ENTREPRENEURIAL ACTIVITY, ECONOMIC AND SOCIAL DEVELOPMENT: THE CASE OF TRINIDAD AND TOBAGO

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ACADEMIC ABSTRACT

Despite research linking economic development and entrepreneurship, few studies examine the effect of entrepreneurial activity on social development, thus relationships between entrepreneurship and social development are not well understood. For developing countries in particular, the paucity of relevant data and research is glaring.

This study examines the relationship between entrepreneurial activity and economic and social development in Trinidad and Tobago, using the three indicators of the UNDP’s Human Development Index coinciding with relevant available data over the period 2000 to 2006. Results suggest positive correlations for both social and economic indicators with entrepreneurial activity over the period.

**Key Themes:** Entrepreneurial Activity; Economic Development; Social Development

EXECUTIVE SUMMARY

While the link between entrepreneurship and economic development is well established in both the entrepreneurship and economic development literature, the link between entrepreneurship and social development is much less studied and not well understood. This study examined the relationship if any, between entrepreneurial activity and both economic and social development in Trinidad and Tobago.

The research methodology included examination and analysis of secondary data including national statistical data, and the development and administration of primary data through face-to-face interviews and questionnaires to selected entrepreneurs, economists and key personnel in the Ministry of Social Development to ‘ground-truth’ assumptions and judgments in the absence of local scientific information. Other secondary data sources included the United Nations Development Programme (UNDP) country reports, Central Statistical Office (CSO) National Income Statistics, and the Ministry of Legal Affairs’ Company Registry.

The key findings from the literature search and data analysis for Trinidad and Tobago indicate that while Trinidad and Tobago’s high ranking in the human development category remained constant over the period, a 51% increase in entrepreneurial activity as measured by business start-ups coincided with a reduction in unemployment from 12.2% to 5%, and an increase in business ownership as a fraction of the total labor force (TLF) of 43%. GDP per capita adjusted for purchasing power parity, a component of the HDI, showed increases of some 55% over the period, suggesting simultaneous development of both social and economic criteria.

These research findings indicating correlation between entrepreneurial activity and both economic and social development support government decisions to stimulate entrepreneurship with expected benefits including individual and community empowerment and possible diffusion of social tension through enhanced social mobility, an expanded middle class and increased possibility for self-sustaining economic and social development.
INTRODUCTION

Entrepreneurial activity and new firm formation are unquestionably considered engines of economic growth and innovation (Baumol, 1990; Murphy, Shleifer and Vishny, 1991). As such, they are among the ultimate determinants of the large regional differences in economic performance.

The importance of new firm formation in economic growth has been recognized by Schumpeter (1934) in “The Theory of Economic Development” where he emphasizes the role of the entrepreneur as a prime contributor of economic development, achieved through innovation. He further describes the role played by small and medium enterprises (SMEs) and micro firms as the engine of economic growth, where they make up the largest percentage of firms in the economic activity. The OECD (2003) report also defines the role of small and medium enterprises (SMEs) to the word entrepreneurship, “As means of generating jobs and raising incomes, increasing rates of enterprise creation is an almost universal concern among local authorities. Along with efforts to attract investment, stimulating entrepreneurship is one of the two pillars of most local and regional development strategies.”

Cook (1988) on the other hand saw the establishment of a culture of entrepreneurship as a social process, usually spawned as a social reaction in groups with a high level of skills and low social status, possibly resulting from a loss of prestige and therefore a creative reaction to conditions of marginality. The decision for many to become entrepreneurs may also be determined by social factors. Similarly, Karl Marx (1967) describes the entrepreneur as a representative of a broader class of dominance.

This study seeks to examine the impact of entrepreneurial activity on the social and economic development of Trinidad and Tobago, as it relates to entrepreneurial activity in Trinidad and Tobago where entrepreneurial activities have been pursued. The research question thus focuses on the impact of entrepreneurial activity on the social and economic development of Trinidad and Tobago, to (i) examine the theories relating to economic development, social development and entrepreneurial activity; to (ii) investigate the contribution of entrepreneurial activity to the economic and social development of the nation; and (iii) to make recommendations based on the findings.

