

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

Askar Garad

Management Program, Universitas Muhammadiyah Yogyakarta, Indonesia

Rizal Yaya

Faculty Economics and Business, University Muhammadiyah Yogyakarta, Yogyakarta, Indonesia

Suryo Pratolo

Faculty Economics and Business, University Muhammadiyah Yogyakarta, Yogyakarta, Indonesia

Alni Rahmawati

Doctoral Management Program, Postgraduate Studies, University Muhammadiyah Yogyakarta, Yogyakarta, Indonesia

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.

This shortened version of the article is for promotional purposes on publicly accessible databases.

Readers who wish to obtain the full text version of the article can order it via the url

<https://www.neilsonjournals.com/JIBE/abstractjibe19garadetal.html>

Any enquiries, please contact the Publishing Editor, Peter Neilson pneilson@neilsonjournals.com

© NeilsonJournals Publishing 2024.

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