



Startups: A Leading Economic Model for Supporting Economic Development

Dr. Louni Nacera

Assistant Professor at The Faculty of Law and Political Science, Akli Mohand Oulhadj University of Bouira, Algeria

Abstract

This study seeks to demonstrate the importance of startups in achieving economic development amid the transformations taking place in the global economy toward a knowledge- and innovation-based economy. Startups have become one of the most important driving forces of economic growth because of their ability to develop innovative solutions based on modern technology and knowledge. The study aims to highlight the role these institutions play in supporting the economy through job creation, the promotion of innovation and technological advancement, and their contribution to the diversification of the national economy.

It also sheds light on the impact of startups in fostering economic growth and increasing productivity, in addition to their role in attracting investment and improving the business environment. This study was conducted to highlight the extent of the contribution of these institutions to supporting the transition toward the digital economy and the knowledge economy, as they are among the most important pillars of economic development in the modern era. The article concluded that supporting startups represents a strategic option for achieving sustainable economic development and enhancing the competitiveness of the national economy.

Keywords: startups, economic development, innovation, digital economy, entrepreneurship.

Submission: 04.04.2025

Acceptance: 23.09.2025

Publication: 20.03.2026

INTRODUCTION

Over the past decades, the global economy has undergone profound and rapid transformations as a result of tremendous technological development and major advances in the fields of communication and information, which has led to the emergence of a new economic model known as the knowledge and innovation economy. This economy is primarily based on the investment of knowledge, scientific research, and modern technology in the development of products and services and in the creation of new solutions to various economic and social challenges. In light of these transformations, reliance on traditional resources or classical economic activities is no longer sufficient to achieve sustainable economic growth. Rather, innovation, creativity, and entrepreneurship have become among the most important factors on which countries depend to achieve economic development and strengthen their competitiveness in the global economy.

In this context, startups have emerged as one of the most significant features of the modern economy, as they have come to play an increasingly important role in supporting innovation and developing the knowledge economy. These institutions are distinguished by their ability to transform innovative ideas into economic projects capable of growth and expansion, and they often rely in their activities on modern technology and digital solutions. They are also characterized by a high degree of flexibility and the ability to adapt to market demands and rapid economic changes, which enables them to offer new products and services that contribute to the development of various economic sectors.

Many countries have recognized the importance of startups as a key driver of economic growth, as these institutions contribute to the creation of new job opportunities, especially for young people, and work to encourage innovation and technological development, in addition to their role in diversifying the national economy and reducing dependence on traditional sectors.

Governments have also sought to provide a suitable environment for the emergence of these institutions by adopting policies and support programs aimed at encouraging entrepreneurship, facilitating the establishment of innovative projects, and providing the necessary sources of funding for them.

Accordingly, the importance of studying the role of startups in economic development becomes evident, especially in light of the rapid global economic transformations, as these institutions have become one of the fundamental pillars of modern economies based on knowledge and innovation.

Based on the above, the following research problem is raised:

To what extent are startups effective and successful in achieving economic development?

To answer this problem, it is necessary to address the conceptual framework of startups by explaining their concept and characteristics in the first section, and then to examine the role of startups in achieving economic development by highlighting their economic importance and their contribution to supporting economic growth and promoting innovation in the second section.

1. The Nature of Startups

A startup is the ambition of many young people who prefer to build their own future through entrepreneurship rather than hold a job position in an established institution. It is a small-sized enterprise characterized by the fact that it is easy to establish and does not require substantial funding. Young people are capable of creating this type of enterprise, as a university graduate holding a degree can develop his or her projects and ideas and establish a startup by studying market requirements through the project they intend to found, in order to determine the extent to which it can be implemented and succeed. The topic of startups has received significant attention in recent years, both from official authorities and from young people, because it is based on new ideas and innovation¹.

A startup is distinguished by multiple characteristics. It plays a major role in today's economy and represents a principal driver of innovation and economic expansion. This gives it great importance, as it has the ability to adapt quickly and provide new innovative solutions. Its business activities are built on pioneering ideas and on responding to market needs in a smart and modern way. It also has an important role in confronting challenges and advancing national economies, as it contributes to gross domestic product and accelerates economic growth.

1.1 The Concept of Startups

1.1.1 Definition of Startups

The concept of startups is considered a relatively modern one in economic and administrative literature, as its emergence has been linked to the development of the contemporary business environment, especially with the rise of the knowledge economy and the digital economy. This development has led to the emergence of new forms of economic enterprises that rely primarily on innovation, technology, and the ability to provide new solutions that meet changing market needs.

In its simplest meaning, a startup refers to a newly established enterprise based on an innovative idea and seeking to develop a new product or service in the market, with the potential to achieve rapid growth and expand its economic activity. These enterprises are characterized by a high degree of organizational flexibility that allows them to adapt to rapid changes in the business environment. They also often operate

1- Ben Ayyad Jalila, *The Role of Startups in Economic Development*, Journal of Legal Studies, issued by the Laboratory of Sovereignty and Globalization, Yahia Fares University, Médéa, Vol. 08, No. 01, Algeria, January 2022, p. 159.

in fields that depend on technology and innovation, such as digital technology, electronic applications, artificial intelligence, and others².

The American researcher Eric Ries defined a startup as a human institution designed to create a new product or service under conditions of extreme uncertainty. This definition highlights the nature of risk and instability that accompanies this type of enterprise during the early stages of its activity³.

Some researchers also view a startup as a new economic venture that relies on innovation and aims to search for a business model capable of scaling and achieving rapid growth in the market. This is what distinguishes it from traditional enterprises, which often rely on stable and proven business models⁴.

