

**Entrepreneurs in Kalimantan Barat, Indonesia:
Microenterprise owners and own-account workers examined closely**

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Abstract

Based on a survey in rural Indonesia, this research analyses the characteristics of microenterprise owners, wagedworkers and own-account workers in a developing country. I identify significant differences between the groups in certain characteristics, find group-specific character traits and define which attitudes are most prevalent for microenterprise owners, who I compare to entrepreneurs in developed countries. Through the application of the maximum likelihood method I select characteristics which may help to identify potential entrepreneurs. This entrepreneurial potential can be pinpointed, and funded purposefully in order to encourage self-perpetuating growth.

Key words:

Regional economic development

Entrepreneurship

Character traits

I. Introduction

Economic development can be approached on different levels and with different methods. On the one hand, the transformation of developing countries is widely studied by economists on the macro-level, taking into account economic models, which explain the situations in a broad range of countries, accentuating the macro-environment and the institutions of developing countries (Ray, 1998). Additionally, there is a complementary trend towards micro-level approaches (Banerjee, & Duflo, 2011), focusing on targeted poverty eradication. The latter is noted by scholars, such as Stimson et al. (2005) to emphasise the importance of regional economic development and a self-propelling endogenous development mechanism, which leads to an improvement of the local situation. Pennink (2012) refers to this mechanism as “development from within”, highlighting the role of local actors, their networks and capabilities.

One of the key factors in Stimson’s (2005) framework of regional development, and later in Pennink’s (2013) multi-level and multi-actor model, is entrepreneurship; including social entrepreneurs as well as business-creating entrepreneurs. This line of research mainly explains the interdependence between the key factors. It, however, does not illustrate who these entrepreneurs are and how they can be identified. To be able to tackle poverty through targeted support-activities, it is important to have clear knowledge about the background and characteristics of those entrepreneurs. Since communities in developing countries differ to a large extent, micro-level analyses of those entrepreneurs in different areas may help to identify specific characteristics and backgrounds. Overall, multiple micro-studies will be a stepping-stone towards a broader picture on entrepreneurs in developing countries. Such a transition from a micro into a macro approach is promoted by development economists such as Rodrik (2008), who suggest in his work that the combination of the two levels leads to outstanding success.

I aim to contribute to the micro-analysis and firstly examine the term entrepreneurship more closely in the theoretical context of both developed and developing countries. From that I apply the definitions in a practical sense to the city of Singkawang in West Borneo, Indonesia, which has also been part of the Regional Economic Development Support (REDS) program, undertaken by the University of Groningen in the Netherlands, the Netherlands Education Support Office (NESO) in Jakarta, the Bandung Institute of Technology (ITB) and the Ministry of Planning in Indonesia (BAPPNEAS) in 2009.

Since analyses of previous REDS programs have been used to underpin the theoretical framework for regional development, research on entrepreneurs in this particular area can later be clearly embedded into the context of this model. In addition to that, Singkawang is especially interesting for analysing entrepreneurial potential because its labour force seems to be divided into different types of actors from which some appear to be characterized by active entrepreneurial activity while others are rather passive employees. After identifying multiple types of actors in the labour market such as farmers, students with part-time jobs, government employees and housewives, I finally focus on three particular groups.

Firstly, I pay close attention to microenterprise owners, which are apparent all around Singkawang through their businesses. After elaborating on this issue in the literature review, I specify those microenterprise owners as entrepreneurial actors. Further, I use a questionnaire to evaluate if there are certain characteristics, which are typical for microenterprise owners.

Secondly, I focus on two other groups of participants in the labour market, namely official employees, which receive a fixed wage, and self-employed workers who own a business, with no employees. The fundamental idea of owning a business and taking on risks suggests that those own-account workers, might show parallels to microenterprise owners, which I identify to be entrepreneurial. Consequently, to capture the true entrepreneurial potential of a developing society it would be of interest to find out if those own-account workers are actually entrepreneurs with promising potential. In contrast to that, wagedworkers can be perceived as a control group with, theoretically, no entrepreneurial motivation.

This research aims at providing an empirical background on the characteristics of entrepreneurs in developing countries. Additionally, I investigate if informal self-employed workers might actually have entrepreneurial potential. If so, they might constitute a source of unexploited regional development.

I intend to answer the following research questions:

- 1.1 Which characteristics do entrepreneurs in Singkawang have in common?
- 1.2 Do these characteristics and attitudes fit into the literature on entrepreneurship?

- 2.1 Do specific character traits and their extent determine occupational paths?
- 2.2 Are there characteristics by which entrepreneurial potential can be identified?

II. Literature Review

i. Overview and Context

A framework for regional development

As mentioned above, there are two main approaches to economic development, namely the macro and micro approach. The macro-level analysis in development economics focuses on abstractions such as economic growth theories, the poverty-trap, explanations on population growth, and concepts of inequality (Ray, 1998). This approach is accompanied by solution-driven macroeconomic strategies, for example the “big push” (Rosenstein-Rodan, 1964; Murphy, Vishny, & Shleifer 1989). In this context Sachs (2005) and Easterly (2006) are leading the discussion on the rationale of foreign monetary aid, centring upon the macroeconomic viewpoint of development and growth. As Meier and Stiglitz (2001) argue, from the late 1970s onwards development microeconomics started to gain increasing attention (McKee, 1989; Rosenzweig, 2010; Banerjee et al. 2011) and with that the promotion of micro-interventions. The literature on regional economic development is combining these two main tracks. The research on regional development mainly consists of studies concerning developed countries, emphasising the interconnections between public society, institutions, technological innovation, infrastructure and spill-over effects (Eberts 1990; Acs, Anselin, & Varga, 1997; Amin, 1999).

