

Entrepreneurship and the business cycle in Latvia

Marija Krumina

University of Latvia

Baltic International Centre for Economic Policy Studies (BICEPS)

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Structure

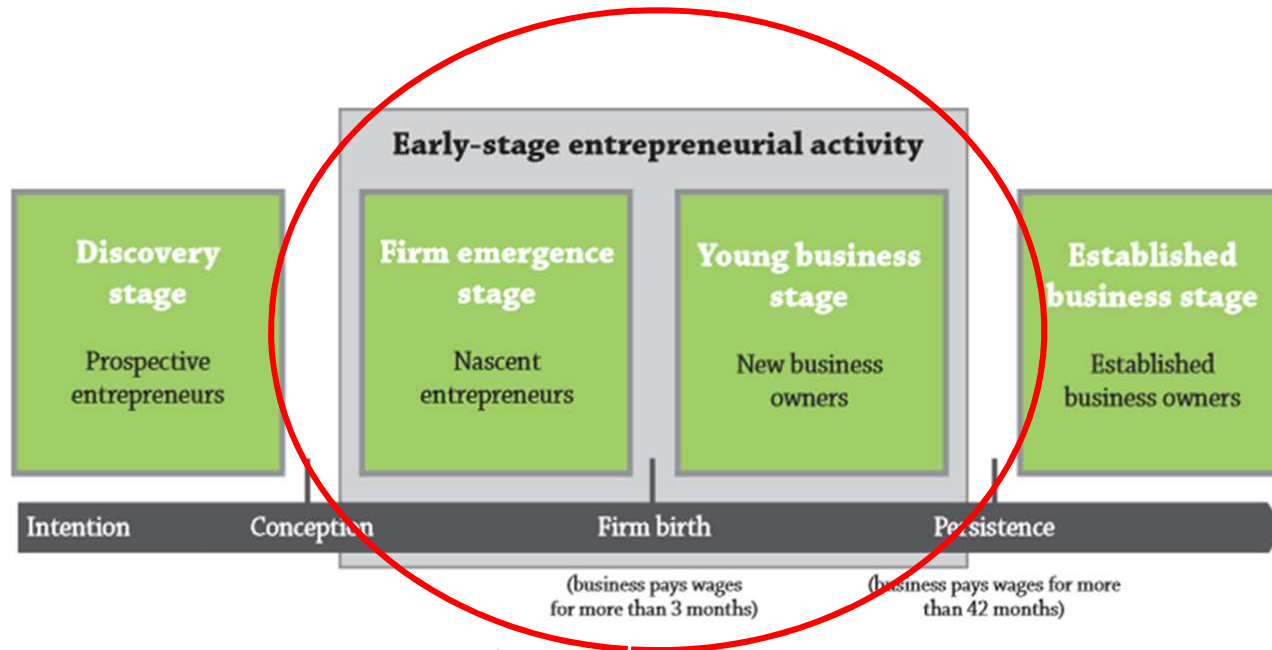
- Global Entrepreneurship Monitor (GEM)

Stages of entrepreneurial process in GEM

(Data, Definitions)

- Involvement in early-stage entrepreneurial activity in Europe, 2012
- Dynamics of Early-stage entrepreneurial activity, 2005-2013
- Methodology
- Results

Stages of entrepreneurial process in GEM



Source: GEM Methodology

Nascent entrepreneurs + New firm owners = Early-stage entrepreneurs (TEA)

Data

Repeated cross-section data of the Global Entrepreneurship Monitor (GEM) annual Adult Population Surveys (APS) 2005-2013

Global Entrepreneurship Monitor (GEM) Adult Population Survey (APS)

- Research program that aims to assess entrepreneurial activity across countries and over time (70 countries participated in 2012)
- **GEM measure entrepreneurial activity within adult population (18-64)**
- Annual adult population survey - **representative sample (min 2000)** individuals in each country)
- **The unit of analysis – entrepreneur as an informant on business venture**

