Salience of Entrepreneurship: Evidence from Online Business

We study the psychological biases underlying people’s decision of becoming an entrepreneur. Using the entire universe of entrepreneurs on the largest online shopping platform in the world, we find that people are more likely to become an entrepreneur when observing a successful vendor (salient vendor) located in the neighborhood. The new entrants motivated by observing these salient vendors underperform relative to others in terms of sales and the probability of exit, suggesting the entry decision is suboptimal. The identification of the salient vendors is based on a regression discontinuity design exploiting the randomness of the online shop ratings at an internal rating score cutoff. Overall, the results are most consistent with salience theories of choice and cannot be explained by demand shocks, regional development or rational learning.

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Sibo Liu is from Department of Economics at Lingnan University. His research interests include financial economics, empirical IO and digital economy.

Date: 7 August 2020 (Friday)
Time: 14:00 - 15:30
Venue: Zoom meeting
Please join Zoom Meeting, link: https://lingnan.zoom.us/j/97056533400
Language: English

*** All are Welcome ***

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Due date: 8 August 2020