

ENTREPRENEURIAL ATTITUDES IN GEORGIA (EMPIRICAL RESEARCH RESULTS)

Ia Natsvlishvili

State University of Tbilisi, Tbilisi, Georgia

Visiting Scholar at George Washington University, Washington DC, USA

ia.natsvlishvili@tsu.ge ianat777@yahoo.com

Abstract

Article highlights the peculiarities of entrepreneurial attitudes in Georgia on the bases of empirical research results conducted by author in July-September 2010 in Tbilisi. 91.5% of Georgian respondents would like to be self-employed. In contrast, Europeans remain far less keen on becoming an entrepreneur. One of the specific characteristics of Georgians' entrepreneurial attitudes is the Georgians' expectations of becoming self-employed: about 51.4% of Georgians see feasibility of becoming self-employed in next five years. Georgians' positive attitudes towards feasibility of becoming self-employed show the self-confidence and expectations of success of market oriented economic reforms and feeling of social and political stability in Georgia.

ENTREPRENEURIAL ATTITUDES IN GEORGIA (EMPIRICAL RESEARCH RESULTS)

Entrepreneurial activity plays an important role at a microeconomic level by offering innovative products and services at different markets. It has a significant effects at macroeconomic level of the economy by supporting employment and country's economic development. The studies conducted in last three decades showed that entrepreneurship is the main driving force for the economic growth (Acs and others, 2003; Audretsch and Keilbach, 2004; Wennekers, 2006). Nowadays rich materials on features of entrepreneurial activity and peculiarities of attitude towards entrepreneurship in various countries are developed (Blanchflower and others 2001; Wennekers, 2006). It has become obvious that there are considerable differences between entrepreneurial activity and individuals' attitude towards entrepreneurship not only at a supra-national level between countries, but also differences exist across regions at a national level inside the particular country (Sternberg, 2000; Parker, 2005; Fritsch and Mueller, 2006; Tamasy, 2006).

The large-scaled survey of populations' attitude towards entrepreneurship in Georgia has not been carried out yet. A research, which would have covered the whole country, would have analyzed specific features of populations' attitude towards entrepreneurship and would have compared the results both with other countries and across separate regions in Georgia, has not been conducted. The present work represents description of results of the research on population's attitude towards entrepreneurship conducted by the author in July-September 2010, in Tbilisi (Georgia) and analysis of empiric data derived from the survey.

Over the last two decades the transformational processes ongoing in the economy of Georgia and in its social system have obviously had a huge influence on formation of attitude of the population towards entrepreneurial activity. Are the difficulties and problems arisen during the current reformation processes in Georgia the cause of negative attitudes toward entrepreneurship? Do the transformation processes in Georgia cause absence of desire of becoming entrepreneur or on contrary? How deeply has the population realized the risks and dangers associated with entrepreneurship? What are the desires and expectations of the population concerning of becoming the entrepreneur? What are the expectations and self-employment perspectives over nearest future? In order to give the comprehensive answers on these questions it is necessary to conduct long-term and wide-scaled researches. Express survey of respondents in Tbilisi can be considered as one of the first steps of such research. Survey results enable to assess respondents attitudes towards entrepreneurship and to discuss main tendencies in Georgia on the basis of data analysis.

The research question of the study conducted by the author in July-September, 2010 was attitudes of Georgians toward entrepreneurship, its specific features, various aspects of entrepreneurial attitudes, future expectations of respondents, identification of attractive sectors for self-employment and entrepreneurial activity. The object of the express-survey was individuals and families (households) residing in various districts of Tbilisi. Of course, this object is not representative for whole Georgia, but one should consider that Tbilisi is the largest city in Georgia, where one third of the country's population resides. Due to this reason moods and attitudes of Tbilisi residents should reflect main tendencies of Georgian population with adequate accuracy. Research hypothesis was the following: due to successful reforms of last years negative attitudes toward entrepreneurship should have been less anticipated considering the high unemployment level in Georgia and difficulties arising from current economic transformation processes. Strong desire of self-employment and huge expectations of engagement in entrepreneurship in the future should have been anticipated.

