



**National Research University
Higher School of Economics
Moscow**



**Global Entrepreneurship
Monitor**

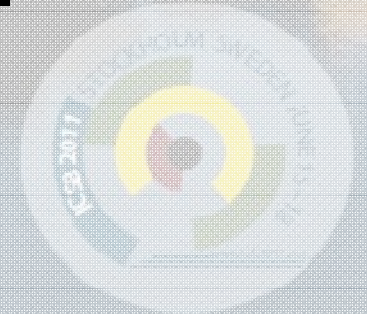
Back to the Future

Changes in Perspectives of Global Entrepreneurship and Innovation

Stockholm, Sweden 15-18 June 2011

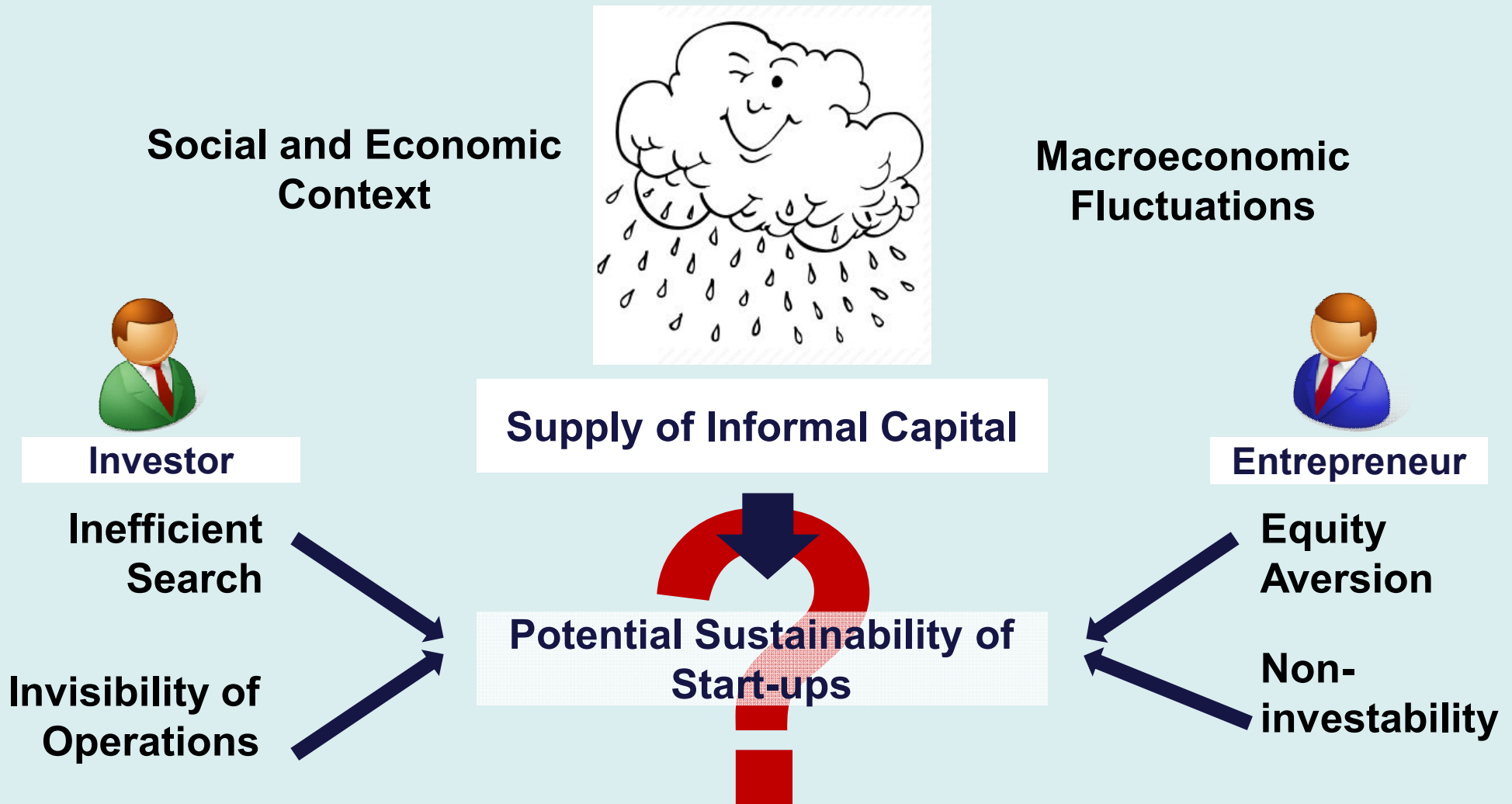
Twofold Nature of Informal Capital For Entrepreneurial Growth: an Enabler or a Damper?

