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## The Role of Entrepreneurship in Encouraging Sustainable Economic Development

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### Abstract

Entrepreneurship has an important role in encouraging sustainable economic development, especially in developing countries. This article aims to analyze how entrepreneurship can contribute to economic growth that not only focuses on financial gains, but also pays attention to social and environmental aspects. In this context, entrepreneurship serves as a driving force for innovation, job creation, and development of local communities. Through a qualitative approach and literature analysis, this study explores several aspects that show a positive relationship between entrepreneurship and sustainable economic development. First, innovative entrepreneurship can develop environmentally friendly products and services, reducing negative impacts on ecosystems. Second, small and medium enterprises (SMEs) initiated by local entrepreneurs can provide job opportunities, increase people's income, and empower the community. Third, social entrepreneurship that aims to solve social problems, such as poverty and education, can contribute to the welfare of society. In addition, this article also highlights the challenges faced by entrepreneurs in creating sustainable businesses, including access to capital, technology, and training. Therefore, support from the government and financial institutions is essential to create an ecosystem that supports entrepreneurship. The study concludes that sustainability-focused entrepreneurship not only provides economic benefits, but also strengthens social and environmental structures, thereby contributing to inclusive and sustainable economic development.

### Keywords

Entrepreneurship, Sustainable, Economic Development, Economic Growth

## 1. Introduction

Sustainable economic development is a top priority in various global policies (Sun et al., 2020; Tien et al., 2023). A sustainable economy includes inclusive and efficient economic growth. On the other hand, entrepreneurship is considered an important pillar in spurring innovation, job creation, and economic growth. Benjamin Higgins when he explained the classic theory of development: What is meant by "entrepreneurship" is the function of seeing investment and production opportunities: organizing companies to carry out new production processes; increase capital, hire labor, regulate the supply of raw materials, find locations, and combine production factors; introducing new techniques and commodities, discovering new natural resources; and choose a top manager for day-to-day operations (Fajri, 2021; Al-Qudah et al., 2022). Entrepreneurship is the equivalent of the words Entrepreneurship (English), *unternehmer* (Germany), *Ondernemen* (Netherlands). While in Indonesia it is called entrepreneurship. The French word "entrepreneur" denotes "adventurer", "risk-taker", "contractor", "entrepreneur" (someone who works on a particular project), and "creator" (someone who sells his product) (Akbar et al., 2021; Mikhno et al., 2021).

In the opinion of Bongani Thulani Gamede, entrepreneurship has the potential to be improved (Chrysnaputra et al., 2021; Mariam et al., 2021). Some of the reasons for entrepreneurship are said to be economic sustainability, namely the existence of retired workers who start new businesses to continue economic income, where this is a reference for the workforce to look for innovation and entrepreneurial opportunities. Based on data from the Ministry of Cooperatives of the Republic of Indonesia and the Ministry of Small and Medium Enterprises, the 2016 Census of the Central Statistics Agency shows a significant contribution of MSMEs. MSMEs' contribution to the Indonesian economy: MSMEs account for 89.2% of the total workforce. 4,444 small and medium-sized enterprises account for 99% of the total workload. Contributions to MSMEs reached 60.34% of the total national GDP. Small and medium enterprises accounted for 14.17% of the total export goods, with 58.18% of the total investment capital given to small and medium enterprises (Anggraeni, 2020; Rachmawati et al., 2022; Sjarwadi et al., 2024).

Gross Domestic Product benefits from the business. By itself, trade has a different influence on the formation of a nation. Developed and poor countries are affected by corruption in different ways. More people in developing countries operate small startups than in wealthy countries, and even a slight increase in the level of entrepreneurship there boosts economic growth (Pamungkas et al., 2024). Agricultural countries with larger populations that start more small businesses than developing countries, expansion in the level of business in non-industrial countries positively affects Development (Bhegawati et al., 2022; Azzahra et al., 2024). Employers can stimulate innovation or increase industry competition, which can result in increased productivity and, ultimately, job creation. This will support economic growth and foster an innovative environment. The economy is also driven by an inventive environment, which is linked to financial developments.

## 2. Literature Review

The idea of social entrepreneurship and community empowerment seeks to create a more equitable economy and turn social problems into commercial opportunities (Méndez-Picazo et al., 2021; Handoko et al., 2024). Building a theoretical framework that offers a foundation for understanding the ways in which entrepreneurship promotes economic development is essential for investigating the relationship between entrepreneurship and economic growth. Many of the theoretical attitudes that emphasize these different aspects of the relationship are presented in the

literature. Among the well-known theories are the resource-based view, which highlights the importance of entrepreneurial skills and resources in generating competitive advantage and driving economic growth, and the Schumpeter perspective, which highlights the role of entrepreneurship in driving innovation and technological advancement (Stoica et al., 2020; Rijal et al., 2023; Arumdani et al., 2024).

