

The Effect of Entrepreneurship on Development of Banking Sector in Developing and Developed Selected Countries

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Abstract

Entrepreneurship by expanding economic activities increases the demand for banking services for doing business and it can help to finance the development of the banking sector. For this reason, the present study estimates the effect of entrepreneurial attitudes, entrepreneurial abilities, and entrepreneurial aspirations on the development of the banking sector in two selected developing country members of the organization of Islamic cooperation (sample group) and selected developed countries members of the organization for economic co-operation and development (Control group). For this purpose, the research model was estimated using panel data and a generalized method of the moment by two groups of countries for the period 2014-2018. The results showed that the effect of entrepreneurial attitudes, entrepreneurial abilities, and entrepreneurial aspirations on the development of the banking sector in both groups of countries was positive and significant. However, their estimated coefficient is higher in selected developed countries. In addition, the effect of control variables of rule of law on the development of the banking sector in both groups of selected countries was positive and significant, and the effect of inflation and size of government on the development of the banking sector in both groups of selected countries was negative and significant.

Keywords: Development of Banking Sector; Entrepreneurship; Rule of Law; Inflation; Government Size.

JEL Classification: O40, L26, C33.

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