By building a model framework for regional economic development (Salazar, Stimson, & Stough, 2005), Stimson et al. (2005) specify the interdependencies between the involved economic factors. The model consists of quasi-independent variables such as endowment, intervening variables, which are namely the actors, and dependent variables defining the outcome of a regional development process. Their line of research aims at bringing together theoretical methods with practical analyses and is for this reason discussed by Rowe (2009), who combines recent local development concepts with their application. Stimson’s (2011) intervening variables consist of institutions, entrepreneurship and leadership and can be applied to various types of societies. He describes the interrelationship between those as the driving forces towards regional economic development and highlights the idea of endogenous regional development (Stimson, 2011). On this fundament, Pennink (2013) elaborates the framework into an expanded multi-level, multi-actor model, which consists of three layers covering the national, regional and local level of a society.

The intervening variables are interrelated on the different levels constituting a triple helix. It is striking that each layer contains the variable entrepreneurship in different varieties. Likewise does the term take a central part in the framework of Vredegoor and Pennink (2013), who reformulate Simson's model. Moreover, Mitra (2012) pays attention to the interrelation between the different actors and also points out the importance of cooperation with local universities, industry and the local government. He points out that appropriate policy measures are crucial to shape the environment into an entrepreneurial, capacity-furthering setting.

The intervening variables in Stimson's framework facilitate entrepreneurship and with that impel the process of endogenous development. This is the underlying assumption. However, there are more cautious opinions such as the one of Fritsch (2011), who advocates for a more diversified view. He argues that the importance of entrepreneurship in the regional model of development differs across countries and that a self-propelling process of growth form inside cannot be taken as an unquestionable assumption even though the policy environment might match a theoretically optimal situation suggested by Mitra (Matley, & Mitra, 2002).

Micro level perspective

With regard to the actual economic actors in the field, there are three lines of literature analysing own-account workers (Gindling, 2013). Firstly, the comparison of characteristics of entrepreneurs and wagedworkers, secondly research on the extent to which the self-employed are employed by choice and thirdly, the identification and measurement of characteristics of self-employed and the extent to which they are constrained by exogenous factors. This research is inspired by all of those three lines, while trying to extract conclusions, which deepen the conceptual model of regional economic development.

ii. Towards Research Question 1

Central role of entrepreneurship

Entrepreneurship, while taking a central role in regional and local development frameworks, is based on such a multifaceted and broad concept that a whole stream of research is devoted to its definition (Gartner, 1990; Cunningham, & Lischeron 1991; Gerards, & Shaker, 2002; Low, 2009; Kuratko, 2009). Models investigating the relationship between individual factors, fail to address the implications of the factors, especially those of the impalpable term entrepreneurship. Chan (2004) goes back into the history of entrepreneurship definitions,

covering the classical views of Adam Smith (1776) and John Stuart Mill (1848) and touching upon modern definitions of Casson (1982), Drucker (1985), Barreto (1989), Bygrave (1995), Liebenstein (1995) and Gartner (1990). Those all boil down to the Schumpeterian (1934) understanding of an entrepreneur as a innovation-driven, risk-aware actor who introduces new quality standards, methods, innovative ideas into a market. Low (2009) similarly works around the Schumpeterian view, which involves the factor of innovation, however, especially emphasizing the variables ownership and uncertainty bearing. She establishes a multi-faceted definition of entrepreneurship, which I built upon when constructing the questionnaires for Singkawang.

Leaving out the dimension of social entrepreneurship, the OECD working paper of Ahmad and Seymour (2008) defines entrepreneurs in developed countries as “[...] those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets”. Typically, entrepreneurs are characterised as forward thinking, risk-taking, ambitious (Stimson et al., 2005), and self-empowered (Vredegoor et al, 2013). Brandstätter (2011) developed a framework, referred to as “the big five” of entrepreneurial traits, which cover the broad character traits openness, conscientiousness, extraversion, agreeableness and neuroticism. Those are mainly examined in literature of international business. In an empirical sense Leutner, Ahmetoglu, Akhtar, & Chamorro-Premuzic (2014) have recently shown that those broad characteristics cannot be proven empirically in their meta-analysis. This problem of measurement is mainly due to the broadness of the concept. To capture a more narrow view, Burns (2001) lists, additionally to the abovementioned four, more specific characteristics, which are associated with entrepreneurs. Opportunism, self-confidence, pro-activeness and visionary flair are traits which seem to separate entrepreneurs from managers. Additionally, personal background such as education, age, gender, ethnicity and personal attitudes have an important influence.

Taking into account these slightly differing streams, I will firstly identify if entrepreneurs in Singkawang can be associated with entrepreneurs in developed countries. To express a word of caution at this point, I am certainly aware that simplifications are not perfectly reliable since personal attitudes may change over time etc. (Burns, 2001).

Above and beyond, entrepreneurship in developed countries has facets not covered by definitions concerning developed countries.

