UNIVERSITY OF GOTHENBURG
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Share capital impact on the barrier of seriousness and gender equality

-A study made after the reduction of minimum share capital

Gothenburg, May 2013
Bachelor thesis in Accounting & Management
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Abstract

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Title: ***Share capital impact on the barrier of seriousness and gender equality***

Background and discussion: Many countries including Sweden seek to increase entrepreneurship by reducing the administrative burden for small business owners. On first of April 2010, the minimum capital required for setting up a private limited company in Sweden was lowered from SEK 100 000 to SEK 50 000. The reduction has begun a discussion of whether this is good or not. While the purpose of the reduction was to encourage entrepreneurship, some parties argue that a limited company is not always the best corporate form for all entrepreneurs. There is also an ongoing debate about female entrepreneurship where statistics show that more men than women set up an enterprise but that women are slowly approaching the same level as men.

Purpose and contribution: Our purpose with this thesis is to investigate the relation between the reduction of minimum share capital and the barrier of seriousness. We also aim to investigate the effects on gender equality caused by the reduction. Our thesis provides new knowledge, which can be used in practice for future change in legislation of minimum share capital. Our thesis can give an indication of what a future reduction may entail when it comes to the barrier of seriousness and gender equality. Therefore, our study is of both empirical and practical relevance.

Research question: *To what extent is it possible to identify differences in the barrier of seriousness and effects in gender equality after the reduction of minimum share capital?*

Methodology: Empirical investigations in the shape of qualitative interviews with four respondents have been made. The results were then analysed based on a theoretical framework on whether the seriousness among entrepreneurs has changed since the reduction of minimum share capital and also if there are any up to the present unidentifiable relations. The theoretical framework and the empirical study are discussed with our personal reflections in section 7.

Empirics and conclusions: Insolvency is not directly linked to the reduction of minimum share capital and the barrier of seriousness has not been lowered since the reduction either. Neither the number of balance sheets for liquidation purposes nor the number of bankruptcies has increased. Finally, we have not found a significant affect in gender equality caused by the reduction.

Keywords: *Share capital – barrier of seriousness - gender equality - insolvency - limited company*

Preface

The study has been instructive and interesting to implement. We have learned much on our journey and we will include this in future projects. First of all, we would like to thank our supervisor, Andreas Hagberg who has helped us implement this study with his guidance as the study proceeded. We would also like to thank our opponent group for encouraging constructive criticism but especially for their good advice.

Finally we would like to take this opportunity to acknowledge and thank our respondents for their contribution.

Thank you: Inger Kollberg (*PwC*), Gun Sjöstrand (*Refima Revision*), Sven Andersson (*ALMI*) and Harry Goldman (*Nyföretagarcentrum*).

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1. Introduction

In this section we aim to give readers an introduction to our bachelor thesis. It begins with a background so that the reader can gain facts about the subject. The background is followed by a discussion to highlight the problems of the topic and a description of the debates on the topic. The purpose will be presented in section 1.3 in which our research question will be, followed by the contribution.

1.1 Background

It should be easy and profitable to set up and run a business. To increase entrepreneurship, it requires that people to a greater extent perceive entrepreneurship as an alternative to employment (Prop. 2009/10.61). Many countries in Europe are either right now struggling with economic crises with high numbers of unemployment or have battled them in the past. For many countries, including Sweden, it is more or less an ongoing problem. There is also an ongoing debate about the current economic situation, especially among politicians. Different politicians in different countries have varied opinions of how to stabilize the economy and lower the numbers of unemployment. Actions that help small companies to run their businesses or for new companies to establish themselves are key components of the Swedish Government´s strategy for economic growth and increased employment. The Government also aimed to reduce the administrative costs for small businesses due to government regulation by 25 % (Direktion 2007:132). The foundation of the change in law was published in an interim report (SOU 2008:49) which was finished in 2008 and where information about investigations and surveys was presented as well as the reasoning about the capital requirement and the resultant changes that may be necessary if the requirement was changed.

Not only did the report consider economic aspects but also changes in division of men and women. Of all companies in Sweden, 25 % were operated by women and the percentage has been the same since 1997 (SOU 2008:49). Out of these, 94 % referred to the service industry (SOU 2008:49). The distribution between men and women differs from one industry to another. The following table illustrate the choice of corporate form among men and women who ran small businesses in 2008. The table shows that men operated the majority of Swedish limited companies, while the majority of sole proprietorships were operated by women (Prop. 2009/10:61).

