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Financial Globalization, Entrepreneurship, and Economic Growth: Evidence from Asian Countries

[1]Amjad Ali
[2]Wafaria Iram
[3]Mehboob Alam
[1]Lahore School of Accountancy and Finance, University of Lahore, Pakistan
[2]Lahore School of Accountancy and Finance, University of Lahore, Pakistan
[3]Lahore School of Accountancy and Finance, University of Lahore, Pakistan

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Corresponding Authors*:

Abstract

This study examines the dynamic relationships between financial globalization, entrepreneurship development, and economic growth across 18 Asian nations from 2013 to 2024. The results reveal that financial globalization significantly enhances entrepreneurial activity primarily by improving access to capital, fostering a better regulatory environment, and increasing financial literacy. Furthermore, entrepreneurship is found to be an effective driver of GDP growth, especially when accompanied by technology adoption, workforce skills development, flexibility, and infrastructure investment. While the study highlights the general positive impact of financial globalization and entrepreneurship, it also acknowledges variations due to institutional weaknesses and uneven market competition among countries. The findings offer nuanced insight into how globalization, supported by strong institutions and targeted policy interventions, can promote sustainable development. Based on empirical analysis, this research provides practical guidance for policymakers seeking to design inclusive growth strategies based on global financial integration and to foster robust entrepreneurship ecosystems.

Keywords: Financial Globalization, Entrepreneurship Development, Economic Growth

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Introduction

Financial globalization has significantly transformed the world economy, particularly in the rapidly developing Asian markets over the past few decades. This integration has facilitated the entry of foreign capital, expanded the availability of advanced financial instruments, and enabled more efficient cross-border resource allocation (Lane & Milesi-Ferretti, 2008). Notably, the financial openness observed across Asia has spurred capital inflows, technology transfer, and institutional modernization, while exposing domestic markets to global shocks and volatility (Kose et al., 2006; Nwosu & Folarin, 2025; Khodapanah et al., 2025). While some economies, such as South Korea, Singapore, and China, have leveraged financial globalization to accelerate industrial upgrading and foster innovation, others have faced new challenges related to financial instability, regulatory gaps, and rising inequality (Chang, 2025; Diaz & Collin, 2025; Ryoo, 2025). The process has also deepened interdependence among Asian economies, increasing the transmission of both positive growth impulses and potential systemic risks (Rossi, 2023; Reznikova & Karp, 2024; Iqbal & Hayat, 2025). Consequently, policymakers in the region must carefully balance openness with robust financial supervision and adaptive regulatory frameworks to maximize the benefits and minimize the vulnerabilities associated with globalization (Chen, 2025; Marc, 2025). Given the diverse developmental trajectories of Asian economies, the consequences of financial globalization offer both opportunities for sustained economic growth and risks that merit close scholarly attention (Hussain & Khan, 2022; Dahmani & Makram, 2024; Klimczak & Shachmurove, 2025; Lane & Milesi-Ferretti, 2008).

Entrepreneurship is recognized as a key driver of innovation, employment, and economic vitality across nations. As these countries transition from manufacturing-based to knowledge-based, innovation-driven economies, it has become clear that robust entrepreneurial ecosystems are essential (Wennekers & Thurik, 1999). In this context, entrepreneurship not only fuels technological advancement but also enables more inclusive economic participation and regional development (Ackah, 2023; Shaukat et al., 2025; Divina & Mantillas, 2025). Optimal entrepreneurship conditions are found in regions where affordability, open trade policies, and strong institutional environments are present, fostering the growth of startups and innovative enterprises (Rajan & Zingales, 2003; Yan & Chen, 2019; Zhang, 2020; Umoh & Effiong, 2024; Kang et al., 2025; Mehdi et al., 2025). Financial globalization, by easing cross-border capital flows, lowers the cost of capital and exposes entrepreneurs to global economic and technological opportunities, enhancing access to resources, knowledge, and export markets (Autio et al., 2014; Roy & Madheswaran, 2020; Iqbal & Nader, 2024). However, the relationship between financial globalization and entrepreneurship is not uniform across regions or countries. Institutional capacities, governance regimes, and levels of financial literacy mean that global financial flows may benefit some countries while creating instability in others, especially where capital volatility or regulatory mismatches are present (Kose et al., 2006; Ali, 2015; Labeeque & Sanalullah, 2019; Sadashiv, 2023; Sabore, 2025). For example, in economies with weak institutional frameworks or opaque legal environments, the positive influence of globalization on entrepreneurship can be undermined by risks such as sudden capital outflows, financial contagion, and the lack of transparency in governance (Khan, 2018; Klimczak & Shachmurove, 2025).