RESEARCH BACKGROUND

Trinidad and Tobago has one of the highest per capita incomes in Latin America and the Caribbean, with this wealth substantially stemming from a rich endowment of oil and gas reserves. The energy sector accounts for over 40 percent of GDP, about 90 percent of exports, and over half of government revenues. In terms of broader social and development indicators, Trinidad and Tobago's life expectancy and literacy rates are among the highest in the Caribbean, however, its human development index ranking is only slightly above the regional average. Amongst its Caribbean neighbours, Trinidad and Tobago is seen as the regional financial center as it facilitates a significant flow of capital entities in the Caribbean (Report from the IMF October 26, 2006).
Economic development in Trinidad and Tobago continues to be underpinned by a favorable international environment. Surging energy prices, exploitation of new gas fields, and an expansion of industrial capacity helps sustain robust economic activity. However, there are signs that the economy is operating at, or near, potential. Capacity constraints have become evident in some sectors (notably construction), the labor market has tightened with the unemployment falling to 5% an all time low, and inflation has accelerated.

The Trinidad and Tobago government has set a mandate for the country to be a “united, resilient, productive, innovative and prosperous nation by the year 2020” (GORTT Vision 2020 Statement). Thus, government’s new policy on encouraging and supporting investments in manufacturing is tied to an increased emphasis on supporting the expansion of entrepreneurial activity in the country.

The research results identify significant benefits nationally to be derived from an expansion of entrepreneurial activity. It thus makes a timely and relevant contribution to government’s Vision 2020 and aids in policy formulation to achieve the kind of increased entrepreneurial activity that leads to sustainable economic and social development to other countries.

JUSTIFICATION FOR THE RESEARCH

Against the background of this research and the absence of evaluation of existing entrepreneurial activity impact on the economic and social development of Trinidad and Tobago, the researcher will explore the findings and views of professional economists and professional in the field of social development and micro and small entrepreneurs as to ascertain the benefits to be derived from the expansion of entrepreneurial activity nationally. It will also make a timely and relevant contribution to government’s Vision 2020 Statement.

LITERATURE REVIEW

The study required a survey of the literature to put the research question in perspective: “What is the impact of entrepreneurial activities on the economic and social development of Trinidad and Tobago?”

Entrepreneurship makes an important contribution to economic growth, and creating an entrepreneurial economy has become one of the primary goals of public policy especially in Trinidad and Tobago (GORTT VISION 2020 Statement). Lichtenberg, Frank R. in his paper “Entrepreneurship and Economic Growth” asked the profound questions: why does entrepreneurship matter, and how does entrepreneurship matter?

THEORECTICAL FRAMEWORK ON ENTREPRENUERIAL ACTIVITIES

Theories of Entrepreneurship

Schumpeter (1934) defines entrepreneurship as the engine of "creative-destruction," involving the carrying out of new combinations, including the introduction of a new product into the market, the introduction of a new method of production, the opening of a new market for outputs, the discovery of a new source of raw materials, and the creation of a new form of
industrial organization and forcing through innovation, mobilizing the resources for and overcoming any obstacles to doing something new.

As envisioned by Schumpeter (1934), entrepreneurial ventures have proven to be instruments of economic transformation in the industrialized countries of Western Europe and North America by creating new businesses and introducing and commercializing innovation.

It can be concluded that the entrepreneur’s role is to reallocate resources by breaking up the existed equilibriums, which, in other words, would become the source to change a relatively static economy and push it for further development.

By contrast with Schumpeter, Knight (1921) identifies the entrepreneurial role as dealing with uncertainty. Risk, or "measurable uncertainty", can be handled by maximising managers; immeasurable uncertainty requires entrepreneurial judgement. Thus, entrepreneurial profits for Knight arise from successful entrepreneurial judgement in conditions of uncertainty. This concept of judgement has been generalised by Casson (1982 and 1987), who argues that judgement differs from rule following in that the decision made will depend on the person making it.

Finally, Kirzner (1992) has developed a theory of entrepreneurship based on alertness to profitable opportunities, seeing the entrepreneur as the prime mover of the market process, the process through which movement occurs from disequilibrium towards equilibrium. Within this context, entrepreneurs notice unexploited opportunities which they expect to be profitable. Thus, for Kirzner, following Mises the market process is a process through which alert entrepreneurs discover profitable opportunities for arbitrage, possibilities arising from hitherto unnoticed discrepancies in price (Kirzner 1973 and 1994; Mises 1949).