Table 1

	Limited company	**Other corporate forms**
Men	59 percent	41 percent
Women	43 percent	57 percent

(Source table: Prop 2009/10:61, own translation)

One of the possible affects of the reduction of minimum share capital is that the private limited company as corporate form would be more accessible for those businesses where the requirement of share capital is relatively small (SOU 2008:49). This reasoning mainly relates to companies in the service industry according to the Inquiry (SOU 2008:49).

On first of April 2010, the minimum capital required for setting up a private limited company in Sweden, lowered from SEK 100 000 to SEK 50 000 (Prop 2009/10:61). The rule applies to all limited companies incorporated and registered after the effective date (Prop 2009/10:61). For companies incorporated and registered before the effective date, the previous rule of SEK 100 000 remains (Prop 2009/10:61). These companies are allowed to reduce its share capital to SEK 50 000. If such action is taken, the new rules must be observed (Prop 2009/10:61). The main purpose of the reduction was to increase employment and economic growth, so by making it easier for small companies to run their business and for new companies to establish (SOU 2008:49).

In 2011, a big increase occurred in the total amount of private limited companies among the newly registered businesses (Företagarna 2012). 43 959 new private limited companies were registered, which was the highest figure ever reported, and a significant increase from previous year, in which the number was 34 708 (Företagarna 2012). A major factor of this increase was that the requirement of minimum share capital was reduced from SEK 100 000 to SEK 50 000 (Företagarna 2012). Another important reason was the abolishment of the audit obligation for the smallest firms in 2010 (Företagarna 2012). It is the reforms that entrepreneurs have been involved in driving forward and increases entrepreneur's opportunities to choose the format in which they want to run their businesses (Företagarna 2012).

1.2 Discussion

Small business owners make significant contributions to their country´s economic activities, in which they operate (Noack & Beurskens 2008). The Ministry of Justice, Justitiedepartementet, seek to reduce the administrative burden for small business owners (SOU 2008:49). Although, the idea of decreasing the minimum share capital for limited companies is unique in its way, Sweden is not the first country to minimize the administrative burden for small business owners. In attempt to modernize the German GMbH (Gesellschaft mit beschränkter Haftung, i.e. limited company), the need for a minimum share capital is one of the most important issues. In fact, since the share capital is money invested in the firm, it cannot be seen as "bureaucratic costs" (Noack & Beurskens 2008). It relies instead up a good foundation for the company to survive healthily (Noack & Beurskens 2008). This matches with the European Parliament that also proposes a minimum capital in its resolution with recommendations to the Commission on the European private company statute (Noack & Beurskens 2008). With lower entry barriers for setting up a limited company, it is inevitable that people are drawn to the same unit in terms of corporate form (Noack & Beurskens 2008). The discussion in question plays a similar role at the European level. However a strongly voiced minority demanded that the minimum capital should be removed completely or lowered to a significantly small amount (Noack & Beurskens 2008). The minority claimed that other EU-member states grant limited companies with no or an insignificant amount of initial capital and continued by pointing out that the current amount of €25 000 in Germany was insufficient when it comes to protecting creditors, while it is a meaningful obstacle for small businesses (Noack & Beurskens 2008). The German Government opted to change the minimum capital by lowering the amount to €10 000 of which only €5 000 has to be made available immediately (Noack & Beurskens 2008). The change shows that the Commission´s tendency of lowering the required amount had set its traces in Germany (Noack & Beurskens 2008).

Van Stel, Storey & Thurik (2007) presented a similar idea for small business owners. To promote and encourage entrepreneurship, countries such as France, Italy and Spain have minimised the administrative burden by reducing the total amount of days that it take to set up a company. France for example, lowered their barriers by reducing the amount of days that it take to set up a business from 53 days to 8 days (Van Stel, Storey & Thurik 2007). With such legislation, by lowering the barriers and reducing the administratives, the countries will move toward new business creations (Van Stel, Storey & Thurik 2007). Governments in Europe have made policies in order to help small businesses to grow. Small adjustments for Small and Medium Enterprises (SMEs) are needed because they create jobs, innovation and they increase competition in a modern economy. It is after all the government's task to promote welfare (Van Stel, Storey & Thurik 2007).

