Fear of entrepreneurship: What drives it in Latin America? [1]

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Abstract

This study identifies and quantifies the impact of the principal factors influencing fear of entrepreneurship in five Latin American countries: Brazil, Colombia, Chile, Peru and Mexico. Using the database of the Global Entrepreneurship Monitor (GEM) from 2010 to 2015 and a Logit-Panel regression model, it was possible to identify that the common factor influencing fear of entrepreneurship is self-perception, so the fact that individuals consider that they have the experience, understanding and skills towards starting a business reduced by 20% their fear of entrepreneurship. Gender and single civil status is also important in some countries, so being a female and a single parent raises the fear of entrepreneurship by 6%. These results indicate that business incubators need to work on the personal qualities of service users. Furthermore, regional governments need to take measures to promote female participation in entrepreneurial activities.

Keywords: Entrepreneurship, Behavioral Finance, Fear of Entrepreneurship.

JEL Code: M13, M19

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1. **Introduction**

Over the last few years research into entrepreneurship has been limited to analyzing the relationship between economic growth and the factors which prompt an individual to take the decision to start their own business, as well as determining precisely what these factors are. Research into economic growth began to take place at the beginning of the 20th century, while research into factors underlying the phenomenon of entrepreneurship began to be presented at the end of that century.

The late appearance of research into these topics was due to the unavailability of empirical data. Most recently, from 1997 onwards, the Global Entrepreneurship Monitor (GEM) has become involved in undertaking opinion surveys among entrepreneurs in over 75 countries on diverse continents. This represents a great advance in the availability of information, which can then be employed for research purposes. For this reason, the majority of empirical studies date from the first decade of the 21st century.

The literature covering how entrepreneurs take decisions has highlighted fear of entrepreneurship itself, and this has been studied from the point of view of fear of failure as an inhibiting or motivating factor in whether or not an individual goes on to start a business. However, research into the determining factors of fear of entrepreneurship is still limited.

The term "entrepreneurship" is understood as the act of beginning or starting a task or a business, particularly if risk is present. This definition is rather general, and for the purposes of this study an entrepreneur is defined as one who identifies a business opportunity and organizes the resources necessary to exploit it, taking the associated risks upon themselves. In this sense, fear of entrepreneurship is associated with aversion towards the possible failure of the project.

In 2015 Cacciotti and Hayton carried out an exhaustive review of the literature into fear of entrepreneurship, finding that between 1989 and 2014 only 44 articles dealt with the subject. This was despite that fact that it has been demonstrated extensively in the literature that fear of entrepreneurship is a determining factor in whether or not the business actually gets off the ground.

In a similar vein other reasons exist which make this study relevant. Government, institutions, business incubators and public and private organizations can all focus their programs in order to cover not only the development of a good business idea but how to strengthen certain personality characteristics in order to significantly reduce the fear of entrepreneurship in those working on their business ideas.

The service-based structure offered by the business incubators includes shared office spaces, networking, access to capital, legal and financial assistance, marketing, sales and product development, as well as practical business consultancy (Mian, 1997; Harwit, 2002; Chan y Lau, 2005). However, despite this wide range of services, there is a lack of programs which have the objective of developing the personal skills of the entrepreneur, a key factor in the success of new enterprises. In other words, the assistance offered by the business incubators is focused on the set-up stage, for example the drawing-up of business plans, (marketing, finance and processes among others), accessing low-cost resources, training, consultancy, workshops, mentoring, commercial contacts and preferential financing. This assistance function is considered as a measure for mitigating the risk inherent in setting up a business, as some entrepreneurs fail to implement their idea due to lack of resources. However, many entrepreneurs believe that they fail because they do not have the necessary knowledge, experience or capabilities. Most business incubators therefore offer a solution for the lack of resources, but not for the bad self-perception.

One of the reasons for the continued popularity of business incubators is the probability of success for emergent businesses. The National Business Incubators Association (NBIA) in the US affirms that after three years of incubation businesses have an 80% probability of success, while those which do not go through the scheme have a 25% success rate.

Programs dedicated to the development of entrepreneurship in Latin America are, for the most part, initiated by national governments, which channel social assistance to entrepreneurs through both public and private institutions. In accordance with the Latin American and Caribbean Economic System (2016), those countries with the longest-running social programs are Brazil, Chile, Mexico and Colombia, which are also the countries with a long-run history of business incubators operating in there.

It is also important to state that there is very little focus within public programs on assistance directed towards female entrepreneurship. According to the 2015 Female Entrepreneurship Index carried out by the GEDI (Global Entrepreneurship and Development Institute), 61% of the 77 countries analyzed scored less than 50% for competitive female entrepreneurship. In the statistics for Latin America, Chile led the region in 15th place, followed by Colombia (29), Peru (38), Mexico (41) and Brazil (60).

Another characteristic specific to Latin America is the large number of those who start their own business by necessity as opposed to opportunity. An entrepreneur who creates his business by necessity is defined as one who begins a business as a result of job loss and views this as a path they are obliged to take due to lack of alternative employment opportunities. Conversely, an entrepreneur who creates his business by opportunity is one who starts their business as a result of identifying a gap in the market.

According to the World Economic Forum, in developed, innovation-based economies 78% of entrepreneurs start their business by opportunity, while in efficiency-based economies, which comprise the Latin American countries; this percentage is 69%. In general terms one third of entrepreneurs in Latin America start their business by necessity, and while there is a high level of entrepreneurship there is also a correspondingly high level of business failure, signifying that Latin America is a case worthy of further study.

Given this context, our goal is to identify the factors that drive the fear of entrepreneurship in different Latin American countries based on the GEM database. In addition, and in contrast to previous studies such as that of Samaniego and Reyes (2016), we seek to complement our analysis through the identification of significant differences in the factors between countries. This implies determining whether or not variables such as gender, educational level or age are factors which contribute to increase or decrease the fear of entrepreneurship.