In Arabic economic literature, a startup has been defined as a newly established economic enterprise based on an innovative idea and seeking to transform knowledge or technology into a marketable product or service, with the possibility of achieving accelerated growth in the market⁵.

In the Algerian context, the concept of startups has gained increasing importance in recent years, especially after the state adopted policies aimed at encouraging innovation and entrepreneurship. Algerian legislation defined a startup through Executive Decree No. 20-254 of September 15, 2020, concerning the establishment of the National Committee for Granting the Startup label, whereby a startup is considered an enterprise that relies on innovation in its business model, products, or services and possesses the potential for growth and expansion⁶.

From these different definitions, it can be said that a startup is characterized by several essential elements, the most important of which are:

- Newness of establishment.
- Reliance on innovation and technology.
- The pursuit of rapid growth in the market.
- Operating in an environment characterized by a high degree of risk and uncertainty.

1.1.2 The Evolution of the Concept of Startups

The evolution of the concept of startups is linked to the development of the global economy over recent decades, especially with the shift from the traditional industrial economy to the knowledge economy and the digital economy. This transformation led to the emergence of new models of economic enterprises that rely on innovation and technology as a fundamental driver of economic growth.

At first, the concept of startups was mainly associated with new small enterprises established for the purpose of carrying out a particular economic activity. However, this concept underwent significant development by the end of the twentieth century, especially with the spread of the Internet and the emergence of technology companies in the United States during the 1990s, which led to the rise of what became known as the startup economy⁷.

These companies contributed to major transformations in the global economy, as many startups were able, within a short period of time, to become major global companies that rely on innovation and technology in

2- Steve Blank and Bob Dorf, *The Startup Owner's Manual: The Step-by-Step Guide for Building a Great Company*, K&S Ranch Press, California, 2012

3- Eric Ries, *The Lean Startup*, Crown Business, New York, 2011, p. 27.

4- Steve Blank, Why the Lean Start-Up Changes Everything, *Harvard Business Review*, Vol. 91, No. 5, 2013, pp. 63–72.

5- Mohammed Abdullah Ahmed, *Entrepreneurship and Small Project Management*, Dar Al-Masira for Publishing and Distribution, Amman, 2016, p. 45.

6- Executive Decree No. 20-254 of September 15, 2020, concerning the establishment of the National Committee for Granting the labels Startup, Innovative Project, and Business Incubators, and defining its missions, composition, and functioning, Official Gazette, No. 55.

7- Shane, Scott, *The Illusions of Entrepreneurship*, Yale University Press, New Haven, 2008.

their activities. From that point on, the concept of a startup became fundamentally associated with its ability to innovate and achieve rapid growth in the market.

Many researchers indicate that the beginning of the appearance of the term startup dates back to 1950, that is, the period immediately following the Second World War and coinciding with the emergence of venture capital. However, there is no evidence confirming this during that period. Rather, the term became associated with the rise of Silicon Valley in the 1970s, when it was used to refer to some technology companies around the world⁸.

The development of the global business environment also led to an expansion of the concept of startups to include many different economic sectors. It is no longer confined to the technology sector alone, but now includes multiple fields such as e-commerce, financial technology, the digital economy, and innovative services⁹.

In Arab countries, interest in startups has increased in recent years as a result of global economic transformations and the growing role of innovation in achieving economic development. Many countries have sought to establish policies and programs aimed at supporting entrepreneurship and encouraging the creation of startups because of their important role in supporting economic growth and creating job opportunities¹⁰.

In Algeria, interest in startups has also grown significantly in recent years, especially with the adoption of an economic policy aimed at encouraging innovation and diversifying the national economy. A Ministry of the Knowledge Economy, Startups, and Micro-Enterprises was established, in addition to the adoption of a legal and regulatory framework aimed at supporting this type of enterprise and providing an appropriate environment for its growth and development¹¹.

From this, it is clear that the concept of startups has undergone considerable development over time, moving from merely newly established enterprises to innovation- and technology-based enterprises that constitute one of the most important drivers of the modern economy and economic development.

1.1.3 The Distinction Between Startups and Traditional Enterprises

Distinguishing between startups and traditional enterprises is important for understanding the nature of this type of enterprise and its role in the contemporary economy. Startups differ from traditional enterprises in several aspects related to the nature of the economic activity, the business model, and the level of innovation, in addition to the degree of risk they face.

Traditional enterprises are often based on stable and proven business models, operating in well-known economic sectors and relying on conventional methods of production and marketing. These enterprises generally seek to achieve stability and continuity in economic activity more than they seek rapid growth or the introduction of innovative products into the market¹².

Startups, on the other hand, are characterized by being newly established enterprises based primarily on an innovative idea and seeking to develop a new product or service in the market. These enterprises often

8- Aouabdia Habiba, *The Role of Startups in Promoting Sustainable Local Development in Algeria: ASSISTA Health Services as a Model*, Master's thesis in Political Science, specialization in Local Administration, Faculty of Political Science, Department of Political and Administrative Organization, University of Constantine 3 – Salah Bounider – Algeria, 2024–2025, p. 14.

9- OECD, *Entrepreneurship at a Glance*, OECD Publishing, Paris, 2017.

10- UNDP, *Arab Human Development Report: Knowledge and Innovation*, United Nations Development Programme, New York, 2019.

11- Ministry of the Knowledge Economy, Startups, and Micro-Enterprises, *Annual Report on the Startup Ecosystem in Algeria*, Algeria, 2022.