The Swedish Government´s idea of promoting entrepreneurship by lowering the minimum share capital required has raised discussions and debates among different actors. During the assessment process to decrease the share capital, a couple of Swedish banks, among others, had their opinions on whether the reduction was a good idea or not. In the article “Tänk efter innan du sänker företagets aktiekapital” by Handelsbanken, it was said that the reduction made it easier for companies, which today are run as sole proprietorships to take the plunge and set up a limited company. Assumed the rules are followed in Companies Act, a limited company is a safer corporate form when, as an entrepreneur, you will no longer be personally liable for the company´s debts in case of bankruptcy (Handelsbanken 2010).

Although many corporate organizations welcomed the change in law, due to the simplification of starting a limited company, several parties had a somewhat doubtful opinion of the reduction, as mentioned earlier (Handelsbanken 2010). Urban Rydin who works at the Swedish company LRF Konsult posted an article on Swedbank’s website, discussing the pitfalls of lowering these barriers. He argued that the reduction is good or bad depending on the organization and how the owners plan to expand it (Swedbank 2010). A decrease in share capital leads to a reduction in cash equivalents in the balance sheet that can be needed for the company. There is a risk that companies end up near the border to establish a balance sheet for liquidation purposes (Swedbank 2010). Rydin continued describing that many entrepreneurs are tempted to reduce the share capital to the new minimum limit to withdraw tax-free money out of the company (Swedbank 2010). Rydin believed that this is rarely completely tax-free, and that it is a shame because of the fact that capital is eroded from the company (Swedbank 2010). Moreover, Pia Malmqvist, PCM Revision, expressed her opinion about the reduction in the article “Tänk efter innan du sänker företagets aktiekapital” (Handelsbanken 2010). Malmqvist was of the opinion that the reduction to SEK 50 000 is very positive for new enterprises. But like Rydin, she pointed out the pitfall of the reduction. Malmqvist thought that it is important to keep in mind that one can only consume half registered share capital in a limited company. Furthermore she said that it becomes more uncertain when half share capital is equivalent to SEK 25 000 instead of SEK 50 000. If the company has a tough first year with low income, half share capital can be utilized rather fast

(Handelsbanken 2010). The law firm, Lindmark Welinder AB (2010), was on the same track as both Rydin and Malmqvist. Lindmark Welinder AB (2010) shared their opinion regarding the reduction on their website when saying that the new minimum share capital requirement may arise the question of whether the rules on compulsory liquidation in the event of a shortage of capital actually serve its purpose. Furthermore they said that a lower requirement involves a risk of the number of negligent shareholders who continue to carry out loss-making transactions at the expense of creditors increasing. Moreover, Lindmark Welinder AB (2010) argued at the time the statement was published on their website, that the reduction of minimum share capital requirement was likely to be followed by an elimination of the requirement for an auditor-reviewed balance sheet for liquidation purposes. The possible elimination would also be caused by the abolishment of the audit obligation, according to Lindmark Welinder AB (2010), which would mean that the Swedish Government has identified a need to review the rules on compulsory liquidation too. Also Svenskt Näringsliv (2010) published a review statement on their website where they said that they are of the opinion that the accessibility to limited liability company should be taken advantage of.

Even though the debate highlights a few pitfalls regarding the reduction of share capital, parties agree that the lowering of minimum capital makes the corporate form more available to entrepreneurs. Today statistics show that the prediction in the Inquiry, SOU 2008:49, on the reduction corresponds with the outcome when it comes to making the corporate form more available. The report by Företagarna (2012) "Småföretagen draglok i 20 år" viewed an increase in number of new registered limited companies; the share of limited company was more than six out of ten of all corporate forms. The report continued by saying "*Major reasons for the large increase is explained on the reduction of share capital from SEK 100 000 to SEK 50 000 and that abolishment of audit obligation for the smallest businesses in 2010*" (Företagarna 2012, own translation).