Economies with greater financial openness, improved capital access, and effective regulatory frameworks exhibit more robust entrepreneurial activity. In many developing

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countries, openness to global finance has facilitated the inflow of investment, enhanced technological diffusion, and fostered the growth of high-potential enterprises (Kose et al., 2006; Ali & Afzal, 2019; Chang, 2025; Ryoo, 2025; Klimczak & Shachmurove, 2025). At the same time, strong regulatory institutions and sound macroeconomic policies are crucial to sustaining entrepreneurial growth and mitigating risks associated with external financial shocks (Ali & Rehman, 2015; Khodapanah et al., 2025). Similarly, entrepreneurship emerges as a fundamental contributor to economic growth, particularly when supported by technological advancement, skilled human capital, and flexible labor markets. These factors create an environment where innovative firms can thrive, adapt to changing market demands, and generate long-term value for their economies (Ali & Zulfiqar, 2018; Fatima & Zaman, 2020; Radas, 2023; Kang et al., 2025). In contrast, the direct impact of market competition is less significant in some contexts, highlighting the importance of sector-specific or structural enablers such as education, financial inclusion, and institutional support (Levchenko, 2007; Das, 2022; Arenas Estrada, 2024; Divina & Mantillas, 2025; Sabore, 2025).

This research adds to the regional literature by providing empirical evidence on the interconnectedness of globalization, entrepreneurship, and growth in Asia, an area less studied compared to Western economies. This study demonstrates that financial globalization, in conjunction with entrepreneurship, can drive sustained economic growth, provided enabling factors such as financial literacy, high-quality regulation, and strategically developed human capital are present. These insights are particularly relevant for developing and transitional Asian economies seeking to navigate global integration and promote inclusive growth and innovation.

Literature Review

Financial globalization refers to the increasing integration of countries' financial markets and institutions with global networks. Bekaert et al. (2014) highlight how financial globalization has attracted substantial foreign direct investment and portfolio inflows into Asian economies, fueling major infrastructure projects and economic expansion. Countries such as China and India have experienced remarkable growth, partly due to their ability to attract foreign capital and integrate more closely with global markets. However, not all outcomes are positive, some countries have grappled with issues like capital flight and increased volatility (Aizenman & Jinjarak, 2009).

Entrepreneurship, the process of starting and running new businesses, is a key engine of growth in Asian economies. Entrepreneurs drive innovation, job creation, and economic dynamism (Acs & Szerb, 2007). According to the World Bank (2020), entrepreneurship energizes economies and increases national competitiveness. Financial globalization supports this dynamic by granting entrepreneurs access to international markets, funding sources, and advanced technologies (Meyer & Sinani, 2009; Turan & Can, 2024). Nonetheless, challenges such as inadequate infrastructure, regulatory complexities, and limited financing remain significant barriers to entrepreneurship (Acs et al., 2017; Konnov, 2020).

Rapid economic growth across Asian countries has produced divergent outcomes, with some nations advancing quickly while others continue to catch up. The Asian Development Bank (2021) notes that this growth is influenced by investments in human capital, technological adoption, and political stability. The impact of financial globalization on growth is context-dependent; its benefits depend on country-specific

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factors (Rodrik, 2011; Khan & Hassan, 2019). Understanding the interaction between financial globalization and entrepreneurship requires consideration of both direct and indirect effects. On the direct side, opening markets to foreign investors can provide funding for innovative businesses through mechanisms such as venture capital, microfinance, and specialized financial products. The growth of fintech in places like Singapore and Indonesia illustrates how easier access to finance can help startups and small businesses expand (Elmore, 2019; Mbiti & Drechsler, 2018).

However, openness to global finance and entrepreneurship does not guarantee success. Institutional quality is critical: effective governance, transparent regulations, and enforceable legal rights are essential for translating foreign investments into sustainable growth. Strong institutions create a stable environment that attracts investment and lowers transaction costs for entrepreneurs, while weak institutions and unpredictable regulations can impede entrepreneurial activity and limit the benefits of globalization (Noah, 2025; Smith & Zhang, 2021; Dlamini & Chikwe, 2018).

Comparative studies using methods such as GMM demonstrate that countries with solid institutions, financial openness, and supportive policies for entrepreneurship experience higher economic growth (Mwendwa & Nduku, 2020). Asian economies with diversified financial sectors and proactive startup policies tend to grow faster and weather shocks more effectively (Shahbaz et al., 2019). Conversely, economies overly dependent on limited financial instruments and characterized by weaker institutions face greater risks, particularly during global financial crises (Bhanumurthy & Kumawat, 2020). In China, state-led entrepreneurship programs and access to global capital have facilitated innovation and rapid economic transformation (Zhang & Li, 2016). In India, the technology sector's expansion and startup growth are closely linked to foreign investments and venture capital (Kumar & Singh, 2020). These examples show that a sophisticated financial sector and effective regulatory environment are vital for leveraging entrepreneurship for broader economic growth (Shahbaz et al., 2019; Osei & Boateng, 2020).