As already noted, Baumol one of the major mainstream economist to have worked on entrepreneurship, concept of the entrepreneur is a development from that of Schumpeter. As Baumol puts it:

In sum, the entrepreneur is, by occupation, incapable of leaving matters where they are. If they start off in equilibrium, that state of affairs will be undermined by the entrepreneur's innovative acts; but equally, if the initial state entails disequilibrium, the entrepreneur's alertness will not long permit it to endure. (Baumol 1993, p.11)

Cook, R (1988) is reported in Danns, G (1994) as saying” the establishment of a culture of entrepreneurship is a social process, usually spawned as a social reaction in groups with a high level of skills and low social status, possibly resulting from a loss of prestige”. He therefore sees entrepreneurship as a creative reaction to conditions of marginality.

However, Danns (1994) in his work on the role of the entrepreneur in the development strategy of the Caribbean stated that for Karl Marx (1967) the capitalist is the epitome of the entrepreneur and is a representative of a broader class of dominance. Danns then inferred from Marx’s typification of the capitalist that to become an entrepreneur the individual must not only access land, capital and labor but must also be free from having necessarily to sell his labor power to another. That is the individual must have an orientation to self-employment.
The individual as owner of a capitalist enterprise must exploit the labor power of others as well as the other forces of production and the pursuit of profit is the primary motivation for entrepreneurial activity. Finally the individual must be prepared to go beyond the conventional and be innovative since he exists in a context in which he has to compete with others for raw materials, labor and markets. However for Gartner, (1989) the entrepreneur is defined by the behaviors that he or she exhibits in performing entrepreneurial activities, rather than by internal psychological traits embracing this notion of behavioral orientation, Lumpkin and Dess (1996) recently delineated five salient dimensions of "entrepreneurial orientation," consisting of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness.

In agreement with Gartner and Dess & Lumpkin, Leibenstein (1968, 1987) argues that the entrepreneur plays the critical roles of "gap filling" and "input completion." The former refers to identifying customers' needs and responding to them with a unique product offering, and the latter describes the special talents of organizing, leading, and motivating people to accomplish desired goals.

Broehl (1982) on the other hand see entrepreneurs in the less developed countries as performing a special form of innovation (or "meta-innovation"), which involves adapting a technology from the developed world to exploit opportunities in the LDC environments.

**The Traditional Approach to Economic Development**

Solomon (1991) defines traditional economic development as:

1. the achievement of economic “development” concentrated on the maximization of national economic growth, economic growth viewing the growth rate of Gross National Product (GNP) as the critical indicator;
2. the achievement of Western living standards and levels of industrialization through the transfer of labor from the agricultural sector to the industrial of the economy; and
3. the integration and interdependence of the Third World nation into the global marketplace”.

In support of Solomon (1991) traditional view of economic development Rostow (1967) developed a typology reflecting five stages of economic development through which a country passes where the society moves from relying heavily on agriculture, utilizing poorly developed production methods and techniques to a high mass consumption characterized by a shift to production of durable consumer goods and services.

**Entrepreneurship role in Economic Development**

Fik & Amey (1997) in their discussion on multinationals and the globalization of production is quoted as saying “Economic growth in world and regional economies has been driven largely by exports and transnationalization of capital” referring to the role of SMEs in this transformation as emerging and becoming involved in the restructuring of production activities in the world economic process becoming part of flexible production leading to increased tendency for a network of small- and medium-sized firms to appear on the economic landscape.
Supporting this theory, Schumpeter (1934) in his work concluded that, entrepreneurial ventures have proven to be instruments of economic transformation in the industrialized countries of Western Europe and North America by creating new businesses and introducing and commercializing innovation.

The mission of SMEs in the economic sector was studied by Caloghirou et al., 2004 and suggest “finding a weak, but nevertheless significant, effect of industry concentration on the profitability of SMEs implies that the small firms operating in concentrated industries tend to occupy ‘isolated’ market niches that enable them to earn high profits despite the monopoly power of market leader. Supportive of this is Inforgio, 2000 (as also argued by many Caloghirou et al 2000; Schumpeter 1934) as he explains “Through their flexibility and their potential for employment creation, SMEs can play a major role in regional development”.

