



PRESS RELEASE

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NUS Business School study: Home-based entrepreneurship promotes firm creation and serial entrepreneurship especially for HDB owners

Singapore, 7 March 2019 – A study by the National University of Singapore (NUS) Business School has found that the introduction of the Home Office Scheme (HOS) in late 2001, a home-based entrepreneurship scheme by the Singapore government, has effectively promoted business creation activities, especially those businesses permitted to operate in residential properties.

Compared to other businesses that are not permitted under the HOS, the creation of new businesses under the HOS rose by 23 per cent after the implementation of the pro-entrepreneurship scheme.

According to the study, the effect was most pronounced among entrepreneurs living in Housing Development Board (HDB) flats. The HOS scheme reduces entry cost, which is a barrier to new business creation, and promotes entrepreneurship at home. HOS also affects the quality of newly created businesses under the scheme. The new businesses are larger and have longer survival rates; and new entrants are more likely to become serial entrepreneurs starting second and subsequent businesses.

The study was co-authored by Professor Sumit Agarwal, Low Tuck Kwong Distinguished Professor in Finance, and Associate Professor Sing Tien Foo, Dean's Chair and Director of Institute of Real Estate and Urban Studies (IRES); together with Assistant Professor Song Chang Cheng from Singapore Management University and Assistant Professor Zhang Jian from the Hong Kong Baptist University.

Methodology

The research team looked at firms before and after the new policy reforms were introduced. Data was obtained from the Accounting and Corporate Regulatory Authority on firms created between 1990 and 2015. They then merged the firm database with a unique database of individuals in Singapore who registered new firms.

Under the HOS, there are stipulated prohibited businesses, such as employment agencies, massage parlours, restaurants and retail shops that may cause disturbance to neighbours.

The prohibited businesses were used as a control group, while businesses allowed under the scheme made up the treatment group. Controlling for industry productivity and macro-economic environment, the effects of HOS are examined based on the outcomes of new firm creation before and after the implementation of the new scheme.

Findings

Using housing type as a proxy for entrepreneurs facing financial constraint, the study found that businesses in the treatment group attracted more entrepreneurs living in HDB flats. This indicates that reducing entry cost to start a business is important to encourage firm creation.

The results showed that firms created under HOS have higher productivity, lower risk and a higher survival rate. Newly created firms after the HOS have lower exit rate of 29 per cent relative to other firms created before the HOS. The top five most popular HOS businesses are involved in the following activities:

1. Computer programming, consultancy and related activities;
2. Office administrative and support services;
3. Auxiliary activities for financial service and insurance;
4. Financial service activities that are not related to insurance and pension fund; and
5. Wholesale trade.

Prof Agarwal said, “A key barrier to starting a business is cost, such as space rental and purchase of office equipment. Lowering such fixed costs not only encourages those with limited resources to enter the market, it also enables businesses to operate in a leaner way and survive longer.”

“With lowered barriers, individuals can put concepts into practice with much lower risk than if they had to set up an actual office unit. A discreet home business emboldens entrepreneurs to dare to fail without obvious social consequences,” he added.

Having the option of operating a home-based enterprise showed an increase of 23 per cent of first-time entrepreneurs establishing companies, relative to non-home-based businesses. These new entrants were also 2.3 per cent more likely to open a second and usually larger business, to become serial entrepreneurs.

“It is very encouraging that these firms are not only of good quality, but also display signs of sustainability,” said Assoc Prof Sing. “HOS provides an effective mechanism to help lower entry barriers and increase workplace flexibility if we want to entice an untapped workforce, opening up possibilities for those who would not have entered the market otherwise, to spur entrepreneurial activities and attract more entry into self-employment.”

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perspectives and expertise. We have 17 faculties across three campuses in Singapore, as well as 12 NUS Overseas Colleges across the world. Close to 40,000 students from 100 countries enrich our vibrant and diverse campus community.

Our multidisciplinary and real-world approach to education, research and entrepreneurship enables us to work closely with industry, governments and academia to address crucial and complex issues relevant to Asia and the world. Researchers in our faculties, 29 university-level research institutes, research centres of excellence and corporate labs focus on themes that include energy, environmental and urban sustainability; treatment and prevention of diseases common among Asians; active ageing; advanced materials; as well as risk management and resilience of financial systems. Our latest research focus is on the use of data science, operations research and cybersecurity to support Singapore's Smart Nation initiative.

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The school has consistently received top rankings in the Asia-Pacific region by independent publications and agencies, such as The Financial Times, Economist Intelligence Unit, and QS Top MBA, in recognition of the quality of its programmes, faculty research and graduates.

The school is accredited by AACSB International (Association to Advance Collegiate Schools of Business) and EQUIS (European Quality Improvement System), endorsements that the school has met the highest standards for business education. The school is also a member of the GMA (Graduate Management Admission) Council, Executive MBA Council, Partnership in Management (PIM) and CEMS (Community of European Management Schools).

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