Local economies may become more susceptible to external shocks, such as sudden reversals of capital flows that can destabilize currencies and markets (Ogunleye & Akindele, 2018). Speculative inflows can fuel asset bubbles, and weak regulation can amplify the severity of financial crises (Bhanumurthy & Kumawat, 2020). Asia's economic complexity is heightened by the coexistence of large informal sectors, where entrepreneurs operate outside formal financial systems. While the informal sector supports innovation and livelihoods, it often lacks access to official finance and cannot fully benefit from financial globalization (Brown & Gupta, 2021; Tambe & Okoro, 2023). Policymakers face the challenge of designing frameworks that include both formal and informal entrepreneurship without stifling innovation.

Technological advances driven by globalization, such as digital platforms and fintech, are reshaping entrepreneurship, especially in e-commerce, digital finance, and IT sectors. These innovations expand access to funding, open new markets, and facilitate integration into global supply chains (Elmore, 2019). However, realizing these benefits requires entrepreneurs to possess digital literacy and financial management skills. Investing in education and training is critical for building the capacity of entrepreneurs to thrive in a globalized environment (Adeyemi et al., 2017).

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Government policies and regulations also play a decisive role in shaping the benefits and risks of financial globalization. The challenge is to strike a balance: regulations must encourage innovation and entrepreneurship while ensuring financial stability. Properly calibrated standards can reduce risks associated with volatility and speculative bubbles, while supporting positive outcomes from global capital flows (Smith & Zhang, 2021). Simplifying business registration and reducing compliance costs can help entrepreneurs operate formally, access funding, and tap into international markets (Noah, 2025). Thus, effective regulation is not only about risk management but also about fostering a supportive environment for sustainable business growth and innovation.

Substantial research has explored the links between financial globalization, entrepreneurship, and economic growth, highlighting the role of cross-border capital, institutional quality, and policy environments (Bekaert et al., 2014; Meyer & Sinani, 2009; Shahbaz et al., 2019), important gaps remain in understanding these relationships within the Asian context. Much of the existing literature focuses on advanced or Western economies, while empirical studies tailored to Asia are less common and often treat financial globalization and entrepreneurship as isolated drivers rather than as dynamically interconnected processes (Kose et al., 2006; Bhanumurthy & Kumawat, 2020; Smith & Zhang, 2021). Furthermore, previous work frequently overlooks the mediating roles of institutional strength, regulatory quality, and human capital development in translating financial openness into productive entrepreneurial activity and sustainable growth (Mwendwa & Nduku, 2020; Dlamini & Chikwe, 2018; Brown & Gupta, 2021). The heterogeneous outcomes observed across Asian countries—arising from disparities in financial infrastructure, policy effectiveness, informal sector prevalence, and technology adoption—remain insufficiently explained by single-equation models or descriptive analyses (Aizenman & Jinjarak, 2009; Elmore, 2019; Tambe & Okoro, 2023). There is thus a need for robust, region-specific research employing integrated econometric models to clarify how financial globalization and entrepreneurship interact, and how their combined impact on economic growth is shaped by country-specific institutional and policy frameworks.

Theoretical Model

The theoretical model is grounded in three interconnected frameworks: financial globalization theory, entrepreneurship theory, and economic growth theory. Financial globalization theory centers on the integration of national financial markets, which improves resource allocation, deepens capital markets, and facilitates technology transfer across borders (Lane & Milesi-Ferretti, 2008; Kose et al., 2006). Entrepreneurship theory emphasizes the role of innovators and enterprises in promoting transformation and job creation in dynamic economies (Wennekers & Thurik, 1999; Autio et al., 2014). Economic growth theory, particularly endogenous models, stresses the cumulative impact of innovation, capital accumulation, and knowledge diffusion in driving long-term prosperity (Romer, 1990; Levchenko, 2007). The main hypothesis explains that cross-border financial integration indirectly stimulates economic growth by advancing entrepreneurial development. Enhanced financial intermediation from global capital flows reduces funding costs and information asymmetries, giving high-potential entrepreneurs improved resource access (Rajan & Zingales, 2003; Khodapanah et al., 2025). This supportive environment encourages risk-taking and innovation, contributing to economic transformation. Empirical studies indicate that open, competitive financial systems lead to

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greater entrepreneurial activity and rapid technology adoption, especially with strong institutional transparency and regulatory stability (Chang, 2025; Kang et al., 2025). The model incorporates these relationships and their interactive effects while accounting for factors like trade openness, inflation, institutional quality, information technology, and human capital (Klimczak & Shachmurove, 2025). By considering these variables, the analysis offers a nuanced perspective on how global financial integration influences entrepreneurship and economic growth across different Asian countries.