12- Ahmed Magdy Abdel Wahab, *Entrepreneurship and Small Project Management*, Dar Al-Ta'lim Al-Jami'i, Alexandria, 2017, p. 56.

rely on technology and innovation in developing their activities, and they also seek to achieve rapid growth and expand into markets within a relatively short period of time¹³.

One of the most prominent differences between startups and traditional enterprises lies in the nature of the business model each adopts. Traditional enterprises rely on a clear and stable business model from the beginning of their activity, whereas startups are often in the stage of searching for an appropriate and scalable business model, testing many solutions and products before reaching the optimal model that enables them to succeed in the market¹⁴.

The two types of enterprises also differ in terms of the degree of risk. Startups face a high level of uncertainty due to the novelty of the project and the occasional lack of market clarity, whereas traditional enterprises operate in a more stable environment because they rely on known and proven economic activities¹⁵.

In addition, startups are characterized by a high degree of organizational flexibility that enables them to adapt quickly to changes in the business environment, while traditional enterprises are often marked by more stable and less flexible organizational structures.

Based on the above, it can be said that startups represent a new model of economic enterprise founded on innovation, flexibility, and the pursuit of rapid growth, which makes them different from traditional enterprises that rely on stable business models and seek primarily to achieve stability in economic activity.

1.2 The Characteristics and Fields of Activity of Startups

1.2.1 The Basic Characteristics of Startups

Startups are distinguished by a number of characteristics that set them apart from other traditional economic enterprises. The most important of these characteristics are innovation, rapid growth, and a high level of risk. These characteristics are among the fundamental features that define the nature of startups and their role in supporting the contemporary economy.

A. Innovation

Innovation is the fundamental element on which startups are based, as these enterprises rely on offering new ideas or developing innovative products and services that meet market needs in unconventional ways. Innovation in this context includes the development of new technologies, the improvement of existing products and services, or the creation of new business models that generate added economic value¹⁶. Innovation has become one of the most important factors contributing to the enhancement of the competitiveness of startups, as it enables them to stand out in the market and face competition by providing new and innovative solutions to various economic and social problems.

B. Rapid Growth

Startups are also characterized by their ability to achieve rapid growth compared with traditional enterprises, as they seek from the outset to expand in the market and increase the scale of their economic activity within a relatively short period of time. This rapid growth is often associated with the use of modern technology and reliance on scalable business models, especially in sectors related to the digital economy and technology¹⁷. This rapid growth is considered one of the most important characteristics that make startups an important driver of economic growth, as they can, within a short period of time, become large enterprises that contribute to job creation and the strengthening of economic activity.

13- Paul Graham, Startup = Growth, Essay, Y Combinator, 2012.

14- Steve Blank, *The Four Steps to the Epiphany*, K&S Ranch Press, California, 2007.

15- Peter Thiel, *Zero to One: Notes on Startups*, Crown Business, New York, 2014.

16- Hassan Ali Al-Sulami, *Innovation Management and Entrepreneurship*, Dar Gharib for Printing and Publishing, Cairo, 2008, p. 121.

17- OECD, *Entrepreneurship at a Glance*, OECD Publishing, Paris, 2017.

C. High Level of Risk

Startups usually operate in an environment characterized by a high degree of uncertainty, which causes them to face a high level of economic and financial risk. This is due to several factors, including the novelty of the project, the occasional lack of market clarity, and the difficulty of obtaining financing during the early stages of the enterprise's activity¹⁸. Despite these risks, startups represent an important opportunity for achieving innovation and economic growth, as they can achieve significant success if they are able to develop products or services that effectively meet market needs. From this, it is clear that the basic characteristics of startups, namely innovation, rapid growth, and risk, represent the essential elements that distinguish this type of enterprise from other traditional economic enterprises, and they also explain the growing role these enterprises play in supporting the modern economy and promoting economic development.

1.2.2 Fields of Activity of Startups

Startups are characterized by the diversity of their fields of economic activity, as they often rely on innovation and modern technology in developing their products and services. The rapid development of information and communication technology has led to the emergence of many new fields that have become fertile ground for the emergence of this type of enterprise. The most prominent fields of startup activity appear in the technology sector, digital services, and the knowledge economy, all of which are closely linked to the contemporary economic transformations taking place around the world.

A. The Field of Technology

The technology sector is one of the most prominent fields in which startups operate, as these enterprises rely on developing innovative technological solutions that respond to modern market requirements. This field includes software development, smartphone applications, artificial intelligence technologies, cloud computing, big data analytics, financial technology, and other advanced technologies¹⁹. Technology startups have contributed to important transformations in the global economy, as technology has become a fundamental driver of innovation and economic growth. Thanks to these enterprises, many digital products and services have emerged that have helped improve production efficiency and develop the services provided in various economic sectors such as education, health, trade, and transport²⁰. Dependence on technology also enables startups to expand rapidly in markets, as digital products and services can reach a large number of users in a relatively short time, which gives these enterprises a strong capacity for growth compared with traditional enterprises that rely on conventional production models.

B. The Field of Digital Services

The digital services sector represents one of the most important fields that has witnessed significant growth in startup activity in recent years. This is due to the major expansion in the use of the Internet and smartphones, which has led to the emergence of new service models that rely on digital technology in their delivery²¹. The digital services provided by startups cover many areas, such as e-commerce, digital financial services, e-learning platforms, smart applications, digital logistics services, and app-based transport services. These services have contributed to facilitating access to many economic activities and social services, and they have also helped improve the efficiency of service delivery and reduce the associated costs²². The digital services sector has become one of the most attractive sectors for investment in the world

18- Joseph Schumpeter, *Capitalism, Socialism and Democracy*, Harper & Brothers, New York, 1942.