The method of the research was questionnaire by means of various types of non-random selection. Particularly, so-called spontaneous selection and “street selection” types were used. Spontaneous selection is used in order to question people in the streets. In contrast to other methods it is simplest, cheapest and less representative. It is impossible to generalize the results of such survey for the whole population. Despite these imperfections, spontaneous selection is often used in social sciences that can be explained by its simplicity and convenience (1). In case of applying “Street Selection” type, interviewers are questioning respondents in predefined locations (2). Initial information has been gathered by the students of Economics and Business School of Tbilisi State University, Tbilisi, Georgia. Students residing in Tbilisi surveyed their family members and the members of neighboring households in addition to families and individuals living in various districts of Tbilisi (See appendix 1 – questionnaire). The subset of observations developed from such sampling strategy covers properties that are characteristic for whole population in Tbilisi. Respondents were Tbilisi residents of various age, education, gender, social status and incomes (see appendix 2 – demographic data of the respondents). In total 1116 respondents were surveyed. The derived data has been processed by means of SPSS software.

The research results are impressive and emphasize peculiarities of attitudes toward entrepreneurship in Georgia on example of Tbilisi. Analysis of empiric data proves that 91.5% of respondents express willingness to be self-employed. 91.5% of the respondents answer positively to the question “Would you like to be self-employed if you could?”. Negatively responded only 6% of respondents. There is no data from 2.5% of respondents. In contrast, Europeans remain far less keen on becoming an entrepreneur (3). Only 45% of respondents in the European Union express desire to be self-employed. In the USA 65% of respondents would like to be an entrepreneur. In China 71% of population wants to become an entrepreneur.

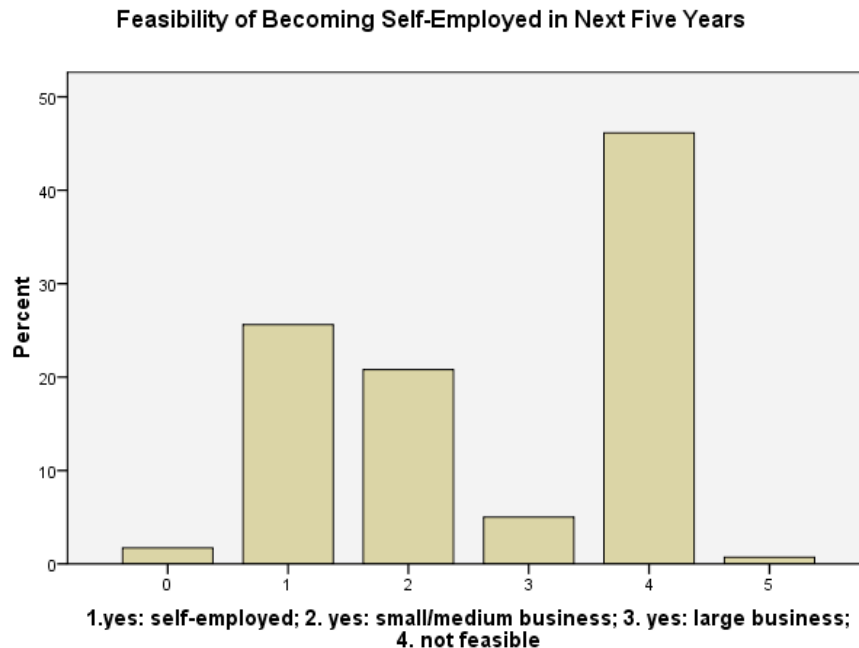
Over the last years on the background of successful reforms in Georgia negative moods towards entrepreneurship are weak. On the background of high unemployment the desire of becoming self-employed is strong. Positive attitudes of the respondents in Tbilisi towards entrepreneurship indicates their self-confidence, feeling of social and political stability, expectations of success of market oriented economic reforms.

Subject of special interest is data about current entrepreneurial activity of surveyed people. The answers of the respondents to the question - “Are you currently an entrepreneur/self employed?”- show that 81.8% of respondents do not run their own businesses. 10.0% were self-employed. 6.1% were running small or medium size enterprise and 1.4% were running large business. There is no data derived from 0.6% of respondents. It is noteworthy to say that in European Union only 12% of respondents are engaged in entrepreneurial activity. In Japan the same indices are 15%, in the USA - 21% and 27% in China (4).

