



The World Bank Group
DECRG



Entrepreneurship and Economic Development

Adapted from Leora F. Klapper & Juan Manuel Quesada Delgado
Development Economics Research Group Finance and Private Sector Development The World Bank

Why a study on economics and entrepreneurship?

- **To answer the demand of Governments and Policy Makers:**
 - Diagnosis of private sector
 - Monitoring and Evaluation of policies
 - Study the impact of regulatory, political, and macroeconomic institutional changes
- **To better understand what drives entrepreneurs to transition from the informal to the formal sector**
- **How can greater formal sector participation / corporate registration be encouraged**

Requirement:

To gather comparable data at the international level using a methodology that can be applied across heterogeneous legal, economical and political systems.

Then Analysis the data for policy

Questions:

- What do we measure?
- How do we measure it?
- Where do we measure?
- Sources of information

**To define a lower
common denominator**

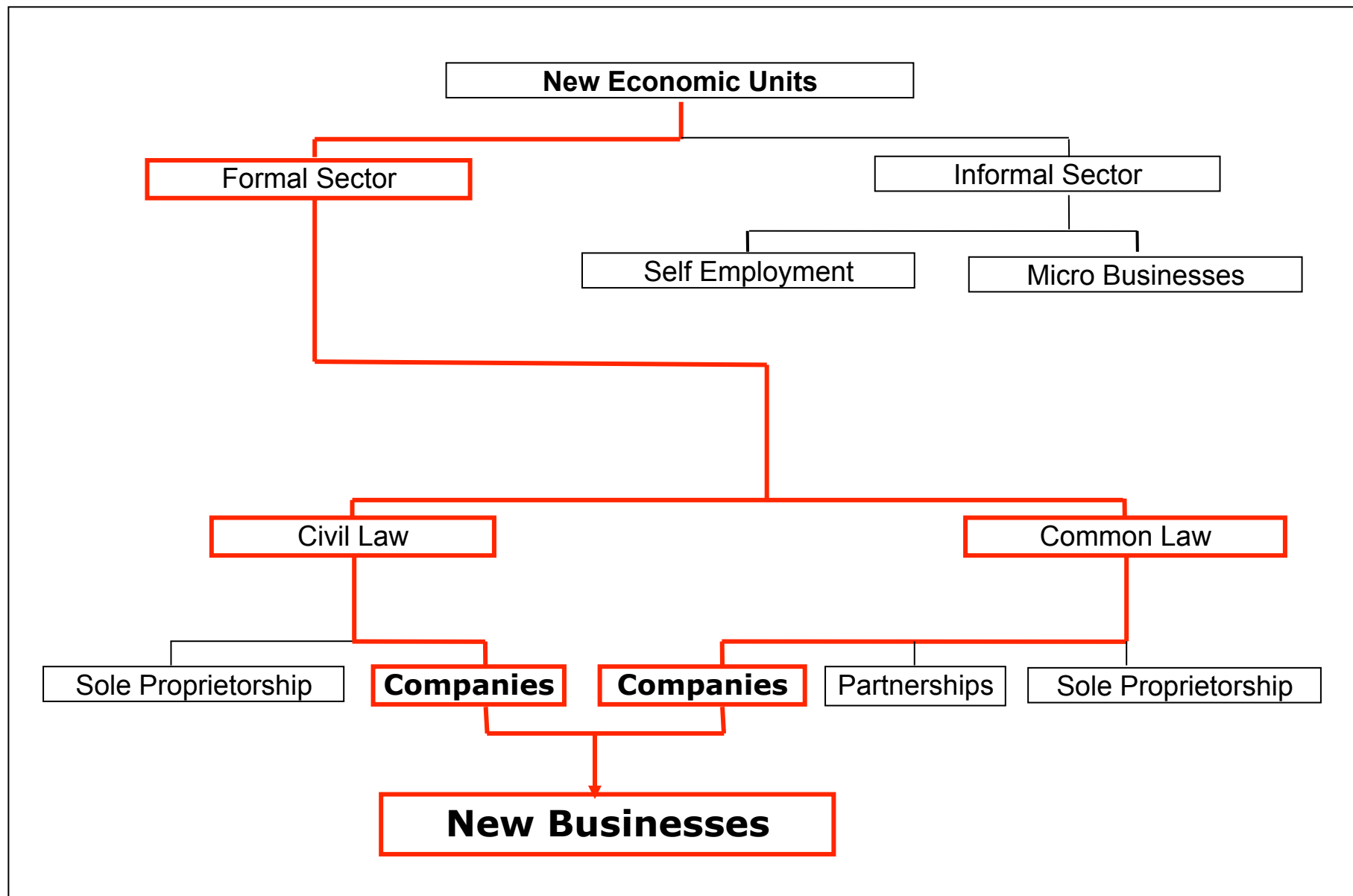
Entrepreneurial Activity

The activities of an individual or a group of individuals aimed at initiating economic activities in the formal sector under a legal form of business.

Unit: Business

Any economic unit of the **formal sector** incorporated as a **legal entity** and **registered in a public registry**, which is capable, in its own right, of incurring liabilities and of **engaging in economic activities** and transactions with other entities.

Where do we count?



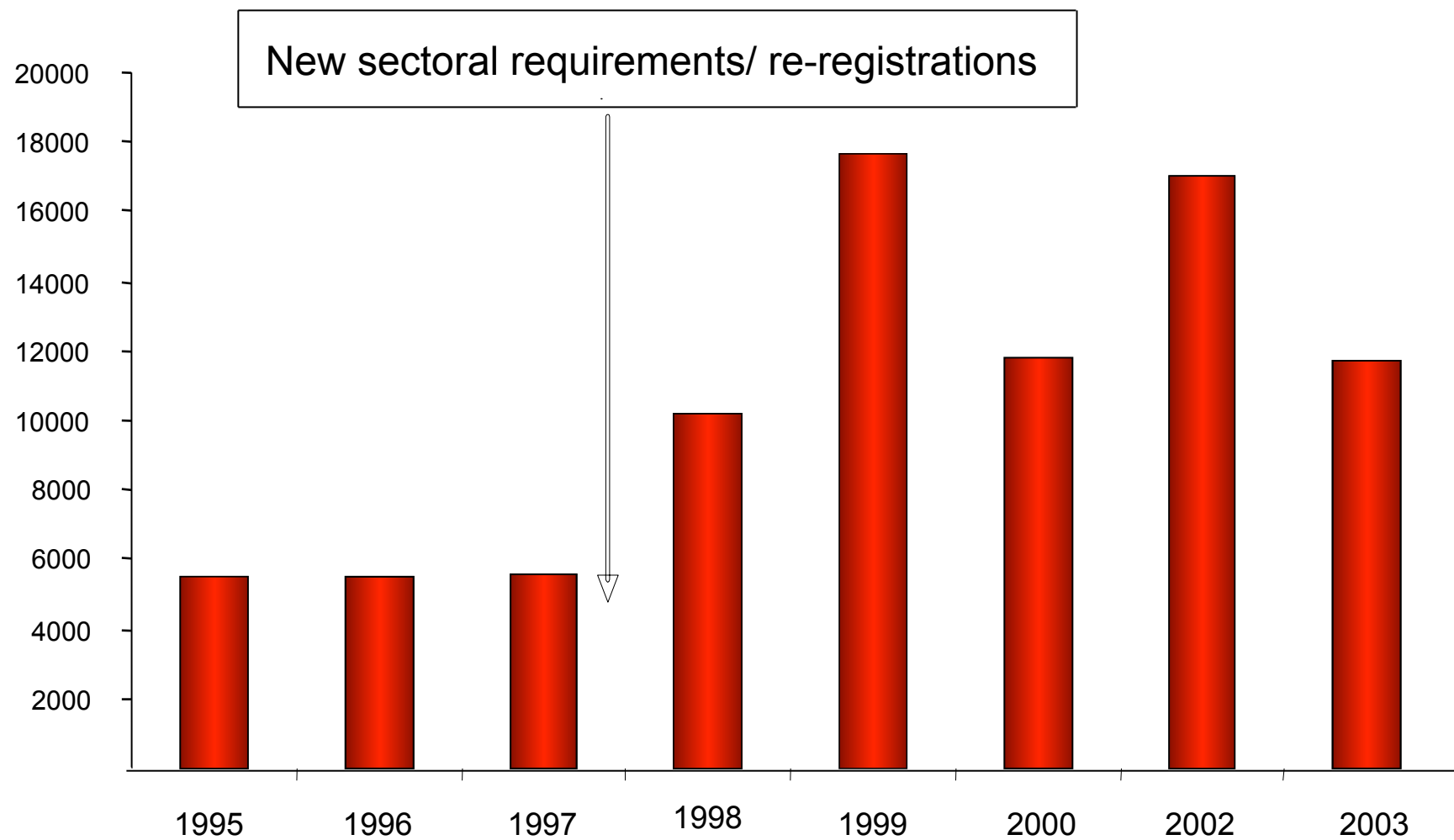
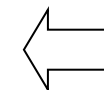
The business Registries

