



PRESS RELEASE

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Global Entrepreneurship Monitor 2005 - Singapore Study ***NUS study shows that Singapore's environment is more pro-enterprise than OECD countries; individuals with tertiary education are most likely to start business***

The latest Global Entrepreneurship Monitor (GEM) 2005 study on Singapore conducted by the National University of Singapore (NUS) shows that entrepreneurial activities are on the rise, with a greater interest among those with tertiary education to start a business.

In the GEM study, which benchmarks entrepreneurial developments of leading economies of the world, Singapore was ranked 8th among 24 OECD countries, compared to 11th last year. Experts also ranked Singapore's environment No. 1 in three areas - low regulation and taxation burden, government policy support and government programme effectiveness. The global study also revealed that attitudes towards entrepreneurship in Singapore, although have improved over the years, remained less favourable compared to 24 OECD countries that participated in the study.

GEM is an international comparative research project that seeks to benchmark the level of entrepreneurial activities across countries and to understand the relationship of entrepreneurship to economic dynamism and the key national environmental factors affecting entrepreneurship. A total of 34 countries participated in GEM 2005 and Singapore is participating in this study for the sixth year since 1999. The GEM 2005 study on Singapore was jointly funded by NUS and the Action Community for Entrepreneurship.

The GEM study assesses the level of entrepreneurial activities using six benchmarks:

- Total Entrepreneurial Activities (TEA)
- Other entrepreneurial indicators
- Financing for new business
- Attitudes and perceptions of entrepreneurship
- Social-cultural indicators for entrepreneurship
- National environment for entrepreneurial activities

Specific indicators for each benchmark are presented in [Appendix 1](#).

Total Entrepreneurial Activities (TEA): Overall increase in early-stage start-up activities

According to the GEM 2005 study on Singapore, TEA increased from 5.7% in 2004 to 7.2% in 2005. This indicates that there is an overall increase in new business start-up activities in 2005 compared to previous years. For the first time, Singapore breaks into the top 10 OECD countries in terms of overall entrepreneurial activity, ranking 8th among the 24 OECD countries that participated in the 2005 study. Last year, Singapore was ranked 11th. The rate of increase in Singapore's TEA rate has also outpaced that of the developed OECD countries such as Japan, Belgium and Sweden. The increase in TEA is broad-based, across gender and educational qualification.

Associate Professor Wong Poh Kam, Director of NUS Entrepreneurship Centre and Principal Researcher of the GEM 2005 Singapore study, explained, "A possible factor for the rise in Singapore's TEA in 2005 may be an increase in informal investments in start-ups. Informal investment in start-ups, for instance, improved in 2005."

In particular, total entrepreneurial activities among those with tertiary education (i.e. university and polytechnic) is highest compared to those with JC or secondary education. This represents a continued improvement since 2003. Prior to 2003, those without university degrees or polytechnic diplomas are most likely to start a business.

Entrepreneurial propensity has also increased for both male and females. The prevalence of male entrepreneurship rose from 8.2% in 2004 to 9.6% in 2005, while the prevalence of female entrepreneurship increased from 3.4% to 5% in 2005. The gender gap in entrepreneurship has also narrowed in 2005 with a ratio of 2 male entrepreneurs to 1 female entrepreneur, compared to a ratio of 3 male entrepreneurs to 1 female entrepreneur in 2004.

Associate Professor Wong added, "The overall increase in the level of entrepreneurial activities is evident in NUS. Over the last 2 years, 15 new ventures were founded by NUS students using seed funding from the Fund for University Student Entrepreneurs (FUSE) administered by NUS Venture Support. There has also been an increase in student participation in entrepreneurship programmes run by NUS Enterprise, such as the Start-Up @ Singapore business plan competition."

"It is heartening to note that Singapore's entrepreneurship scene is increasingly more active. Going forward, we will need to continue to engage the younger generation and nurture their entrepreneurial talent to fuel the spirit of enterprise. This needs to be done via collaborative efforts between the private sector, government and academia," said INSEAD Professor Patrick Turner, Member of Culture Action Crucible, Action Community for Entrepreneurship.

Other Entrepreneurship Indicators: Entrepreneurial activities improved significantly

The GEM 2005 study provides evidence that entrepreneurial activity in Singapore has significantly improved in 2005, with increased interest in starting new ventures among Singaporeans, and only marginal increase in the rate of business discontinuance.

Consistent with previous years' findings, Singapore fared better in terms of start-ups that have higher employment growth potential. About 1 in 5 start-ups in Singapore indicated that they will employ more than 20 people in 5 years. On this indicator, Singapore ranks 2nd out of the 24 OECD countries. Overall, across the 34 countries that participated in the study, the

overwhelming majority of new start-ups did not expect to employ more than 20 people in 5 years.

Singapore also fares well on entrepreneurial intention rate (ranked 4th among 24 OECD countries). More adult Singaporeans who have not engaged in any start-ups or new business expect to start a new business in the next 3 years (from 13.5% in 2004 to 17% in 2005).

Intensity of Investment in Start-up: Better environment for raising capital

Overall, there is an improvement in Singapore's environment for raising capital for entrepreneurial ventures compared to previous years. Singapore's informal investor prevalence rate for 2005 is 3.5%, higher than 2.7% in 2004 and 1.6% in 2003. This is also higher than the average informal investor prevalence rate for 24 OECD countries in 2005, which is 3.2%.

National Environment for Entrepreneurial Activities: Singapore's environment more pro-enterprise than OECD countries

The 36 expert informants comprising entrepreneurs, policy makers, investors and venture capitalists who were interviewed rated Singapore's environment for entrepreneurship to be generally favourable in 2005.

