



ELSEVIER

Contents lists available at [ScienceDirect](#)

Journal of Comparative Economics

journal homepage: www.elsevier.com/locate/jce

Self-employment, financial development, and well-being: Evidence from China, Russia, and Ukraine

Tho Pham^a, Oleksandr Talavera^{b,*}, Mao Zhang^c

^a Department of Economics, University of Reading, Whiteknights, Reading RG6 6AH, UK

^b School of Management, Swansea University, Fabian Way, Swansea SA1 8EN, UK

^c School of Management, University of St Andrews, The Gateway, St Andrews, Scotland KY16 9RJ, UK

ARTICLE INFO

JEL classification:

J24

J28

O16

Keywords:

Entrepreneurship

Self-employment

Satisfaction

Financial development

ABSTRACT

This study investigates the association between financial development and entrepreneurs' well-being in China, Ukraine, and Russia. We find that Chinese and Russian entrepreneurs have a higher level of well-being, while Ukrainian self-employed individuals have more dissatisfaction. The link between financial development and the utility of entrepreneurs varies as well. The utility differences between the self-employed and paid workers in Russia reduce with financial development and the effect is stronger for job satisfaction. However, financial development barely correlates with Ukrainian entrepreneurs' happiness while having no correlation with life satisfaction of Chinese self-employed. Further investigation suggests that the financial development – entrepreneurial utility association works through both monetary and non-monetary channels.

1. Introduction

Entrepreneurs are typically recognized as successful and iconic figures that are romanticized by the public (The Economist, 2014). They receive support from governments and politicians, and school textbooks praise them. This results in a growing number of startups each year (Bergmann et al., 2016). However, in reality, being an entrepreneur is difficult work because of the high rate of failure. Even successful entrepreneurs face different challenges at various stages of their venture development. Further, it has been observed that entrepreneurs do not have work-life balance and they often neglect their well-being (Louie, 2016). Given the fact that entrepreneurs' well-being is closely related to their business performance and the development of the economy, a large number of studies have examined the factors that affect the satisfaction of entrepreneurs.

Some studies that report the positive relationship between self-employment and well-being discuss it through a number of socio-demographic factors. More specifically, the big-five personality traits that are common among entrepreneurs have a positive influence on their job satisfaction (Heller et al., 2002; Berglund et al., 2016).¹ Entrepreneurial satisfaction is also related to job independence, including flexibility and autonomy in creating and shaping jobs, as well as job self-efficacy (Lange, 2012; Schneck, 2014). Another reason is the lower job expectations experienced by entrepreneurs, which makes the self-employed easier to be satisfied compared to the paid workers (Millán et al., 2013). Self-employed individuals also report less work-related stress (Hessels et al., 2017), which results in a lower level of depression and a higher level of satisfaction (Bradley and Roberts, 2004).

Nonetheless, self-employed individuals are not always happier than wage employees because the level of satisfaction is

* Corresponding author.

E-mail address: o.talavera@swansea.ac.uk (O. Talavera).

¹ Big-five personality traits include extraversion (involves going out with friends and being energetic), agreeableness, conscientiousness (planning rather than being spontaneous), emotional stability, and openness to experience.

<https://doi.org/10.1016/j.jce.2018.07.006>

Accepted 2 July 2018

0147-5967/ © 2018 Association for Comparative Economic Studies. Published by Elsevier Inc. All rights reserved.

determined, not only by employment types, but also by employment motivation. For example, [Block and Koellinger \(2009\)](#) find dissatisfaction among necessity entrepreneurs that experience long periods of unemployment before starting their own businesses. Similarly, Indonesian self-employed individuals are less happy with their jobs than paid employees because of involuntary self-employment ([Kwon and Sohn, 2017](#)). In addition, [Cassar \(2010\)](#) argues that the self-employed in Chile experience higher levels of job satisfaction compared to wage earners only after job protection and occupational hazards are taken into account.

However, characteristics that affect entrepreneurial satisfaction may include factors that are in addition to psychological aspects and work environment. As suggested by [Thai and Turkina \(2014\)](#), entrepreneurship is also closely related to institutional setups and economic conditions, such as economic opportunities and the quality of governance. Thus, one would expect the change in entrepreneurial utility in response to a change in the business environment, such as a growing number of competitors or the increase in growth opportunities. Given that these changes may be induced by financial development ([Bonaccorsi di Patti and Dell’Ariccia, 2004](#); [Beck and Demirguc-Kunt, 2006](#)) and access to finance ([Ayyagari et al., 2008](#)), we aim to examine the relationship between local financial development and entrepreneurs’ well-being.