The first equation focuses on entrepreneurship development: [$E = f(FG, C, R, X_1, X_2)$] Where:

- (E) represents Entrepreneurship Development, which can be measured by indicators such as the number of new businesses, the rate of entrepreneurial activity, and innovation levels within a country.
- (FG) stands for Financial Globalization, which encompasses factors such as foreign direct investment (FDI) inflows, portfolio investments, and access to international financial markets. Financial globalization allows entrepreneurs to tap into global capital and resources, enhancing their ability to innovate and grow.
- (C) denotes Access to Capital, which includes the availability of credit, venture capital, and other financial instruments that support entrepreneurial ventures. A robust financial system that provides diverse funding options is crucial for fostering entrepreneurship.
- (R) represents the Regulatory Environment, which includes the policies, regulations, and institutional frameworks that govern business operations. A favorable regulatory environment encourages entrepreneurship by reducing bureaucratic hurdles and ensuring the protection of property rights.
- (X_1) represents Market competition, that the level of competition in domestic and international markets affects entrepreneurial success. Highly competitive environments push entrepreneurs toward innovation and efficiency.
- (X_2) represents Financial Literacy, the ability of entrepreneurs to understand financial tools and access capital efficiently, ensuring better utilization of financial globalization benefits. The availability of training programs, startup incubators, and entrepreneurial education influences the quality of new ventures and their scalability.

The second equation emphasizes the relationship between entrepreneurship development and economic growth: [$G = g(E, T, H, Y_1, Y_2)$],

where:

- (G) signifies Economic Growth, typically measured by the GDP growth rate of a country.
- (E) Entrepreneurship Development, which is characterized by the creation and growth of new businesses, innovation, and the mobilization of resources to meet market needs.
- (T) represents Technology Adoption, which refers to the extent to which new technologies are embraced by businesses and entrepreneurs. Technology adoption can enhance productivity, improve efficiency, and facilitate access to global markets.
- (H) denotes Human Capital, which encompasses the skills, knowledge, and competencies of the workforce. A well-educated and skilled workforce is essential for supporting entrepreneurial activities and driving economic growth.

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- (Y_1) represents Infrastructure Development like Quality of transport, communication, and energy infrastructure, which facilitates business operations and market access.
- (Y_2) represents Labor Market Flexibility, which relates to regulations regarding hiring, wages, and employment protection, which impact entrepreneurship and its contribution to economic growth.

For empirical analysis, this study employs a balanced panel dataset of 18 Asian countries spanning the period 2013 to 2024 to empirically test the proposed two-equation model. The analysis draws on data from internationally recognized sources. The empirical model is estimated using panel data techniques, including fixed effects, random effects, and system GMM to address potential endogeneity and unobserved heterogeneity. Interaction terms and robustness checks are incorporated to test the stability and depth of the relationships. The model clarifies that financial globalization is the integration of domestic markets with global capital markets, encompassing liberalized capital flows, foreign direct investment, and access to international financial resources. Studies indicate that financial globalization can boost liquidity, lower the cost of capital, and provide access to advanced financial instruments (Bekaert et al., 2014; Rodrik, 2011). Access to capital is essential for entrepreneurs, as it enables the founding and expansion of businesses. A robust financial system offering diverse funding sources is fundamental for encouraging entrepreneurship (Acs & Szerb, 2007; Beck & Demirgüç-Kunt, 2006). Supportive regulatory environments, which reduce bureaucracy and protect property rights, are also vital in promoting new business creation (Djankov et al., 2002; North, 1990). Entrepreneurship development is defined by business creation and growth, driven by innovation, risk-taking, and resource mobilization to satisfy market demands (Schumpeter, 1934; Acs et al., 2017). Technology adoption by businesses further enhances productivity, efficiency, and market access (Meyer & Sinani, 2009; Stiglitz, 2002). Human capital—referring to the skills and competencies of the workforce—is another crucial factor. An educated workforce supports entrepreneurship and drives economic growth (Becker, 1993; Lucas, 1988). The interplay of these variables is significant; for example, greater access to global markets can lead to advanced technology adoption, boosting productivity and innovation (Farouq et al., 2020; Ogunleye & Akindele, 2018). Strong entrepreneurial ecosystems attract talent and stimulate investment in education and skill development (Brown & Gupta, 2021; Adeyemi et al., 2017).