Definitions

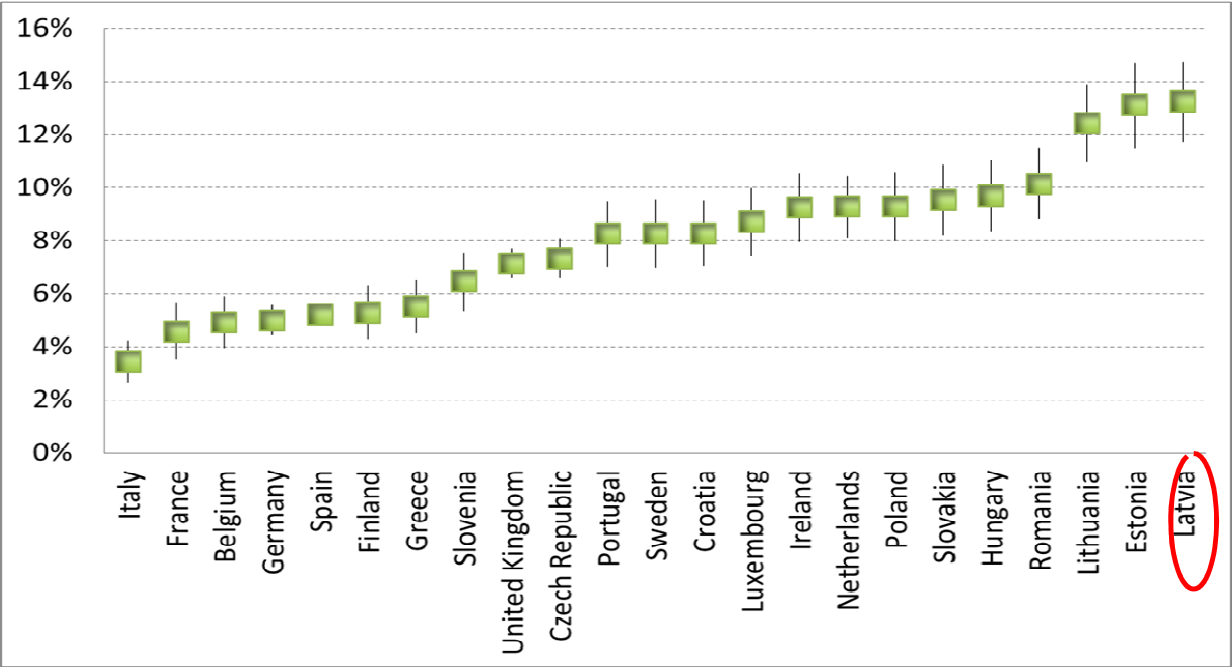
Nascent entrepreneur: an adult individual (18-64) who are actively involved in setting up a business (s)he will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months

New business owner: an adult individual (18-64) who are currently an owner-manager of a new business that has paid wages salaries, wages, or any other payments to the owners for more that three months, but not more than 42 months

Necessity-driven: pushed into entrepreneurship because of no alternative options

Opportunity-driven: pulled into entrepreneurship to pursue a business opportunity

International comparison TEA GEM EU countries, 2012



95% confidence interval
% of adult population in Latvia aged 18-64
Source: GEM APS 2005-2013 survey data

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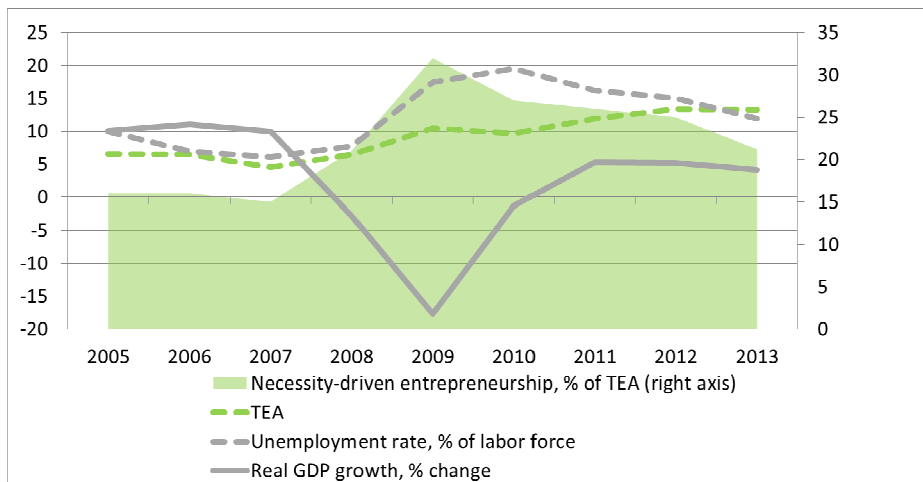
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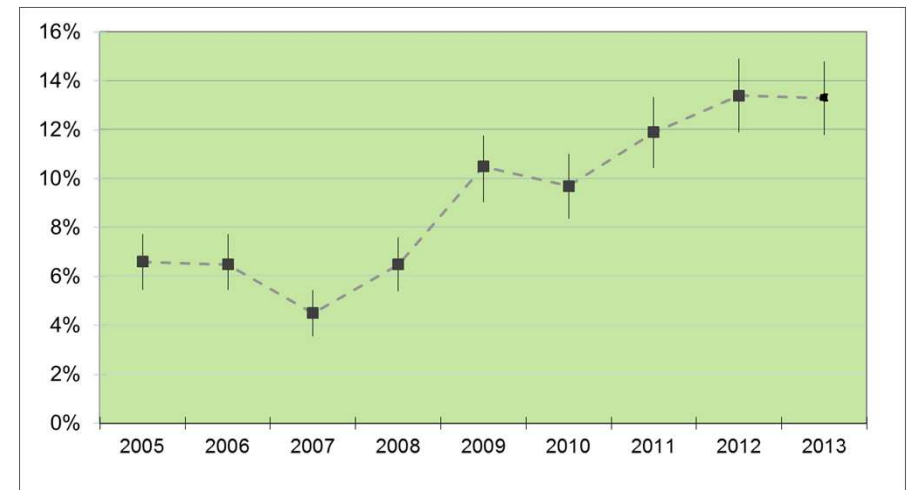
Opportunity-driven: pulled into entrepreneurship to pursue a business opportunity

