WHAT DOES “ENTREPRENEURSHIP” DATA REALLY SHOW? A COMPARISON OF THE GLOBAL ENTREPRENEURSHIP MONITOR AND WORLD BANK GROUP DATASETS (SUMMARY)

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SUMMARY

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Principal Topic

Different sources of data on “entrepreneurship” have led to contradictory or inconclusive empirical findings on its dynamics (Hoffman and Oxhølim, 2006). Country-specific differences may contribute to this problem, as well as varied sources of data used for research. For this reason, we compare datasets from the Global Entrepreneurship Monitor (GEM) and World Bank Group Entrepreneurship Survey (WBGES). The GEM data measures early-stage entrepreneurial activity and the WBGES dataset measures formal business registration. Studies using both datasets have produced contradictory results: No relationship is found between GEM data and administrative barriers to starting a business (van Stel et al, 2007) but a significantly negative effect is found with WBGES data (Klapper et al, 2007).

Method

The sample is a pooled, cross-sectional, longitudinal unbalanced panel of 90 observations across 40 countries, with non-missing explanatory variables in both databases for 2003, 2004 and 2005. We calculate the spread between two measures of GEM data and one measure of WBGES data. We conduct regressions using measures of country environment including law and order and share of the informal economy. We include four measures of regulatory barriers, ratio of domestic credit to the private sector as percentage of GDP, four measures of risk, and we control for economic development.

Results and Implications

GEM data tends to report significantly lower levels in developed countries and tends to be higher for developing countries. One possible explanation is the distinction between the intent and informality of entrepreneurial activity, particularly in developing countries. We interpret the spread between GEM and WBGES data to reflect, in some part, a loss of potential formal sector participation. We find this spread is negatively related to per capita GDP, composite risk, recovery rate and law and order. It is positively related to the number of procedures needed to register a business and the share of the informal economy. Results also suggest that firms in developed countries have greater ease and incentives to incorporate, both for benefits of greater access to formal financing and labor contracts, as well as for tax and other purposes.

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