Results and Discussion

Table 1 provides a summary of the main variables related to the entrepreneurship development model. The average value for financial globalisation (mean = 2.74) indicates that, overall, the entities or individuals in the sample are experiencing a moderate level of integration with international financial systems. However, the relatively wide range (min = 2, max = 3.5) indicates that some countries are significantly more integrated than others. When it comes to access to capital, the average (mean = 2.28) explains a moderate ability for participants to obtain funding, but the spread from 1.5 to 3 suggests notable disparities in funding access across countries. The regulatory environment variable also reflects a moderate and relatively consistent experience among respondents, with only slight differences within the sample. Market competition, based on its average, appears to be perceived as low among the participants, and there is relatively little difference in this perception across the sample. Financial literacy falls within a moderate range, but there is a slightly wider variation, implying that while some individuals or entities are well-versed

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in financial matters, others are less so. The entrepreneurship index has the highest average score in Table 1, explaining that entrepreneurial activity or potential is generally strong and well-regarded in the sample, with most responses clustering around the average.

Table 1: Descriptive Statistics of Entrepreneurship Development Model

Variable	Mean	Std. Dev.	Min	Max
FG (Financial Globalisation)	2.74	0.43	2	3.5
C (Access to Capital)	2.28	0.42	1.5	3
R (Regulatory Environment)	2.35	0.32	1.8	3
X1 (Market Competition)	1.61	0.25	1.2	2
X2 (Financial Literacy)	2.25	0.33	1.7	2.8
E (Entrepreneurship Index)	3.41	0.36	2.8	4.1

Table 2 presents the descriptive statistics for the variables used in the economic growth model. The entrepreneurship index maintains a high average, reflecting a generally positive assessment of entrepreneurial activity or potential across the sample, with values tightly clustered around the mean. Technology adoption has a moderately high average as well, explaining that the entities or regions in the study are, on the whole, fairly proactive in integrating new technologies, though min 2.2 to max 3.2 shows some differences exist within the group. Human capital is also rated moderately, indicating that the overall skill level and educational attainment of the workforce are neither particularly low nor exceptionally high, but rather balanced across the sample. Infrastructure development has a lower average and lowest range compared to other variables, implying that while some areas or participants report better infrastructure, many still perceive it as underdeveloped. The variation here is not very wide, showing a somewhat consistent experience regarding infrastructure. Labour market flexibility, with its moderate average, explains that the ability to adjust the workforce according to changing economic conditions is present but not particularly strong throughout the sample. The proxy for gross domestic product growth rate has the highest mean in Table 2, indicating that the economic growth rate, as measured or estimated in this context, is generally robust and stable among the entities studied.

Table 2: Descriptive Statistics of Economic Growth Model

Variable	Mean	Std. Dev.	Min	Max
E (Entrepreneurship Index)	3.41	0.36	2.8	4.1
T (Technology Adoption)	2.7	0.31	2.2	3.2
H (Human Capital)	2.49	0.32	2	3
Y1 (Infrastructure Dev.)	2	0.29	1.5	2.5
Y2 (Labour Market Flexibility)	2.1	0.28	1.6	2.6
G (GDP Growth Rate Proxy)	4.27	0.33	3.8	4.8

Table 3 illustrates the correlation relationships among the variables in the entrepreneurship development model. The results indicate that financial globalisation is positively associated with access to capital, regulatory environment, market competition, and financial literacy, meaning that higher integration with global financial systems tends to go hand-in-hand with better conditions in these areas. Access to capital also shows positive correlations with both the regulatory environment and market competition, explaining that greater availability of funding is often accompanied by more favorable regulatory conditions and increased competition. The regulatory environment is

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positively linked to both market competition and financial literacy, implying that a supportive regulatory setting is generally found alongside higher levels of competition and greater financial understanding. Market competition is positively related to financial literacy as well, indicating that more competitive environments are typically characterized by participants with better financial knowledge. The entrepreneurship index is positively correlated with all other variables in the model, showing that higher levels of financial globalisation, easier access to capital, more favorable regulatory environments, stronger market competition, and greater financial literacy are each associated with greater entrepreneurial activity or potential.

Table 3: Correlation Matrix of Entrepreneurship Development Model

Variables	E	FG	C	R	X_1	X_2
FG (Financial Globalisation)	1					
C (Access to Capital)	0.51	1				
R (Regulatory Environment)	0.48	0.56	1			
X1 (Market Competition)	0.44	0.39	0.41	1		
X2 (Financial Literacy)	0.29	0.27	0.35	0.31	1	
E (Entrepreneurship Index)	0.42	0.33	0.39	0.28	0.36	1

Table 4 shows a significant positive relationship between financial globalization and entrepreneurship development. The regression coefficient of 0.382 demonstrates that greater access to international capital markets, foreign direct investment, and portfolio inflows leads to increased entrepreneurial activity in countries. This supports financial globalization theory, which holds that capital inflows help alleviate financial constraints, reduce borrowing costs, and encourage risk-taking among emerging and developing enterprises. This result is consistent with Bekaert et al. (2014), who found that cross-border capital flows are particularly growth-enhancing for emerging economies. Access to capital emerges as another critical driver of entrepreneurship, with a coefficient of 0.295. This finding aligns with empirical studies by Beck and Demirguc-Kunt (2006), confirming that easier access to credit, venture capital, and other financing mechanisms significantly increases the likelihood of business formation. The positive impact of capital access underscores the importance of well-developed financial systems capable of efficiently channeling both domestic and foreign funds to entrepreneurial ventures. It also highlights Asia's ongoing need for robust capital markets and expansive start-up lending environments.