Ekaterina Murzacheva



CONCEPTUAL BACKGROUND

“Informal capital markets are the leading source of external risk capital fuelling entrepreneurial start-up and small business growth”
(Gaston, 1987)



RESEARCH SCOPE

The aim of the research:

to analyse the effect of informal capital on the quality of early entrepreneurial activity & to uncover factors which increase a firm's likelihood to expand into a prospective business

H1: Different institutional background initiates various patterns in the entrepreneurial activity in terms of its starting and discontinuing

H2: The supply of informal capital depends on social and economic environment as well as the time period

H3: Factors, which influence the sustainability of the starting businesses, differs among types of the economies (distinguished according to the institutional background).

MAIN DEFINITIONS AND METHODOLOGY ISSUES

Informal capital

- Funds from family members, neighbours, colleagues and third parties (business angels)

Level of informal financing

- The percentage of informal investors among adult population (18-64)

Early entrepreneurs

- Adult people, who are (going to be) owners (co-owners) of a business, which hasn't paid wages and salaries for more than 3,5 years, but not less, than 3 months

TEA rate

- The percentage of early entrepreneurs among adult population

Discontinue Rate

- Adult people, who've stopped business activity for the last year

Default Rate

- Those, who've stopped business activity due to: tough competition; lack of customers; financial problems

Time period: 2006-2009

Data-base: International Monetary Fund; World Competitiveness Yearbook; World Bank Database; National Statistics Offices, GEM international APS