Reasons:

- It's the first step to enter the formal sector
- They tend to be the source of information for other government agencies

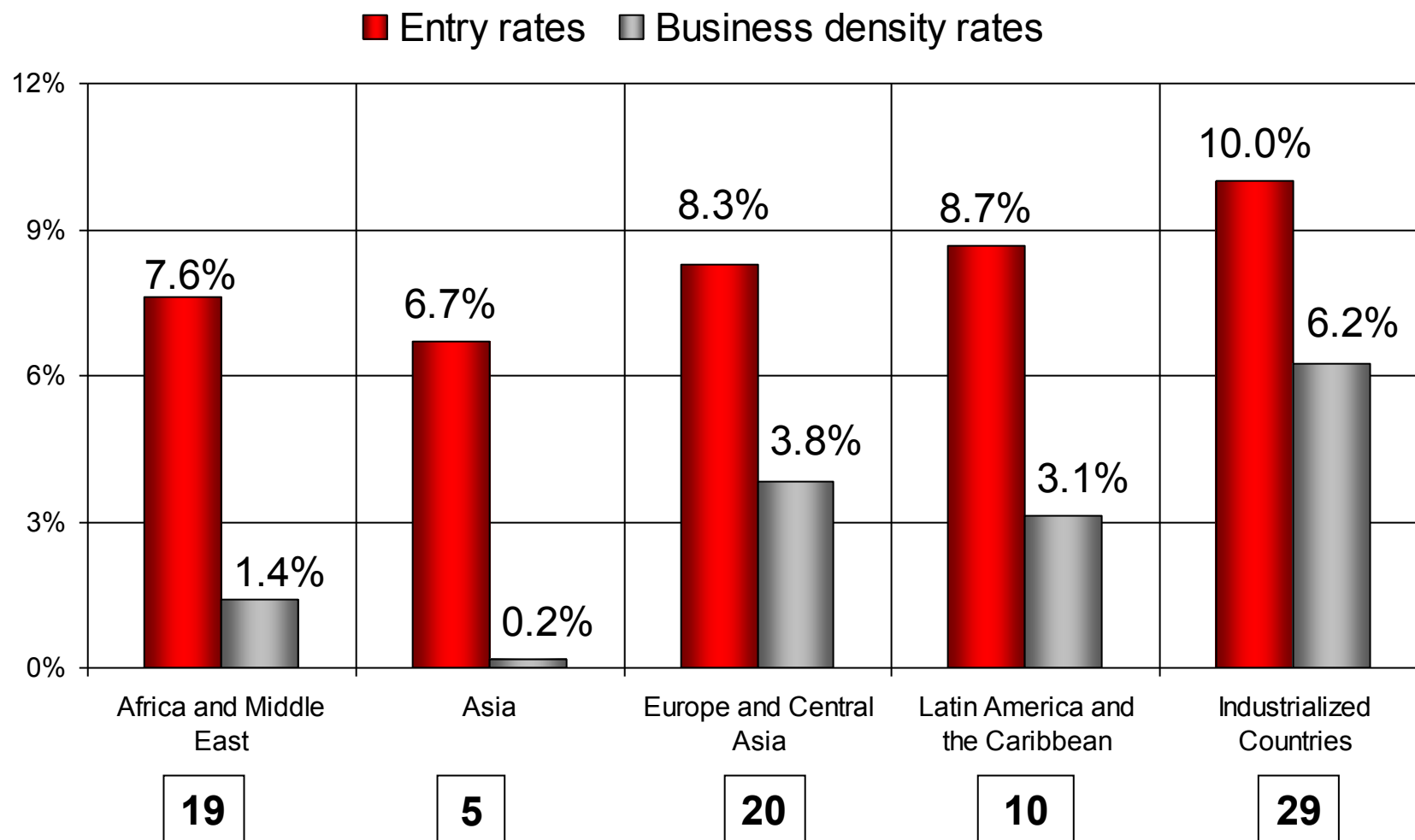
Challenges:

- Differences in registration and annual filing requirements; identification of exited firms; re-registrations; paper based registries and decentralized registry systems.

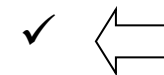


- **Panel A: Total and new registrations recorded:**
 - Total firms
 - New firms
 - Year-end 2000-05
- **Panel B: Number of corporations, by sector and size:**
 - By sector: Manufacturing, Services, Financial, Wholesale & Retail Trade
- **Panel C: The Role of Corporate Registries:**