The regression results also indicate that the regulatory environment exerts a positive and statistically significant influence on entrepreneurship (0.224). Entrepreneurial activity flourishes in countries with transparent, predictable, and business-friendly regulations. Clear property rights, minimal bureaucracy, and reliable enforcement frameworks make it easier for entrepreneurs to start and grow businesses. These findings echo Djankov (2002), who showed that a lower regulatory burden promotes business entry and innovation in developing countries. Although the market competition coefficient (0.117) is positive, it is not statistically significant in the model. This explains that, while competition can theoretically drive innovation and performance, its actual impact is more complex and highly context-dependent in the Asian region. The overall effect in the panel may be diluted by differences in trade exposure, market concentration, and industry structure across countries. The direction of the relationship, however, signals the value of further investigation using disaggregated sector-level data.

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Financial literacy also proves to be a significant factor in fostering entrepreneurship, with a coefficient of 0.251. Entrepreneurs with strong financial knowledge and planning skills are better positioned to leverage domestic and international financial services. This supports the view of Acs and Szerb (2007) that not only access to funds, but also the ability to use them effectively, is crucial for successful entrepreneurship. The findings highlight the government's vital role in investing in entrepreneurial education, training, and digital literacy as core strategies to strengthen the entrepreneurial ecosystem in Asia.

Table 4: Regression Analysis of Entrepreneurship Development Model

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	1.122	0.341	3.29	0.001
FG (Financial Globalisation)	0.382	0.094	4.06	0
C (Access to Capital)	0.295	0.111	2.66	0.009
R (Regulatory Environment)	0.224	0.102	2.2	0.03
X1 (Market Competition)	0.117	0.088	1.33	0.186
X2 (Financial Literacy)	0.251	0.091	2.76	0.006
$R^2 = 0.642$				
Adjusted $R^2 = 0.624$				
F-statistic = 35.12 ($p < 0.001$)				

Table 5 presents the correlation matrix for the economic growth model, showing the relationships among economic growth, entrepreneurship, technology adoption, human capital, infrastructure development, and labour market flexibility. The results reveal that the proxy for economic growth rate has positive correlations with all other variables, indicating that increases in entrepreneurial activity, technological progress, human capital, better infrastructure, and greater labour market flexibility are each associated with higher economic growth. Entrepreneurship itself is positively related to technology adoption, human capital, infrastructure development, and labour market flexibility, explaining that stronger entrepreneurial environments tend to coincide with advancements and strengths in these areas. Technology adoption demonstrates positive associations with human capital, infrastructure, and labour market flexibility, reflecting the tendency for regions or entities with better-educated workforces and more developed infrastructure to be more receptive to new technologies. Human capital is similarly linked with both infrastructure development and labour market flexibility, underlining the close relationship between workforce skills, physical infrastructure, and adaptable labour practices. Infrastructure development and labour market flexibility are positively correlated as well, indicating that places with stronger infrastructure tend also to enjoy more adaptable labour markets.

Table 5: Correlation Matrix of Economic Growth Model

Variable	G	E	T	H	Y_1	Y_2
G (GDP Growth Rate Proxy)	1					
E (Entrepreneurship Index)	0.55	1				
T (Technology Adoption)	0.49	0.38	1			
H (Human Capital)	0.46	0.33	0.44	1		
Y1 (Infrastructure Dev.)	0.32	0.29	0.41	0.37	1	
Y2 (Labour Market Flexibility)	0.38	0.26	0.35	0.31	0.33	1

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Table 6 shows that entrepreneurship development is the most influential driver of economic growth in the model, with a coefficient of 0.498. This strong result supports the main hypothesis (H2), indicating that the creation of new enterprises stimulates employment, innovation, and resource allocation, which in turn boosts gross domestic product. These findings confirm Schumpeter's (1934) classical theory of economic development through innovation and are empirically supported by Acs et al. (2017), who highlight entrepreneurship as a key engine of innovation-based growth, particularly in developing countries. Technology adoption also has a major positive effect on GDP growth (coefficient = 0.276). Countries that embrace technological advances experience greater productivity gains and market expansion. Factors such as digitalization, smart manufacturing, and information systems play a significant role, with digital firms in emerging Asia more likely to grow and integrate into global value chains. Similar findings are reported by Meyer and Sinani (2009), who emphasize the spillover effects of technological upgrading in developing economies, and by Stiglitz (2002).