In the next section we present the literature related to fear of entrepreneurship. In the third section we will describe the database and the hypothesis. The methodology will be explained in the fourth section. The fifth section shows the results and robutness cheks, while in the last section we conclude the work.

2. **Fear of entrepreneurship**

The fear of entrepreneurship has been understood in the literature as fear of failure from several different perspectives. The first of these perspectives is the cognitive, and this is activated in response to obstacles which arise in the entrepreneurship process (Morris, Kuratko, Schindehutte, & Spivack, 2012; Cacciotti, Hayton, Mitchell & Giazitzoglu 2016). The second perspective considers the fear of failure as something fixed in the personality of the individual, and which remains unchanged throughout the entrepreneurship process (Mitchell & Shepherd, 2011; Morgan & Spivack, 2016).

Among the decisions made by an individual when confronted with the dilemma of whether or not to start a new enterprise, the intention to begin is the first step in planning the actions that the individual will take in order to reach their goal. According to the cognitive theory, aspects of individual behavior, personal factors and events within the environment affect the intention to act (Wood & Bandura, 1989).

Aspects such as previous experience in the market sector where the opportunity has been identified have been related positively to the intention to start a business, given that this experience gives the individual a perception of greater control over the result that they can achieve from their initiative and greater confidence that they have the qualities necessary to be successful (Cooper, Woo & Dunkelberg, 1989).

From this standpoint Krueger, Reilly & Carsrud (2000) argue that the intentions of an individual to start a business are based on perceptions of the feasibility, desirability and risk involved in the business opportunity: in other words, from a dimensional point of view. In Conroy, Willow & Metzler model (2002) contextual factors were included in the fear of failure, such as those resulting from resources, opportunities presented by the environment, entrepreneurial attitudes and belief and behavior. They identified five dimensions in the fear of entrepreneurship: 1) loss of self-esteem 2) future uncertainty, 3) experiencing shame, 4) compromising third-party interests and 5) letting down other people.

The above dimensions have given rise to a strand of research which studies the impact of the network of contacts an individual possesses; these networks are considered the relational capital which, according to Davidsson & Honig (2003), can constitute an important variable in whether or not an individual starts a business, given that networks of contacts are an important source of knowledge and new ideas (Hoang & Antoncic, 2003).

In 2004, Garcia, Martínez & Fernández carried out a study in order to determine the factors influencing the creation of businesses. Their study was based on empirical research from over 2000 people in Spain, and concluded that the most important factors were the possession of the necessary skills, the understanding of the business idea, the availability of opportunities and the fear of failure. In the same way, a GEM-based study presented by Wagner & Sternberg in 2004 concluded that fear of failure was negatively associated with business's start-up behavior.

Morales-Gualdron Roig (2005) and Arenius & Minnitti (2005), who also carried out studies using GEM-based data, concluded that fear of failure had a stronger negative influence on groups of budding entrepreneurs who were starting their business out of necessity than those who were starting by opportunity, and that among the most significant factors in the decision to set up a business were self-perception, the existence of opportunities and knowing other business people.

Other researchers have explored the relationship between aversion to risk and the probability that the new business will fail. Kan & Tsai (2006), and Caliendo, Fossen & Kritikos (2008, 2009), demonstrated that businesses started by people with a high or low risk aversion have a higher probability of failure than those with only an average risk aversion. This difference is extremely significant, given that the probability of failure drops by at least 20% for those entrepreneurs.

Fear of failure has been studied primarily as an inhibitor in individuals who intend to start a business, and has a negative connotation. Some studies, however, have explored the positive influence in individuals that have an in-depth understanding of their own abilities and how fear works as a motivator for this particular group.

The Mitchell & Shepherd studies (2010,2011), which involved over 120 individuals, found that fear of failure can both impede and stimulate entrepreneurial intention depending on the characteristics of the environment and the particular opportunity as well as the personal perspective of the individual involved.

In their 2011 study, Sepúlveda & Bonilla examined the factors influencing attitudes to risk among Chilean entrepreneurs. The results of the study showed that having confidence in oneself, a high level of education and being a man were variables related negatively to the probability of being an entrepreneur.

In terms of the personality and personal traits of the entrepreneur, various studies have been done which show that confidence in oneself and self-esteem play a crucial role part in both the fear of failure and fear of starting a business. Similarly, Serida & Morales (2011), concluded that the main factors considered by individuals wanting to start a company are business opportunities and the possibility of failure. These results are similar to those obtained by Shinnar, Giacomin & Janssen (2012), who found that the fear of failure reduced entrepreneurial intentions in individuals of USA, China and Belgium. Furthermore, Ekore & Okekeocha (2012) conducted an study in Nigeria and found that self-perception had a significant influence on fear of entrepreneurship.

Other studies have focused on analyzing the factors that influence entrepreneurial intentions, such as that of Arroyo, Del Mar Fuentes & Ruiz (2014), who researched the role of cognitive, relational and socio-demographic factors involved in the business start-up intentions of 27,880 Spaniards. They discovered that cognitive factors including fear of failure, self-awareness and environmental perceptions were the most significant. In 2014 Wood, McKelvie & Haynie carried out an experiment with 120 entrepreneurs based on a similar premise, and concluded that fear of failure moderated the relationship between investment decisions and the amount of new businesses which were started but subsequently closed.

Recently, Kollmann, Stöckmann & Kensbock (2017) demonstrated by way of three experimental studies with new entrepreneurs how individual perceptions about the beginning and early stages of a business activated fear of failure and significantly affected both future entrepreneurial activity and evaluation of a business opportunity.

3. **Sample**

The data for the development of this study have been taken from the Global Entrepreneurship Monitor (GEM). The GEM is an international organization which brings together information related to annual entrepreneurship in individual countries. One way in which information is compiled is through the Adult Population Survey (APS), which consists of random surveys of approximately 2000 individuals in approximately 75 countries[2].