ECONOMIC AND SOCIAL ENVIRONMENT REFLECTION

Macroeconomic Indicators

Economic Growth

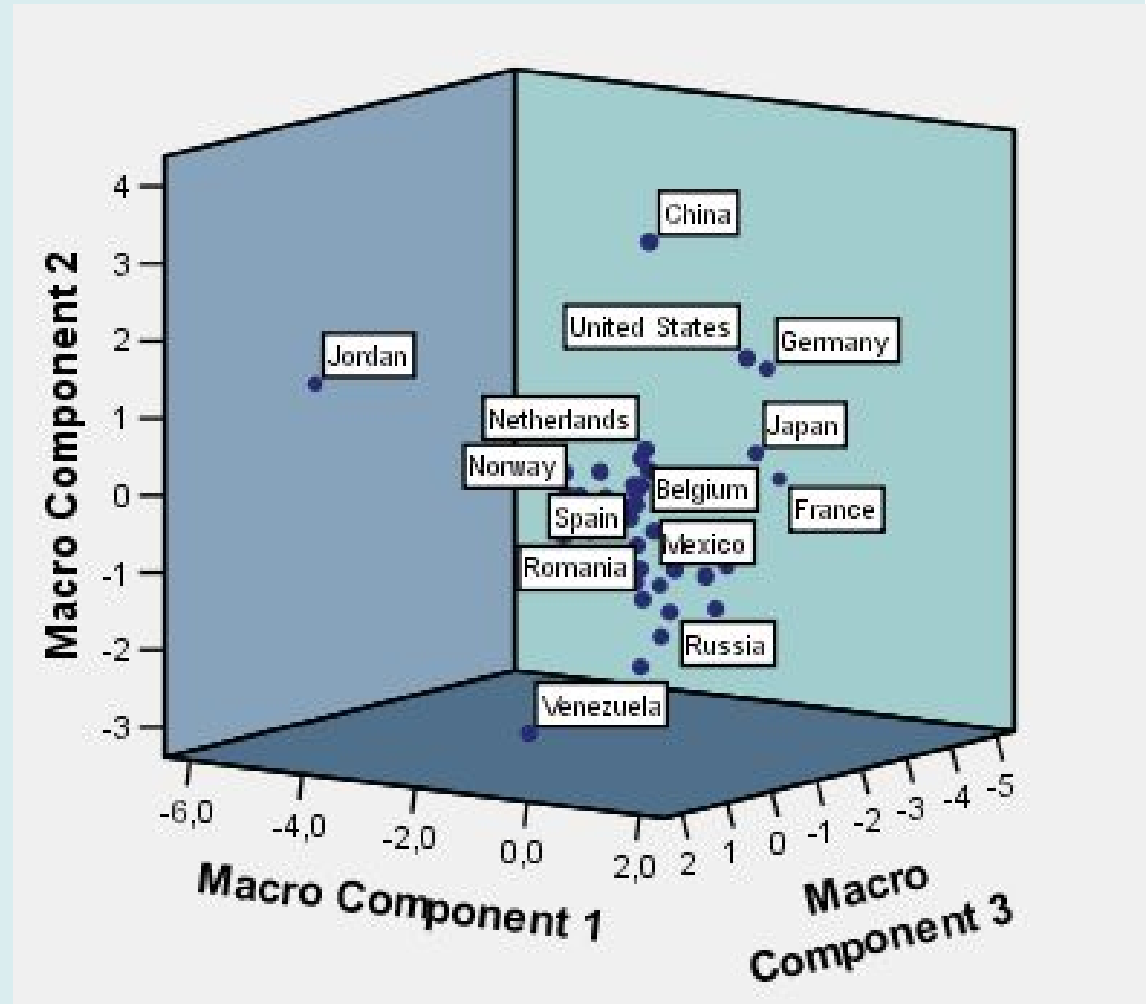
Openness to Trade

Income Level