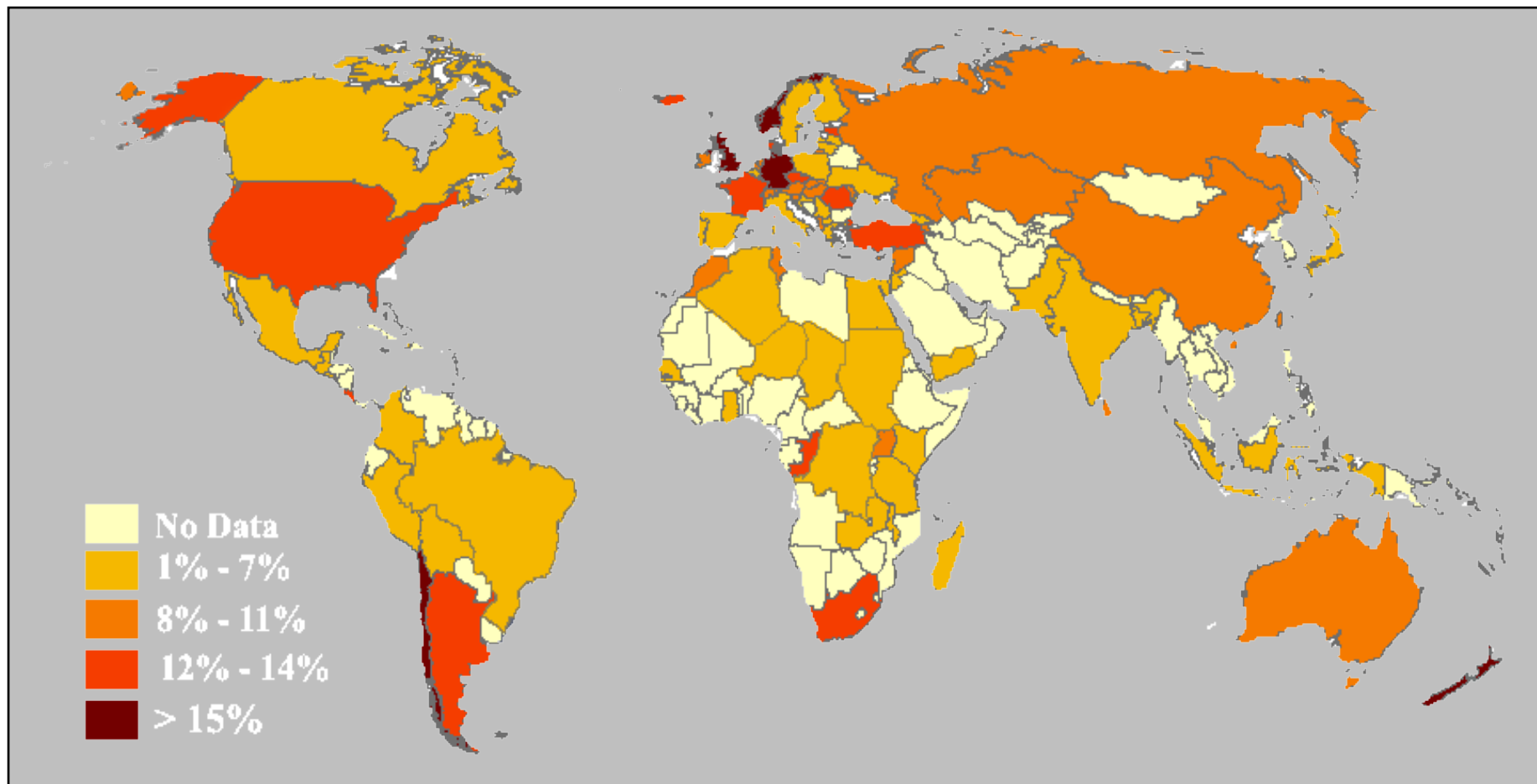
Panel A: Summary statistics, by region



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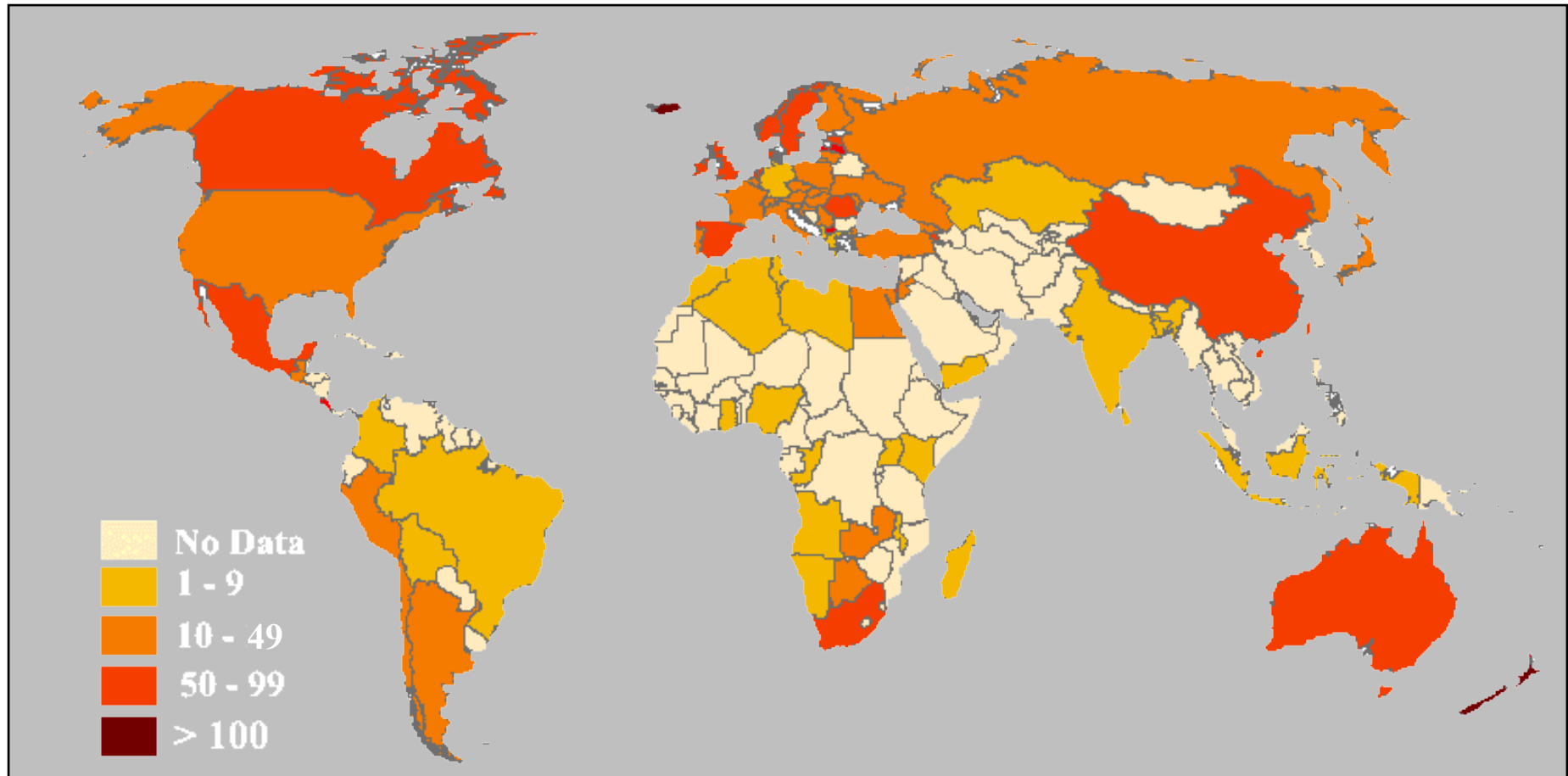
Average entry rate 2003-2005