Entrepreneurship and Social Development

Sociologists maintain that certain cultures are more effective in promoting entrepreneurship (and in fostering socioeconomic progress) than others (Shapero & Sokol, 1982; Young. 1971). They suggest a need for a national program of social enlightenment to promote entrepreneurial values and related sociological qualities.

In his contribution to entrepreneurship and social development McClelland (1961) argued that the "urge to achieve" is the single most important psychological factor for entrepreneurial success, and that contrary to the views of other psychologists, this trait could be acquired through education and training. Maslow on the other hand sees money as a motivator (though for a short time), it can be argued therefore that entrepreneurs are motivated as their capacity to earn increases allowing for them to meet their personal needs. (Todaro, 1994), incorporates three equally important aspects: raising incomes and consumption; fostering self-esteem through institutions that promote human dignity and respect; and increasing people’s freedoms.

For Low and MacMillan (1988, p. 140),

“Entrepreneurship is a multifaceted phenomenon that cuts across disciplinary boundaries and no one definition captures the phenomenon in its entirety; each emphasizes specific aspects of entrepreneurship.”

Acknowledging the work done by scholars such as Hofstede’s (1980) on national culture leading to his 5 framework of national culture, though significant in the study of entrepreneurship at country level has contributed little to this study as it fall outside the scope of this study. Hofstede work considered cultures that foster entrepreneurship whereas this work tries to identify ‘if’ in the presence of entrepreneurial activity the level of social development changes positively or negatively. Michael Porter’s also looks at the competitive nature of nations and by implication their industries. Porter therefore provided a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization.

Similar to Hofsteds, Holmes (1998) work on state policies has lead to the conclusion that manufacturing activities increases as one traverse an antibusiness state to a probusiness state. In a similar vein Fleischman (1995) in his research on the impact of state and local
taxation on industry location decisions have concluded that state and local government (SLG) policies is not sufficient to determine industry location. He points to the need for quality cost effective public services and amenities.


**Trinidad’s Potential for Economic Growth**

The Government of Trinidad and Tobago has identified the achievement of developed-nation status by the year 2020 as the principal developmental goal of the country. Social variables (including education and health) are important elements in the thrust towards the achievement of developed-nation status. These are vital to the development of the human capital base, which is of paramount importance in fostering a competitive and productive society. The economy must therefore become competitive in a range of activities in both the energy and non-energy sectors.

**RESULTS**

This section reports the data collection and then an analysis with respect to the research question “What is the impact of entrepreneurial activity on the economic and social development of Trinidad and Tobago?” provides the basis for conclusion and recommendations.

In Trinidad and Tobago the micro, small and medium-sized enterprises are engaged mainly in light manufacturing and services inclusive of hotels& guest houses; distribution; construction; transportation, communication & storage; professional & technical services; education & cultural community services and personal services. Based on the Central Statistical Office 2003 (accurate) report on the categorization of enterprises there are 1250 MSMEs and large firms in the manufacturing (non-oil and sugar) sector and 7092 firms (excluding distribution and professional services) in the service sector.

The government of T&T envisions the MSME sector as a key catalyst in diversification away from the oil economy and in the reduction of unemployment and poverty and has initiated several schemes to support MSME. According to official estimates, small businesses operating in T&T provide employment to 55,000 to 65,000 people (out of a total population of approximately 1.29 million) and contribute 5 to 10 percent of GDP (Hon. Minister Camille Robinson –Regis). The Minister in her speech suggested that due to the absence of high quality information about the growing SMEs, limited analysis of this sector can be conducted.

Further analysis of the non-oil sector showed the level of contributions these sectors make to national GDP. The finance, insurance and real estate are the biggest contributors to the informal sector, contributing over 13% each year under study distribution & restaurants between 11.0% and 14.3% and textile & related industries the least contributor with 0.1% contribution for five consecutive years (see Table 1). The total non-oil sub-sector (excluding oil and sugar) contribution to GDP from 2002 to 2006 averaged at 36.7% but decreased by 9.7%.
Table 1
Percent Contribution of non-oil Sector Sub-Sectors to GDP, 2002-2006