Highly Developed Countries

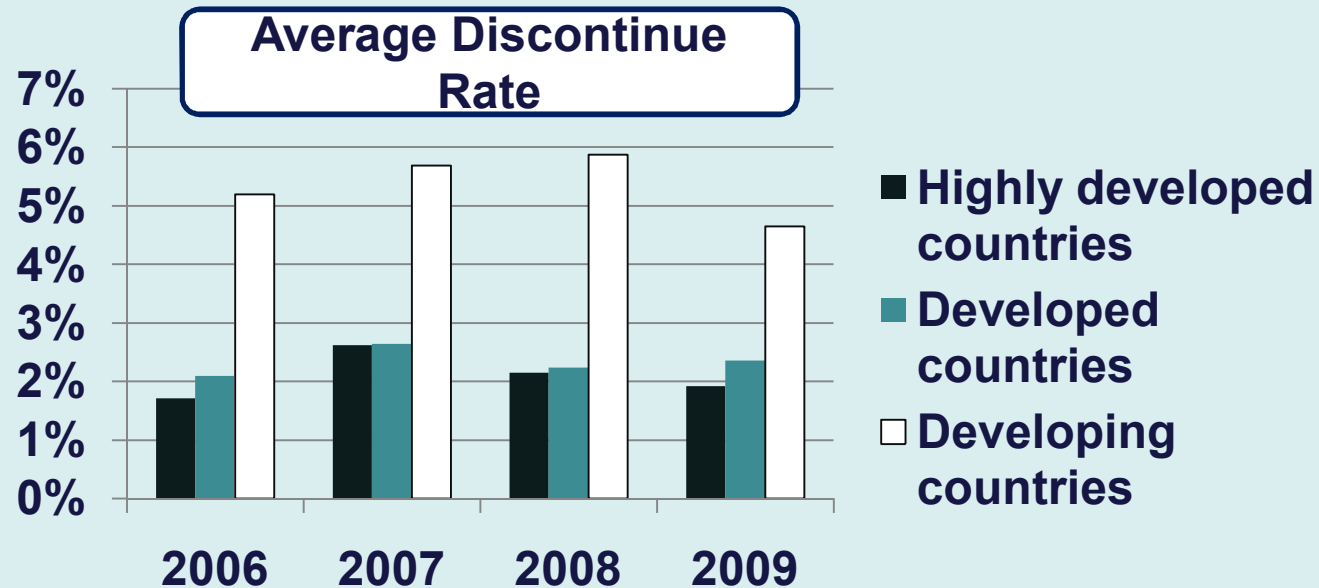
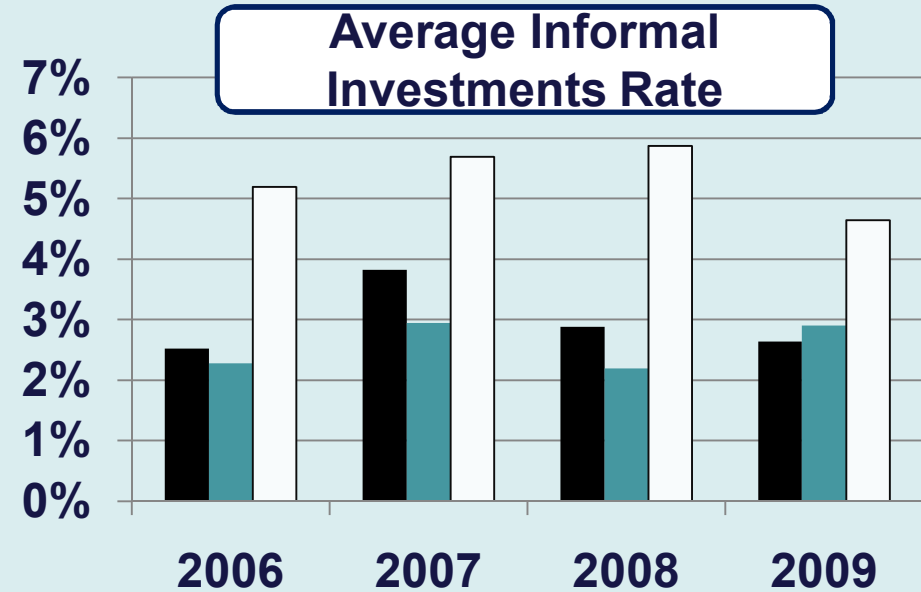
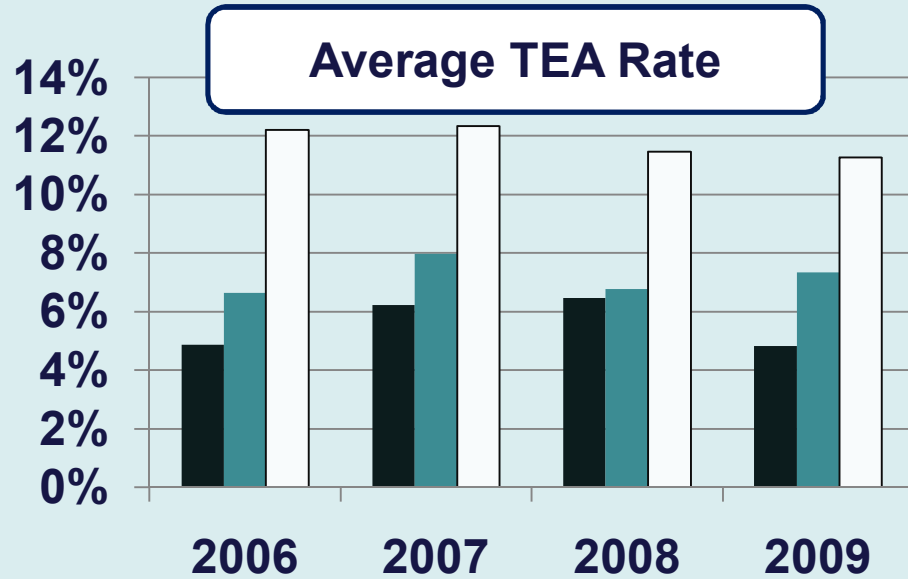
Developed Countries

