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Funding gap, what funding gap? Financial bootstrapping: Supply, demand and creation of entrepreneurial finance

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Abstract

Purpose

The aim of this paper is to make sense of the “funding gap” by exploring how and why informal entrepreneurial finance is made available to entrepreneurs. By challenging the epistemological and ontological assumptions of the “funding gap”, an enactment perspective of entrepreneurial finance, supported by a social constructionist stance, is proposed in this paper.

Design/methodology/approach

The study on which this paper reports was conducted through a longitudinal fieldwork process. Networks in two Chinese cities, Shanghai and Hong Kong, were chosen because of their differences in institutional context yet exceptionally high level of entrepreneurial activities.

Findings

This paper highlights the active role entrepreneurs play in managing their financial needs in the process of new venture creation. The results show that entrepreneurs are actively managing the demand as well as supply of entrepreneurial finance to narrow the “funding gap”. Furthermore, individuals work to fill the funding gap by creating required start-up capital. In other words, the “funding gap” is not static or concrete; rather it is dynamic, manageable and in many cases is within individuals' power

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The findings of this paper are particularly important to all stakeholders, including policy makers, educators, researchers, entrepreneurs and nascent entrepreneurs.

Originality/value

This paper contributes to the conceptual, methodological and practical knowledge in advancing understanding of the “funding gap”. First, it provides insight into the relationship between entrepreneurs and their environment that shapes the “funding gap”. Second, the findings suggested that a positive, supportive enterprise culture can be particularly useful in driving individuals towards entrepreneurship. Third, in terms of methodology, the author argues that an “inside-looking-out”, interpretive, multi-stage fieldwork and network as unit of analysis is particularly distinctive in revealing the complex process of managing entrepreneurial finance in the process of new venture creation.

Keywords

Entrepreneurialism

Finance

Venture capital

Citation

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