Because it can generate new jobs, support the expansion of the small and medium enterprises (SMEs) sector, and start a positive cycle in the economic ecosystem, entrepreneurship is considered a key pillar of regional economic development (Hummels & Argyrou, 2021; Mulyana et al., 2022; Subkhan & Hutajulu, 2023). In this sense, entrepreneurship encompasses more than just starting a new business; It also includes the capacity to innovate, manage risk, and improve competitiveness in an ever-changing market (Li et al., 2020; Ali, 2021; Lubis & Sinaga, 2024). Some things that motivate an entrepreneur:

1. The need for dependency or freedom.
2. The need for renewal.
3. Achieve a better level of income.
4. Ability to finance and prosper the family.

According to Jenanu (2024), entrepreneurial characteristics include being proactive, which involves actively seeking knowledge relevant to their field to stay informed and handle situations wisely and effectively. Entrepreneurs should also be productive, meaning they are willing to invest in meaningful endeavors while ensuring expenditures are calculated, meticulous, and impactful rather than careless. Additionally, they must possess the ability to delegate tasks and empower others within their team or network to achieve desired goals effectively.

Economic progress as defined Economic growth, according to Frank and Andre Gunder, is a shift in citizens' mindsets and acceptance of applicable ideals (Octavianus & Taufan, 2024; Setiawan et al., 2024). Meanwhile, economic development is defined as the economic capacity to grow quickly, sustainably, improve the equity and welfare of the community in general, and be highly competitive, all of which are supported by the application and mastery of science and technology in the creation of development resources, according to the first draft of the national long-term development plan 2005-2025 (Jenanu, 2024).

Sustainable economic development aims to balance social welfare, economic growth, and environmental conservation to ensure that future generations can benefit from existing resources. When a retiree starts a new business, several key principles can guide its sustainability and long-term profitability. Efficient resource use is essential, with businesses encouraged to minimize environmental impact by recycling materials, reducing plastic use, and opting for eco-friendly raw materials. Empowering local human resources by employing and training locals can significantly boost the local economy and community development. Innovation in products and processes is also vital, emphasizing environmentally friendly alternatives, such as using recycled materials or promoting reusable products like cloth bags. Ethical business practices, including fair employee wages, safe working conditions, and compliance with environmental and human rights standards, are critical. To ensure stability, diversifying products or markets can reduce dependency risks, while sound financial management supports long-term business sustainability. Additionally, educating consumers on responsible consumption and encouraging them to choose eco-friendly, waste-reducing products can foster a loyal customer base and contribute to broader sustainable development goals.

### 3. Methods

By critically and thoroughly analyzing library resources related to the content of papers, such as books and journals that are worthy of reference, the researcher uses a qualitative approach with literature analysis studies in reviewing this work (Assyakurrohim et al., 2023). In addition, the qualitative approach emphasizes the significance, logic, and definition of a particular state or setting that is more relevant to everyday life (Rasyiqqa et al., 2023). While qualitative literature analysis was used in the methodology of this review data study, quantitative data such as numbers were also considered. Interviews, participatory research, observations, literature reviews, and data sources from articles, documents, newspapers, magazines, scientific journals, and other sources are some of the methods or methods of data collection used in qualitative research. Data was obtained from various past investigations and processes. The information used is optional information obtained from diaries, books, documentation.

### 4. Results

There are no statistics that accurately capture entrepreneurship. Because it is difficult to measure, some studies use surveys, expert interviews, and entrepreneurial data to look at entrepreneurship from an empirical perspective. There are several indices in entrepreneurship, including needs-based and opportunity-based entrepreneurship. Entrepreneurship is basically an attribute of personal behavior. It is important to remember that being an entrepreneur is not a career, nor is it a well-defined class of people. Even clear entrepreneurs can demonstrate their entrepreneurship only at certain phases of their career and/or refer to certain components of their activities. Individual and group entrepreneurs as inventors drive the availability of new jobs. Work and entrepreneurship have always gone hand in hand; As entrepreneurship develops in the most sought-after locations, new jobs will also be created. Entrepreneurs have the power to spur innovation or increase industry competition, which can lead to higher production and, ultimately, more jobs. To become an entrepreneur, a person needs to have several abilities including (Mulyani & Asnawi, 2022):

1. Visionary or able to formulate long-term goals
2. Able to motivate themselves;
3. Have the initiative;
4. Able to innovate
5. Have good time management
6. Have a religious spirit

In accordance with the research that has been carried out, there are things that need to be prepared in building entrepreneurship related to the sustainable economy. As a workforce approaching retirement, you can take steps by establishing an entrepreneurship, where this can be a strategic step to ensure financial stability and contribute to sustainable economic development. A well-managed entrepreneur can be a sustainable source of income, as well as allow individuals to remain active, productive, and have a positive impact on society and the environment.