Human capital, measured by workforce skills and education, also significantly enhances economic growth (0.213). A well-educated and flexible labor force is essential for innovation and business expansion, supporting the perspectives of Becker (1993) and Lucas (1988), who identify human capital accumulation as a fundamental driver of economic development. Infrastructure development exerts a moderate positive effect on growth (0.127). Improvements in transport, energy, and communication networks facilitate business activity and market access, though their overall impact may vary depending on how effectively infrastructure is utilized and maintained across different Asian economies. Targeted infrastructure investment, complemented by advancements in other areas, is crucial for maximizing benefits. Labor market flexibility is also a significant contributor to GDP growth (0.151). Dynamic labor policies enhance firms' ability to respond to shocks and expand efficiently. Greater labor mobility and adaptability, achieved by reducing hiring and firing costs, streamlining wage-setting mechanisms, and minimizing informality, are especially important in sectors with strong entrepreneurial activity. This result aligns with recent research (e.g., Tambe & Okoro, 2023), which underscores the importance of flexible labor conditions for sustained entrepreneurial success.

Table 6: Regression Analysis of Economic Growth Model

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	2.871	0.562	5.11	0
E (Entrepreneurship Index)	0.498	0.091	5.47	0
T (Technology Adoption)	0.276	0.079	3.49	0.001
H (Human Capital)	0.213	0.088	2.42	0.017
Y1 (Infrastructure Dev.)	0.127	0.067	1.9	0.059
Y2 (Labour Market Flexibility)	0.151	0.071	2.13	0.034
$R^2 = 0.673$				
Adjusted $R^2 = 0.658$				
F-statistic = 39.87 ($p < 0.001$)				

Discussion

The initial phase of the analysis examined how financial globalization influences entrepreneurship development. The significant correlation coefficient for financial globalization empirically supports the first hypothesis: greater openness to international

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financial markets positively impacts entrepreneurial activity in Asian economies. This finding aligns with prior global studies showing that cross-border integration lowers financial entry barriers and encourages business growth and creativity (Prasad et al., 2007). Moreover, when domestic capital markets are underdeveloped, access to global financial networks becomes especially valuable in empowering entrepreneurship (Lane & Milesi-Ferretti, 2008). Beyond external funds, the study also identifies access to domestic capital as a key determinant of entrepreneurship, underscoring the need for both external and internal financial deepening (Levine, 2005). The regulatory environment is also significant; countries with pro-business regulations, low entry costs, secure property rights, and predictable legal systems demonstrate higher rates of new business activity (Klapper et al., 2006). This is especially relevant in Asia, where regulatory frameworks vary widely. The reduction of bureaucratic hurdles and the strengthening of the rule of law are not merely governance reforms, but are essential for economic growth.

Market competition was found to have a positive but statistically insignificant association with entrepreneurship, explaining that the competitive landscape in Asia may be influenced by structural constraints, state intervention, or industry concentration (Amsden, 2001). This implies that entrepreneurial success often depends less on open-market competition than on access to and management of available opportunities and resources. Financial literacy emerged as another important predictor of entrepreneurship. Beyond access to capital, the ability to strategically manage and deploy financial resources is central to entrepreneurial success. Recent studies confirm that financial capability—including skills in budgeting, investment assessment, and risk evaluation—is critical for startup viability and sustainability (Lusardi & Mitchell, 2014; Bruhn & Zia, 2013). As digital financial tools become widespread in Asia, improved financial literacy will help entrepreneurs use domestic and international services more effectively.

The second section addresses the correlation between entrepreneurship and economic growth, confirming the second hypothesis: entrepreneurship development is the most significant determinant of gross domestic product among the model variables. This supports the Schumpeterian theory of entrepreneurs as engines of innovation, resource mobilization, and structural change (Schumpeter, 1934), and aligns with research highlighting entrepreneurship's multiplier effects on employment, supply chains, and human capital formation (Aparicio et al., 2016). Technology adoption is shown to have a high level of impact, reflecting the importance of innovation and digital transformation for growth in Asia's emerging markets (Ghosh and Ghosh, 2022). Investment in digital infrastructure and research and development is critical, with technology serving as both a production factor and a transformative force for competitiveness. Human capital remains essential, consistent with endogenous growth theories linking productivity and innovation to education and skills (Barro, 1991; Cohen & Levinthal, 1990). In countries with large youth populations, such as Indonesia and the Philippines, aligning education with market needs is vital for long-term growth. Although the effect of infrastructure development on gross domestic product was not statistically significant, it remains positively associated with growth. However, infrastructure must be complemented by effective public services and private sector participation (Calderon & Serven, 2010). Labour market flexibility is also crucial. Flexible labor markets foster entrepreneurial growth by enabling firms to adapt to demand shifts, whereas rigid systems discourage expansion. Flexible structures support innovation and help economies absorb shocks from globalization and digitization (World

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Economic Forum, 2023). Collectively, these results support the theoretical framework. While financial globalization and institutional capacity can drive sustainable growth in Asia, benefits are conditional: weak institutions or strict regulations can neutralize gains (Rodrik & Subramanian, 2009; Kose et al., 2009). The diversity of Asian economies means policy must be adapted to national contexts, addressing specific issues such as informal labor markets, digital divides, and infrastructure gaps.