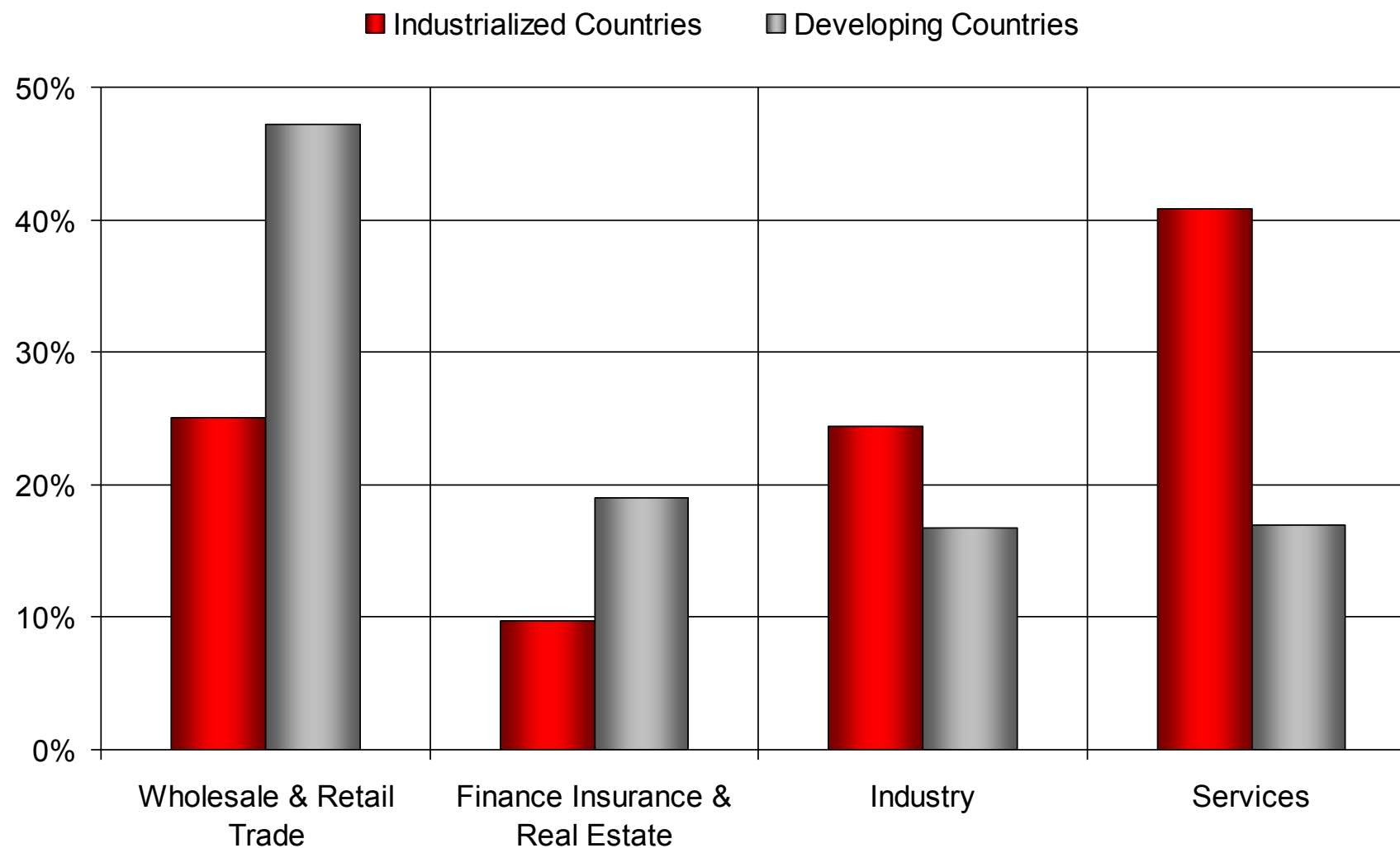
Panel A: Summary statistics, by region



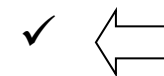
Average Business Density 2003-2005



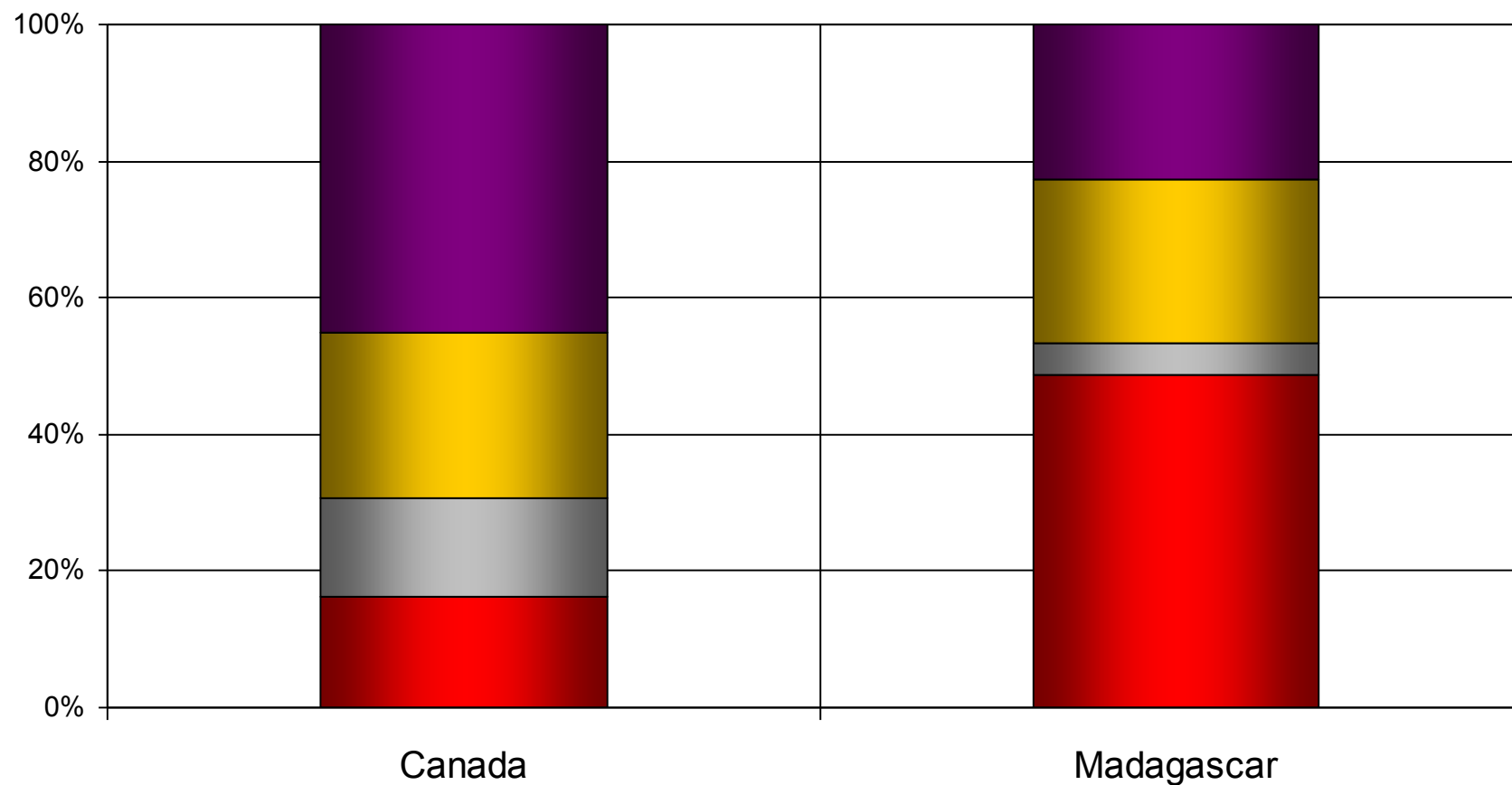
Panel B: Summary statistics, by sector



Panel B: Summary statistics, by sector



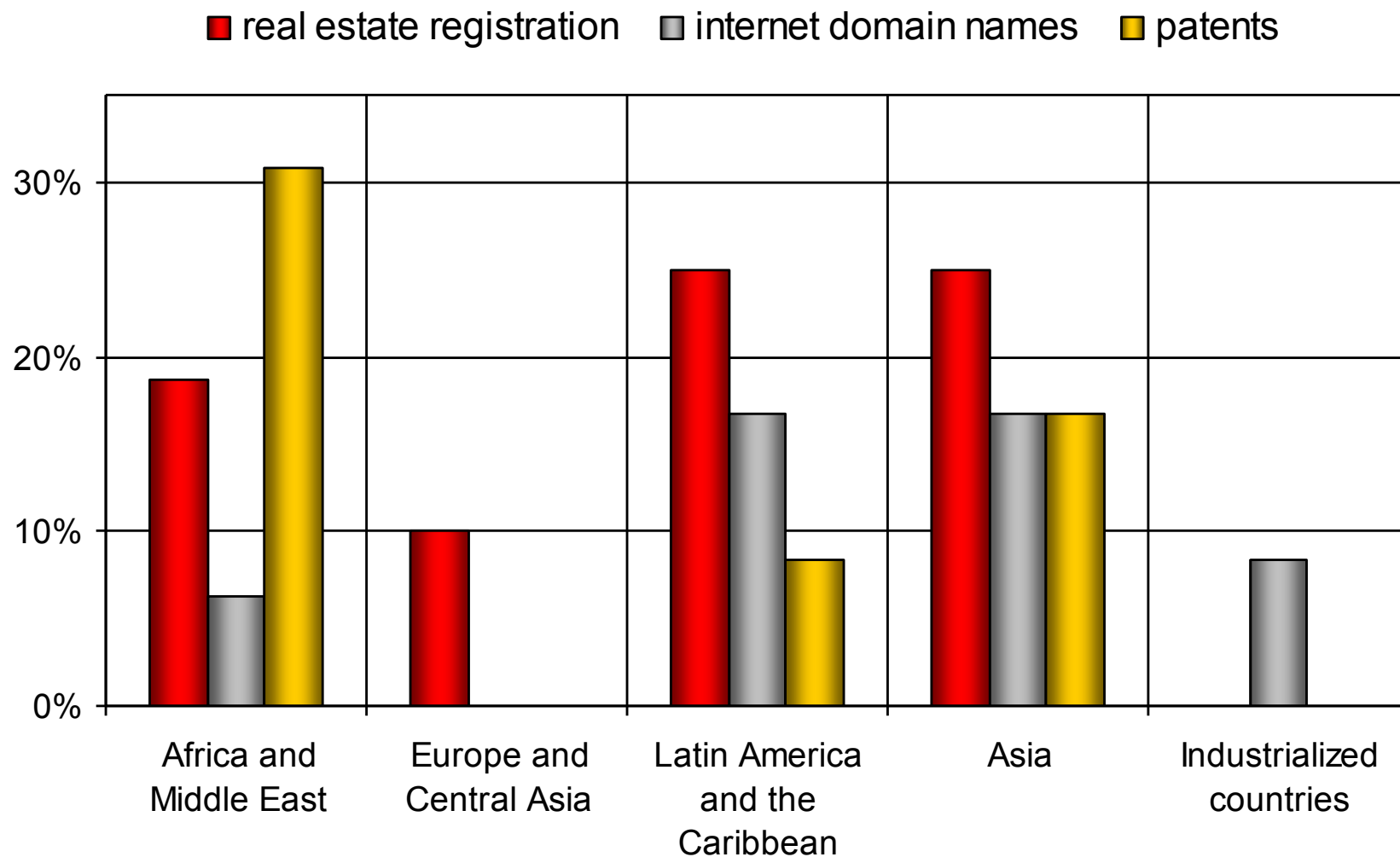
■ Wholesale & Retail Trade
 ■ Finance Insurance & Real Estate
 ■ Industry
 ■ Services