19- Mohammed Abdel Aziz Al-Ajmi, *Entrepreneurship and the Management of Small and Medium Enterprises*, Dar Al-Masira for Publishing and Distribution, Amman, 2015, p. 112.

20- Ahmed Maher, *Innovation and Change Management in Organizations*, Al-Dar Al-Jami'iyya, Alexandria, 2012, p. 144.

21- Nabil Ali, *The Arab Mind and the Knowledge Society*, World of Knowledge Series, National Council for Culture, Arts and Letters, Kuwait, 2009, p. 96.

22- Abdelrahman Tishouri, *Knowledge Economy and Economic Development*, Dar Al-Fikr, Damascus, 2010, p. 131.

because of its great potential for achieving economic growth and creating new job opportunities. This sector also contributes to strengthening the digital transformation that many countries seek to achieve as part of developing their national economies and enhancing their competitiveness in the global economy.

C. The Knowledge Economy

The knowledge economy represents one of the most important fields on which startups rely in developing their economic activity, as this type of economy is based on the investment of knowledge, scientific research, and technology in creating new economic value. Within this framework, startups seek to transform innovative ideas and scientific results into products or services that can be marketed in the market²³. The knowledge economy depends fundamentally on qualified human resources and the ability to innovate, as knowledge plays a central role in the process of economic production. Therefore, startups operating in this field depend heavily on scientific and technical competencies in developing their products and services. Startups also contribute to supporting the knowledge economy by strengthening cooperation between economic enterprises, universities, and scientific research centers, which helps transfer knowledge and technology to various economic sectors. This leads to the enhancement of innovation and the improvement of the competitiveness of the national economy, in addition to supporting the achievement of sustainable economic development²⁴. From the foregoing, it is clear that the fields of activity of startups are closely linked to sectors based on knowledge, technology, and innovation, which makes these enterprises play an important role in supporting the transition toward the digital economy and promoting economic development in many countries.

1.2.3 The Role of Technology and Innovation in the Success of Startups

Technology and innovation play a fundamental role in the success of startups, as they represent the core pillar on which these enterprises rely in developing their products and services and achieving distinction in the market. Startups depend heavily on innovation in providing new solutions to economic and social problems, and they also rely on modern technology in developing business models capable of achieving rapid growth and expansion in markets.

Innovation in this context refers to the ability to develop new ideas, products, or services, or to improve existing products and services in innovative ways that create added economic value. Innovation is considered an essential factor in achieving the competitiveness of startups, as it enables them to stand out in the market and face competition by offering new and innovative solutions that better meet customer needs²⁵.

Innovation is not limited to the development of products and services alone, but also includes the creation of new business models and modern methods of production, marketing, and distribution. These innovative models have contributed to enabling many startups to achieve major successes within a relatively short period of time, especially in sectors related to digital technology and electronic services²⁶.

Technology, for its part, is one of the most important tools that help startups achieve rapid growth and expand in markets. The development witnessed in information and communication technology has enabled startups to develop innovative digital products and access global markets more easily compared with traditional enterprises. Technology has also helped reduce production costs and improve the efficiency of operational processes within the enterprise²⁷. On the other hand, technology contributes to facilitating the

23- Ali Abdel Razzaq Jalbi, *Knowledge Economy and Sustainable Development*, Dar Al-Masira for Publishing and Distribution, Amman, 2014, p. 88.

24- Abdel Salam Abu Qahf, *Innovation Management and Entrepreneurship*, Dar Al-Jami'a Al-Jadida, Alexandria, 2016, p. 175.

25- Hassan Ali Al-Sulami, *Innovation Management and Entrepreneurship*, Dar Gharib for Printing and Publishing, Cairo, 2008, p. 121.

26- Mohammed Abdel Fattah Al-Sayrafi, *Innovation Management and Organizational Development*, Dar Al-Fikr Al-Jami'i, Alexandria, 2010, p. 77.

27- Abdelrahman Tishouri, Op. Cit, p. 148.

process of transforming innovative ideas into applicable economic projects, as it provides many digital tools that help entrepreneurs test and develop their ideas before launching them into the market. This leads to reducing the risks associated with establishing new projects and increasing the chances of startup success²⁸. The reliance of startups on technology and innovation also contributes to supporting the digital economy and the knowledge economy, as these enterprises play an important role in developing modern technologies and strengthening the process of digital transformation in various economic sectors. This leads to improved productivity and increased competitiveness of the national economy, in addition to enhancing the opportunities for achieving sustainable economic development²⁹. From this, it is clear that technology and innovation represent the fundamental driving force behind the success of startups, as they contribute to the development of products and services, the achievement of economic growth, and the enhancement of competitiveness in the market.

2. The Role of Startups in Achieving Economic Development

Startups play an important role in creating job opportunities and increasing individual income in societies. They promote innovation and encourage investment in new ideas, which leads to the expansion of the labor base and the provision of more jobs. Startups also contribute to stimulating the local economy and promoting economic development by offering new products and services that meet market needs³⁰.

Startups also play a vital role in advancing economic development through innovation, the creation of new job opportunities, and the diversification of the national economy away from traditional sectors such as hydrocarbons. These enterprises contribute to increasing gross domestic product, enhancing competition, and providing smart solutions, which makes them a strategic choice for achieving sustainable growth and employment, especially in developing countries.

