

Economic recession leads to increased entrepreneurship, study finds

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(Phys.org) -- The recent economic recession has caused many changes in the business landscape across the country, including high unemployment rates. Due to these high rates and the struggling economy, University of Missouri researchers have found that in recent years the number of Americans engaging in entrepreneurship has risen significantly. Maria Figueroa-Armijos, a doctoral candidate in the University of Missouri Truman School of Public Affairs, says that this trend could be positive for the future.

"We've seen similar trends occur in past economically slow periods that have led to economic booms," Figueroa-Armijos said. "The doldrums in the 1980s led to increased [entrepreneurship](#) and the economic growth in the 1990s."

"From economic stress, great ideas are born," said Thomas Johnson, a professor in the Truman School of [Public Affairs](#) and co-author of the study. "Many large, profitable businesses have been created due to entrepreneurship during economic downturns. Hopefully that will be the case for this period as well."

There are two main types of entrepreneurship: opportunity and necessity. Opportunity entrepreneurship results from perceived business opportunity, while necessity entrepreneurship results directly from a need to create new income streams, due to job loss or pay cuts. The MU researchers examined data from the Global Entrepreneurship Monitor survey and matched the data with locations across the country. They

found that from 2007-2010, the amount of necessity entrepreneurship rose from 16 to 28 percent of total entrepreneurship in the U.S. Figueroa-Armijos says this increase shows the need for increased support of necessity entrepreneurs.

"Currently, there is much more economic support for opportunity entrepreneurs than for people starting their own businesses out of necessity," Figueroa-Armijos said. "With the rise of necessity entrepreneurs during the recession there is obviously a need for more help from lenders and policy makers. These necessity entrepreneurs could create jobs and [economic growth](#) for long-term economic prosperity."

Figueroa-Armijos also found that rural entrepreneurship levels have not decreased during the recession, despite previous research showing that rural areas lack the necessary resources for successful entrepreneurship. Her study also found an increase in entrepreneurship among African Americans.

"These findings offer policy makers an opportunity to permanently increase entrepreneurial involvement of historically under-represented groups," Figueroa-Armijos said. "Considering the decline of rural populations, rural development strategies must be re-examined. Increased support for necessity-driven self-employment not only offers a way of improving the incomes of rural residents, but also provides an [opportunity](#) to create more overall entrepreneurial activity following the recession."

More information: This study was published in the *Entrepreneurship Research Journal*.

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