In the special case of middle and low income countries it has to be taken into account that risk plays a larger role because, the institutional environment may be less supportive in the case that a business fails, for instance no possibility to set up limited liability company. Furthermore, innovation plays a smaller role since activities do not take place on the edge of technology but are rather adopted than developed in those regions. Generally, developing countries suffer from a bad institutional environment. Agency and hold-up problems, inefficient financial and labour markets constitute a variety of obstacles (Mel, McKenzie, and Woodruff, 2008; Naudé, Szirmai, & Goedhuys, 2011).

Taking into account the listed traits and considerations, I develop a questionnaire and investigate if microenterprise owners in Singkawang actually show entrepreneurial characteristics in the sense entrepreneurs in developed countries.

Overall, my first research question is focused on detaching from the classical definition of entrepreneurship in developed countries and analysing what the entrepreneurs of developing countries have in common with each other and how they significantly differ. From answering this question, I see potential for further research in developing a model, which can help to explain how to transform the entrepreneurs in developing countries into more innovation-driven entrepreneurs of developed countries. In this research I only analyse if these entrepreneurial actors even have common traits.

iii. Towards Research Question 2

Identifying potential entrepreneurs

Tseng and Borowitzka (2003) mention that education and training of entrepreneurial economic actors is of major importance. However, it is, despite the availability of definitions, difficult to measure entrepreneurship and easily identify potential, which is then worth supporting. Since no theory has yet been developed that explains or predicts entrepreneurship (Low, 2009), multiple scholars tried to tackle this problem empirically (Hytti, & Kuopusjärvi, 2004; Bianchi, & Biffignandi, Ahmad, & Hoffmann, 2007; Low, 2009; Acs, & Szerb, 2010), finding that efficiently measuring “a level of entrepreneurial activity” and people’s characteristics is problematic (Burns, 2001).

Another approach in this direction was taken by Mel et al. (2008). They analyse self-employed microenterprise owners in Sri Lanka and compare their characteristics to those of employed wagedworkers and owners of medium sized enterprises.

They firstly collected panel data by surveying the different groups of interest quarterly for 2 years. These surveys analyse firm performance, as well as family background, attitudes and psychological questions. Additionally, Mel et al. (2008) exercise a lottery game, which mainly testes for risk-aversion, and a non-verbal reasoning test. All those results are compared by an ordinary logit regression, finding that two thirds of the microenterprise owners shared characteristics with wageworkers rather than with owners of medium sized enterprises. This study does not focus on redeveloped definitions of entrepreneurial characteristics but simply compares groups among each other based on their occupation. Such an approach works well as a model for answering my second question, namely if own-account workers show similarities to microenterprise owners. Based on the questionnaire, I compare the characteristics of microenterprise owners and own-account workers in a similar manner as Mel et al (2008).

III. Practical Background

Microenterprise owners in Singkawang

On the one hand Mel et al. (2008) found that microenterprise owners in Sri Lanka could not be considered to be entrepreneurial, and also Cunningham et al. (1991) warn that microenterprise owners are not automatically entrepreneurs. Gindling and Newhouse (2013) on the other hand consider microenterprise owners to be successful entrepreneurs and contrast them to own-account workers who, as they find, lack entrepreneurial spirit to a large extent. In the case of Singkawang the definition of entrepreneur in developing countries, does appear to apply to microenterprise owners. Since microenterprises are the largest enterprises in the city with only a few exceptions (Singbebas Report, 2010), the owners of those microenterprises are the ones that regularly employ workers on a relatively stable oral contract. Self-employment is highly important in Singkawang and from interviews in the area it became clear that “being your own successful boss” is valued by the local population. The driving factor is not innovation but rather the seeking of personal success and freedom even if one must accept high risk when owning a microenterprise.

Own-account workers in Singkawang

As mentioned above, there is a debate in literature as to whether self-employed workers actually do have the potential to become entrepreneurs. Most own-account workers in developing countries, for example, become self-employed not because of innovative vision

and ambition but because they face unemployment as an alternative. From those who are forced into this type of business only a few are able to develop their own microenterprise. Some, however, actively choose to become self-employed on the smallest scale because they envisage more monetary benefits from it than from wage-work. In this context, Burns (2001) provides a range of examples, which show that many successful entrepreneurs started out with a small project such as a food stall at the local market. In the case of Singkawang those workers take on, for example, reputational risk by starting up a so-called “five-leg-business” which involves acquiring a cart and selling products on the street. This type of business is looked upon as being an inferior working place; it nevertheless comes with substantial profit. Even though the worker could have been easily employed in a more respected job in farming or as a salesman in one of the microenterprises, he or she chooses to pursue the one with higher risk and higher return. In addition to that, I could grasp entrepreneurial spirit of many own-account workers in personal conversations. In those talks it became clear that the reason many own-employed workers do not dare to expand does not lie in the lack of credit or ideas but rather in the risk-averse attitude of family members who pressure the head of the family to focus on the current business and not dream of, for example, a risky expansion.