2.1 The Economic Importance of Startups

2.1.1 The Contribution of Startups to Job Creation

Startups are considered among the most important economic mechanisms that contribute to job creation and the strengthening of the labor market, as they play an important role in absorbing labor, especially among young people and university graduates. This type of enterprise has become one of the main drivers of job creation in many countries, especially in light of the economic transformations the world is experiencing toward the digital economy and the knowledge economy.

Startups often rely on small work teams at the beginning of their activity, but they seek expansion and rapid growth if their project succeeds, which leads to increased demand for labor in various fields related to the enterprise's activity, such as programming, design, marketing, project management, and other modern specializations³¹.

Startups also contribute to creating both direct and indirect job opportunities, as their impact is not limited to the jobs they provide within the enterprise itself, but also extends to many related economic activities such as consulting services, marketing, logistics services, and information technology. This leads to increased economic activity and greater demand for labor across different economic sectors³².

On the other hand, startups contribute to strengthening the culture of entrepreneurship and encouraging young people to establish their own projects instead of relying on traditional jobs. This increases the number of new economic projects, which contributes to stimulating the national economy and expanding

28- Ahmed Maher, Op. Cit, p. 151.

29- Mohammed Mahmoud Abdel Fattah, *The Knowledge Economy and Its Role in Economic Development*, Dar Al-Ta'lim Al-Jami'i, Alexandria, 2018, p. 92.

30- Zakaria Ghattas, *The Role of Startups in Achieving Economic Development in Algeria*, Master's thesis, Faculty of Law and Political Science, Kasdi Merbah University, Ouargla, Algeria, 2023–2024, p. 10.

31- Mohammed Abdel Aziz Al-Ajmi, Op. Cit, p. 93.

32- Khaled Abdel Ghaffar, *Innovation Management in Contemporary Organizations*, Dar Al-Jami'a Al-Jadida, Alexandria, 2014, p. 188.

the production base³³. Startup owners must preserve the spirit of creativity in their field of work and ensure that they offer innovative things to customers.

Many economic studies also indicate that startups play an important role in reducing unemployment rates, especially in countries seeking to diversify their economies and develop new economic sectors based on innovation and technology. Therefore, governments in many countries have begun to encourage the establishment of startups by providing support and financing programs aimed at strengthening the role of these enterprises in supporting economic growth³⁴.

From this, it is clear that startups play an important role in creating job opportunities, improving income levels, and strengthening economic activity, which makes them one of the most important tools that can be relied upon to achieve economic development in the modern era.

2.1.2 The Role of Startups in Supporting Innovation and Technological Development

Startups play a central role in promoting innovation and driving technological development, as these enterprises have become one of the most important engines of economic transformation toward the knowledge economy and the digital economy. This is due to the nature of their activity, which is fundamentally based on developing new ideas and transforming them into innovative products or services capable of meeting changing market needs.

Innovation represents the fundamental pillar of startup activity, as these enterprises seek to provide new solutions based on knowledge and modern technology. Innovation in this context includes the development of new products, the improvement of existing products and services, or the creation of new business models that contribute to generating added economic value. Innovation has become an essential factor in enhancing the competitiveness of enterprises, as it enables them to distinguish themselves in the market and achieve economic growth³⁵.

Startups also contribute to the spread of modern technology within the economy by introducing new technologies into various economic sectors such as e-commerce, digital financial services, e-learning, and digital health. This helps improve the efficiency of economic processes, enhance the quality of the services provided, and strengthen economic productivity³⁶.

On the other hand, startups play an important role in strengthening the relationship between scientific research and the economic sector, as they work to transform the results of scientific research and technological innovations into products and services that can be marketed. This enhances the role of universities and scientific research centers in supporting economic development through the transfer of knowledge and technology to productive sectors³⁷.

Startups also contribute to supporting the digital transformation taking place in the global economy, as they rely in their activities on the use of digital technologies such as artificial intelligence, data analysis, cloud computing, and smart applications. This transformation helps develop new business models capable of improving production efficiency and providing innovative services that meet the needs of society.

From this, it is clear that startups play an important role in supporting innovation and technological development, as they contribute to the advancement of modern technologies and the strengthening of the

33- Ahmed Magdy Abdel Wahab, *Entrepreneurship and Small Project Management*, Dar Al-Ta'lim Al-Jami'i, Alexandria, 2017, p. 66.

34- Mowafaq Kamal and Chibout Saida, *Startups as a Mechanism for Supporting Economic Growth: Their Concept, Guarantees of Success, and Obstacles*, *Al-Turath Journal*, Ziane Achour University, Djelfa, Vol. 11, No. 02, Algeria, June 2023, p. 08.

35- Hassan Ali Al-Sulami, Op. Cit, p. 135.

36- Abdel Salam Abu Qahf, Op. Cit, p. 192.

37- Amina Lemoui, *Startups as the New Engine of Innovation in the Algerian Economy – The Journey of the Startup in Algeria*, *Journal of Environmental Studies and Sustainable Development*, issued by the Laboratory of Environmental Studies and Sustainable Development, Martyr Sheikh Larbi Tebessi University, Tebessa, Vol. 04, No. 02, Algeria, 2025, p. 60.

knowledge economy, which is positively reflected in the achievement of sustainable economic development.

2.1.3 The Contribution of Startups to the Diversification of the National Economy

Startups are among the most important tools that can be relied upon to achieve the diversification of the national economy, as they contribute to the development of new economic sectors based on innovation and technology, which helps reduce dependence on traditional economic sectors.

Economic diversification is one of the main objectives that many countries seek to achieve in order to ensure economic stability and strengthen their ability to face global economic fluctuations. In this context, startups play an important role in developing new economic sectors such as the digital economy, financial technology, e-commerce, and digital services, all of which have become essential components of the modern economy³⁸.