The countries with the largest number of entrepreneurs worldwide are mainly those in Latin America. According to the GEM (2010) report, nine of the fifteen countries with the highest number of entrepreneurs (with over 10% of the population involved in entrepreneurship) are Latin American (Ecuador, Colombia, Bolivia, Uruguay, Brazil, Mexico, Chile, Argentina and Peru). The study also reveals that, according to the statistics on business closure, eight of the seventeen countries with the highest number of business failures are also Latin American (Ecuador, Colombia, Bolivia, Chile, Uruguay, Argentina, Peru and Mexico).

Our sample comprises 121,820 observations from the Adult Population Survey (APS) from the years 2010-2015 related to entrepreneurs in Brazil, Chile, Colombia, Mexico, and Peru. In order to exploit the full information provided by the data, we will use Panel data models. In addition, information will be added related to the percentage of single mothers taken from the Civil Register databases of each country. Similarly, we will take some control variables such as the Gross Domestic Product (GDP) and Emerging Market Bond Index (EMBI+) published by the World Bank.

Table 1 gives the sample composition of the present study according to the number of survey respondents by country and year.

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[2]   Serida, Nakamatsu & Uehara (2008) and Kelley, Bosma & Amoros (2010) explain in detail the characteristics of the GEM database.

Table No1. Composition of the sample

Number of observations by country and year

Country/Year	2010	2011	2012	2013	2014	2015	Total
Brazil	1932	1961	6352	6778	3895	4012	24,930
Chile	6805	6914	1916	5211	4652	4821	30,319
Colombia	10622	9933	5649	3002	7065	6197	42,468
Mexico	2145	2015	1645	2093	2162	4613	14,673
Peru	1703	1579	1495	1464	1698	1491	9,430
Total	23207	22402	17057	18548	19472	21134	121,820
Percentage	19%	18%	14%	15%	16%	17%	100%

Source: GEM. Own Elaboration

3.1 Dependent Variables

Fear of failure has been studied as an impediment to entrepreneurship, it is a form of risk-aversion and is observable when its presence is so significant that it leads to the decision not to start the business at all[3]. For this reason the variable that we seek to analyze in this study is 'Fear of Failure' represented in the survey by the question "does fear of failure prevent you from starting your own business?". Respondents are only able to choose Yes/No, meaning that it is a dummy variable. A 'Yes' answer is equal to 1; while a "No" is equal to 0.

3.2 Independent Variables

With the aim of iddentifying factors influencing the fear of entrepreneurship, eight variables and their corresponding variants and interactions were used: *age, age², self-perception, gender, years of education, years of education², negative entrepreneurial experience, entrepreneurial network, age*entrepreneurial experience, age*education, being a single mother,* the *GDP (Gross Domestic Product) and EMBI (Emerging Markets Bonds Index).* These variables will allow us the identification of country specific factors.

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[3] Arenius & Minniti (2005); Koellinger (2008); Morgan & Sisak (2016)

The first independent variable is *"age"*, which represents the age in years of the individuals surveyed, and at this point it is worth mentioning that age range was restricted to between *18* to *90* years. This variable will be used to verify whether or not there is a relationship between the age of an individual and their fear of starting a business. It is poossible that this relationship does not only occur in a linear way, and for this reason the variable *"age²"* is used, allowing the authors to observe whether or not the statistic remains constant if the relationship between these two variables is inverted for older entrepreneurs.

The independent variable *"self-perception"* is also collected through a dummy variable. This is done by asking the respondents whether or not they believe they have the skills, knowledge and experience necessary to start a business. A value of 1 is awarded if the respondent answers "Yes" to the question and a value of 0 awarded if the answer is to the contrary. This is a key variable, given that self-awareness is the principal competitive advantage of an entrepreneur by necessity.

The *"gender"* of those interviewed is also included in the model as a *dummy* variable. This independent variable indicates whether or not the person being interviewed is female (given the value of 1) or male (given the value of 0). In the case of Latin America in particular the role of women is centered around raising and educating children. It is the male partner who works to maintain the family. For this reason women prefer not to start businesses and to dedicate themselves principally to the family, and this has a significant impact on the fear factor related to female entrepreneurship, unless the women are single mothers and have no other option. The *single mother* variable is ascribed a percentage value according to the birth records in the Civil Register of each country.

The *education* of an individual is relevant due to the fact that the more education a person receives the higher the level of knowledge and ability they have to enable them to better manage their new business; they feel more mature and better prepared. However, in contrast, Sépulveda & Bonilla (2011) showed that the more years of education an individual had the less likely they were to start a businesss. This could be ascribed to age and the importance of the years dedicated to gaining a solid educational background: a younger age is more significant per se than educational level in the fear of entrepreneurship.

Information on this dependent variable is obtained by reviewing the years of education those interviewed had received. Nevertheless, even though an individual might be older, the fact that they are educated to a higher level should be taken into account as it can be used as a tool to help overcoming both difficulties and fear of entrepreneurship. In addition, it is possible that this relationship is not only linear, and for this reason the variable "*years of education^2*" is used, allowing a clearer picture of the relationship between these variables to be seen.

The fact that an individual has failed in a previous business venture can affect his fear to start a new business. In contrast, Cooper, Woo & Dunkelberg (1989) argued that previous experience can give an individual greater confidence in their capacity to be successful in their new venture. This effect is included in the model through the *dummy* variable "*negative entrepreneurial experience*" awarding a value of 1 if the individual has failed in a business venture within the last 12 months and a value of 0 if they have not.

In addition to the above, and due to the increasing importance, relevance and popularity of groups, networks and entrepreneurial associations, it is also important to verify whether an individual who has a strong network of connections with other entrepreneurs feels the same fear of failure or whether this is lessened. In this way the *entrepreneur contacts network* is a *dummy* variable, awarded a value of 1 if the subject knows others who have successfully started a business within the previous two years and 0 if they do not.