IV. Methodology and Data

i. General Approach

Questionnaire structure and primary data collection in the field

The characteristics I am investigating are personal attitudes, mind-set and social capital. For that I let each subject fill in a questionnaire which is based on a 7 point Likert scale in which the asked person has to agree or disagree with 25 statements. In the next part the questionnaire asks for personal background, namely for gender, year of birth, years of schooling, occupation, religion, origin, occupation of father and mother, hours worked per day, information on access to capital, and finally a question which asks if the person owns a vehicle and computer with internet access. This additional information goes beyond the scope of the research and I do not include them in the regressions, however they helped me to understand the local community better and therefore ensure that the results are interpreted accurately. To place the subject into one of the three categories, the questionnaire explicitly asks for occupation details. If the person is employed and earns a salary or wage, I categorize

him or her as a waged worker. If the subject owns a business on his or her own with only family members employed, he or she is categorized as an own-account worker. Further, if the person also employs outside workers, he or she counts as a microenterprise owner.

I collected the cross-sectional data in Singkawang through multiple channels. Firstly, I randomly approached people on the street, at work, in shops, at gatherings in the town etc. and let them fill in the questionnaire. In case a person categorized himself as a microbusiness owner, I talked to him to ensure that the person can be actually categorized as an entrepreneur to match my research structure. Secondly, with the help of the regional government I got access to microenterprise owners in a variety of local industries. Thirdly, I handed out questionnaires in larger institutions such as banks to enrich the sample of waged workers with official contracts. Fourthly, I tried to ensure that the sample is as diverse and broad as possible by getting in contact with the local farmers cooperative, as well as government workers, shop and hotel owners, and so called Pedagangs which are unregistered street vendors.

The first research question compares responses of microbusiness owners with all other questions groups. There the overall sample covers 195 responses with 56 microenterprise owners, 37 own-account workers, 82 waged workers, 10 farmers and 10 university students from Pontianak, the next largest city. The second research question was not answered by any farmers or university students and therefore has a sample size of 175. All analyses are carried out in STATA 12.

Characteristics

I designed the questionnaire based on a conceptual model by Burns (2001), which captures the different factors that influence a start-up decision. In addition to that, I took into account psychological questions from Mel et al (2008) and created a questionnaire appropriate for middle-income countries.

The questionnaire is split into three parts. Firstly, Part A covers the categorization of the subject into one of the employment groups. Secondly, the area of antecedent influences is covered by Part C in my questionnaire which investigates personal background and helps me to interpret the results. Finally, I investigate personal character traits through Part B of the questionnaire, which is divided into two groups of questions.

The first group covers entrepreneurial attitude in 8 questions. Five of these questions are based the literature on entrepreneurial attitudes, which in an extreme sense, predicts the following outcomes:

- Entrepreneurs in developed countries are expected not to appreciate working in an environment of familiarity and security as much as non-entrepreneurs.
- Entrepreneurs are not primarily interested in financial subsistence.
- They are happy to be their own boss.
- They think growth is the most important path for a successful business.
- They think it is smart to sell a business right at the point when it is doing well.

Moreover, I added three control questions, which do not have predicted outcomes for entrepreneurs. I ask if the person accepts help from others, if the subject prefers to write down information to get a clear overview of a situation, and finally if the respondent works to pursue long-term dreams. In addition, I control for a significant difference in the average age between the groups because this is what I personally noted while collecting the data.

The second group consists of psychological questions and covers six subtopics with the following expected outcomes for entrepreneurs:

- 1.) A low degree of risk aversion
- 2.) A positive attitude towards life and work
- 3.) The ability to work on several tasks at the same time
- 4.) A high degree of initiative, opportunism and love of competition
- 5.) High responsibility and power motivation
- 6.) High importance of future orientation

In statistical terms, the characteristics constitute the independent variables, which are ordinal and non-dichotomous.

ii. Research Question 1

In the first part I compare the characteristics of entrepreneurs in Singkawang with the entrepreneurial characteristics described by literature. I aim at identifying the character traits of microenterprise owners. For that I firstly run a Wilcoxon-Mann-Whitney test, which is a non-parametric rank-sum test, to see if there is a difference in responses between

microenterprise owners and the rest of the sample. Further, I run a one-sided t-test for mean comparison for those categories, which come out to be significantly different for the two groups in order to find out which group scores higher on which particular category. Since the sample size is by far larger than fifty I apply the central limit theorem and I conduct the t-test, even though the samples are not normally distributed. In each case I compare the significance level of the t-statistic with the Wilcoxon result to ensure consistency.

From the above stated information on entrepreneurial traits, I formulate the following hypotheses with μ_{micro} describing the average score of microenterprise owners, and μ_r is the mean score of the other groups taken together. For all categories the null hypothesis is

$$H1.0: \mu_{\text{micro}} = \mu_n.$$

The alternative hypotheses are individually formulated according to the literature in the following way:

