

International Growth Centre

Growth Week 2014

Firms: Entrepreneurship

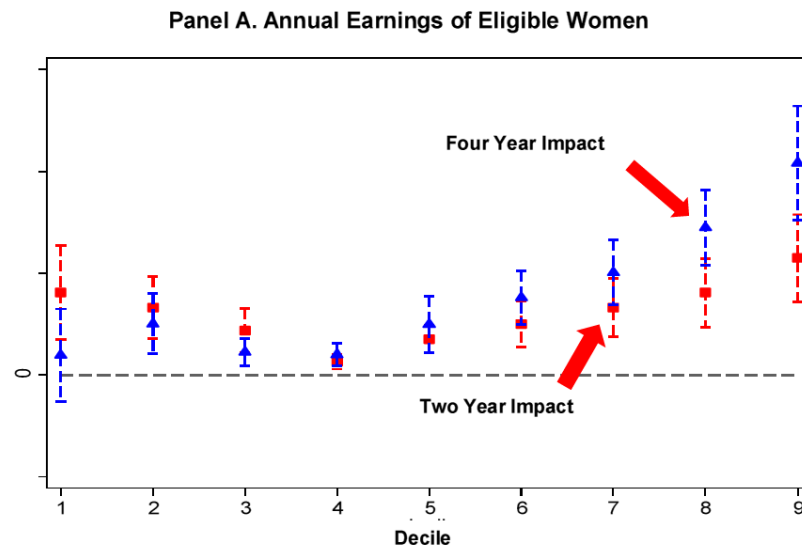
Greg Fischer
Imran Rasul

Firm capabilities

- Sustainable increases in income are not possible without similar increases in productivity
- Within broad universe of firms, our research agenda focuses on the role of smaller firms
- SME entrepreneurial activity plays a critical role:
 - Creating jobs
 - Fostering innovation
 - Generating economic growth

Entrepreneurship programme aims to answer three core questions

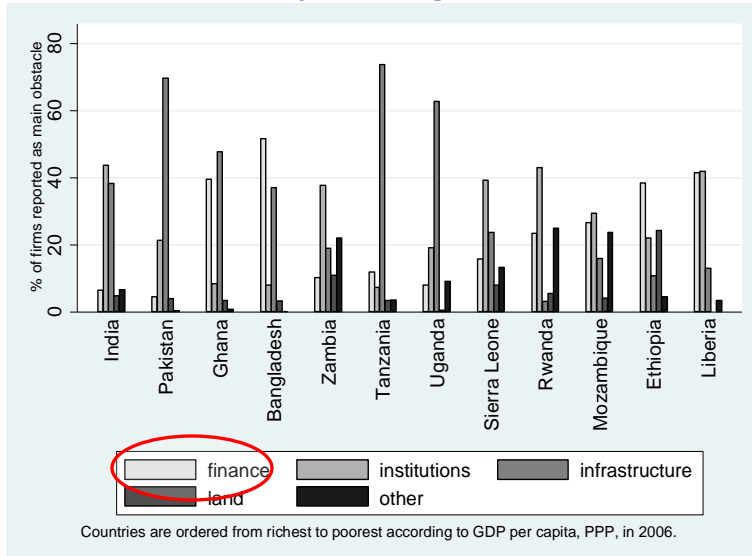
- How can entrepreneurship and employment provide basic subsistence and increase labour productivity?
 - transitions from agriculture into basic entrepreneurship
 - occupational choices of households
 - Bandiera et al. 2013, Banerjee et al. 2013,...