The characteristics of an individual can vary from one region to another, and for this reason it is relevant to describe the environment within which an individual has developed his entrepreneurial venture (Acs and Audretsch, 1993). With the aim of including these characteristics particular to each country, we have included the following two variables: GDP and EMBI. GDP refers to the relationship between entrepreneurship and the economic development of the country which has been recognized at international level by official institutions (Minniti, 2012); logic dictates that high expectations of economic grow will generate more confidence for entrepreneurship. However, the opposite effect is also possible if individuals feel no need to start a business for themeselves.

The EMBI variable is the principal indicator of country risk and is calculated by J.P. Morgan Chase; it uses the difference between the interest rate paid by dollar bonds issued by developing countries and those issued by the US Treasury, which are considered risk-free.

Finally we include independent cross-variables, in other words, the interaction of two variables, with the objective of observing the conditionning effect of one variable on one another. The cross-variables that are verified are: *"age*negative entrepreneurial experience"*, *"education*age"*, *"education*negative entrepreneurial experience"*.

3.3 Hypothesis

Given the above analysis, we will focus on proving the following hypotheses:

Hypothesis a. *The older the individual the lower the fear of entrepreneurship.*

Schlaegel & Koenig (2014) suggest that age is one of the most important factors for starting a business, and it is therefore believed to be a variable strongly related to fear of entrepreneurship.

In the same way it is important that an individual believes that they have the skills, knowledge and experience necessary to run their own company in order to decide whether to start a business and to overcome the fear of entrepreneurship. This has been demonstrated in various studies such as those of Arenius & Minniti (2005), Sepulveda & Bonilla (2011), and Ekore & Okekeocha (2012), and leads us to propose the following hypothesis:

Hypothesis b. *The more the individual believes themselves to have the skills, knowledge and experience required to start a business, the lower their fear of entrepreneurship will be.*

Recent research has found that women have a greater fear of failure than men, and for this reason their intention to start their own business is lower (Wagner, 2007; Sanchez Canizares & García, 2010; Hessels, 2011). We therefore seek to verify that:

Hypothesis c. *Women have a greater fear of starting a business in those countries involved in the study than men.*

However, it is important to consider that when a woman is a single mother, she understands the need to start a business to support her family, so in addition to the previous hypothesis, we want to show that:

Hypothesis d. *Women who are single mothers have a lower fear of entrepreneurship in the majority of countries considered in the sample.*

Another aspect worthy of consideration in order to establish the factors behind fear of entrepreneurship is that of education. Previous studies have conclude that the higher the educational level of an individual the greater their belief in their knowledge and capabilities, and this ameliorates his fear of failure. However, research also exists which contradicts the results of these studies regarding fear of entrepreneurship, and this motivates the following hypothesis:

Hypothesis e. *Individuals with a higher level of education have a greater fear of entrepreneurship.*

In recent times the term "rapid failure" has become increasingly important. The term is based on the premise that individuals learn through failure, and those who have previously experienced failure can use this negative experience to avoid comitting the same errors the next time when they start a business. Conversely, however, this negative experience of entrepreneurship can also serve to exacerbate the fear of failure. For this reason we seek to verify that:

Hypothesis f. *Individuals with a negative experience of entrepreneurship, and who have experienced business failure, have a great fear of failing again.*

An individual who knows successful entrepreneurs can experience lowered fear of failure and be more motivated to start a business, turning this variable into an important predictor of entrepreneurial intention (Davidsson & Honig, 2003). This is the reasoning behind the following hypothesis:

Hypothesis g. *Individuals who do not have contact with those who have started a successful business have a greater fear of failure.*

In addition to individual demographic and cognitive factors, there are economic factors related to the environment that may affect the specific decisions entrepreneurs take. Hence, whenever an individual finds stable employment, it is less likely that he will decide to start their own business. On the other hand, however, when there is an economic downturn, large companies seek to reduce costs and one of the ways of doing this is by cutting the number of employees that they have. This leaves former employees seeking to find alternative sources of income and leads them to consider starting a business as a solution to the situation in which they find themselves. This being the case, we seek to verify the following hypothesis:

Hypothesis h. *When a country is experiencing unfavourable economic conditions, fear of failure dimishes.*

4. **Methodology**

The data sample on which this survey is based comprises a panel data. Furthermore, given the situation that the dependen variable is a dummy variable, we decide to use a Logit Panel Data Model and in order to check the robutness of our results we also will conduct a Probit Panel Data (available on request). After applying the Hausman test, we found that it was better to use random effects rather than fixed effects.

In general terms the logistical regression model take the following form:

$$logit \left\{ P(Y_{ij} - \frac{1}{X_{ij}, \beta_j, \beta_{ge}}) \right\} = \beta_0 + \beta_1 X_{ij} + \varepsilon_i \qquad (1)$$

Where:

Y_{ij} = represents the binary random response to the unit j where j=1,…,n, of the group to the power of i, where i=1,…,m.

β_{ij} = is the random intercept term for the i-group.

X_{ij} = is the vector of covariants of interest to the j-unit individual of the i grouping.

β_{ge} = corresponds to the parameter vector of the groups.

ε_i = error term.