A. Importance of familiarity and security	H1a.a: $\mu_{\text{micro}} < \mu_n$
B. Primarily interested in financial subsistence	H1a.b: $\mu_{\text{micro}} < \mu_n$
C. Not easy to know who are real friends	H1a.c: $\mu_{\text{micro}} < \mu_n$
D. Happy to be own boss	H1a.d: $\mu_{\text{micro}} > \mu_n$
E. Growth is the most important path for a successful business	H1a.e: $\mu_{\text{micro}} > \mu_n$
F. Smart to sell a business right at the point when it is doing well	H1a.f: $\mu_{\text{micro}} > \mu_n$
G. Others consider ideas and action to be detached from reality	H1g: $\mu_{\text{micro}} > \mu_n$
H. Like to try things	H1a.h: $\mu_{\text{micro}} > \mu_n$
I. Make up mind quickly	H1a.i: $\mu_{\text{micro}} > \mu_n$
J. Expecting best outcome in uncertain situations	H1a.j: $\mu_{\text{micro}} > \mu_n$
K. Optimistic about future	H1a.k: $\mu_{\text{micro}} > \mu_n$
L. Looking forward to return to work, while away	H1a.l: $\mu_{\text{micro}} > \mu_n$
M. Persisted to work while others quit	H1a.m: $\mu_{\text{micro}} > \mu_n$
N. Work for personal satisfaction	H1a.n: $\mu_{\text{micro}} > \mu_n$
O. Like to juggle many tasks at once	H1a.o: $\mu_{\text{micro}} > \mu_n$

P. Important to do everything as well as possible	H1a.p: $\mu_{\text{micro}} > \mu_n$
Q. Working harder when competing	H1a.q: $\mu_{\text{micro}} > \mu_n$
R. Important to perform better than other	H1a.r: $\mu_{\text{micro}} > \mu_n$
S. Enjoy planning for others	H1a.s: $\mu_{\text{micro}} > \mu_n$
T. Satisfaction when influencing others	H1a.t: $\mu_{\text{micro}} > \mu_n$
U. Locus of control	H1a.u: $\mu_{\text{micro}} > \mu_n$
V. Knowing where want to be in five years	H1a.v: $\mu_{\text{micro}} > \mu_n$
W. Problems to live for the moment	H1a.w: $\mu_{\text{micro}} > \mu_n$

iii. Research Question 2

The second analysis aims at showing if own-account workers have more in common with either wageworkers or with microenterprise owners. For that I apply a multinomial logistic maximum likelihood method in which the three categories do not follow a natural ordering. The method predicts which occupation the subject is most likely to have with certain personal traits.

Firstly, the score on each characteristic, the independent variable, is associated with one of the three categorical outcomes namely microenterprise owner, own-account worker, wage worker. The logistic model explains the relative effect of the different character traits on the occupation in the following way

$$z = \beta_0 + \sum_{j=1}^j \beta_j \cdot x_j + u$$

Where z is the occupational category, β is the intercept or coefficient, j the number of independent variables, x the score on the independent variable and u the error term.

On this basis I focus on the odds ratios in my multinomial regression model. The statistical program compares the odds of being in one groups rather than being in the other one for each independent variable. This means I set microenterprise owners to be the base and run the regression for own-account workers, which gives me the odds for being either a microenterprise owner or a wageworker for the different characteristics. In other words, the

odds ratio gives the odds of becoming one of the occupational categories over the odds of becoming the base category on the basis of one specific character trait.

From this I will extract if an own-account worker is likely to be a microenterprise owner when the personal score on each specific character trait changes. The traits that show to be significant, actually influencing the prediction for the occupational category, can later be used as an identification indicator for new potential microenterprise owners. To control for this I additionally observe how score changes for wageworkers influence the likelihood of being a microbusiness owner.

To analyse if there are specific character traits, which determined occupational paths, I test the following hypothesis:

$$H2.0: \beta_j = 0$$

In this null hypothesis j stands for the range of all characteristics A to W, the independent variables. It states that all coefficients are expected to be zero in the regression. The alternative hypothesis predicts that the coefficients will be significantly different from zero, namely

$$H2a: \beta_j \neq 0$$

It predicts in words that the occupational path is actually determined by the different character scores. To limit the scope of the research and ensure a better overview, I narrow the alternative research question down to a two-sided alternative hypothesis.

In general it holds that, if the coefficient is larger than zero, in line with an odds ratio larger than 1, it means that a 1-point increase in the score in the character trait category increases the likelihood of the subject staying an own-account worker, holding all other variables constant. On the other hand, a coefficient smaller than zero, corresponding to an odds ratio smaller than 1, means that an increase in the score in the character trait category increases the likelihood of the own-account worker being a microenterprise owner holding all other variables constant. This means the larger the distance of the coefficient to zero, the larger is the impact of a change in score in this particular category implying that this character trait actually influences the occupational path. This characteristic can then be used to identify entrepreneurial potential.

V. Empirical Results

i. Research Question 1

The two tests show that in seven out of twenty-three categories, mean responses differ significantly between microenterprise owners and all other tested groups. In comparison to the other respondents, on average it is more important to a microenterprise owner to be his own boss and to perform better than others on a task. Further, microenterprise owners think that growth is the most important path for a successful business. They, on average, show higher consistency and endurance, persisting to work while others already quit. Moreover, microbusiness owners have a perceived internal locus of control and appreciate exercising influence over others. Those are the main differences in traits between microenterprise owners and other economically active groups in Singkawang, not all entrepreneurial characteristics predicted by the literature on entrepreneurs in developed countries seem to apply in developing countries, only the above-mentioned ones prevail.

One outcome is, however, not in line with my prediction. Literature suggests that entrepreneurs do not pay much attention to job security and familiarity of the working environment. Nevertheless, my results show that microenterprise owners value exactly these factors more than other workers.

