IDENTIFYING THE DETERMINANTS OF ENTREPRENEURSHIP IN BRAZIL AND LINKING IT TO ECONOMIC GROWTH: AN ECONOMETRIC ANALYSIS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

IDENTIFYING THE DETERMINANTS OF ENTREPRENEURSHIP IN BRAZIL AND LINKING IT TO ECONOMIC GROWTH: AN ECONOMETRIC ANALYSIS

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Principal Topic

The present stage of the economic theory linking entrepreneurship and economic growth needs additional empirical studies to test two key hypotheses: the positive impact of entrepreneurship on economic growth and the existence of a set of factors that are positively correlated with entrepreneurship. Most of the existing empirical studies use cross-section data with countries as unity of analysis (Van Stel, Carree and Thurik, 2005; Thurik and Grillo, 2005). There are few studies using individual country data, or using time series data, and fewer studies for developing countries. Therefore, our objective in this paper is to bring a contribution to fill this gap, by developing and empirically testing an econometric model that links entrepreneurship to economic growth and identifying the determinant factors of entrepreneurship in Brazil.

Method

We used a panel of data, comprising a set of variables for 546 Brazilian micro-regions, which encompasses the totality of approximately 5500 Brazilian municipalities for the 1990-2004 period to estimate two different set of regressions. In the first set entrepreneurship is the independent variable and economic growth is the dependent variable. In the second regression set entrepreneurship is considered as the dependent variable and a set of independent variables are used to explain entrepreneurship in Brazil.

Results and Implications

The results of our research bring evidence that entrepreneurship, measured by the start up rate, has a positive and significant impact on economic development, measured by job creation growth in Brazil. We were also able to identify the time structure of the impact of entrepreneurship on job creation, confirming that it can last for several years. Our research also shows that a high percentage of small companies, a high participation of young in the total population and low demographic densities have a positive and significant impact on the rate of entrepreneurship across regions and time. An unexpected result was the negative effect of the rate of literacy on entrepreneurship, although the coefficient showed week significance. We believe that these findings can help to “fine tuning” the public policies aimed at fostering entrepreneurship as an instrument to increase economic growth at the local level.

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