Startups also contribute to promoting local economic development by encouraging the establishment of new economic projects in various regions, which helps stimulate economic activity and create new job opportunities. This leads to the expansion of the economic production base and the achievement of balance among different economic sectors³⁹.

The private sector contributes a significant share of gross domestic product outside the hydrocarbon sector, which demonstrates the great importance that startups can achieve in economic growth. Accordingly, greater attention must be given to this sector, along with the provision of financial, administrative, legal, and logistical support in order to meet the challenges of economic development in Algeria⁴⁰.

On the other hand, startups help develop economic sectors based on knowledge and technology, which contributes to strengthening the competitiveness of the national economy in global markets. The diversification of economic activities enables the state to produce new products and services based on innovation, thereby strengthening its economic position and increasing its ability to attract investment⁴¹.

Startups also contribute to fostering the spirit of initiative and innovation within society, as they encourage young people to establish new economic projects based on innovative ideas. This leads to an increase in the number of economic projects within the country, which contributes to stimulating the national economy and achieving economic growth.

From this, it is clear that startups play an important role in diversifying the national economy and strengthening its capacity to achieve sustainable economic development, especially in light of global economic transformations that compel countries to search for new sources of economic growth.

2.2 The Impact of Startups on Supporting Economic Development

At present, startups are considered one of the most important tools on which countries rely to achieve economic development and enhance the competitiveness of their national economies. Rapid technological development and the transformations witnessed in the global economy have led to the emergence of startups as a key factor in stimulating economic activity and developing various productive sectors. These enterprises are distinguished by their ability to provide innovative solutions based on knowledge and technology, which makes them one of the most important drivers of economic growth in many countries.

38- Abdelrahman Tishouri, Op. Cit, p. 167.

39- Abdelkader Ben Ammara, Startups as a Mechanism for Diversifying the National Economy, *Journal of Contemporary Economic Studies*, University of M'Sila, Algeria, 2020, p. 102.

40- Aicha Safrani and Amal Metabes, *Startups as One of the Pillars of the National Economy: Reality and Challenges*, *Araa Journal for Economic and Administrative Studies*, issued by the University Center of Aflou, Aflou, Vol. 02, No. 02, Algeria, 2022, p. 95.

41- Mohammed Mahmoud Abdel Fattah, Op. Cit, p. 104.

Startups also contribute to creating a dynamic economic environment based on innovation and competition, which leads to increased economic productivity and improved efficiency in the use of resources. In addition, these enterprises work to develop new economic sectors based on technology and the digital economy, which contributes to achieving economic diversification and enhancing the prospects for sustainable development.

2.2.1 Promoting Economic Growth and Increasing Productivity

Startups contribute significantly to promoting economic growth through their role in expanding economic activity and creating new investment opportunities. These enterprises rely on innovation and technology to develop new products and services, which leads to the creation of added economic value within the national economy. The introduction of modern technologies and innovative production methods also helps improve the efficiency of economic processes and increase productivity⁴².

The impact of startups on economic growth is evident through their ability to develop new economic sectors based on technology and knowledge, which leads to greater diversification in economic activity and an expanded production base. Startups also contribute to stimulating markets by offering innovative products and services that meet consumer needs in more efficient and effective ways⁴³.

On the other hand, startups are distinguished by their ability to achieve rapid growth compared with traditional enterprises, especially in sectors related to digital technology. This is due to their reliance on scalable business models, which enable them to reach a large number of customers within a relatively short time. This leads to increased economic output and enhances the competitiveness of the national economy in global markets⁴⁴.

Startups also contribute to improving productivity through their reliance on modern methods of management and organization and the use of technology at various stages of production and marketing. This helps reduce production costs and increase the efficiency of the use of economic resources, which is positively reflected in economic growth rates.

2.2.2 Attracting Investment and Developing the Business Environment

Startups play an important role in attracting domestic and foreign investment, as they are considered among the sectors most attractive to investors because of the significant potential they offer for achieving economic growth and high financial returns. Startup projects are often based on innovative ideas with strong potential for market expansion, which makes them the focus of interest for many investors and venture capital funds⁴⁵.

The spread of startups within the economy also contributes to developing the business environment by enhancing competition and encouraging innovation across various economic sectors. The presence of a large number of startups increases market dynamism and motivates other enterprises to develop their products and services in order to keep pace with technological and economic developments⁴⁶.

On the other hand, the development of the startup ecosystem leads to the emergence of many structures that support entrepreneurship, such as business incubators, business accelerators, investment funds, and innovation centers. These institutions aim to provide financial and technical support to startup projects and help them grow and expand. This contributes to creating an economic environment that encourages investment and supports the establishment of new economic projects.

Countries that enjoy a strong startup ecosystem are often better able to attract foreign investment, as investors view these countries as a suitable environment for innovation and entrepreneurship. For this

42- Ali Abdel Razzaq Jalbi, Op. Cit, p. 132.

43- Nabil Ali, Op. Cit, p. 118.

44- Ahmed Magdy Abdel Wahab, Op. Cit, p. 81.

45- Mohammed Abdel Aziz Al-Ajmi, Op. Cit, p. 146.

46- Abdel Salam Abu Qahf, Op. Cit, p. 205.

reason, many governments have begun to develop policies and programs aimed at supporting startups and improving the business environment in order to strengthen their ability to attract investment.