Additionally, I find that business owners are on average significantly older than other economically active respondents.

ii. Research Question 2

The chi square statistic of the regression model is 0.0008 and therefore highly significant in testing against the hypothesis that all coefficients are zero. The pseudo R^2 is relatively low with 0.2689, however since it cannot be interpreted such as an R^2 in an OLS, I am cautious in criticising the models bad fit.

Furthermore, I find three significant results for which I reject the null hypothesis. Firstly, an own-account workers who moves up on the score scale in agreeing to that statement that a business should be sold at the point when it is doing well, the likelihood that he or she stays in the category of own-account workers instead of being a microenterprise owner decreases by 0.31 while holding all other variables equal. In other words, the relative risk of being an own-account worker instead of a microenterprise owner is 0.73. This means that microenterprise owners find it notably important to sell a business while it is going well. The same line of reasoning can be applied to the other two significant characteristics meaning that

secondly, microenterprise owners want to perform significantly better than others on a task than own-account workers (odds ratio of 0.46) and thirdly, they feel satisfaction in having influence over others (odds ratio of 0.69). Those three results overlap with the findings of the first research question. From the control analysis I conclude that wage workers pay more attention to financial subsistence than own-account workers (odds ratio of 1.52), are relatively closed minded when they need to try new things (odds ratio of 0.76), do not make up their mind as quickly as own-account workers (odds ratio of 0.67) and have a stronger internal locus of control (odds ratio 1.46).

It is striking that most character traits are not significant. From this I may conclude statistically that the other characteristics are not as relevant for the occupational path because they do not significantly differ across the groups. However, this conclusion has to be viewed with caution considering the simplicity of the model.

iii. Summary of Group Characterisations

Based on my statistical results I am able to point out significant differences in character traits between the three groups in Singkawang.

Firstly, microenterprise owners, being entrepreneurs in the classical sense or not, actually do share characteristics with entrepreneurs in developed countries. In comparison to all others, on average they place more value upon being their own boss, and to perform better on tasks. They think growth is the most important path for a successful business and are willing to work more than others. Furthermore, microbusiness owners are on average more convinced that they influence their current life and future themselves and appreciate it more than the other groups if they can exercise power over others. In addition to that, microbusiness owners in Singkawang appreciate working in an atmosphere of familiarity and security more than the other groups.

Secondly, wagedworkers put relatively more weight on financial subsistence, are not as open-minded as others and take more time for decision making. However, they also have an internal locus of control.

And finally, own-account workers are positioned less extreme than the other two groups. Generally, they are more moderate which might be the reason why they find themselves in a position between having the freedom of being their own boss and regular income in wage work. As one of the reasons why they do not become microbusiness owners with their own employees, leave aside external factors, I put forward that own-account workers do not have as extreme character traits as actual microbusiness owners.

All and above it must, however, be emphasised that own-account workers are most likely stronger influenced by economic pull factors than previously predicted. Nevertheless, there are a few own-account workers who have more entrepreneurial potential than some microenterprise owners, which means their potential can theoretically be indicated by the characteristics I identified to be significantly different for microenterprise owners.

VI. Conclusions

The aim of this research was to provide a quantitative background to the existing theoretical models, namely finding out who these entrepreneurs from Stimson's (2011) model could be in practice and additionally, how to identify entrepreneurial potential among other economically active groups.

To begin, I surveyed the group of microbusiness owners, who can be perceived as entrepreneurs in the context of a developing society. I identified character traits, on which they score significantly different than the other groups. These characteristics are mainly in line with entrepreneurial characteristics as defined for developed countries. Here it is important to note that the range of significant character traits is much more limited than predicted indicating that the scope of relevant characteristics strongly differs between entrepreneurs in developed and in developing countries. While the literature suggests that attitude towards risk should be a major factor determining entrepreneurial potential, I find that attitude towards work, the degree of motivation, the belief in self-determination and the need to exercise power over others might play a larger role in determining if a person will become a microenterprise owner. Besides this, I found that microbusiness owners appreciate working in an environment of security and familiarity which indicated that they are rarely entrepreneurs on their own but that family and personal relationships play a large role in setting up their own business.

Further, I find that compared to the other two groups, wagedworkers show the most conservative, non-entrepreneurial attitude such as being closed-minded towards trying new things and working mainly for the sake of financial subsistence.

Moreover, from this research I conclude that potential microenterprise owners among the own-account workers, who are on average less conservative than wagedworkers and at the

same time score less on typical entrepreneurial characteristics than microbusiness owners, can be identified through the analysis of their work motivation, their attitude towards the timing of selling a successful business, and their need to influence others.

The basic idea in the beginning of the research was to then identify potential which should be supported through channelled funds. For that I found relevant characteristics serving as indicators. In order to obtain significant results in further research, I propose the following suggestions for improvement:

Due to the extent of the research I did not include control variables and instead predicted that all characteristics I tested for should be significant according to the literature. In retrospect I recommend to use less variables, define them more clearly and discuss their positioning in the literature more clearly before predicting which of them will be relevant in a developing context. A focus on less variables with the addition of controls would make it easier to overview the research better, bring about more depth and additionally make the questionnaire shorter increasing the likelihood of people being willing to respond.

Moreover, it would be advisable to firstly start off with a research, which better defines facts such as age, gender and occupation of family members. After controlling for those reliable facts, it should be finally tested for personal attitudes and motivations.