Table No. 2 shows the data sources for the variables

Table No 2: Description of the Variables Used in the Model

Variables	Survey Question	Answer Options
Fear of entrepreneurship	Does the fear of failure stop you from starting a business?	Yes, No, No Response
Gender	What is your gender?	Male, Female, No response
Age	What is your age in years?	Numeric response
Business Experience	Have you had a business that failed within the last 12 months?	Yes, No, No Response
Contacts Network	Do you know someone who has started a business within the previous 2 years?	Yes, No, No Response
Self-perception	Do you have the knowledge, skills and experience required to start a business?	Yes, No, No Response
Education	How many years of education have you had?	Numeric response
Age2	Calculated by squaring the age in years	Numeric response
Education2	Calculated by squaring the educational level.	Numeric response
EdadxExpNeg	Calculated by multiplying the Age variable by Negative Experience.	Numeric response
EducationxAge	Calculated by multiplying the Education and Age variables.	Numeric response
NegExpxEducation	Calculated by multiplying the Negative Experience and Education variables.	
Single Motherhood	Data obtained from the Civil Register of each country	Percentage
EMBI	Represents the country risk. Data obtained from the World Bank.	Numeric responnse
GDP	Growth of Gross National Product. Data obtained from the World Bank.	Numeric response

Source: GEM. Own Elaboration

Given the above variables the Panel Data Modelo will be as follows:

$$Fear\ of\ entrepreneurship = \beta_0 + \beta_1 * Gender + \beta_2 * Age + \beta_3 * Negative\ Experience + \beta_4 * Contacts\ Network + \beta_5 * Selfperception + \beta_6 * Education + \beta_7 * Age2 + \beta_8 * Education2 + \beta_9 * (Age * Negative\ Experience) + \beta_{10} * (Self\ awareness * Age) + \beta_{11} * (Education * Age) + \beta_{12} * (Negative\ Experience * Education) + \beta_{13} * Single\ Motherhood + \beta\_12 * EMBI + \beta\_14 * GDP + \epsilon$$

…(3)

5. **Results**

In this section the Logit regression results are presented for the five countries included in the study. The results of the Probit regression for robustness check of the results show the same significant variables, but with slightly decrease in the coefficients. The Probit regression results are available upon request.

5.1 Descriptive Statistics

The average age of survey respondents was 37.1 years and an equal number of men and women took part. From the sample, it was notable that both Colombia and Peru stood out for their high levels of "Self-perception" regarding the skills for setting up a successful business with 61% and 72% respectively. The country with the highest level of "Fear of Failure" is Brazil, with 36%. One statistic which stands out in the sample is that in the majority of countries just over 43% individuals of those interviewed knew someone who had started a business within the last 2 years. Another statistic which is also worth mentioning is that Chile and Colombia score highest for level of education, although none of the participating countries reached an average level of secondary education.

Furthermore, from the correlation matrices we noted that the *"self-perception"* and *"fear of entrepreneurship"* variables were interrelated and showed a high negative correlation, explaining the average of 20% for the dependent variable. The countries with the strongest correlation between these variables are Brazil (29.1%) and Chile (23.55%). In the same way a strong correlation was found between the *"gender"* and *"single motherhood"* variables, so several regressions were run which lead to one of the variables being excluded. Full descriptive statistics and correlation matrices are available upon request.

5.2 Results of the Logit Panel Model

In Appendix 1 the complete results of the Logit random-effect panel regression model for each country are shown, along with a combination of different variables and scenarios. We present the country-specific estimated coefficients along with the standard deviation values given in parentheses.

Four different regressions were carried out for each country with the aim of measuring the impact of each of the variables presented in the model, as well as the following proposed interactive variables: (1) impact of the Age variable; (2) impact of the Education variable; (3) impact of the Single Motherhood variable and (4) integration of all the variables in the model, with the exception of Single Motherhood due the high correlation that it has with the Gender variable. It is worth mentioning that all of the regressions were estimated using the Robust Standard Error with the aim of dealing with heteroscedasticity of the variables.

It should be noted that the only statistically significant variable, with 99% certainty for all of the countries, was *"self-perception"* (all tables in appendices 3 and 4), which is the self-perception of an individual about his skills, knowledge, beliefs and the experience required to start a business. In all cases the relationship with the dependent variable *"fear of entrepreneurship"* is negative, indicating that the heightening of an individual's "self-perception" and belief in their own abilities represents lower *"fear of entrepreneurship"*.

This result demonstrates that *hypothesis b*, put forward in the previous section, is valid; moreover, this result has important implications for the entrepreneur in terms of cognition, as having a heightened sense of self perception and belief in their own abilities can create excessive overconfidence and lead him to start business ventures which have little chance of success.

Another important finding presented in the model is the impact of the *"age"* variable. The latter variable has a positive significance level of 99% in Brazil, Colombia and Chile, indicating that older individuals demonstrate a heightened fear of failure, and this relationship is also true for the other two countries in the study, thus validating *hypothesis a*.

A similar result is seen with the *"education"* variable, which, in the majority of countries, has a positive impact on reducing the *"fear of entrepreneurship"*, and which, in the case of Colombia, is one of the most significant variables.

Among the most high-impact demographic variables, the results show that being female raises "*fear of entrepreneurship*", as does the "*single mother*" variable, and for this reason *hypothesis c* is valid. This is in contrast to *hypothesis d that* states of single motherhood lowers "*fear of entrepreneurship*" due to the need to find a way to secure the daily support for the family, but which is proved to be invalid for the countries in the sample.

For Chile, Colombia, and Mexico, a highly significant variable is whether or not an individual has a network of contacts or whether or not they know people who have started a business within the last 2 years, as this helps to lower the "*fear of entrepreneurship*". This finding validates *hypothesis g*. However, having had a negative experience of entrepreneurship is not a significant variable in any of the countries studied, at least in terms of how it reacts with the education variable, and in fact in Chile it has a lowering effect on "*fear of entrepreneurship*".

One of the significant findings is that education can have a lowering effect on fear of entrepreneurship of up to 10% depending on the business environment in any given country: the greater number of years of formal education an individual has, the lower their fear of entrepreneurship. The proposed hypothesis is true for the countries of Colombia, Peru and Mexico, with the latter having the highest percentage of fear reduction.

With regard to the country environment, the GDP growth variable represents an indicator of the economic environment of a particular country independent of self-perception or the inherent personality characteristics of an individual. For this variable in particular it can be seen that for Chile, Colombia and Mexico, the higher the level of this indicator (in other words if the economic environment of the country is favorable), "*fear of entrepreneurship*" is diminished. For the remaining countries (Brazil and Peru) this indicator was not significant, and, despite the importance of the *EMBI*, the higher the country risk the higher the "*fear of entrepreneurship*".