2.2.3 Supporting the Transition Toward the Digital Economy and the Knowledge Economy

Startups represent one of the most important driving forces behind the transition toward the digital economy and the knowledge economy, as these enterprises rely in their economic activity on the use of modern technology and knowledge in developing their products and services. The digital economy is one of the most prominent manifestations of the economic transformation taking place in the world today, as digital technology has come to play a central role in various economic activities.

Startups contribute to the development of many digital applications and electronic services that depend on the Internet and modern technology, such as e-commerce, digital financial services, e-learning platforms, and smart applications. These services have contributed to improving the efficiency of economic activities and facilitating access to many economic and social services⁴⁷.

Startups also play an important role in spreading digital culture and promoting the use of technology within society, as they encourage individuals and institutions to use digital solutions in various economic activities. This accelerates the process of digital transformation within the national economy and improves the efficiency of different economic sectors.

On the other hand, startups contribute to strengthening the knowledge economy, which relies on knowledge and scientific research as a fundamental source of economic growth. In this type of economy, knowledge and human skills become the most important economic resource, as they are invested in the development of innovative products and services that contribute to the creation of economic value.

Supporting startups also contributes to strengthening cooperation among universities, scientific research centers, and the economic sector, which leads to transforming the results of scientific research into applicable economic projects. This contributes to promoting innovation and transferring technology to various economic sectors, thereby enhancing the competitiveness of the national economy in the global economy⁴⁸.

From this, it is clear that startups play an important role in supporting the transition toward the digital economy and the knowledge economy, which contributes to achieving sustainable economic development and enhancing the competitiveness of the national economy in light of rapid global economic transformations.

CONCLUSION

Through this study, which seeks to demonstrate that startups have come to occupy an important position in the contemporary economy, it has become clear that they are no longer merely small economic projects in their early stages. Rather, they have become a fundamental component of modern economic development. This is due to their great capacity for innovation and renewal, in addition to their flexibility in adapting to the economic and technological changes taking place in the world at the present time.

Startups are fundamentally based on investing in innovative ideas and employing modern technology to develop new products and services that meet market needs in unconventional ways. Their reliance on innovation and knowledge also makes them capable of creating added economic value, which contributes to stimulating economic activity and enhancing the competitiveness of national economies.

The study has shown that startups play an important role in creating job opportunities and absorbing labor, especially among young people and university graduates, which makes them one of the effective solutions for addressing the problem of unemployment in many countries. They also contribute to supporting innovation and technological development through the creation of new technologies and modern digital

47- Abdelrahman Tishouri, Op. Cit, p. 176.

48- Nabil Ali, Op. Cit, p. 141.

applications, which helps improve production efficiency and enhance the quality of services in various economic sectors.

It has also become clear that startups play a central role in diversifying the national economy, as they contribute to the development of new economic sectors based on knowledge and technology, such as the digital economy, e-commerce, and digital services. This economic diversification helps reduce dependence on traditional sectors and strengthens the ability of the national economy to face global economic challenges.

On the other hand, startups contribute to attracting investment and developing the business environment, as innovative projects represent an important field of investment for investors and venture capital funds. The spread of startups also leads to stronger market competition and encourages innovation across different economic sectors, which contributes to the development of a more dynamic and flexible economic environment.

These enterprises also play an important role in supporting the transition toward the digital economy and the knowledge economy, as they rely in their economic activity on the use of modern technology and knowledge in developing products and services. This enhances innovation and spreads digital culture within society, in addition to supporting the process of digital transformation in various economic sectors.

Algeria is working to remove all constraints that may hinder the development of startups by ensuring the provision of a legal and regulatory framework that contributes to facilitating the operation and development of this sector. Algeria has established several mechanisms and structures aimed at providing financial support, consulting, and training for startups, the most important of which are the Startup Support and Financing Fund, the institution for the promotion and management of startup support structures, venture capital financing, and business incubators.

Accordingly, it can be said that startups represent one of the most important tools that can be relied upon to achieve sustainable economic development, especially in light of global economic transformations that require countries to develop their economies and strengthen their competitiveness. Therefore, supporting this type of enterprise requires the provision of an appropriate legal and economic environment that encourages innovation and entrepreneurship, in addition to developing financing systems and technical and training support for startups.

Countries should also work to strengthen cooperation among universities, scientific research centers, and economic institutions in order to transform knowledge and innovation into applicable economic projects, which contributes to supporting the knowledge economy and promoting economic development.

A database containing all statistics related to startups, incubators, and support structures should be established to facilitate the work of academics active in the field of startups, in order to contribute to finding solutions to the problems these enterprises may face and to support their development.

Specialized bodies should also be established to ensure the continuous monitoring of startups and to provide them with appropriate solutions whenever they encounter obstacles.

Accordingly, it can be affirmed in conclusion that startups will continue in the future to be one of the most important drivers of economic growth and innovation, and they also represent a fundamental pillar for achieving economic development in a global economy increasingly based on knowledge, technology, and innovation.

The implementation of these recommendations would strengthen the role of startups in the Algerian economy and enable them to contribute more significantly to achieving the desired economic diversification and creating wealth and job opportunities.