By and large, despite a number of limitations, including practical difficulties, which come along with work in the field (see more in appendix), this research helps understanding people and their situation in developing countries. Starting from this point it is more likely that action plans are developed in a reasonable manner and regional economic development becomes a self-propelling process.

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Appendix

1.1 Table 1

Research Question 1

Average score comparison between microenterprise owners and not microenterprise owners

Characteristic	Wilcoxon P-value	T-Test P-value	Null Hypothesis
Familiarity	0.0220**	diff>0: 0.0089***	H1a: rejected
Financial Subsistence	0.2011	diff ≠0: 0.4222	H1b: not rejected
Importance of being own boss	0.0102**	diff>0: 0.0289**	H1d: rejected
Not accepting help	0.2178	diff ≠0: 0.1356	
Importance of growth	0.0947*	diff>0: 0.0091***	H1e: rejected
Writing everything down	0.0488**	diff>0: 0.1034	
Sell business when doing well	0.0109**	diff>0: 0.0205***	H1f: rejected
Working for long-term dreams	0.7041	diff ≠0: 0.4878	
Ideas detached from reality	0.6385	diff ≠0: 0.5956	H1g: not rejected
Not clear who real friends are	0.2212	diff≠0: 0.1243	H1c: not rejected
Expecting the best outcome	0.4205	diff ≠0: 0.7114	H1j: not rejected
Optimistic	0.7682	diff ≠0: 0.8579	H1k: not rejected
Like to return to work	0.2963	diff ≠0: 0.6114	H1l: not rejected
Like to try new things	0.6195	diff ≠0: 0.3188	H1h: not rejected
Make up mind quickly	0.4815	diff ≠0: 0.3257	H1i: not rejected
Do not save	0.5493	diff ≠0: 0.5423	
Persisted to work	0.0175**	diff >0: 0.0267**	H1m: rejected
Work for personal satisfaction	0.9668	diff ≠0: 0.8065	H1n: not rejected
Like to juggle multiple tasks	0.3617	diff ≠0: 0.4141	H1o: not rejected
Always doing as well as possible	0.7482	diff ≠0: 0.6780	H1p: not rejected
Work harder when competing	0.9739	diff ≠0: 0.7786	H1q: not rejected
Like to plan for others	0.9860	diff ≠0: 0.5269	H1s: not rejected
Perform better than others	0.0177**	diff>0: 0.0057***	H1r: rejected
Satisfaction in having influence	0.0048***	diff>0: 0.0036***	H1t: rejected

Internal locus of control	0.0031***	diff>0: 0.0038***	H1u: rejected
Five year future orientation	0.8565	diff ≠0: 0.4719	H1v: not rejected
Living for the moment	0.6359	diff ≠0: 0.6582	H1w: not rejected
Age	0.0000***	diff>0: 0.0000***	

* significant at $\alpha=10\%$

**significant at $\alpha=5\%$

*** significant at $\alpha=1\%$

for two-sided Wilcoxon test, and for one-sided t-test results

1.2 Table 2

Research Question 2

Display of odds ratios (coefficients) of own-account workers to base respective base group

Characteristic	Base group	
	Microenterprise owners	Wageworkers
Familiarity	0.9021186	1.27909
Financial Subsistence	1.238781	1.521706** (0.4198)
Importance of being own boss	0.9210274	1.035097
Not accepting help	1.000468	1.024195
Importance of growth	0.8985287	0.9415302
Writing everything down	1.110757	1.129462
Sell business when doing well	0.73156** (-0.31257)	0.7982265
Working for long-term dreams	1.154676	1.039629
Ideas detached from reality	0.914077	0.8667852
Not clear who real friends are	1.322156	1.115007
Expecting the best outcome	0.8593108	0.8002949
Optimistic	1.129608	0.8894324
Like to return to work	1.080513	1.133994
Like to try new things	0.8472781	0.76289** (-0.2706)
Make up mind quickly	0.8272378	0.67001** (-0.40045)
Do not save	1.175658	1.185578
Persisted to work	0.9062295	1.212662

Work for personal satisfaction	0.994905	0.8951926
Like to juggle multiple tasks	1.079588	0.911351
Always doing as well as possible	1.156876	0.9463569
Work harder when competing	1.059718	0.88978
Like to plan for others	1.213322	0.7736892
Perform better than others	0.46163** (-0.7729)	1.0643
Satisfaction in having influence	0.69386** (-0.3654)	0.8949904
Internal locus of control	0.9551979	1.46079** (0.3789)
Five year future orientation	1.261855	1.095501
Living for the moment	0.9882765	1.006842

* significant at $\alpha=10\%$

**significant at $\alpha=5\%$

*** significant at $\alpha=1\%$

The coefficient is provided in brackets for significant results.