Singapore's environment for entrepreneurship was rated above average on all dimensions, compared to the GEM and OECD averages (except for business services effectiveness, which was on par with the OECD average). Overall, the ratings of Singapore's environment for entrepreneurship were consistent with the ratings in 2004. The three dimensions where ratings were highest among 34 participating countries were - Low Regulation and Taxation Burden, Government Policy support and Government Programme Effectiveness.

These observations indicate that Singapore's environment is more pro-enterprise than the average of all GEM countries and the average of the OECD countries in 2005.

However, a survey of attitudes and perceptions of 3,876 adult Singaporeans surfaced indicators that are less favourable. Only 29% (compared to GEM average of 45.6% and OECD average of 42.4%) of adult Singaporeans perceived that they have the skills to start a business in Singapore. In addition, only 17.5% (compared to a GEM average of 38% and OECD average of 36.6%) perceived good start-up opportunities in the next 6 months.

While a portion of 36 country informants rated the environment for entrepreneurship in Singapore as favourable, the general adult population still lacks the confidence to start their own businesses.

Entrepreneurial Cultural Support: Social and cultural barriers an issue of concern

In the GEM 2005 study, Singapore's ranking in terms of entrepreneurial culture rose from a ranking of 17th in 2004 to a ranking of 11th among 24 OECD countries.

However, social and cultural barriers remain an issue of concern in Singapore. The proportion of Singaporeans who personally know an entrepreneur (31.3% compared to 40% globally and

38.7% in OECD) and who indicated fear of failure is not a deterrent (61.5% compared to 64.3% globally and 64.4% in OECD) are both below the GEM global and OECD averages.

In addition, cultural attitudes towards entrepreneurship are less favorable in Singapore. Only 46.8% of adult Singaporeans felt that starting a business is a good career choice, compared to an average of 55.4% in the OECD countries. This ranked Singapore a lowly 18 out of 24 countries. Furthermore, 57.8% believe that new business success is accorded with high status in this country, compared to an average of 66.2% in the OECD countries, ranking Singapore 21st out of 24 countries.

GEM Research Methodology & Data Sources

1. *Adult population survey*: This is a telephone survey conducted by a polling organisation in each country of a minimum of 2,000 respondents. This year, a total of 106,495 individuals in 34 countries and 3,876 adult Singaporeans were surveyed by GEM.
2. *Country expert interviews*: This comprises in-depth interviews with at least 18 experts in each country from finance, policy, government programmes, education and training, technology transfer, support infrastructure and wider society/culture. It is supplemented by an expert questionnaire survey of at least 32 people and grouped into the same seven areas. This year, a total of 36 experts from Singapore participated in the study.
3. Collection of secondary national social-economic data for each country, including international benchmark social-economic data from World Bank, World Competitiveness Report; and national sources of data on venture capital investment and firm formation.

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ABOUT NUS

Established since 1905, the National University of Singapore (NUS) is acknowledged as one of the finest universities in the world. NUS is a fully comprehensive university offering a broad-based curriculum underscored by multi-disciplinary courses and cross-faculty enrichment.

NUS has 13 faculties, with an enrolment of more than 22,000 undergraduate and 8,000 graduate students. It actively promotes innovation and entrepreneurship, and enjoys a close teaching-research nexus with 13 national-level, 11 university-level and 70 faculty-based research institutes and centres. The University is strongly committed to advancing knowledge and fostering innovation, educating students and nurturing talent in the service of country and society.

NUS Entrepreneurship Centre

In line with the strategic vision of National University of Singapore (NUS) to become a global knowledge enterprise, the NUS Entrepreneurship Centre has been established with the mission to nurture the spirit of entrepreneurship and innovation among the NUS community through education and outreach activities, and to advance knowledge of technology venturing practice through research. A university level centre and a unit of NUS Enterprise, the centre integrates its three main functions -- entrepreneurship education, research and outreach -- in a synergistic manner to inject an entrepreneurial dimension to NUS education, to mentor technology spin-offs by NUS professors, researchers and students, and to provide entrepreneurial thought leadership to the venture community of Singapore and beyond.

More information on the centre's activities can be found at: <http://www.nus.edu.sg/nec>

Appendix 1: Overview of GEM

Benchmarks

(1) Total Entrepreneurial Activity – Early Stage Entrepreneurship

Proportion of adult population who are in the process of starting a business or owns a business that is less than 42 months old.

(2) Other Entrepreneurship Indicators

These include:

- ***Entrepreneurial Established Businesses Prevalence Rate:*** Proportion of adult population who are entrepreneurs currently running a business that is at least 42 months old.
- ***High Employment Growth Potential TEA Rate:*** Proportion of new start-ups that indicate they intend to employ at least 20 people in 5 years
- ***Entrepreneurial Intention Rate:*** Proportion of adult population that have not engaged in any start-ups or new businesses but expects to start a new business in the next three years
- ***Prevalence of business continuation:*** Proportion of adult population that has shut down, discontinued or quit in the past 12 months

(3) **Financing for New Business**

- *Prevalence of business angel investment*
- *Venture capital investment/GDP ratio*

(4) **Attitudes and Perceptions of Entrepreneurship**

- *Know someone who has started a business*
- *Perceive the skills to start a business*
- *Perceive good business opportunities*
- *Do not perceive fear as a deterrent*

(5) **Social-Cultural Indicators for Entrepreneurship**

- *Perception of entrepreneurship as a career*
- *Media publicity for entrepreneurship*
- *Uniformity of living standards*
- *Perception of status of successful entrepreneurs*

(6) **National Environment for Entrepreneurial Activities**

- *Rating on 9 dimensions of national environment for entrepreneurship by selected key informants*