Significant part of Georgian respondents (48.4%) consider irregular incomes as a greatest fear associated with entrepreneurial activities. Bankruptcy is considered as a greatest fear by 39.6% of Georgian respondents. These indices in Georgia differ from that of Europe and other countries. Bankruptcy is considered as the primary fear of entrepreneurship in China - 56%. Bankruptcy is the greatest fear of entrepreneurship for Europeans too – 49%. In the USA and in Japan, just like in Georgia, irregular incomes are on the first place among greatest fears connected with entrepreneurship (5). This opinion is shared by 46% of respondents in USA and 37% of respondents in Japan.

More than half of the Georgian respondents (51.4%) hope to start business activity within nearest 5 years. The answers to the question - “Do you see the feasibility of becoming an entrepreneur in next 5 years?” were the following: yes, I will be self-employed – 25.6%; yes, I will become an entrepreneur in small or medium size business – 20.8%; yes will start doing large business – 5%; no, not feasible – 46.1%; there is no data from 2.5% of respondents (see diagram #1).

Diagram #1. Feasibility of Becoming Self-Employed in Next Five Years. 1. yes: self-employed; 2. yes: small/medium business; 3. yes: large business; 4. not feasible; 0-5. missing data

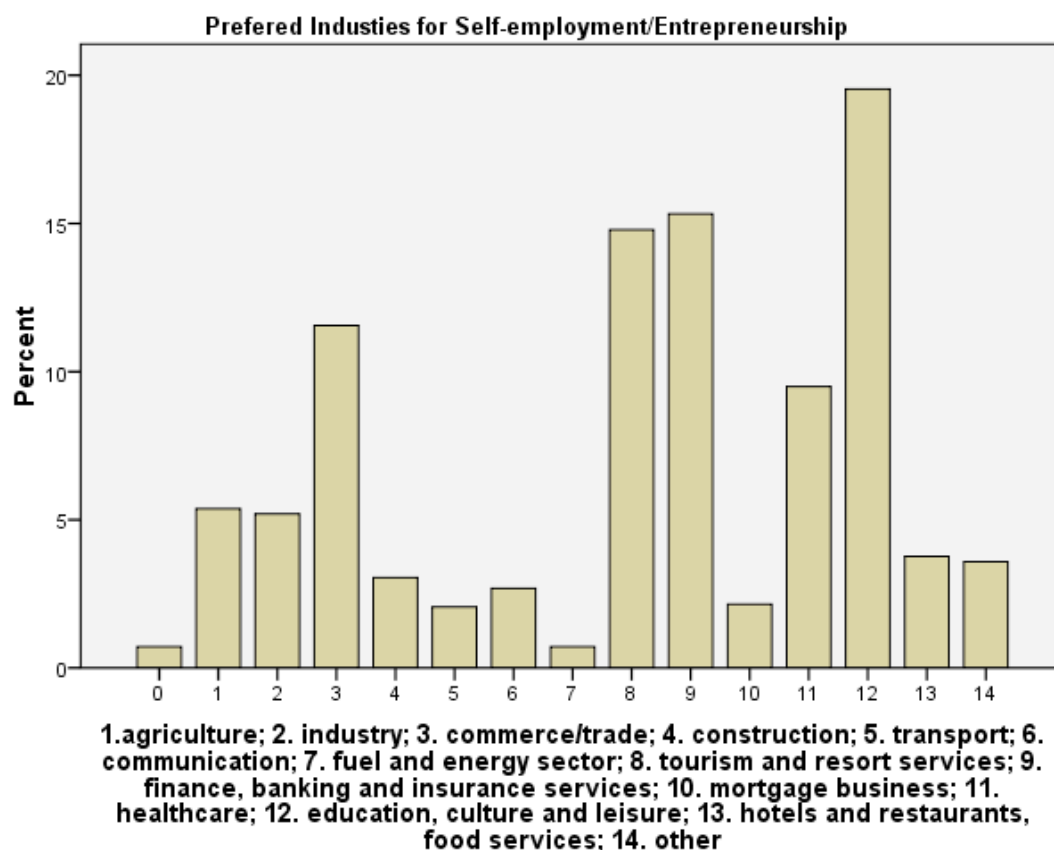


The answers to the question - “Do you think that you will become an entrepreneur/ self-employed in next five years?” reveals Georgians’ preferences towards self-employment and strong positive attitudes towards entrepreneurship. It is worthy to note that in total 82.6% respondents prefer to be self-employed rather than to be employee. Only 13.9% of respondents prefer to be employed by other organizations/persons. There is no data from 3.5% of respondents.