2. Questionnaire

A Category: SME owner, own-account, wagedworker

1.) Do you work for a company as a wagedworker? Yes ☐ No ☐

2.) Do you have your own business? Yes ☐ No ☐

If yes, is your business registered? Yes ☐ No ☐

If yes, do you have employees working for you? Yes ☐ No ☐

If yes, are your employees all family members? Yes ☐ No ☐

B Entrepreneurial Attitude

Scale 1-7 Please encircle a number

3.) It is important for me to work in a framework of familiarity and security.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

4.) I am primarily interested in financial subsistence.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

5.) I am happy if I can be my own boss.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

6.) I do not like to accept help from others but prefer to do everything myself.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

7.) I think growth is the most important path for a successful company.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

8.) I prefer to write all information down to have a clear overview of the situation.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

9.) I see a business as a temporary investment vehicle.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

10.) I think it is smart to sell my business right at the point when it is doing well.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

11.) I work only to be able to pursue my long-term dreams.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

12.) Others consider my ideas and actions to be detached from reality.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Psychological

Scale 1-7 Please encircle a number

Risk Aversion

13.) I like to try things I am not sure of.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

14.) I make up my mind quickly.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

15.) I do not save money regularly.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

16.) It is easy to know who my real friends are.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Attitude towards life and work

17.) In uncertain situations I usually expect the best outcome.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

18.) I am always optimistic about my future.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

19.) I look forward to returning to my work when I am away from work.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

20.) I can think of many times when I persisted with work when others quit.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

21.) I work for my personal satisfaction not just to feed my family.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

22.) Around 50% of the important things that happen in life involve work.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Task Juggling

23.) I like to juggle many different tasks and projects at the same time.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Initiative & Love of Competition

24.) It is important for me to do everything I do as well as I can.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

25.) I work harder when I compete with others.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

26.) It is important for me to perform better than others on a task.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Responsibility & Power Motivation

27.) I enjoy planning what others should do when I face a group task.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

28.) I find satisfaction in having influence over others.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

29.) I like to have control over things that happen around me.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Future Orientation

30.) I know where I want to be in 5 years.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

31.) I have trouble to only live for the moment without thinking ahead.

Strongly Disagree

Strongly Agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

C Personal Background

32.) Your gender: Male ☐ Female ☐

33.) Year of birth: 19_____

34.) Occupation: _____

35.) Religion: _____

36.) Roots: Local ☐ Immigrated ☐ from

37.) Occupation of father _____

38.) Occupation of mother _____

39.) Hours worked per day _____

40.) Number of non-work hours per day/ free time _____

41.) Have you taken out a loan in the past 5 years? Yes ☐ No ☐

If yes, from a bank ☐ or a relative/friend ☐

42.) Did the house you grew up in have a floor made of earth? Yes ☐ No ☐

43.) Do you have access to a computer and Internet? Yes ☐ No ☐

44.) Have you changed your job in the last 5 years? Yes ☐ No ☐

If yes, what was your previous occupation _____

3. Practical Comments on Limitations

○ Questionnaire

The questionnaire was formulated in formal Indonesian, which is a formal, constructed language not the mother tongue for people of Singkawang. Additionally, even though I gave a lot of thought to the formulations and type of questions in advance, the questions might still not have been clear to the people who were asked to fill in the questionnaire. After all, I had designed the questionnaire before arriving in West Kalimantan and was not aware which questions might be relevant and appropriate for the region. The cultural distance increased the difficulty for the locals to understand the questions the way I meant them sometimes.

The scale from 1 to 7 was often ignored and only 1 or 7 picked, which could have been either a problem in understanding the scale itself or simply a cultural preference for picking an extreme answer relatively to a moderate (3/4/5) one.

○ Entrepreneurial Spirit in Singkawang

Even though in interviews with government and local researchers, it was insisted that microenterprise owners are entrepreneurs, I experienced that it was actually seldom that those microenterprise owners developed a new business model. When giving out the questionnaires, I tried to ensure that those microbusiness owners had added something valuable and relatively innovative to society, however I mostly found that stores are usually all similar (phone stores, convenience stores, Chinese stores, clothing, pharmacies and little restaurants) and so are their owners. So I proceeded with handing out questionnaires to owners who at least create jobs with their business and therefore at least positively influence the economic activity in town. When asking the owners about their competitive advantage in comparison to others, they did not give solid answers (sometimes referred to lower pricing and broader range of products but I could not observe this). Of course there were a few exceptions such as the fruit packaging manufacturer and coffee producer I visited. Overall, it I find it reasonable to question if microenterprise owners can be characterized as entrepreneurs. This problem goes hand in hand with the issue that no measure of the successfulness of a business has been applied. All in all I was not satisfied with the assumption that all microenterprise owners are entrepreneurial after leaving Singkawang.

- **Stable Contract**

There is no such thing as stable contract in this region, which increases difficulty of identifying actual waged workers. Usually, wage workers work on the basis of an oral agreement with a few exception such as in retail banking and governmental positions.

- **Multiple occupations**

In many regions on Borneo it is common to have multiple jobs at the same time implying that often the line between own-account worker, microenterprise owner and wage worker cannot be drawn as clearly as assumed.

- **Gender**

Only 30% of all people who filled in the questionnaire were female. It was often difficult to convince females to fill in their opinions; they usually send me to their husbands to let them fill in the survey even though I asked specifically them.

- **Palm Oil**

There is an overall problem concerning the short-term orientation in West Borneo. Even though the local government is fully aware that regional development in agriculture would decrease poverty of the poorest, namely the farmers, and improve the economic situation long-term, investments in palm oil plantations are of importance for the government due to short-term benefits. In the long term this leads to deforestation and exploitation by large cooperations, which pay a marginal amount as compensation. This business is, however, more attractive for large short-term profits when compared to other business opportunities in the region.