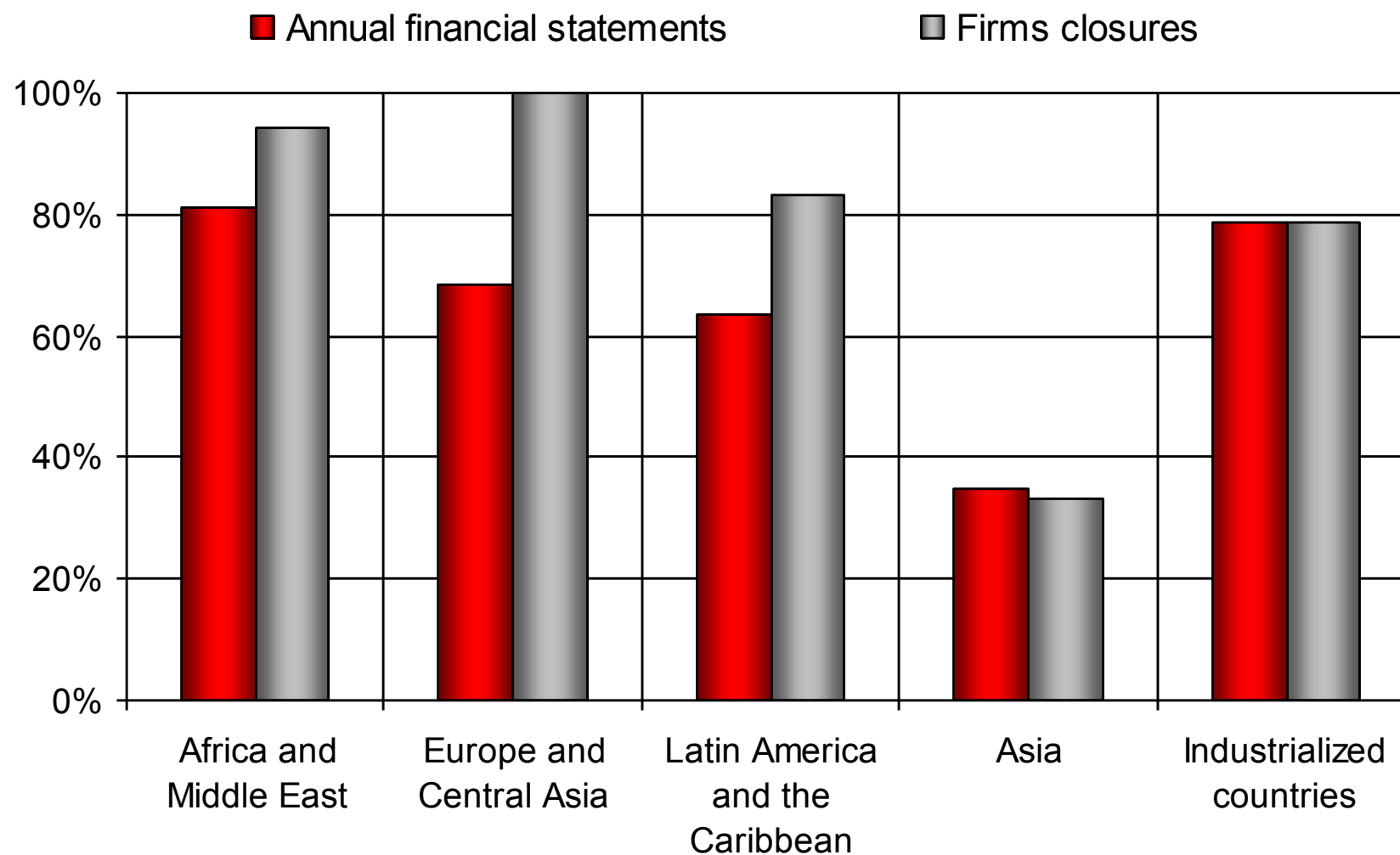
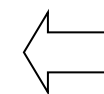
Panel C: The Role of Corporate Registries

- What information are firms required to register?
 - Is registration compulsory?
 - Incorporations/ closings/ re-registrations
 - Is annual financial information compulsory?
- How do firms register?
- What information does the Registrar collect?
 - Corporate registrations, Internet domain names, Patents
- How is Registrar data distributed?
 - Accessibility by creditors, suppliers, lenders and private vendors (i.e. D&B)
- What is the relationship with new and total registrations?
- What is the relationship with the business environment?
- Case Studies

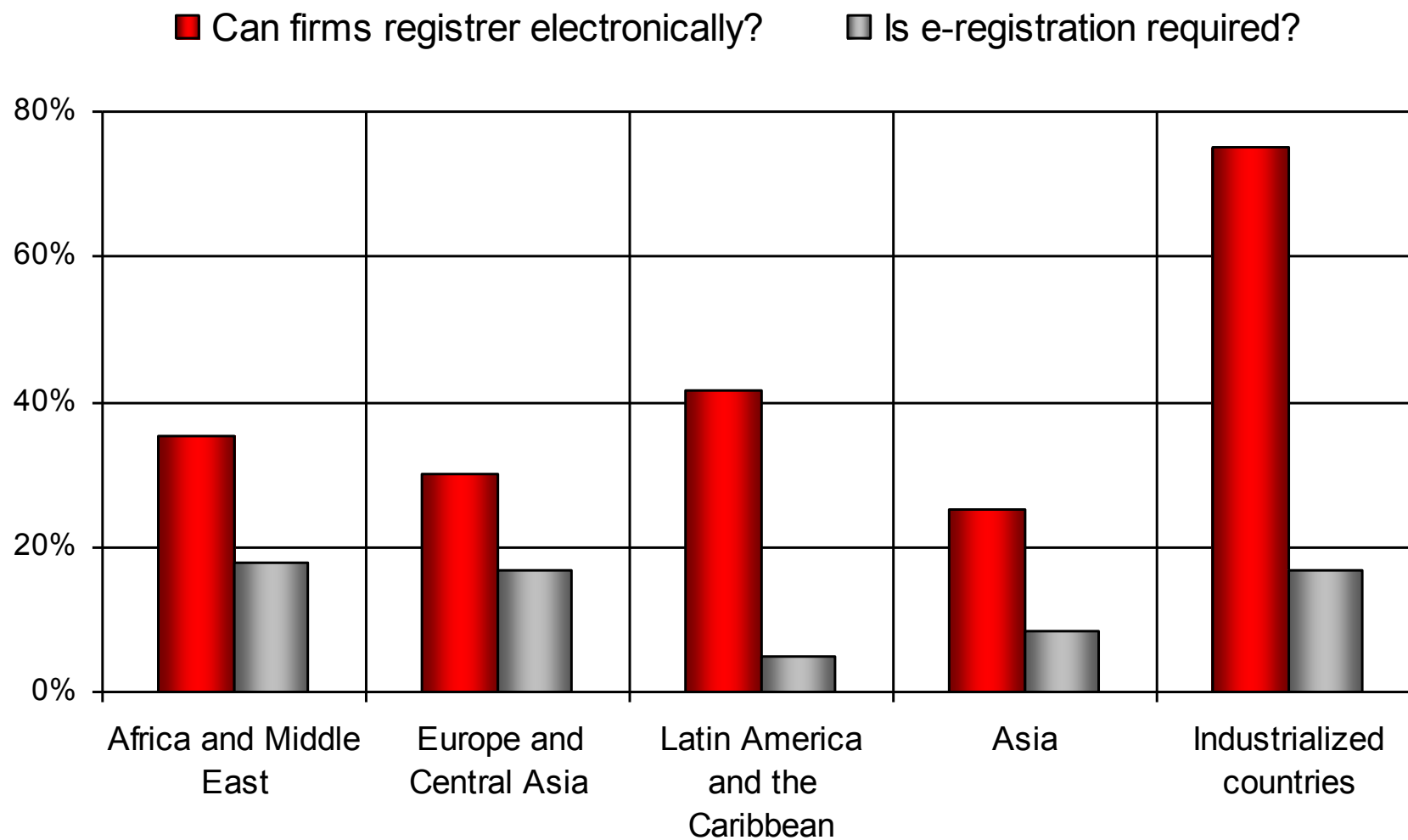
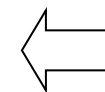
Panel C: What information does the Registrar collect?



