their problems (new products, services, technologies, etc.), as well as identifying new innovative opportunities for their own business. Innovation is the final result of innovation activity, embodied in the form of a new or improved product introduced on the market, a new or improved technological process used in practice, i.e. commercial benefit from practical use [4].

Innovative entrepreneurship is characterised by the ability to identify and exploit new opportunities through creative problem solving and ingenuity. This approach often spans different income levels and includes:

*Social Entrepreneurship:* This involves solving social problems while ensuring economic sustainabil-

ity. Social entrepreneurs create solutions that not only generate profits but also make a positive contribution to society by addressing issues such as poverty, education and health.

*Lean Innovation:* Lean innovation aims to create high quality products quickly and cost-effectively while focusing on customer satisfaction.

This method aims to develop affordable and scalable solutions adapted to local markets, ultimately meeting the specific needs of the target audience.

**Collaboration:** Through networks and partnerships, innovative entrepreneurs can expand their reach and resources. Collaboration facilitates knowledge sharing and co-creation, allowing entrepreneurs to combine strengths and maximise impact across sectors.

Together, these elements create a dynamic landscape in which innovative entrepreneurs can thrive and effect meaningful change.

It should be noted that any innovation activity is entrepreneurial because it is based on the search for new ideas (from a new product to a new structure) and their evaluation; the search for the necessary resources; the creation and management of the enterprise; the generation of monetary income and personal satisfaction with the result achieved. However, not all entrepreneurship is recognised as innovative entrepreneurship, but only that which generates entrepreneurial income as a result of the creation, use or diffusion of an innovative product [5].

Key characteristics of Innovative Entrepreneurship include:

- ✦ Risk: Innovative entrepreneurs are often willing to take significant risks to develop and commercialise their ideas.
- ✦ Visionary leadership: They have a strong vision for their ventures, guiding their teams through the uncertainties of the entrepreneurial journey.
- ✦ Adaptability: The ability to change course and adapt to market changes is critical to sustaining an innovative business [6].

Innovative entrepreneurship not only contributes to economic development, but also plays a role in social change by solving pressing societal problems through entrepreneurial solutions.

Here are some examples of innovative entrepreneurship development in countries around the world.

*United States:* The United States is a world leader in innovative entrepreneurship, with Silicon Valley serving as a prime example. Startups such as Google and Apple have revolutionised entire industries through groundbreaking innovation.

*Israel:* Known as the 'Startup Nation', Israel has a high concentration of startups and venture capital per capita. Government policies such as investment in research and development have contributed to a thriving ecosystem.

*Germany:* Germany's focus on engineering and technology has led to innovation in the manufacturing and automotive industries, supported by close collaboration between academia and industry.

*China:* rapid industrialisation has turned China into a centre for innovative entrepreneurship, especially in technology sectors. Government initiatives encourage investment in research and development.

*M-Pesa in Kenya:* a mobile money transfer service that has revolutionised financial transactions in low-income communities, demonstrating the power of technology-based innovation.

*BRAC in Bangladesh:* an NGO that has successfully integrated entrepreneurial approaches to address poverty, education and health issues [7].

In recent years, increased globalisation has led to an increase in highly skilled migration, including innovative entrepreneurs. The high cultural diversity provided by migrants has a positive impact on the growth of innovative companies in Germany. About 25 per cent of new companies in the US are founded by immigrants, in Silicon Valley more than 50 per cent of entrepreneurs were born outside the US; 44 per cent of founders of 'unicorn' firms in the US are from other countries. The Soviet diaspora played a significant role in the creation of the US IT industry [8].

Innovative entrepreneurship fulfils several functions in developing countries. Economic growth: by introducing new products and services, innovative entrepreneurs contribute to economic diversification and GDP growth.

**Job creation:** startups and small businesses create jobs, especially in sectors that absorb large numbers of workers.

**Social impact:** many entrepreneurs focus on social issues, leading to improved health, education and environmental sustainability.

**Global integration:** innovative firms are often more competitive in global markets, helping to integrate low-income countries into the global economy.

However, entrepreneurs in developing countries face many challenges, including:

- ✦ limited access to finance: many innovative startups have difficulty obtaining financing due to a lack of established financial institutions and venture capital. Traditional banks often view small businesses as high risk, leading to a lack of funding;

- ✦ regulatory barriers: bureaucratic hurdles and a complex regulatory environment can stifle innovation. Entrepreneurs may find it difficult to obtain permits, comply with taxation requirements and learn about intellectual property laws;
- ✦ lack of infrastructure: poor infrastructure, such as unreliable transport, poor internet connectivity and limited access to utilities, can hinder entrepreneurship and limit market reach;
- ✦ lack of skills and education: There is often a mismatch between the skills of the workforce and the demands of innovative industries. Education and training systems may not prepare people for entrepreneurship;
- ✦ cultural attitudes: In some cultures, there is a stigma associated with failure, which may deter potential entrepreneurs from taking risks. Entrepreneurship may not be seen as a viable career path, leading to social biases around failure and risk taking. In some regions, social norms may not fully support entrepreneurial ventures, especially when they are led by women;
- ✦ gaps in the innovation ecosystem. Weak innovation ecosystems, characterized by a lack of collaboration among stakeholders, hinder the flow of ideas and resources.

As we can see, innovative entrepreneurship in developing countries faces challenges, but the outlook is promising. The following policy recommendations are offered to support innovative entrepreneurship;

- ✦ create microfinance institutions and venture capital funds tailored to the needs of entrepreneurs in low-income countries;
- ✦ government support: Implement policies that promote entrepreneurship, such as tax incentives, can spur innovation. Collaboration between governments, private sector players, and international organizations can mobilize resources and expertise;
- ✦ create innovation hubs to provide entrepreneurs with the resources, mentoring, and networking opportunities they need to thrive;
- ✦ governments and NGO (a non-governmental organization)s can develop initiatives that focus on skills development and business management training;
- ✦ implement training initiatives to equip entrepreneurs with the skills to innovate and compete;
- ✦ infrastructure investment: Improve transport, communications, and energy connectivity to support business operations;

- ✦ streamline regulations: Simplify business registration processes and reduce bureaucratic barriers to encourage entrepreneurship [9].

## CONCLUSIONS

The study's findings suggest that innovative entrepreneurship has potential for economic development. However, realizing its full potential requires targeted interventions and a keen understanding of local dynamics. The development of innovative entrepreneurship plays a crucial role in shaping the future of economies around the world. Successful examples from around the world show that creating an environment conducive to innovation is essential to stimulating economic growth and addressing social challenges. For developing countries, innovative entrepreneurship is a pathway to sustainable development, offering unique opportunities to create jobs and solve local problems. Innovative entrepreneurs can play a key role in transforming economies and improving living standards. It is essential that governments, development agencies and the private sector collaborate to create an enabling environment that enables innovation and supports entrepreneurship. Policymakers must prioritize strategies that encourage innovation and entrepreneurship to harness their full potential [10].

Research shows that cultural factors significantly shape entrepreneurial behavior, with local traditions either promoting or hindering innovation. Financial access remains a major barrier, particularly for women and rural entrepreneurs, highlighting the urgent need for microfinance and supportive financial policies. The study also shows that technology adoption is uneven, with urban areas benefiting more than rural areas. Gender dynamics play a critical role, with women facing additional barriers in accessing resources and networks.

Future research should focus on longitudinal studies to assess the long-term impact of innovative enterprises and examine the integration of technologies into traditional industries. Moreover, studying the role of global networks in facilitating local entrepreneurship may provide valuable insights for developing sustainable economic strategies. ■

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