List of Sources and References

Books

- 1- Blank, Steve, and Bob Dorf, *The Startup Owner's Manual: The Step-by-Step Guide for Building a Great Company*, K&S Ranch Press, California, 2012.
- 2- Blank, Steve, *The Four Steps to the Epiphany: Successful Strategies for Products that Win*, K&S Ranch Press, California, 2007.
- 3- Ries, Eric, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, Crown Business, New York, 2011.
- 4- Schumpeter, Joseph, *Capitalism, Socialism and Democracy*, Harper & Brothers, New York, 1942.
- 5- Shane, Scott, *The Illusions of Entrepreneurship*, Yale University Press, New Haven, 2008.
- 6- Thiel, Peter, *Zero to One: Notes on Startups, or How to Build the Future*, Crown Business, New York, 2014.
- 7- Ahmed Maher, *Innovation Management and Change in Organizations*, Al-Dar Al-Jami'iyya, Alexandria, 2012.
- 8- Ahmed Magdy Abdel Wahab, *Entrepreneurship and Small Project Management*, Dar Al-Ta'lim Al-Jami'i, Alexandria, 2017.
- 9- Hassan Ali Al-Sulami, *Innovation Management and Entrepreneurship*, Dar Gharib for Printing and Publishing, Cairo, 2008.
- 10- Khaled Abdel Ghaffar, *Innovation Management in Contemporary Organizations*, Dar Al-Jami'a Al-Jadida, Alexandria, 2014.
- 11- Abdelrahman Tishouri, *Knowledge Economy and Economic Development*, Dar Al-Fikr, Damascus, 2010.
- 12- Abdel Salam Abu Qahf, *Innovation Management and Entrepreneurship*, Dar Al-Jami'a Al-Jadida, Alexandria, 2016.
- 13- Ali Abdel Razzaq Jalbi, *Knowledge Economy and Sustainable Development*, Dar Al-Masira for Publishing and Distribution, Amman, 2014.
- 14- Mohammed Abdel Aziz Al-Ajmi, *Entrepreneurship and the Management of Small and Medium Enterprises*, Dar Al-Masira for Publishing and Distribution, Amman, 2015.
- 15- Mohammed Abdel Fattah Al-Sayrafi, *Innovation Management and Organizational Development*, Dar Al-Fikr Al-Jami'i, Alexandria, 2010.
- 16- Mohammed Abdullah Ahmed, *Entrepreneurship and Small Project Management*, Dar Al-Masira for Publishing and Distribution, Amman, 2016.
- 17- Mohammed Mahmoud Abdel Fattah, *The Knowledge Economy and Its Role in Economic Development*, Dar Al-Ta'lim Al-Jami'i, Alexandria, 2018.
- 18- Nabil Ali, *The Arab Mind and the Knowledge Society*, World of Knowledge Series, National Council for Culture, Arts and Letters, Kuwait, 2009.

University Theses

- 1- Aouabdia Habiba, *The Role of Startups in Promoting Sustainable Local Development in Algeria: ASSISTA Health Services as a Model*, Master's thesis in Political Science, specialization in Local Administration, Faculty of Political Science, Department of Political and Administrative Organization, University of Constantine 3 – Salah Boubnider, Algeria, 2024–2025.
- 2- Zakaria Ghattas, *The Role of Startups in Achieving Economic Development in Algeria*, Master's thesis, Faculty of Law and Political Science, Kasdi Merbah University, Ouargla, Algeria, 2023–2024.

Scientific Articles

- 1- Blank, Steve, "Why the Lean Start-Up Changes Everything," *Harvard Business Review*, Vol. 91, No. 5, 2013.
- 2- Graham, Paul, "Startup = Growth," Y Combinator Essay, 2012.
- 3- Amina Lemoui, *Startups as the New Engine of Innovation in the Algerian Economy – The Journey of the Startup in Algeria*, Journal of Environmental Studies and Sustainable Development, issued by the Laboratory of Environmental Studies and Sustainable Development, Martyr Sheikh Larbi Tebessi University, Tebessa, Vol. 04, No. 02, Algeria, 2025.

- 4- Ben Ayyad Jalila, *The Role of Startups in Economic Development*, Journal of Legal Studies, issued by the Laboratory of Sovereignty and Globalization, Yahia Fares University, Médéa, Vol. 08, No. 01, Algeria, January 2022.
- 5- Boualchaour Cherifa, *The Role of Business Incubators in Supporting and Developing Startups: The Case of Algeria*, Al-Bashaer Economic Journal, issued by the Faculty of Economic Sciences and Management, Tahar Mohamed University, Béchar, Vol. 04, No. 02, Algeria, 2018.
- 6- Aicha Safrani and Amal Matabes, *Startups as One of the Pillars of the National Economy: Reality and Challenges*, Araa Journal for Economic and Administrative Studies, issued by the University Center of Aflou, Aflou, Vol. 02, No. 02, Algeria, 2022.
- 7- Abdelkader Ben Ammara, "Startups as a Mechanism for Diversifying the National Economy," *Journal of Contemporary Economic Studies*, University of M'Sila, Algeria, 2020.
- 8- Mowafaq Kamal and Chibout Saida, *Startups as a Mechanism for Supporting Economic Growth (Their Concept, Guarantees of Success, and Obstacles)*, Al-Turath Journal, Ziane Achour University, Djelfa, Vol. 11, No. 02, Algeria, June 2023.

Legal Texts

- 1- Executive Decree No. 20-254 of September 15, 2020, concerning the establishment of the National Committee for Granting the labels "Startup," "Innovative Project," and "Business Incubators," and defining its missions, composition, and functioning, Official Gazette, No. 55.

International Reports

- 1- OECD, *Entrepreneurship at a Glance*, OECD Publishing, Paris, 2017.
- 2- UNDP, *Arab Human Development Report: Knowledge and Innovation*, United Nations Development Programme, New York, 2019.

National Reports

- 1- Ministry of the Knowledge Economy, Startups, and Micro-Enterprises, *Annual Report on the Startup Ecosystem in Algeria*, Algeria, 2022, website.