Panel C: What information are firms required to register?



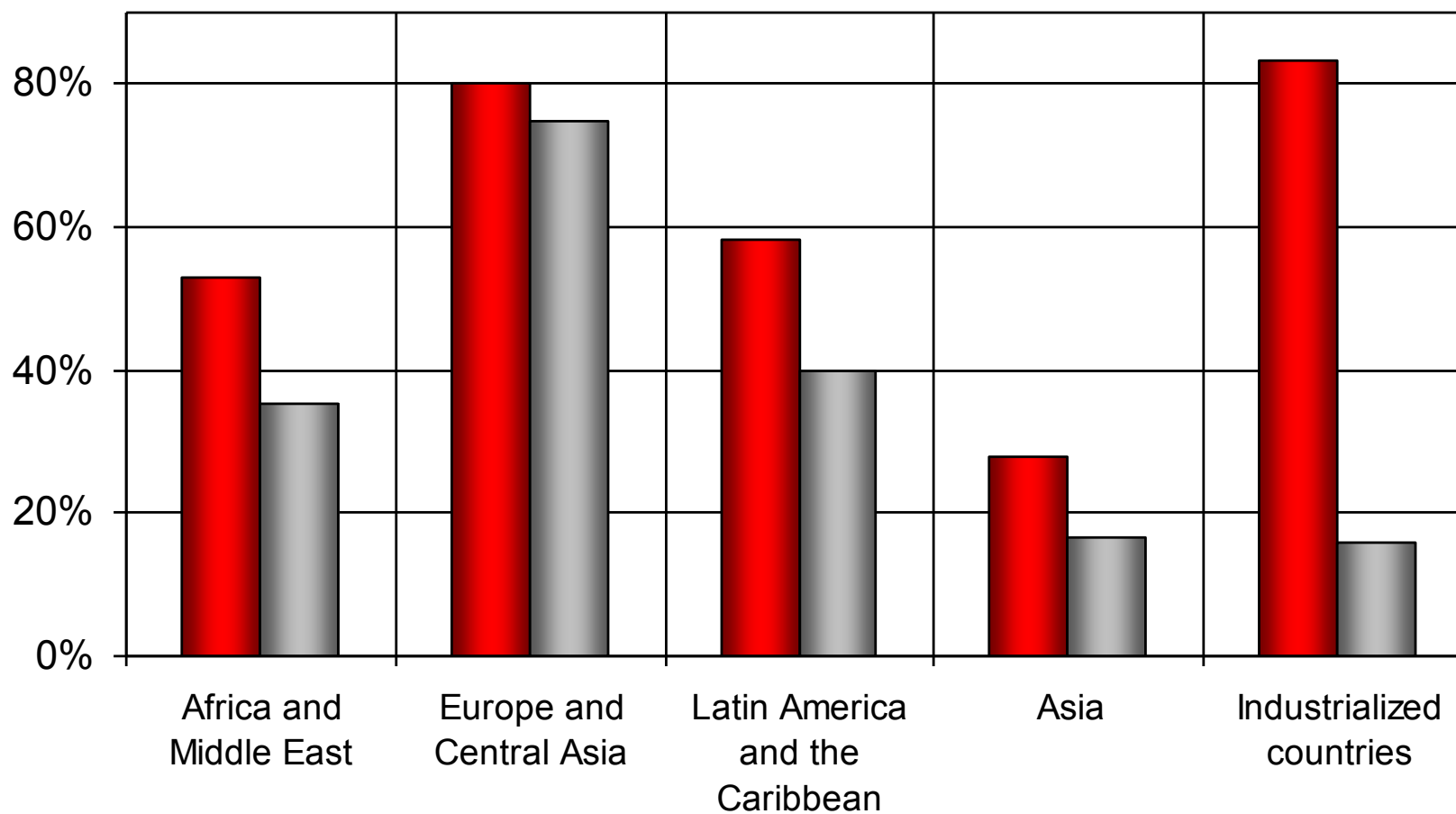
Panel C: How do firms register?



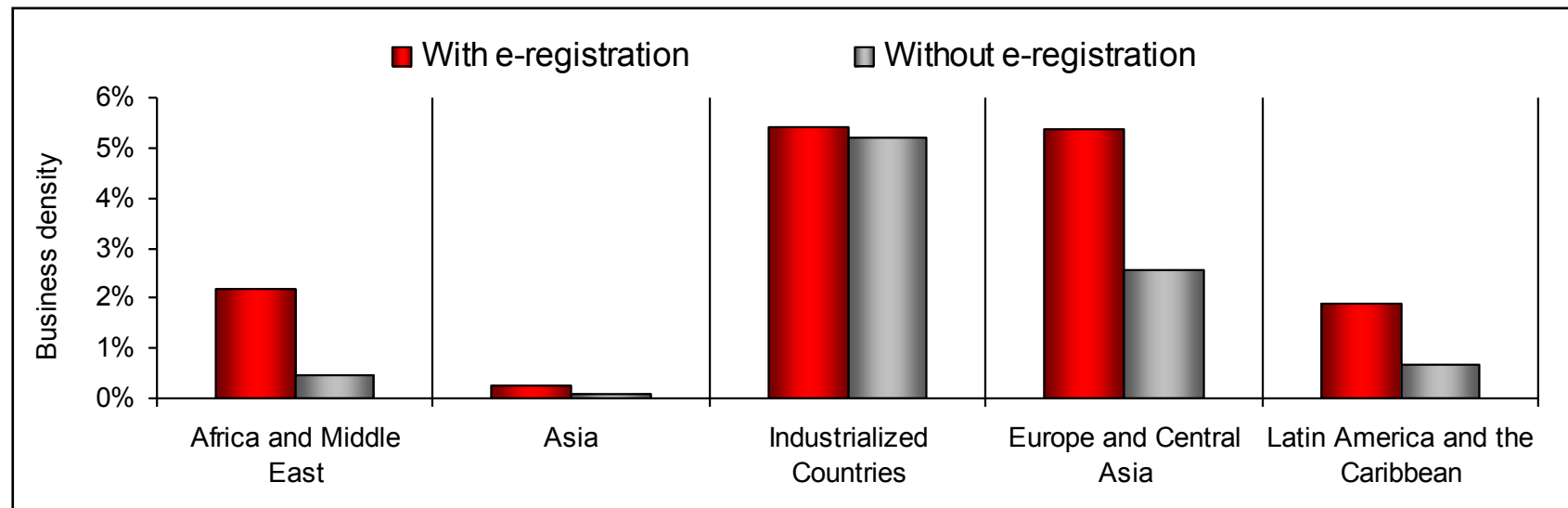
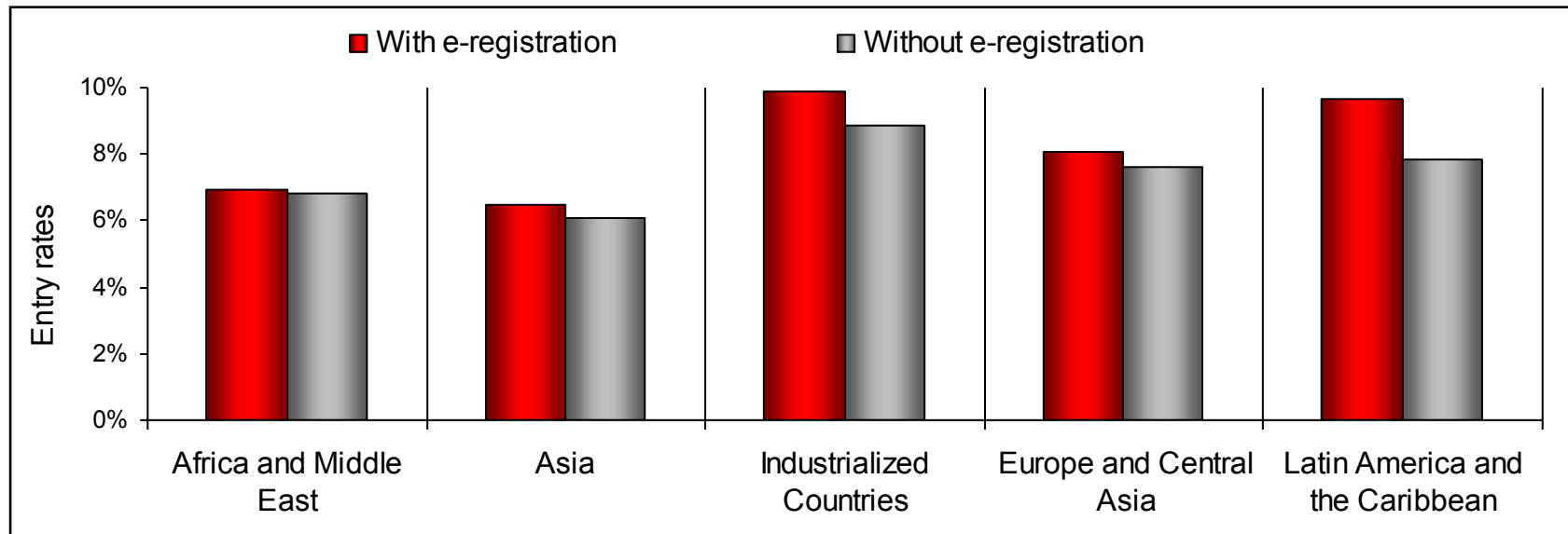
Panel C: How is Registrar data distributed?