Recent trends: Latvia, 2005-2013

Dynamics of the early-stage entrepreneurial activity in Latvia, 2005-2013.



Source: GEM APS 2005-2013 survey data, Eurostat



95% confidence interval
 % of adult population in Latvia aged 18-64
 Source: GEM APS 2005-2013 survey data

- What are the relationship between individual, socioeconomic and perceptual variables; and decision to get involved in early-stage entrepreneurial activity?
- Whether the relationship is different for individuals involved in early-stage entrepreneurship by necessity and individuals driven by opportunity motives?

Methodology

- Pooled GEM APS data 2005-2012
- Logistic regression models (reference group non-entrepreneur)
- Separate regressions for necessity driven entrepreneurs and opportunity driven entrepreneurs
- Indicators for social networks, perceived skills, opportunity recognition and fear of failure
- Controls for gender, income, age, and the level of education
- Year dummies

Determinants of early-stage entrepreneurial activity, Latvia, 2005-2012

Average marginal effects of logistic regressions

The issue of simultaneous causality:

It might not necessarily be the case that knowing other entrepreneurs has increased one's chances to get involved into entrepreneurship, it might be that launching an enterprise helped to get to know other entrepreneurs

	<i>TEA</i> dy/dx	<i>necessity-driven</i> dy/dx	<i>opportunity-driven</i> dy/dx	<i>TEA</i> dy/dx	<i>necessity-driven</i> dy/dx	<i>opportunity-driven</i> dy/dx
Female	-0.052***	-0.011***	-0.041***	-0.056***	-0.011***	-0.044***
Age:						
18-24						
25-34	0.012	0.008	0.002	0.012	0.008	0.001
35-44	-0.029***	0.001	-0.031***	-0.033***	0.001	-0.035***
45-54	-0.049***	-0.002	-0.047***	-0.055***	-0.002	-0.052***
55-64	-0.077***	-0.012***	-0.065***	-0.086***	-0.013***	-0.073***
Education:						
<i>Basic</i>						
Secondary, vocational secondary or professional	0.03***	0.003	0.026***	0.031***	0.002	0.028***
Higher	0.058***	0.006	0.051***	0.064***	0.005	0.056***
Income:						
<i>Lower 33%</i>						
Middle 33%	0.018***	-0.0001	0.018***	0.022***	-0.000	0.023***
Upper 33%	0.053***	0.004	0.033***	0.058***	0.004	0.053***
Social networks				0.054*	0.001	0.005***
Business opportunity recognition				0.001	0.0005	-0.000
Entrepreneurial skills				0.01**	0.003**	0.006***
Fear of failure				-0.01**	-0.002*	-0.012***
Year dummies:						
2005						
2006	0.011	0.001	0.003	-0.011	-0.0024	-0.016
2007	-0.017*	-0.003	-0.017	-0.039***	-0.0008	-0.037***
2008	0.007	0.004	-0.002	0.018	0.0071	0.003
2009	0.045***	0.022***	0.019	0.059***	0.032***	0.022*
2010	0.041***	0.0168***	0.018	0.019	0.015**	-0.0002
2011	0.064***	0.021***	0.038***	0.045***	0.019***	0.019
2012	0.051***	0.025***	0.031*	0.0352**	0.0213***	0.0332*

Number of observations: 15249

*significant at 10% level, ** at 5% level, *** at 1% level

Results

- **Females** have lower chances to start a business venture compared to males (holds true both for **necessity and opportunity** –driven entrepreneurship)
- More **educated** individuals compared to those with basic education have higher chances to get involved in **opportunity-driven** entrepreneurship
- Probability to get involved in **opportunity entrepreneurship** for adults older than 35 is lower compared to the ones in the **age** group 18-24.
- Individuals in the age group 55-64 compared to 18-24 years old have also lower chances to get involved in entrepreneurship driven by **necessity** motives
- **Level of education** have no statistically significant impact on involvement in entrepreneurship by **necessity**
- **Social networks** and self-evaluation of entrepreneurial **skills** in general are positively correlated with decision to involve in entrepreneurship by **opportunity**, and **fear of failure** – negatively.

Thank you

Questions, comments, suggestions