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverages and Tobacco</td>
<td>3.2</td>
<td>2.9</td>
<td>3.0</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Textiles, Garments &amp; Footwear</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Printing, Publishing etc.</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Wood &amp; Related Products</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Chemicals &amp; non Metallic Minerals</td>
<td>1.1</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Assembly Type &amp; Related Industries</td>
<td>1.4</td>
<td>1.3</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Miscellaneous Manufacturing</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Distribution &amp; Restaurants</td>
<td>14.3</td>
<td>12.8</td>
<td>12.1</td>
<td>12.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Hotels &amp; Guest Houses</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate etc.</td>
<td>14.2</td>
<td>13.3</td>
<td>14.9</td>
<td>15.2</td>
<td>14.6</td>
</tr>
<tr>
<td>Personal Services</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1.4</td>
<td>1.1</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>39.0</td>
<td>36.1</td>
<td>36.5</td>
<td>36.9</td>
<td>35.2</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher adopted from Central Statistical Office-The National Income of Trinidad and Tobago 2002-2006
Note: GDP in TT$M (2000 Constant Prices)
Education:

The Human Development Index (HDI) devised by the United Nations Development Programme comprises three components longevity, knowledge and command over resources needed for a decent life. The knowledge component measures a country educational attainment and is therefore measured as a combination of adult literacy and mean years of schooling. Trinidad and Tobago education index for the period under study has shown negligible changes with corresponding Human Development Index values. No fix relationship was determined (see Table 2 and Figure 1). When compared with business ownership it becomes apparent that 6% variation is observed.

Table 2:
Educational Index and HDI (2000-2005)

<table>
<thead>
<tr>
<th>HDI</th>
<th>Educational Index</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.805</td>
<td>0.84</td>
<td>2000</td>
</tr>
<tr>
<td>0.802</td>
<td>0.88</td>
<td>2001</td>
</tr>
<tr>
<td>0.800</td>
<td>0.84</td>
<td>2002</td>
</tr>
<tr>
<td>0.801</td>
<td>0.88</td>
<td>2003</td>
</tr>
<tr>
<td>0.809</td>
<td>0.88</td>
<td>2004</td>
</tr>
<tr>
<td>0.809</td>
<td>0.89</td>
<td>2005</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher

Figure 1
Graphical representation of HDI variation with Educational index (2000-2005)

Source: Developed by Researcher
Employment:

The data mining showed that in the period 2000 to 2006 the total unemployment rate declined from 12.2% to 5% with business start-ups being increased by 51% (see Table 3 and Figure 2). In 2001 and 2006 start-ups increased with a decrease in unemployment rate while in 2004 and increased start-ups showed an anomaly in unemployment figures respectively. The general trend seems to suggest that unemployment is negatively correlated with business start-ups.

Table 3
Business start-ups and Unemployment rate for period 2000-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Start-ups</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4,979</td>
<td>12.20%</td>
</tr>
<tr>
<td>2001</td>
<td>4,362</td>
<td>12.10%</td>
</tr>
<tr>
<td>2002</td>
<td>4,617</td>
<td>10.40%</td>
</tr>
<tr>
<td>2003</td>
<td>6,359</td>
<td>8.00%</td>
</tr>
<tr>
<td>2004</td>
<td>7,273</td>
<td>10.50%</td>
</tr>
<tr>
<td>2005</td>
<td>8,947</td>
<td>6.70%</td>
</tr>
<tr>
<td>2006</td>
<td>10,128</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

Source: UNDP country reports and Ministry of Legal Affairs Company Registry 1996-2006

Figure 2
Business Start ups and Unemployment Rates from 2000 to 2006
**Business Activity:**

Business start-up rate took into account labor participation, has been somewhat cyclic from 1974 through 2006 (see figure 3). In the late 1970s the business start-up rates was the highest, peaking at about 0.21 and falling to a minimum in the late 1980s before it started to rise in 1995 attaining a maximum in 2000 followed by a decline to just under half this value before showing a rise through 2006. Over the same period business ownership as a percentage of TLF increased steadily, suggesting an increase in the number of persons in the labor force owning businesses.

**Figure 3**

*Business start-up rate 1974 to 2006*

Source: Data adapted from the Ministry of Legal Affairs Company Registry (1974-2006)

Note: The start-up rate is defined as the number of business start-ups as a share of the number of enterprises.
Figure 4  
Business ownership as a fraction of Labor Force in Trinidad and Tobago 1974 to 2006

Source: Data adapted from Ministry of Legal Affairs Company Registry (1974-2006)

Note: Business ownership is defined as including both owners of incorporated and unincorporated businesses.