Apart from the fact that the number of limited companies has increased, there is also an ongoing debate about female entrepreneurship. In the article "Jämställt företagande verklighet först 2144" by Företagarna (2012) it was said that female entrepreneurship is going way to slow and refers to a study they made where it is said that 29,4% of all entrepreneurs were female. 2005 the number was 28,3% according to the study by Företagarna (2012). Also the article "Kvinnors företagande ökar i snigeltakt", published on the website of Driva Eget (2012), refers to an article by Företagarna (2012) where it was said that we have to wait until next century for gender equality. Female entrepreneurship does not increase at all to the extent that has previously been the impression, according to Driva Eget (2012). Tillväxtverket (2012) published the report "Kvinnors och mäns företagande- Företagens villkor och verklighet" where they showed statistics on female entrepreneurship. In contrast to Företagarna (2012) and Driva Eget, Tillväxtverket was of the opinion that female entrepreneurship has increased rapidly (Tillväxtverket 2012). The statement by Tillväxtverket (2012) was based on statistics from a time period from 1994 to 2010. The statistics in the report by Tillväxtverket (2012) showed that female entrepreneurs are younger and more well educated than male entrepreneurs. It was also said that in contrast to male entrepreneurs, it is more common that female entrepreneurs have another job alongside their businesses (Tillväxtverket, 2012). Also the article "Företagande- något för kvinnor" by Välfärd (2009) emphasised that more female entrepreneurs combine entrepreneurship with another job. The report by Tillväxtverket (2012) continued by saying that it is a higher proportion of women wanting their business to grow in comparison to companies operated by men. Almost eight out of ten businesses operated by women have a positive desire to grow. Companies operated by men are also slightly more likely to grow both in terms of turnover and in terms of number of employees. Businesses operated by women are more likely wanting to grow without increasing number of employees (Tillväxtverket 2012). Even though the existence of debate regarding gender equality, it is yet an under- researched area i.e. the global phenomenon of women's lower proportion in entrepreneurship is still undeveloped (Holmquist & Carter 2009). By the 1990s, female entrepreneurship had become well established on the research agenda (Holmquist & Carter 2009). For example, to highlight female entrepreneurship a project called "The Diana Project" was established in 1999. The project was established in order to raise awareness and expectations among women business owners regarding the growth of their firms (Holmquist & Carter 2009).

1.3 Purpose and research question

We have chosen to include two ongoing debates in Sweden that we find interesting and relevant in our bachelor thesis. The first one is the current debate about the reduction of share capital and the constant attempt to stabilize the economy around Europe, including Sweden. The Inquiry (SOU 2008:49) presented predictions of what a reduction of share capital possibly may affect. Today, more than three years have gone since the legislated reduction and a follow-up on the area has not been done nor is it planned, according to the Ministry of Justice in Sweden. Therefore we find it relevant to investigate if the predictions in SOU 2008:49 reflect the actual outcome. The other debate we find interesting is the one about gender equality, which also is outlined in our Discussion. Statistics show that more men than women set up a business but that women slowly are approaching the same level as men (Företagarna 2012).

Our purpose with this thesis is to investigate the relation between the reduction of minimum share capital and the barrier of seriousness. We also aim to investigate the effects on gender equality caused by the reduction. We will gather information from different sources in order to **collect it in a setting** where we are able to identify, if any, **until now unidentified relations**. Our research question is as follows:

To what extent is it possible to identify differences in the barrier of seriousness and effects in gender equality after the reduction of minimum share capital?

To answer this, we show how the reduction has affected insolvency (bankruptcies and balance sheet for liquidation purposes) and the number of newly registered limited companies including gender equality. This information is gathered from interviews mainly and can give an indication of the seriousness affected and gender equality and help us understand how it is affected. It could also help us find, if any, until now unidentified relations.

1.4 Contribution

No follow-up on the Inquiry (SOU 2008:49) has been written by the Ministry of Justice. Theses we found have either focused on the entrepreneur´s point of view on whether the reduction was positive or negative or focused on share capital as capital protection. With this said we do not want to analyse the reduction from an entrepreneur´s point of view. To capture the phenomenon from another point of view, we will consider subjective judgments from people who work at companies that in turn work with entrepreneurs. We will examine the perceived effects caused by the reduction of minimum share capital and the outcome will be available to others who in turn may use it as a basis for further empirical studies in the same area. This information is of empirical relevance. The new angle of our study involves new knowledge, which can be used in practice for future change in legislation of minimum share capital. Our thesis can give an indication on what a future reduction may entail when it comes to the barrier of seriousness and gender equality. The study can be used as a basis when standard-setters examine the affects of changing the minimum share capital further in the future. Therefore, our thesis also provides a practical relevance. In conclusion, our study is of both empirical relevance and practical relevance.

