

Title:

Just Do It: A Prescription for Lowering Stress Related to Planning a Business

SUMMARY**Background**

Few studies examine the relationship between mental health and entrepreneurship. This study examines whether entrepreneurs who plan to open a business are more stressed and suffer lower mental health than those who own a business, and whether actually opening a new business could improve these health outcomes.

Methods

This study examined a three-wave longitudinal data collected from urban African townships in South Africa among a cohort of N=1,838 respondents who either were business owners at the time of the interview or who did not own businesses but planned to open a business within 12 months of the interview. Pooled ordinary least squares regressions were used to examine physical and mental health differences between owners and planners, and difference-in-difference-in-differences techniques were applied to examine the differences in changes in health and stress when the respondents transitioned between different states of planning and owning a business.

Results

In pooled regressions, business planners had significantly lower physical health ($p < 0.05$), higher perceived stress ($p < 0.10$), and higher distress ($p < 0.05$). In difference-in-difference-in-differences estimations, business planners who transitioned to business owners (i.e., those who ended up opening a business) experienced reductions in perceived stress ($p < 0.05$) and improvements in general mental health ($p < 0.05$) relative to those who did not open businesses when compared with existing owners who continued their existing business relative to owners who chose to plan a new business. The magnitude of the reduction in stress or improvement in mental health outcomes resulting from opening a business was comparable to the magnitude from a reduction of three or more chronic illnesses.

Conclusions

This study provides new evidence using longitudinal data that transitioning from merely planning a business to actually opening and owning a business not only reduces stress and improves general mental health, but that the magnitude of the effect is fairly large. Public programs to help nascent entrepreneurs take the dive may have the positive externality of also improving the entrepreneur's mental health.

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