Before starting a business, it is very important to consider the interests, hobbies, and skills that you have during your career. Running a business that aligns with your interests or expertise will make the business easier to manage, especially towards retirement. In addition, choose a type of business that also supports sustainability principles, such as environmentally friendly, community-based, or social welfare businesses. Before setting up a business, create a solid business plan and include sustainability aspects. This plan should include a business model that is not only financially profitable, but also considers social and environmental impacts. It is

necessary to consider how the business can make a positive contribution to sustainability

During work, one must have built a professional network and accumulated experience. This network can be used to support business development. Work experience can also be used to establish a business that fits into the industry it already controls, or to build strong partnerships. Collaboration with other parties who have a sustainability vision can also strengthen the business. When starting a business towards retirement, it is important to ensure that personal finances are in stable condition. Avoid investing your entire retirement savings into a business. Consider setting aside some as a reserve, and consider business capital from various sources such as microbusiness loans, grants, or investors who support sustainable ventures.

To support a sustainable economy, established entrepreneurs need to consider social and environmental impacts. You can build a business that promotes a circular economy, such as recycling products or reducing the use of environmentally damaging raw materials. In addition, businesses can focus on empowering local communities through training or creating jobs. Once the business is running, it is important to continue to evaluate the performance of the business and its impact on sustainability. A good business is one that continues to grow and innovate to face new challenges, including in social and environmental aspects. Conducting periodic evaluations will help you see which areas can be improved and how the business can be more environmentally friendly or provide more social benefits. Sustainable business is not an instant business, but requires a long-term vision. In preparation for retirement, building a business that not only generates short-term profits but also provides long-term benefits for the environment and society is the main key. Flexibility is also needed to adapt to market changes and new challenges in running a business.

According to several entrepreneurial owners the researcher met, they outlined several guidelines for running a new business in retirement while ensuring economic sustainability in terms of income and business continuity. These guidelines include understanding the direction and purpose of the business, having sufficient capital to apply to the business either as planned or for unexpected expenses, and adopting a new mindset to navigate the new business world. Building a network and maintaining relationships with colleagues who can provide support in terms of capital, raw materials, marketing, and human resources is also crucial. Choosing the right type of business that aligns with interests, opportunities, and existing knowledge is essential, as is understanding regulations and obtaining the necessary permits. Additionally, effective financial management is key, as it not only supports business success but also prevents failure due to poor allocation of funds. Journals that discuss sustainable entrepreneurship highlight the importance of the role of entrepreneurs in driving change towards a greener, fairer, and more sustainable economy. By focusing on innovation, social impact, and environmental sustainability, sustainable entrepreneurship is key in addressing global challenges such as climate change and social inequality.

In accordance with research that has been conducted in several entrepreneurial owners regarding the role of entrepreneurship in sustainable economic development which is related to several phenomena in the research environment, especially for retirees who start opening new businesses to maintain a sustainable economy that focuses on the principles of sustainable economic development will provide long-term benefits. Not only for the success of the business itself, but also for the welfare of the community and environmental sustainability. Using resources efficiently, hiring local workers, innovating with eco-friendly products, and implementing ethical business practices are some of the key steps that can be taken to achieve these goals.

Retirement businesses can contribute to sustainable economic development by supporting both individual and community economies through job creation and long-term viability. These businesses create opportunities for others to earn income, develop human resources, and empower communities. Additionally, they promote environmental sustainability by efficiently utilizing natural resources and offering environmentally friendly products. The concept of business sustainability extends beyond mere growth, focusing on the ability of businesses to operate, evolve, and generate profits over the long term, ensuring their contributions to sustainable development.

## 5. Conclusion

An important component of economic growth is entrepreneurship. By creating jobs, increasing GDP, reducing poverty, and promoting the long-term well-being of society, entrepreneurship significantly contributes to sustainable economic development. At the same time, entrepreneurial development is greatly influenced by economic growth. As agents of change, entrepreneurship plays an important role in generating economic value while protecting the environment and improving social well-being, as emphasized by the conclusion of entrepreneurship in a sustainable economy.

Sustainable entrepreneurship considers the long-term effects on society and the environment in addition to short-term benefits. The foundation of sustainable entrepreneurship is innovation, where business owners develop sustainable goods, services, and business plans. They are crucial in addressing global issues such as social injustice, shifting work schedules, and climate change. The presence of new products is undoubtedly one of the difficulties in introducing them to the public, but sustainable businesses also face obstacles including funding, high startup costs, regulatory changes, and uneven customer awareness. For sustainable entrepreneurship to grow and have a greater positive impact, government assistance, consistent policies, and cooperation between the public and private sectors are urgently needed. All things considered; sustainable entrepreneurship plays an important role in the shift to a sustainable economy.

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