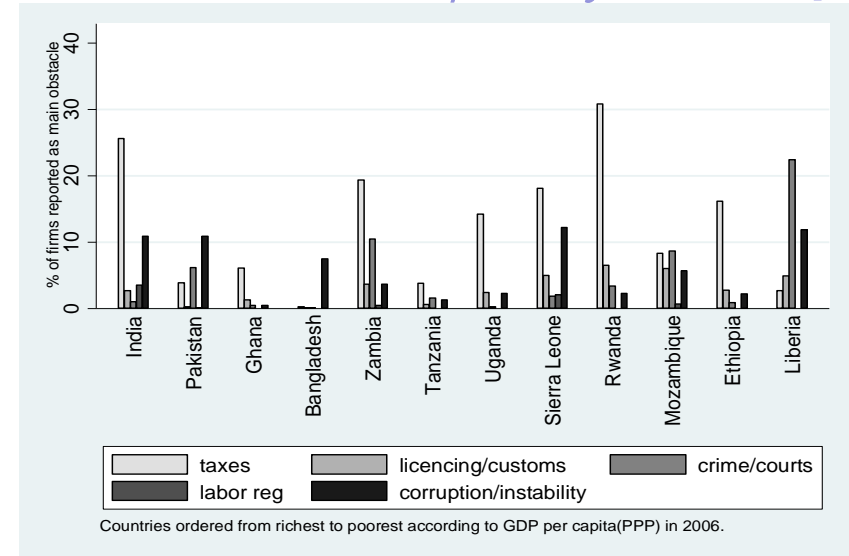
Entrepreneurship programme aims to answer three core questions

- What are the barriers to the efficient allocation of resources across small firms
 - What prevents the best firms from growing and the worst from exiting?

Main Constraint Reported by Small Firms [5-19]

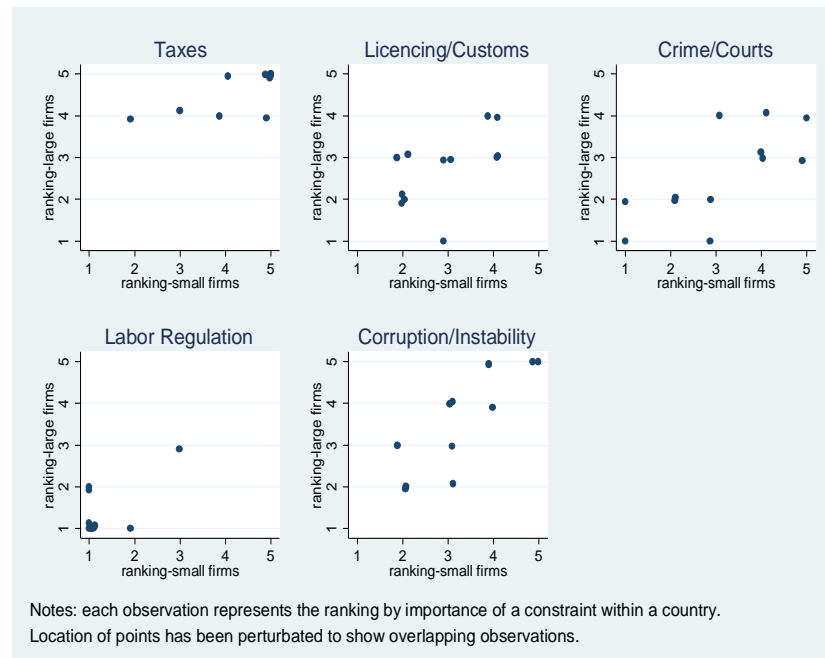


Institutional Constraints Reported by Small Firms [5-19]



Entrepreneurship programme aims to answer three core questions

- What drives the formality-informality decisions of individuals and firms and what effect does this have on growth and state capacity?
 - firms may overestimate the costs to formalization, the short-run gains are similarly muted (Alcázar et al 2010; De Mel et al 2012)



Must improve quality & comparability of measurement around these issues

- Much of the data required to answer these questions is unreliable
 - e.g. measures of revenues, profits, and other firm outcomes are generally sparse and unreliable for SMEs
 - need for methodological developments to **measure** cash flows/outlays, business/management practices
- Working closely with the country programmes, central banks, and business associations in member countries the IGC can stimulate far-reaching methodological advances