It might seem paradoxical that despite big desire to be self-employed, the significant part of the respondents prefers to be employed in the public sector rather than in private sector. Respondents were asked to answer the question “Where would you prefer to work if you were able to choose: 1. in public sector; 2. in private sector. 55.7% of respondents prefer to be employed in the public sector and 41.2% of the respondents prefer to be employed in private sector. The data is missing from 3.1% of respondents. Such paradoxical situation might be explained by fact that irregular incomes are considered as the biggest fears of entrepreneurship and correspondingly that of private business. From this point of view, one can assume that employment in public sector is considered by the Georgian respondents as a guaranty of stable incomes.

The subject of special interest is the respondents’ answers to the question – “If you were able to choose which industry would you prefer for starting your own business?”. Respondents’ answers to the this question are the following: agriculture - 5.4%; industry - 5.2%; trade/commerce - 11.6%; construction - 3.0%; transportation- 2.1%; communication - 2.7%; fuel and energy sector- 0.7%; tourism and resort/recreation services – 14.7%; finance, banking and insurance services - 15.3%; real estate operations (mortgage business) - 2.2%; healthcare - 9.5%; education, culture and leisure - 19.5%; hotels and restaurants, food services - 3.8%; other services - 3.6%; missing data – 0.8% (see diagram #2). It might seem surprising but the majority of the respondents (19.5%) considers that education, culture and leisure is the most desirable sector for entrepreneurship. In top five most desired sectors of entrepreneurship were finance, banking and insurance services (15.3%); tourism and resort/recreation services (14.7%); trade/commerce (11.6%); healthcare 9.5%.

Diagram #2. Preferred Industries for Entrepreneurship: 1. agriculture; 2. industry; 3. commerce/trade; 4. construction; 5. transportation; 6. communication; 7. fuel and energy sector; 8. tourism and resort/recreation services; 9. finance, banking and insurance services; 10. real estate operations (mortgage business); 11. healthcare; 12. education, culture and leisure; 13. hotels and restaurants, food services; 14. other; 0. missing data



Conclusion: analysis of empiric data derived from the survey supports the hypothesis of the research. On the background of successful reforms in recent years in Georgia negative attitude towards entrepreneurship is weak. On the background of high unemployment desire to be self-employed is quite high. Expectations of starting a business in the future is strong also. The majority of respondents (48%) consider unstable incomes as the greatest fear associated with entrepreneurship. 51.4% of respondents expect that they will become an entrepreneur in nearest 5 years. Positive attitudes of respondents in Tbilisi towards entrepreneurship indicates their self-confidence, feeling of social and political stability, expectation of success of market oriented economic reforms.

Appendix 1. Questionnaire

Please read the questions attentively and chose and circle only one acceptable answer below:

1. Are you currently an entrepreneur/self employed?

1. yes, I am self-employed
2. yes, I am entrepreneur in small and/or in medium size business
3. yes, I am entrepreneur in large business
4. no

2. Would you like to be self-employed if you could?

1. yes
2. no

3. What is the greatest fears for the entrepreneurship?

1. bankruptcy
2. uncertain income
3. others (please specify)

4. Do you think that you will become an entrepreneur/ self-employed in next five years?
 1. yes, I will be self-employed
 2. yes, I will be entrepreneur in small and/or in medium size business
 3. yes, I will be entrepreneur in large business
 4. no
5. If you were able to choose what would you prefer:
 1. to be self-employed
 2. to be an employee hired by other organization/individual
6. If you were able to choose what would you prefer:
 1. to work in public sector
 2. to work in private sector
7. If you were able to choose which industry would you prefer for starting your own business?
 1. agriculture
 2. industry
 3. commerce/trade
 4. construction
 5. transportation
 6. communication
 7. fuel and energy sector
 8. tourism, resort/recreation service
 9. finance, banking and insurance services
 10. real estate operations (mortgage business)
 11. healthcare
 12. education, culture and leisure
 13. hotels and restaurants, food services
 14. other services (please specify)
8. Age:
 1. 15-25
 2. 25-45
 3. 45-65
 4. 65 and more
9. Gender
 1. female
 2. male
10. Education
 1. secondary school
 2. tertiary education
 3. higher education
11. Monthly personal income
 1. less than 150 Gel
 2. 150-550 Gel
 3. 550-2000 Gel
 4. More than 2000 Gel
12. Affiliation
 1. temporary unemployed
 2. employee in a private organization/individual
 3. employee in a public organization
 4. self-employed
 5. an entrepreneur in a small/medium size business
 6. an entrepreneur in a large business