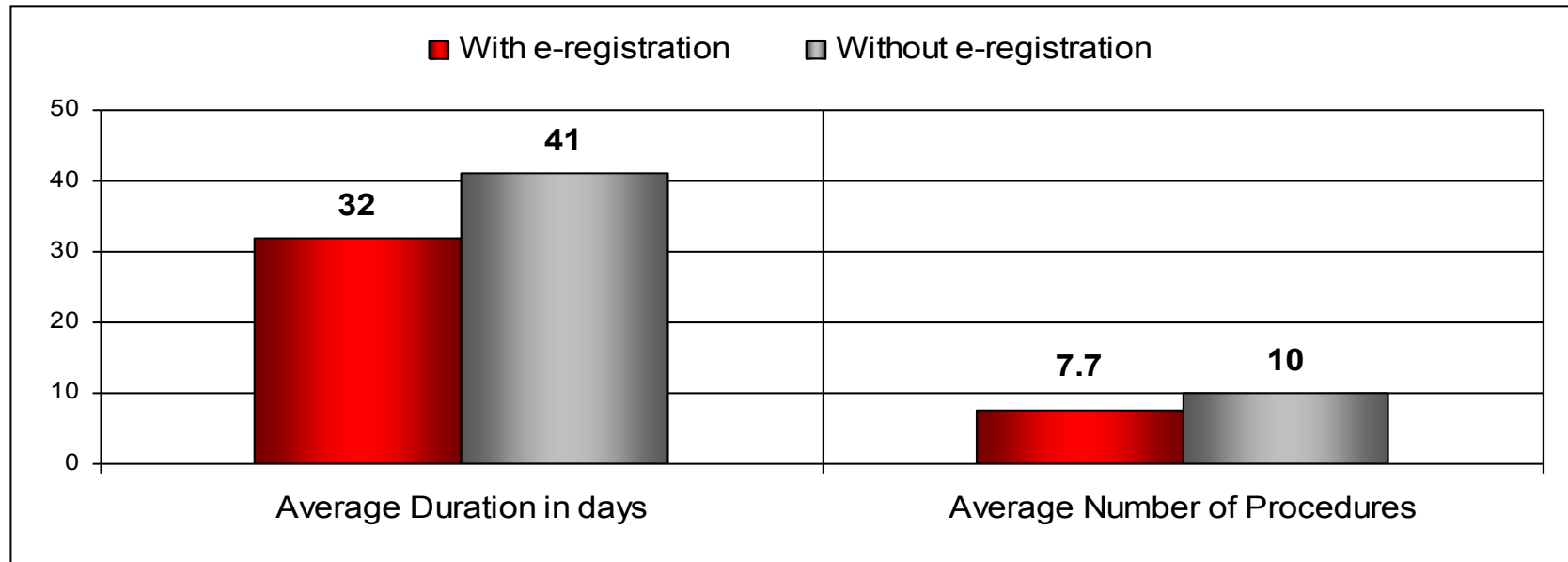
■ Can data be accessed electronically? ■ Is there a fee?



Panel C: What is the relationship with new and total registrations?



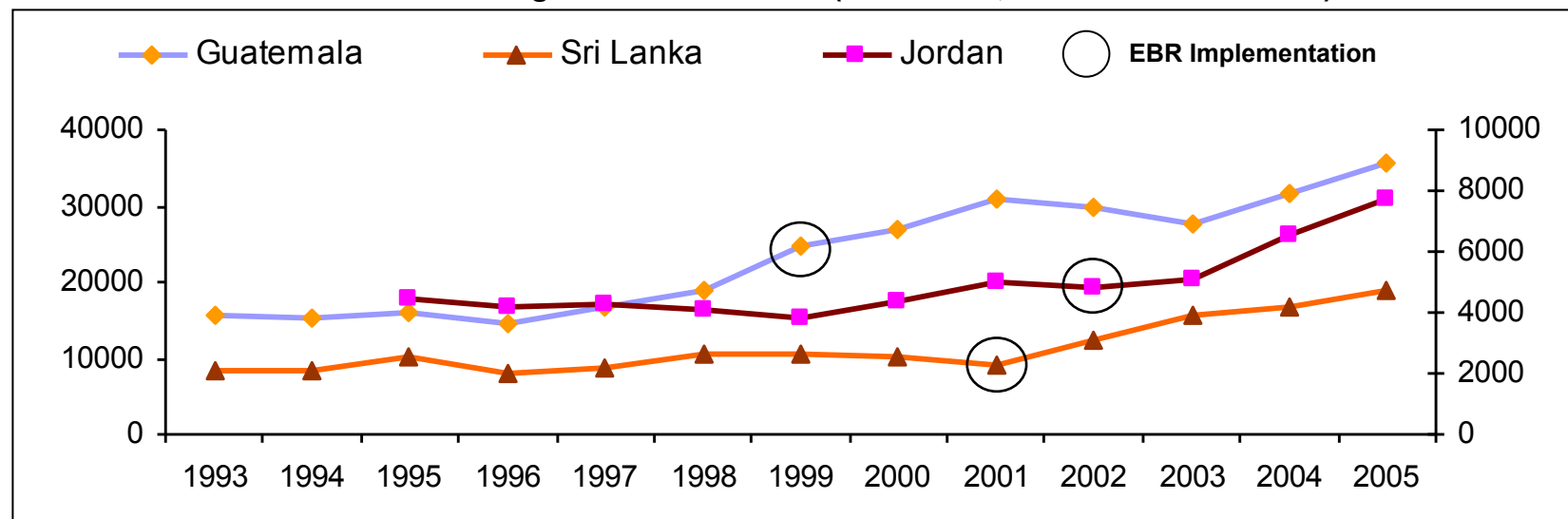
Panel C: What is the relationship with the business environment?