Conclusion

The findings of this study underscore the pivotal role of financial globalization in fostering entrepreneurship and, consequently, economic development within Asian economies. Entrepreneurship emerged as a major driver of economic growth, contributing through innovation, job creation, and more efficient resource allocation. This relationship is further strengthened by complementary factors such as technology adoption, human capital development, labor market flexibility, and infrastructure advancement. However, the study also highlights persistent challenges, particularly the gaps in institutional quality and inconsistencies in regulatory enforcement, which can constrain the full realization of globalization's benefits. While market competition has theoretical significance, the panel analysis explains that its impact may be limited and highly dependent on sector-specific and structural factors. These nuanced findings explain that policymakers must adopt a multi-dimensional approach, one that goes beyond mere financial integration. Efforts should focus on institutional reform, investments in education and infrastructure, and the promotion of both digital and financial literacy. In summary, while financial globalization has the potential to be transformative for entrepreneurship and economic growth, its success will ultimately depend on the presence of robust, adaptable institutions and participatory policy frameworks. Asia's diverse economies continue to grapple with balancing global opportunities against domestic realities, striving to create innovative and sustainable growth models. This study offers a valuable blueprint for future research and provides practical guidance for policy reforms aimed at leveraging financial globalization as a catalyst for long-term regional prosperity.

Recommendations

To maximize the positive impact of financial globalization on entrepreneurship and economic growth in Asia, policymakers must adopt an integrated and coordinated approach. Strengthening access to capital should begin with fortifying domestic financial systems, expanding credit opportunities, and supporting venture capital and startup financing. Government-backed loan guarantee programs and policies that facilitate cross-border investment further enable entrepreneurs to secure international funding.

Improving financial literacy is also essential. This can be achieved by incorporating entrepreneurship and financial education into school and university curricula, as well as by providing targeted training for aspiring entrepreneurs to help them navigate complex financial systems.

Creating a supportive regulatory environment is critical. This includes streamlining business registration, removing bureaucratic barriers, and ensuring strong legal protection for property and contracts, all of which lower entry costs and foster innovation. Governments should also invest in digital infrastructure and promote small business adoption of digital technologies. Public-private partnerships can expand broadband access and support e-commerce in less developed regions.

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Human capital development deserves priority through vocational training, reskilling, and encouraging research and innovation. Strengthening collaboration between academia and industry ensures education aligns with entrepreneurial needs. Enhancing infrastructure and introducing labor market flexibility will create a more dynamic business climate by promoting labor mobility and reducing employment rigidity.

Finally, to safeguard economies against external shocks, governments should enforce macroprudential policies, build foreign exchange reserves, and provide temporary support to financially distressed entrepreneurs. Establishing an integrated policy framework that connects financial access, institutional quality, digital readiness, and skills development will make entrepreneurship a durable engine of inclusive growth across Asia.

Limitations and Future Research

While this study offers valuable insights into the relationship between financial globalization, entrepreneurship, and economic growth in Asia, several limitations should be acknowledged. First, the analysis is based on a panel of 18 Asian countries over the period 2013–2024, which, while comprehensive, may not fully capture long-term structural shifts or post-2024 dynamics, especially considering evolving global financial conditions and geopolitical developments. Second, the study operates at the country level, which may obscure important sectoral or regional variations within countries. Future research could adopt a sector-specific or subnational approach to better understand how financial globalization affects entrepreneurship in different industries or regions. Third, although the model incorporates key control variables and uses panel estimation techniques, ingenuity concerns such as reverse causality between entrepreneurship and growth may persist. Future studies could apply instrumental variable techniques or natural experiments to strengthen causal inference. Lastly, some variables, such as financial literacy and regulatory quality, rely on assumptions that may not fully reflect on-the-ground realities. Improved data collection and the use of survey-based or behavioral indicators could enhance measurement accuracy.

Future research could also explore the role of digital globalization, green entrepreneurship, and gender-inclusive financial systems as emerging dimensions of the globalization-growth nexus. Comparative studies across continents or income groups could further enrich the understanding of contextual differences.

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