Appendix 2. Respondents Demographic Data

Age

Age Range	Percentage
1. 15-25	36.9%
1. 25-45	34.9%
2. 45-65	24.8%
3. 65 and more	2.3%
4. Missing data	1.2 %

Gender

Gender	Percentage
1. Female	73.25
2. Male	25.9%
3. Missing Data	0.9%

Education

Education Level	Percentage
4. Secondary School	23.0%
5. Tertiary Education	17.0%
6. Higher Education	59.0%
7. Missing Data	0.9%

Monthly Personal Income

Monthly Personal Income (Exchange Rate: 1 USD ≈1.80 GEL)	Percentage
1. less than 150 GEL	34.8%
2. 150-550 GEL	40.1%
3. 550-2000 GEL	15.6%
4. More than 2000 GEL	2.9%
5. Missing Data	6.7%

Affiliation

Affiliation	Percentage
Temporary unemployed	46.5%
Employee in a private organization/individual	19.7%
Employee in a public organization	14.8%
Self-employed	11.2%
An entrepreneur in a small/medium size business	4.1%
An entrepreneur in a large business	0.6%
Missing Data	3.0%

Footnotes:

1. Tsuladze, L. (2008), Quantitative Research Methods in Social Sciences (in Georgian language), Tbilisi, Georgia; page. 43-44;
2. Zurabishvili, Tamar and Zurabishvili, Tinatit (2006), Methods of Social Research, Quantitative Methods(in Georgian language). Tbilisi, Georgia; pg. 105-106;
3. Who wants to be an entrepreneur?; <http://www.euronews.net/2010/06/14/who-want-to-be-an-entrepreneur/>; 14/06 20:59 CET 2010; last retrieved July 10, 2010;

4. Who want to be an entrepreneur?; <http://www.euronews.net/2010/06/14/who-want-to-be-an-entrepreneur/>; 14/06 20:59 CET 2010; last retrieved July 10, 2010 ;
5. Who want to be an entrepreneur?; <http://www.euronews.net/2010/06/14/who-want-to-be-an-entrepreneur/>; 14/06 20:59 CET 2010; last retrieved July 10, 2010.

References

1. Acs, Z., Audretsch, D., Braunerhjelm, P., & Carlsson, B. (2003). "The Missing Link: The Knowledge Filter and Endogenous Growth." Center for Business and Policy Studies, Stockholm, Sweden;
2. Audretsch, D. B. and M. Keilbach (2004), Entrepreneurship Capital and Economic Performance, *Regional Studies* 38(8), 949–960;
3. Blanchflower, D.G., A. Oswald and A. Stutzer (2001), Latent Entrepreneurship across Nations, *European Economic Review* 45, pp. 680-691;
4. Fritsch, M. & Mueller, P. (2006). The evolution of regional entrepreneurship and growth regimes. In Fritsch, M. & Schmude, J. (2006), *Entrepreneurship in the region*. International Studies in Entrepreneurship, 14. New York: Springer Science;
5. Parker S. C. (2005) Explaining regional variations in entrepreneurship as multiple equilibria, *Journal of Regional Science* 45, pp. 829–850;
6. Tamásy, C. (2006) Determinants of Regional Entrepreneurship Dynamics in Contemporary Germany: A Conceptual and Empirical Analysis, *Regional Studies* 40(4), p364-384;
7. Tsuladze, L. (2008), Quantitative Research Methods in Social Sciences (in Georgian language), Tbilisi, Georgia;
8. Wennekers, A.R.M. (2006). Entrepreneurship at country level; Economic and non-economic determinants. *ERIM Ph.D. Series Research in Management*, Erasmus University Rotterdam;
9. Who want to be an entrepreneur?; <http://www.euronews.net/2010/06/14/who-want-to-be-an-entrepreneur/> 14/06 20:59 CET 2010; last retrieved July 10, 2010;
10. Zurabishvili, Tamar and Zurabishvili, Tinatit (2006), Methods of Social Research, Quantitative Methods(in Georgian language). Tbilisi, Georgia.