The study showed that for the period (2000-2006) the country experienced a 43% growth in business ownership as a fraction of the country’s total labor force (TLF) while simultaneously achieving a 55% growth in GDP per capita after adjusting for purchasing parity power (PPP US $) signaling an increase in the standard of living with business ownership (see Table 4 and Figure 5).

Based on the United Nations measure of Trinidad and Tobago level of sustainable development with the rest of the world, the literature showed small fluctuations in its human development index (see Table 5).

Table 4  
Business Ownership as a fraction of TLF and GDP (PPP US $) 2000-2006

<table>
<thead>
<tr>
<th>Business owners as a fraction of TLFx 10</th>
<th>Year</th>
<th>GDP per Capita (PPP US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.944</td>
<td>2000</td>
<td>8,961</td>
</tr>
<tr>
<td>8.651</td>
<td>2001</td>
<td>9,368</td>
</tr>
<tr>
<td>9.295</td>
<td>2002</td>
<td>10,155</td>
</tr>
<tr>
<td>10.201</td>
<td>2003</td>
<td>11,835</td>
</tr>
<tr>
<td>11.104</td>
<td>2004</td>
<td>12,504</td>
</tr>
<tr>
<td>12.357</td>
<td>2005</td>
<td>13,758</td>
</tr>
<tr>
<td>13.949</td>
<td>2006</td>
<td>19,800</td>
</tr>
</tbody>
</table>

Source: Compiled by Researcher
Figure 5
Graphical representation of Business Ownership as a fraction of TLF x 10 and GDP (PPP US$) 2000-2006.

Source: Developed by Researcher

Table 5
Business Ownership as a Fraction of TLF and Human Development Index 2000-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Ownership as Fraction of Total Labor Force x 10</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>7.944</td>
<td>0.805</td>
</tr>
<tr>
<td>2001</td>
<td>8.651</td>
<td>0.802</td>
</tr>
<tr>
<td>2002</td>
<td>9.295</td>
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</tr>
<tr>
<td>2005</td>
<td>12.357</td>
<td>0.809</td>
</tr>
<tr>
<td>2006</td>
<td>13.949</td>
<td>nd</td>
</tr>
</tbody>
</table>

nd: no data

Source: Compiled by Researcher
For the same period there was a steady increase in business ownership, however HDI values showed a slight fluctuation which may be attributable to changes in educational index (see figure 6).

Figure 6
Graphical representation of Business Ownership as fraction of TLF x 10 with HDI 2000-2006

Source: Developed by Researcher

DISCUSSION

The author concludes by comparing the previous data with Trinidad and Tobago by asking the research question: What is the impact of entrepreneurial activity on the economic and social development of Trinidad and Tobago?

This paper has demonstrated the possibility of a novel approach to economic and social development for Trinidad and Tobago through the transformation of the economy to include expansion of entrepreneurial activity.

The research has supported the view put forward by Spangenberg, J.H (2005) who argues that if economic development processes increases man-made capital and depletes social capital then this can in-fact be de facto decreasing the wealth of the nation (Trinidad and Tobago). A closer look at the secondary data findings has unearthed the view by interviewees that for true economic development to occur social development must occur simultaneously. Some key findings with respect to entrepreneurial activity, social development and economic development are outlined.

A comparison and assessment of the impact of entrepreneurial activity on employment levels was conducted by a study of business start-ups and unemployment rates. This revealed that increases in start-ups were supported by a fall-off in unemployment rates, suggesting that entrepreneurship creates employment. This positive relationship is supported by interviewees...
and as argued by Todaro, (1994). While employment is created, as evident by reduction in unemployment rates one must exercise caution in attributing this fall-off solely to entrepreneurial activity.

The country’s GDP per capita adjusted for purchasing power increased by 55% for the period under study, indicating economic development and simultaneous improvement of standard of living. Adam Mannis in his article on indicators of sustainable development argued that standard of living is measured by real GDP per capita (PPP$) and Todaro, (1994) who also argued that economic development facilitates the improvement of humans quality of life by raising incomes and consumption; fostering self-esteem through institutions that promote human dignity and respect increasing people’s freedom. These examples support the views put forward by interviewees that economic and social development must occur simultaneously.