In the case of Peru, the given results could be attributed to the high degree of informal employment. According to BBVA Research, close to 71% of jobs in Peru are in the informal sector. For this reason the incidence of entrepreneurship is high, and businesses are started regardless of factors such as age, gender or business experience.

In the case of Peru, the only significant variable is *"self-perception"*, where if an individual believes they have the knowledge and skills to start a business they will go ahead regardless other factors.

6. **Conclusion**

We have shown the main factors affecting the fear of entrepreneurship in five Latin American countries (Brazil, Colombia, Chile, Peru and Mexico), among the ones of the highest degree of entrepreneurial activity in the world. We have found that self-perception is the main factor behind the fear of entrepreneurship and it can reduce it on average by about 20%. This result is a double edge sword because entrepreneurs in the region could use it in order to overcome their fear of entrepreneurship and at the same time generate excessive overconfidence.

This finding not only demonstrates the importance of studying and researching the cognitive aspects of the individual personality but also highlights the role of business incubators and governments in designing business incubator programs, supporting entrepreneurs and ensuring the more robust effective training necessary for strengthening the skills and abilities of an individual who wants to start their own business. More importantly, business incubators must make aware entrepreneurs about the potential pervasive effect of excessive overconfidence.

The study also proved the hypothesis that being female increased the fear of entrepreneurship. This was due to the role of women in societies where traditionally men were expected to be providers. Related to this result was the finding that being a single mother raised the fear of entrepreneurship. This result makes clear the importance of establishing programs and public policies that will promote female entrepreneurship and allows women to improve their understanding and self-perception of themselves, as well as their skills.

An equally important result is the relevance of education, as the study shows that the greater the level of education the lower the fear of entrepreneurship. This reinforces the need for public policies which permit access to a quality education for individuals from participating countries, as according to data from the study, the average educational level of those questioned was *"some secondary education",* although this level had not been completed.

More studies need to carried-out in order to find out more conditional factors such as the income of individuals as well as the possibility to enter in more than one line of business. These factors will likely diminish the fear of entrepreneurship and they posit interesting questions such as when and where is it more convenient to start an entrepreneurial activity.

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Appendix 1: Results of Logit Regressions

	BRAZIL			
	(1)	**(2)**	**(3)**	(4)
FeartoEntrepreneurship	Coef.	Coef.	Coef.	Coef.
	(Std Error)	(Std Error)	(Std Error)	(Std Error)
Gender	0.2211***	0.2274***		0.2214***
	(0.02)	(0.02)		(0.02)
Age	0.066***	0.007***	0.007***	0.067***
	(0.007)	(0.002)	(0.002)	(0.007)
BusinessExperience		0.2122		0.069
		(0.13)		(0.15)
ContactNetwork	-0.041	-0.0339	-0.036	-0.0413
	(0.02)	(0.02)	(0.02)	(0.02)
Self-perception	-1.2421***	-1.2177***	-1.229***	-1.2432***
	(0.028)	(0.02)	(0.02)	(0.02)
Education	-0.00012	0.00002	-0.00009	-0.000046
	(0.00007)	(0.0001)	(0.00007)	(0.0001)
Age2	-0.0007***			-0.0007***
	(0.00009)			(0.00009)
Education2		-0.00000008		-0.00000001
		(0.0000001)		(0.00000001)
AgexBusiness Experience	0.00015**			0.0001
	(0.000005)			(0.00007)
EducationxAge	-0.000004*	-0.000004*		-0.000004*
	(0.000002)	(0.0000019)		(0.000002)
Business ExperiencexEducation		-0.000002		0.00001
		(0.0001)		(0.0001)
Single Motherhood			0.7722***	
			(0.10)	
EMBI	0.00024**	0.00022*	0.00011*	0.00024**
	(0.000001)	(0.00011)	(0.00011)	(0.00011)
Constant	-1.11***	-0.1507*	-0.094*	-1.13***
	(0.14)	(0.08)	(0.08)	(0.15)
N	24930	24931	24932	24933
R2	0.0734	0.0712	0.0709	0.0735
Wald chi2	2396.74	2324.72	2313.25	2398.69

Statistical Standard Error Robust in parentheses. *** Significancy at 99%), ** significance at 95% * significance at 90%.

Fear to Entrepreneurship= dummy variable, takes the value of 1 in the case when the individual present fear to fail and 0 otherwise; Gender= dummy variable, takes the value of 1 when is a woman and 0 when the individual is a man. Age= age in years; Business Experience = dummy variable, takes the value of 1 if the individual has had a negative experience in business in the last 12 months, 0 otherwise; ContactNetwork= dummy variable dummy variable that takes the value of 1 if the individual knows someone who has started a business and 0 otherwise; Self-perception= dummy variable that takes the value of 1 if the individual considers that he has the necessary characteristics to start a new business and 0 otherwise; Education= Higher Academic Level; Age2=It is the age in years squared; Education2= Higher Academic Level Squared; AgexBusinessExperience= Result of the multiplication of age in years and the business experience dummy variable; EducationxAge=Result of the multiplication of the higher academic level and the age in years; BusinessExperiencexEducation= Result of the multiplication of the business experience dummy variable and the higher level of education; SingleMotherhood= Represents the percentage of single mothers in the country; y EMBI= Country Risk.