Developing Countries



EARLY ENTREPRENEURIAL ACTIVITY

SUPPLY OF INFORMAL FUNDS & DISCONTINUE RATES



- Highly developed countries
- Developed countries
- Developing countries

SUSTAINABILITY OF EARLY ENTREPRENEURIAL ACTIVITY

Initial Set of Factors

Social & Demographic Factors

- Age
- Education
- Work Status

Human Capital

- Social Networks
- Competence
- Being Informal Investor

Environment Perception

- Assessment of the Opportunities in the Market
- Risk Aversion

External Fluctuations

- Time period

Significant Factors

Highly Developed Countries

- Human Capital
- Social & Demographic Factors
- Environment Independency

Developed Countries

- Human Capital
- Environment Independency

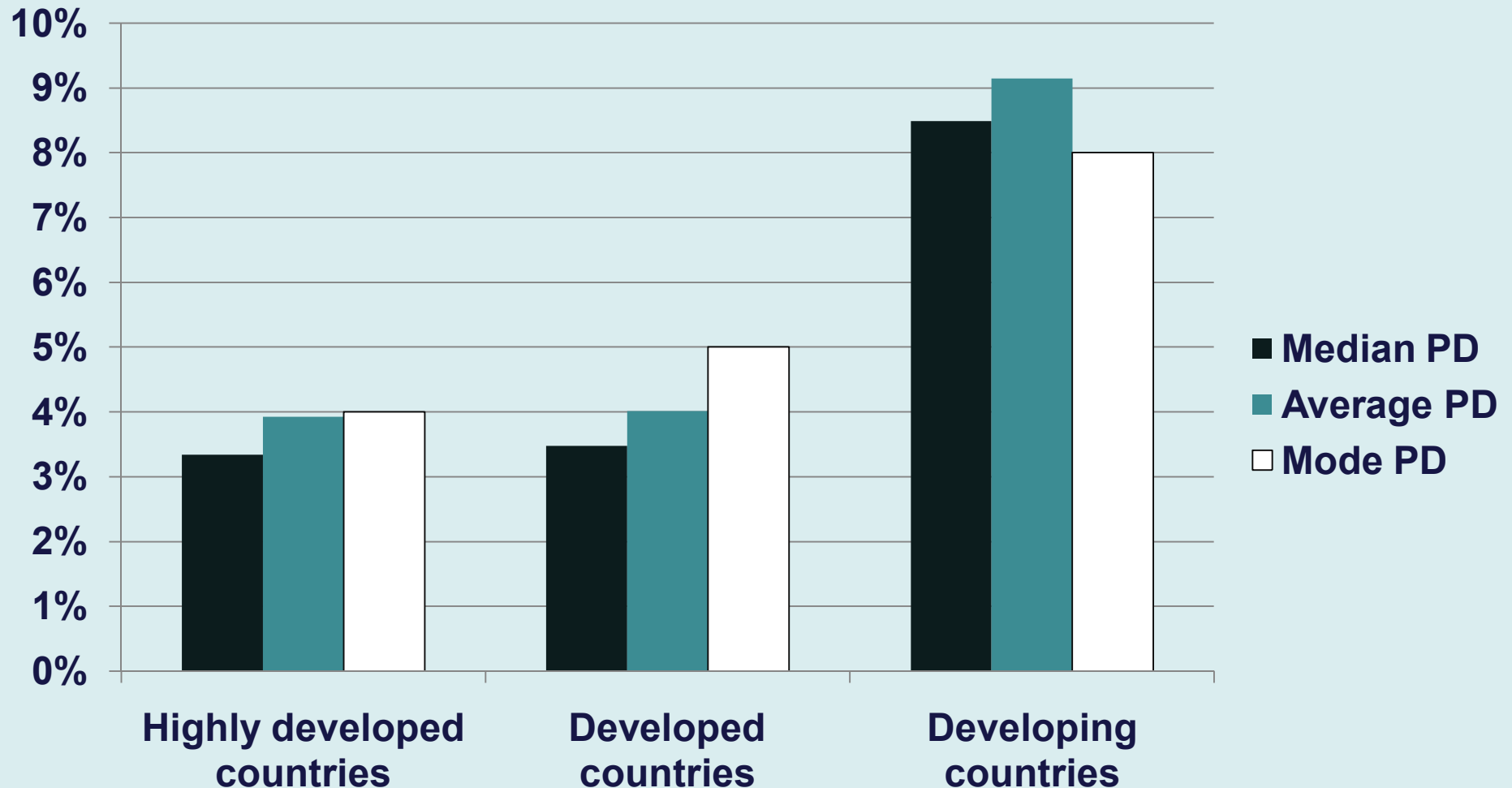
Developing Countries

- Environment Perception
- Exposure to Macroeconomic Fluctuations

Probability of Default Forecast among Early Entrepreneurs

PROBABILITY OF DEFAULT AMONG EARLY ENTREPRENEURS

Predicted Default Rate, 5%
significance level



CONCLUSIONS AND IMPLICATIONS

Informal Capital
Input to
Entrepreneurial
Activity

Economic
Growth

Business
Quality
Downgrading

Income
Generation

Exposure to
Macro
Economic
Situation

Goods &
Services
Mobility

Excessive
Disposable
Income

Social
Networks &
Human
Capital

Environment
Perception
Behaviour
Pattern



Enabler?

Damper?

**Thank you
for your attention!**

For all the Questions and Comments: emurzacheva@hse.ru