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ETHNICITY, IMMIGRATION AND ENTREPRENEURIAL BEHAVIOR (SUMMARY)

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SUMMARY

ETHNICITY, IMMIGRATION AND ENTREPRENEURIAL BEHAVIOR

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Principal Topic

The paper investigates what causes differences in the rate of entrepreneurial propensity and new business creation between ethnic groups. From previous studies, it is well known that there are significant differences in entrepreneurial activity between ethnic groups and between incumbent and immigrant populations. Specifically, it has been shown that immigrant tend to be involved in entrepreneurship more than local groups but that trends across immigrant groups change over time.

We use a large sample of individual level observations collected in 2003 and 2004 in the United Kingdom for the Global Entrepreneurship Monitor (GEM) project. Our sample includes more than 30,000 observations. Our research is made possible by the fact that, unlike most data sets on entrepreneurship, GEM data includes variables related to the demographic and economic characteristics of each surveyed individual (age, income, level of education) as well as "perceptual" variables, i.e. answers to questions related to subjective perceptions regarding perceived opportunities, risk of failure, etc.

Method

The preliminary statistical analysis of the cleaned data consists in the calculation of contingency tables between two or more factors, with the associated chi-square test.

Following this preliminary analysis, we use a class of non-parametric technique based on bootstrapping. Our version of bootstrap equalizes all respondents’ characteristics except ethnicity in order to detect statistically significant differences in the dependent variables (for example, being or not a nascent entrepreneur). Such differences are identified by determining confidence intervals by means of bootstrap sample quintile distributions.

Results and Implications

Our results suggest that, with respect to the decision to start a business, all ethnic groups react to the same set of variables but that, once asymmetries in the distribution of these factors are eliminated, differences in entrepreneurial propensities still exist at least for some groups and that they appear to correlate with immigration status.

The paper contributes to existing literature in two original ways. First, we provide evidence of what factors correlate significantly with the decision to start a business and what causes the quantity of such decisions to differ significantly across ethnic groups. Second, we provide estimates on ethnic and immigrant differences with respect to nascent entrepreneurship that account for the possibility of behavioral non-linearities.

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