CHILE

FeartoEntrepreneurship	(1) Coef. (Std Error)	(2) Coef. (Std Error)	(3) Coef. (Std Error)	(4) Coef. (Std Error)
Gender	0.2967*** (0.02)	0.3187*** (0.02)		0.2983*** (0.02)
Age	0.0510*** (0.005)	0.01143*** (0.001)	0.009*** (0.0007)	0.049*** (0.005)
BusinessExperience		0.2238* (0.12)		0.1157 (0.17)
ContactNetwork	-0.1763*** (0.02)	-0.1672*** (0.02)	-0.1655*** (0.02)	-0.1725*** (0.02)
Self-perception	-0.9743*** (0.02)	-0.9449*** (0.02)	-0.9480*** (0.02)	-0.9746** (0.02)
Education	0.00018 (0.00009)	-0.00038** (0.00016)	-0.00010*** (0.00002)	-0.00012 (0.00016)
Age2	-0.00038*** (0.00004)			-0.00037*** (0.00004)
Education2		0.00000029** (0.00000009)		0.00000021* (0.00000009)
AgexBusiness Experience	-0.0000002 0.00002			0.000035 (0.00003)
EducationxAge	-0.000056** (0.000001)	-0.000023 (0.000001)		-0.00005** (0.000001)
Business ExperiencexEducation		-0.00026* (0.00011)		-0.00024* (0.0001)
Single Motherhood			0.8203*** (0.07)	
GDP	-0.2864** (0.10)	-0.2989** (0.10)	-0.039 (0.10)	-0.2946** (0.10)
Constant	-1.368*** (0.15)	-0.4329*** (0.11)	-0.3964*** (0.05)	-1.29*** (0.16)
N	30319	30319	30319	30319
R2	0.0584	0.0569	0.0558	0.0587
Wald chi2	2013.20	1989.15	1951.30	2025.03

Statistical Standard Error Robust in parentheses. *** Significancy at 99%), ** significance at 95% * significance at 90%.

FeartoEntrepreneurship= dummy variable, takes the value of 1 in the case when the individual present fear to fail and 0 otherwise; Gender= dummy variable, takes the value of 1 when is a woman and 0 when the individual is a man. Age= age in years; BusinessExperience = dummy variable, takes the value of 1 if the individual has had a negative experience in business in the last 12 months, 0 otherwise; ContactNetwork= dummy variable dummy variable that takes the value of 1 if the individual knows someone who has started a business and 0 otherwise; Self-perception= dummy variable that takes the value of 1 if the individual considers that he has the necessary characteristics to start a new business and 0 otherwise; Education= Higher Academic Level; Age2=It is the age in years squared; Education2= Higher Academic Level Squared; AgexBusinessExperience= Result of the multiplication of age in years and the business experience dummy variable; EducationxAge=Result of the multiplication of the higher academic level and the age in years; BusinessExperiencexEducation= Result of the multiplication of the business experience dummy variable and the higher level of education; SingleMotherhood= Represents the percentage of single mothers in the country; and GDP= Gross Domestic Product

COLOMBIA

FeartoEntrepreneurship	(1) Coef. (Std Error)	(2) Coef. (Std Error)	(3) Coef. (Std Error)	(4) Coef. (Std Error)
Gender	0.2634***	0.2856***		0.2652***
	(0.02)	(0.02)		(0.02)
Age	0.089***	0.009***	0.012***	0.087***
	(0.006)	(0.0017)	(0.0008)	(0.006)
BusinessExperience		-0.069		-0.1971
		(0.10)		(0.21)
ContactNetwork	-0.077***	-0.078***	-0.0711**	-0.083***
	(0.02)	(0.02)	(0.023)	(0.02)
Self-perception	-0.7634***	-0.7297***	-0.7238***	-0.7652***
	(0.022)	(0.02)	(0.02)	(0.022)
Education	-0.00001	-0.0007***	0.00012***	-0.0004***
	(0.00007)	(0.0001)	(0.00002)	(0.0001)
Age2	-0.000094***			-0,0009***
	(0.00007)			(0.00007)
Education2		0.0000003***		0.0000003**
		(0.00000006)		(0.00000006)
AgexBusiness Experience	0.00025			0.0002
	(0.0011)			(0.004)
EducationxAge	-0.000002**	0.000021		-0.000002
	(0.000001)	(0.00009)		(0.000001)
Business ExperiencexEducation		0.00093		0.00009
		(0.0009)		(0.00009)
Single Motherhood			1.89***	
			(0.14)	
GDP	-0.09737*	-0.09975*	-0.0745*	-0.10*
	(0.07)	(0.07)	(0.07)	(0.07)
Constant	-2.19***	-0.606**	-0.8177***	-2.06**
	(0.14)	(0.08)	(0.04)	(0.14)
N	42468	42468	42468	42468
R2	0.0392	0.0363	0.0357	0.0398
Wald chi2	1950.52	1846.4	1817.63	1974.64

Statistical Standard Error Robust in parentheses. *** Significancy at 99%), ** significance at 95% * significance at 90%.

FeartoEntrepreneurship= dummy variable, takes the value of 1 in the case when the individual present fear to fail and 0 otherwise; Gender= dummy variable, takes the value of 1 when is a woman and 0 when the individual is a man. Age= age in years; BusinessExperience = dummy variable, takes the value of 1 if the individual has had a negative experience in business in the last 12 months, 0 otherwise; ContactNetwork= dummy variable dummy variable that takes the value of 1 if the individual knows someone who has started a business and 0 otherwise; Self-perception= dummy variable that takes the value of 1 if the individual considers that he has the necessary characteristics to start a new business and 0 otherwise; Education= Higher Academic Level; Age2=It is the age in years squared; Education2= Higher Academic Level Squared; AgexBusinessExperience= Result of the multiplication of age in years and the business experience dummy variable; EducationxAge=Result of the multiplication of the higher academic level and the age in years; BusinessExperiencexEducation= Result of the multiplication of the business experience dummy variable and the higher level of education; SingleMotherhood= Represents the percentage of single mothers in the country; and GDP= Gross Domestic Product