This study builds upon the work of [Bianchi \(2012\)](#), which first finds that financial development increases the satisfaction of entrepreneurs through a higher level of job independence. However, our study is different in a number of ways. First, [Bianchi \(2012\)](#) notes the positive effect of financial development on entrepreneurial utility via non-monetary benefits, such as job independence. In this study, we argue that financial development may affect the satisfaction of the self-employed through monetary channels, like economic growth, and non-monetary channels, such as easing credit constraints. Second, [Bianchi \(2012\)](#) employs job satisfaction as an indicator of entrepreneurial utility. Given that job satisfaction and life satisfaction are two separate conceptual entities ([Schjoedt and Shaver, 2007](#)), we document both types of satisfaction to provide a broader picture of entrepreneurs’ well-being. Third, results from [Bianchi’s](#) study might be driven by the predominance of individuals in developed countries that have high quality of life and strong economies. In this study, we investigate entrepreneurial utility in the context of emerging economies that have lower levels of living standard and economic development. Fourth, [Bianchi \(2012\)](#) measures financial development at the country-level that may not reflect the development at regional-levels. Instead, we focus on local financial development within a single country to control for (1) country-specific characteristics and (2) the variation in the effect of financial development across regions within a country.

We examine the level of entrepreneurs’ satisfaction in three emerging economies including China, Ukraine, and Russia. We choose these countries for several reasons. First, all three countries have experienced a significant change in entrepreneurship and in financial system following economic reforms in the 1990 s. However, different reform paths were adopted, which results in differences in levels of financial and entrepreneurship development. This provides a unique setting to compare the effect of financial development on entrepreneurial satisfaction. Second, the fast-economic changes in these countries offer an ideal case to test the hypothesis that financial development could affect satisfaction by relaxing financial constraints. It is because the individuals in these countries are less likely to have significant personal wealth for their business ([Earle and Sakova, 2000](#)). Hence, in most cases, they have to rely on external finance during the venture development. Third, data from the World Values Survey suggest that the relationship between financial development and entrepreneurs’ well-being in these countries is in line with the trend in other countries.² Thus, results from our study are not country-specific but can be generalized to other emerging economies.

Data in this study are collected from three sources that include the 2013 China Household Income Project, the 2012 wave of Ukrainian Longitudinal Monitoring Survey, and the 2013 wave of Russian Longitudinal Monitoring Survey. The self-reported level of satisfaction in the surveys allows us to assess individuals’ life satisfaction and job satisfaction.³ These datasets also provide comprehensive information regarding participant demographic factors and information relating to jobs that might affect individuals’ utility. Our estimation sample consists of 3540 individuals in Ukraine, 9712 individuals in China, and 9274 individuals in Russia.

We find that entrepreneurs in China and Russia are generally happier compared to the paid employees, while the opposite is observed in Ukraine. Furthermore, the correlation between financial development and entrepreneurial utility is found to be variable across countries. In China, where entrepreneurs tend to rely on informal finance to fund their businesses, the development of a formal financial sector is not associated with entrepreneurial satisfaction. Similarly, there is little evidence for the correlation between financial development and life satisfaction in Ukraine and Russia. However, the utility benefit at work gained from being entrepreneurs in Russia decreases with financial development despite the increase in income. In contrast, higher income brought by financial development is positively correlated to job satisfaction of Ukrainian entrepreneurs living in rural areas.

Our results suggest that the link between financial development and entrepreneurial happiness at work in Ukraine and Russia is driven by both monetary and non-monetary aspects. The higher level of financial development correlates with improved economic conditions such as higher income that can be regarded as monetary channels. At the same time, greater credit availability and credit supply can relax financial constraints, thus, encouraging individuals to enter self-employment. Consequently, the level of competition in the market will become fiercer and result in more difficulties in running businesses. These changes in the business environment can be referred to as non-monetary channels.

The rest of this paper is organized as follows. [Section 2](#) reviews the literature on occupational choice and entrepreneurs’ satisfaction. [Section 3](#) gives an overview about entrepreneurship in Ukraine, China, and Russia. [Section 4](#) illustrates the empirical strategy and data summary. [Section 5](#) discusses empirical results. [Section 6](#) concludes and provides implications.

² See Online Appendix A.

³ Job satisfaction is reported in the Ukrainian and Russian surveys. Life satisfaction is reported in surveys in all three countries.

Download English Version:

<https://daneshyari.com/en/article/10153665>

Download Persian Version:

<https://daneshyari.com/article/10153665>

[Daneshyari.com](https://daneshyari.com)