

Entrepreneurial activity fell last year despite government promotion of venture capital

Although the government has been actively promoting entrepreneurship in recent years, the entrepreneurial activity in Singapore fell in 2003. A latest report shows that in Singapore, the Total Entrepreneurial Activity (TEA), an index of enterprise, fell to 5% last year. Singapore is ranked 21st among 31 countries.

The report released yesterday also showed that more highly educated professionals and women are joining the ranks of entrepreneurs. However, there is a drop in formal venture capital for start-ups.

Nonetheless, compared to the 30 other countries surveyed in the Global Entrepreneurship Monitor (GEM), Singapore's environment for entrepreneurship was rated above average on most dimensions except social and cultural norms and entry barriers.

According to the Global Entrepreneurship Monitor released by the NUS Entrepreneurship Centre (NEC), the TEA in Singapore fell from 5.9% in 2002 to 5% in 2003. Entrepreneurial propensity also slipped from 4% to 3%. The total formal venture capital invested in local firms also dropped from \$600 million in 2000 to \$155 million.

Because venture capital is lacking, entrepreneurs tend to be financed by friends, neighbours or relatives. The capital start-ups from informal means is 7.7 times more than the formal venture capital.

Singapore ranked 21st

Among the 31 countries surveyed, Singapore was ranked 21st in TEA, China comes in 9th and Hong Kong 27th. Uganda was first with 29.2% TEA. France has the lowest TEA of 1.9%.

The GEM survey uses TEA, "investment propensity in start-ups" and "influence of national environment on start-up activity" as indices. The last index incorporates the influences of government policies and socio-cultural norms on entrepreneurial activity.

Associate Professor Wong Poh Kam, Director of NEC and Principal Investigator of the GEM, told LHZB that the survey began last June. Singapore was recovering from the slump after the Sars epidemic. Most survey respondents were thus pessimistic in market outlook, which explains some relatively pessimistic findings in the report.

Assoc Prof Wong said, "Entrepreneurial activity is closely linked to the overall business atmosphere. We know Hong Kong businessmen are entrepreneurial, but they rank behind Singapore. This shows that the overall environment has an impact on entrepreneurial activity and business confidence."

From an optimistic point of view, Assoc Prof Wong thinks entrepreneurs in the past tend to be less educated, but this has changed. Entrepreneurs who have received tertiary education have increased from 4% to 8%. Start-ups also seek to launch innovative products and services in the market.

Singapore has more start-ups than other regions. Also, there is a lower exit rate. The percentage of start-ups that are able to employ more staff in the future is also higher.

Furthermore, compared to the other 30 countries, Singapore has a better than average environment for entrepreneurship. Interviewees rated Singapore highly on "comprehensive and well-developed infrastructures," "loose regulations and light tax burden" and "cost-effective commerce services."

Clearly, in terms of the attitude towards entrepreneurship, entrepreneurship has yet to become a culture in Singapore. Only 29% of the respondents said they have "friends who are entrepreneurs." Singaporeans also think that Singapore does not encourage a culture of innovation and enterprise. Also, the country lacks the environment and values that encourage entrepreneurship or help cushion risks. However, 60% of the respondents are not afraid of failure.

Singapore has participated in the annual GEM survey since 2000. A total of 2,000 respondents from the working population aged 18 to 64 were surveyed. Last year, over 100,000 people from 31 countries participated in the global survey.