MEXICO

FeartoEntrepreneurship	(1) Coef. (Std Error)	(2) Coef. (Std Error)	(3) Coef. (Std Error)	(4) Coef. (Std Error)
Gender	0.1167***	0.1322***		0.1154**
	(0.03)	(0.03)		(0.03)
Age	0.0012*	0.001	0.0003	0.0014
	(0.001)	(0.001)	(0.0009)	(0.001)
BusinessExperience		0.2878*		0.4760**
		(0.11)		(0.18)
ContactNetwork	-0.1640*	-0.1790**	-0.1829**	-0.1602*
	(0.03)	(0.03)	(0.03)	(0.03)
Self-perception	-0.5998***	-0.6038***	-0.6014***	-0.6049***
	(0.03)	(0.03)	(0.03)	(0.04)
Education	-0.00006*	-0.00008	-0.0001**	0.00001
	(0.000006)	(0.0002)	(0.00003)	(0.00024)
Age2	-0.000001			0.000001
	(0.000002)			(0.0000001)
Education2		-0.0000003		-0.0000001
		(0.0000001)		(0.00000001)
AgexBusiness Experience	0.00029			-0.008
	(0.002)			(0.004)
EducationxAge	-0.000005**	-0.000004***		-0.000005
	(0.000001)	(0.0000001)		(0.000001)
Business ExperiencexEducation		-0.00013		-0.000011
		(0.0001)		(0.00013)
Single Motherhood			1.11***	
			(0.31)	
GDP	-0.0019*	-0.0012*	-0.001**	-0.0015*
	(0.02)	(0.02)	(0.01)	(0.02)
Constant	-0.55***	-0.56***	-0.46***	-0.577***
	(0.08)	(0.06)	(0.05)	(0.08)
N	12848	12848	12848	12848
R2	0.0178	0.0178	0.0167	0.0184
Wald chi2	281.22	321.82	302	288.6

Statistical Standard Error Robust in parentheses. *** Significancy at 99%), ** significance at 95% * significance at 90%.

FeartoEntrepreneurship= dummy variable, takes the value of 1 in the case when the individual present fear to fail and 0 otherwise; Gender= dummy variable, takes the value of 1 when is a woman and 0 when the individual is a man. Age= age in years; BusinessExperience = dummy variable, takes the value of 1 if the individual has had a negative experience in business in the last 12 months, 0 otherwise; ContactNetwork= dummy variable dummy variable that takes the value of 1 if the individual knows someone who has started a business and 0 otherwise; Self-perception= dummy variable that takes the value of 1 if the individual considers that he has the necessary characteristics to start a new business and 0 otherwise; Education= Higher Academic Level; Age2=It is the age in years squared; Education2= Higher Academic Level Squared; AgexBusinessExperience= Result of the multiplication of age in years and the business experience dummy variable; EducationxAge=Result of the multiplication of the higher academic level and the age in years; BusinessExperiencexEducation= Result of the multiplication of the business experience dummy variable and the higher level of education; SingleMotherhood= Represents the percentage of single mothers in the country; and GDP= Gross Domestic Product

PERU

FeartoEntrepreneurship	(1) Coef. (Std Error)	(2) Coef. (Std Error)	(3) Coef. (Std Error)	(4) Coef. (Std Error)
Gender	0.1135*	0.1167*		0.1135*
	(0.04)	(0.04)		(0.04)
Age	0.0215	0.004	0.0017	0.023*
	(0.012)	(0.003)	(0.001)	(0.012)
BusinessExperience		-0.1830		-0.17
		(0.16)		(0.36)
ContactNetwork	-0.1368**	-0.14	-0.1433**	-0.1371
	(0.04)	(0.04)	(0.045)	(0.046)
Self-perception	-0.7471***	-0.7420***	-0.7422***	-0.7459***
	(0.04)	(0.04)	(0.04)	(0.04)
Education	-0.00013	-0.00016	-0.00025***	0.0002
	(0.0001)	(0.0004)	(0.0004)	(0.0004)
Age2	-0.00021			-0.00029
	(0.0001)			(0.00014)
Education2		-0.0000002		-0.0000002
		(0.0000002)		(0.0000002)
AgexBusiness Experience	-0.0004			0.0003
	(0.002)			0.0076
EducationxAge	-0.000003	-0.000002		-0.0000033
	(0.000003)	(0.000003)		(0.0000035)
Business ExperiencexEducation		0.00024		0.00023
		(0.00015)		(0.0001)
Single Motherhood			0.4751***	
			(0.18)	
EMBI	0.001***	0.00174***	0.00176***	0.00174***
	(0.0004)	(0.0004)	(0.0004)	(0.0004)
Constant	-0.81**	-0.53**	-0.41**	-0.8696**
	(0.27)	(0.18)	(0.13)	(0.28)
N	9430	9430	9430	9430
R2	0.0251	0.0252	0.0249	0.0254
Wald chi2	297.96	299.25	295.27	301.69

Statistical Standard Error Robust in parentheses. *** Significancy at 99%), ** significance at 95% * significance at 90%.

FeartoEntrepreneurship= dummy variable, takes the value of 1 in the case when the individual present fear to fail and 0 otherwise; Gender= dummy variable, takes the value of 1 when is a woman and 0 when the individual is a man. Age= age in years; BusinessExperience = dummy variable, takes the value of 1 if the individual has had a negative experience in business in the last 12 months, 0 otherwise; ContactNetwork= dummy variable dummy variable that takes the value of 1 if the individual knows someone who has started a business and 0 otherwise; Self-perception= dummy variable that takes the value of 1 if the individual considers that he has the necessary characteristics to start a new business and 0 otherwise; Education= Higher Academic Level; Age2=It is the age in years squared; Education2= Higher Academic Level Squared; AgexBusinessExperience= Result of the multiplication of age in years and the business experience dummy variable; EducationxAge=Result of the multiplication of the higher academic level and the age in years; BusinessExperiencexEducation= Result of the multiplication of the business experience dummy variable and the higher level of education; SingleMotherhood= Represents the percentage of single mothers in the country; and EMBI= Country Risk.