From the sample of entrepreneurs in this study, 100% felt motivated as their income levels increased and are better able to take care of family needs. Considering the view of Todaro, (1994), Schumpeter (1934; 1950); Low & Mac Millan (1988) on the positive role of the entrepreneur in economic development, Trinidad and Tobago entrepreneurial activity has shown some utility to economic development as measured by the GDP which allows for the availability of goods and services. As Schumpeter (1934) suggested and the data showed, Trinidad and Tobago business start-up rates are steadily increasing, spawning creativity and innovation. On the other hand Mc Clelland (1961) refer to entrepreneurs as having the “urge to achieve” further supports interviewees of the positive role of entrepreneurial activity on economic growth, social stability and equity.

Fik and Amey (1997) in their discourse on transnationalism saw these activities as leading to greater throughput of smaller firms as they support the big firms in flexible production, while Leibenstein (1968, 1987) saw this as “gap filling” and “input completion” by the entrepreneur. 69.1% of the surveyed population of entrepreneurs has agreed that they have an increased level of income this therefore translates into greater revenues for government from taxes. The secondary data analysis showed that business start-ups are positively correlated with GDP per capita (PPP) for Trinidad and Tobago. It can therefore be reasonable assumed, that this translates into greater accessibility to goods and services.

In the same vein, 100% of entrepreneurs saw a business opportunity before start-up. Kirzner (1973, 1994) and Mises (1949) describes this as the market process, while Caloghirou et al (2000); Schumpeter (1934) thinks, through their flexibility by discovering profitable opportunities and their potential for employment creation, entrepreneurs can play a major role intraregional development.

Drucker (1985) talks to entrepreneurship as a critical factor in social and economic development. Leibenstein (1968, 1987) and Knight (1921) see the entrepreneur as someone empowered by their entrepreneurial activity, in agreement with this interviewees felt that entrepreneurial activity increases a persons drive to earn money as they take risk.

The literature submitted by the researcher supported the secondary and primary data as the results gave validity and reliability to the interviews and discussions conducted for the current
study and answers the research question “What is the impact of entrepreneurial activity on the economic and social development of Trinidad and Tobago”.

CONCLUSION AND IMPLICATIONS

I hope I got it right! Below is a list of indicators used to assess social and economic development.

Economic Indicator of Economic Development:
1) GPD national- this show an initial decline from 39.0% to 36.1% followed by increases over the next two years of 0.8% followed by a decrease by 1.7%.

Social Indicators of Social Development:
1) Unemployment rates- this showed a decline from 12.2% to 5% as business start-up rates increased for the period under study.
2) GPD per capita (PPPS) measures standard of living- increased while business ownership increased.
3) Educational Index (measure of adult literacy and school enrolment ratio) Literacy reflects indirectly the distribution of resources.
4) Self-esteem/empowerment – Based on responses from survey entrepreneurs indicated that they feel empowered through their activity
5) Longevity- use of access to medical attention by entrepreneurs was used to measure this. Entrepreneurs indicated that they are better able to meet medical demands.

The researcher investigated the main trends in development by conducting an extensive search of the literature and made use of secondary and primary data to examine the research question. It appears from this study that economic development (as measured by gross domestic product, GDP) derived from entrepreneurial activity is compelling, however one must be careful as this is an overall effect. In terms of the social impact, entrepreneurship has afforded significant improvements in quality of life for the entrepreneurs, as it facilitates the stabilization of their cash flow. Entrepreneurial activity facilitates economic flow as it supports the growth of the local markets and extends economic opportunities through new jobs. These activities helps empower the economically disenfranchised by increasing their options and building their self-confidence through the greater economic participation.

SO WHAT?

Therefore, entrepreneurial activity as measured by business start-up rate in Trinidad and Tobago has impacted positively on economic development through the raising of GDP and on social development through increased employment, higher educational index (adult literacy and school enrolment ratio), GDP per capita (PPPS) and empowerment leading to greater distribution and accessibility of goods and services. The study has unearthed the need for further research in the Trinidad and Tobago context to include an analysis of larger firms, growth and employment level for the same period. In the absence of national data on business start-ups survival rates the researcher used “if” “then” analogy in assuming the increased level of activity was correlated with a high level of business survival rate.
The opportunity for further work exist as one looks at the type of businesses start-ups are engage in and associated skill training required. Some vexing questions still remain.

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