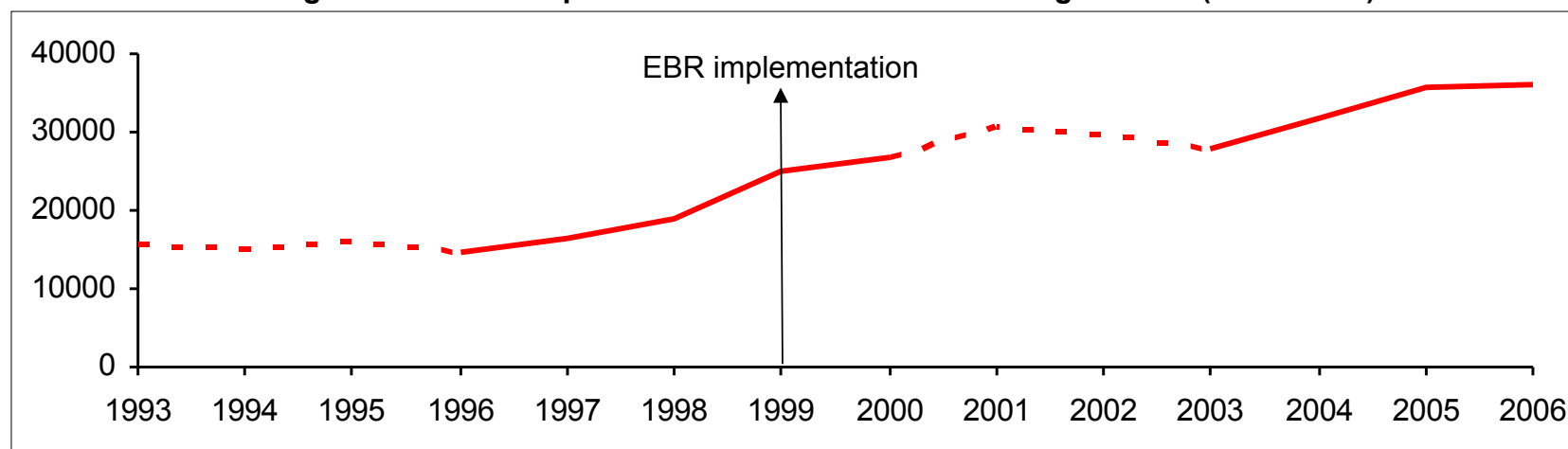
Panel C: EBR Country Cases



Evolution of Firm registration 1993-2005 (Guatemala, Sri Lanka and Jordan)



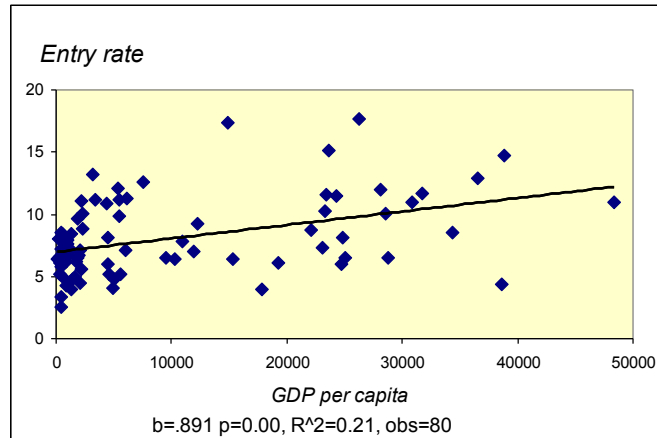
Stages of the EBR implementation / Evolution of firm registration (Guatemala)



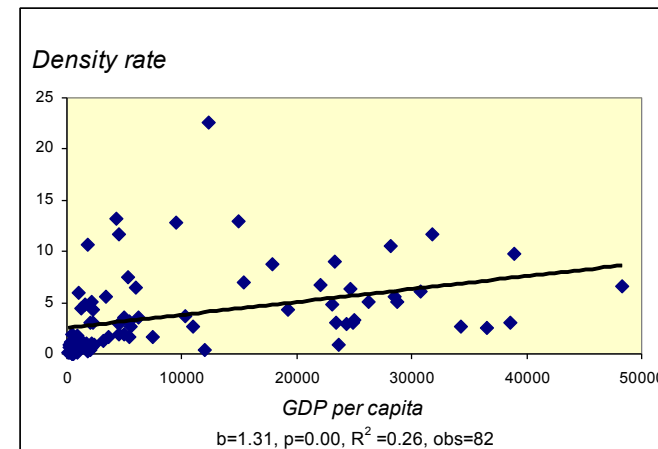
- Scatter-plots / Bivariate tests
- Multivariate tests



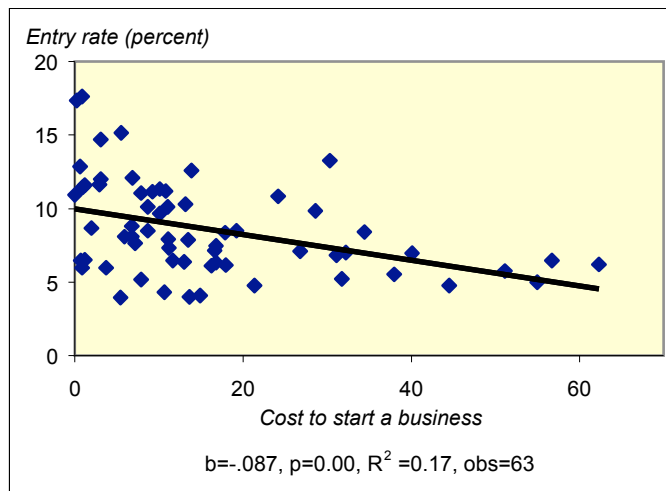
GDP per capita



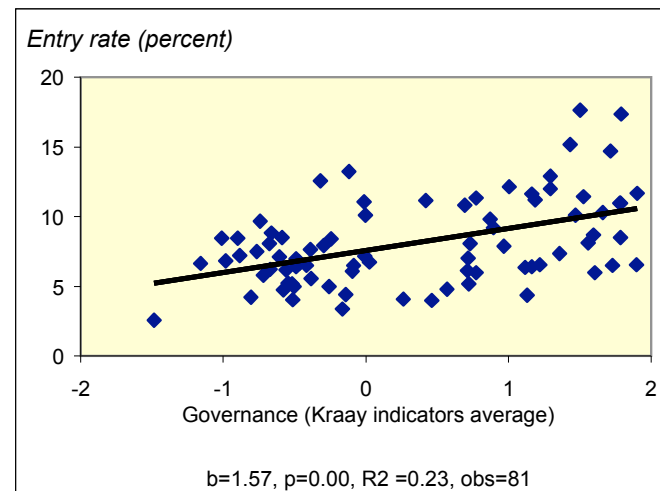
GDP per capita



Cost of Starting a Business



Governance





	Business Density Rates			Entry Rates		
Log of GDP per capita	1.426 [0.00]***	0.614 [0.05]*	0.681 [0.06]*	1.093 [0.00]***	0.410 [0.13]	0.192 [0.64]
GDP growth	0.191 [0.32]			0.286 [0.04]**		
Cost to start a business		-0.069 [0.01]***			-0.064 [0.01]***	
Governance index (Kauffman, et al.)			1.204 [0.07]*			1.331 [0.08]*
<i>Constant</i>	-8.930 [0.00]***	-0.176 [0.95]	-2.215 [0.41]	-2.212 [0.22]	6.062 [0.02]**	6.030 [0.06]*
Observations	80	64	82	78	62	80
R-squared	0.26	0.25	0.28	0.23	0.2	0.24

IFC Entrepreneurship Data Base Web Page:

<http://www.ifc.org/ifcext/sme.nsf/Content/Entrepreneurship+Database>

- **Data Base**
- **Research paper: “Entrepreneurship: New Data on Business Creation and How to Promote It”**
- **Viewpoint: “Entrepreneurship and firm formation across countries”**

Contacts:

- **Leora Klapper: klapper@worldbank.org**
- **Juan Manuel Quesada: jmquesada@worldbank.org**