2. Methodology

The term methodology is about the way to proceed when you do something (Åsberg, 2001). This section will therefore present the implementation of the study and the section is particularly important for the readers to gain an understanding of how the study is conducted and how we have proceeded, as well as the reliability of the study. To begin with, a research approach will be presented, followed by a research design. After that, our collection procedure will be presented. The section concludes with a reflection on the study's methodology. Identified references are reported according to American Psychological Association method. The references will thus be indicated in the body text. More details about the references will be found in the "References"-section. All economics terms are translated according to FARs dictionary, 14th edition.

2.1 Research approach

We prepare the empirical study by setting the theoretical framework first. The advantage of developing the theoretical framework first is to gain a deeper understanding in the subject. Moreover, this also helps us to ask questions of relevance to the study in order to analyse if the practice differs from the theory. In order to find and investigate appropriate theories on our thesis, we have mainly used the database, *"Google Scholar"* but also *"Emerald"* and *"Science Direct"*. The key words we have used include: *"Minimum share capital"*, *"Gender equality"*, *"barrier + impact on entrepreneurship", "woman/female entrepreneurship"*. When finding a relevant article we also look at the chosen article´s list of references and go further to find more relevant articles for our study. We choose a method in the theoretical framework where we select headlines that are based on several articles where we select relevant information. Thus, we do not use all information in selected articles. We choose this method instead of researching the total of a few theories. An alternative to this would be to immerse ourselves in a model-based theory instead of a few different theories. The advantage for our choice is to explore the phenomenon from different angles, perspectives and authors. A model-based theory can in many cases be perceived as legible but since we strive for a “wider” theoretical framework, it is more appropriate to focus on a few theories instead of a model-based theory.

The knowledge of the empirical study is created by the fact that different approaches reflect different knowledge of the phenomenon one wishes to investigate. The phenomenon can have characteristics that are qualitative or quantitative (Åsberg, 2001). To get a wide and a credible research, a broad theoretical framework had to be made. To increases the width and to get more subjective judgments, it is important to choose relevant respondents with knowledge in our specific area that are able to answer our questions. An important aspect is to choose the method that suits our research question the best, which is a qualitative study in which we find more appropriate than a quantitative study. Our justification of the choice is linked to the scope of our thesis. Given our research question and the fact that no follow-up has been written by the Government, subjective judgments from interviews are necessary in order to investigate the question. The strength of the method is that a qualitative study demonstrates the overall situation, that is a picture that enables a greater understanding of the research question (Holme & Solvang 1997). Close encounters of the phenomenon create through such investigations and give a better understanding of the respondent´s reality. A qualitative method is also characterized by flexibility (Holme & Solvang 1997), which in our case means that we can create our own guide to the interview survey and there is also room for changes in the design. The disadvantages of a qualitative method is that, given the resources and the need for information at a glance, this method leads to a concentration on a few units (Holme & Solvang 1997). One usually chooses a sample and in our case we have our chosen respondents. On the other hand, the approach illustrates the phenomenon from different points of view, which strengthens our choice of method. An alternative to a qualitative approach is a quantitative one. A quantitative approach standardizes information through effective information gathering. This in turn also enables generalisation (Holme & Solvang 1997). The weakness is that there is no guarantee that the procedures only collect relevant data for the study (Holme & Solvang 1997).

2.2 Research design

We have chosen to use main headings outlined in the theoretical framework, the empirical study and the analysis to provide a well-structured impression, a feeling of security and for the readers to get a better scan in the chosen problem areas. The only exception is in the theoretical framework where the framework starts with an additional outline; Introduction- limited company. Selected headlines are:

- Share capital- impact on entrepreneurship
- Share capital and insolvency
- Minimum capital- a barrier of seriousness
- Gender

In section 4, we aim to give account for the empirical results from conducted interviews with chosen respondents. We have chosen to present the respondents in the empirical study and the analysis by their company names instead of their personal names. The reason for this is that our respondents belong to different interest groups, and it is of greater interest for the readers to learn about the different opinions from different interest groups. The respondent´s answers are their own subjective responses and therefore not equivalent with the company´s standpoint in the areas.

2.3 Empirical study – collection procedure

When it comes to conducted interviews with selected respondents, we use the same headlines as a starting point when we formulate our questions and discussion topics. Before the interviews we send our questionnaires to the respondents a few days in advance in order to give them time to prepare themselves but also to let the respondents determine if they would be appropriate for an interview. The benefit of this method implies a more thoughtful answer from our respondents.

Even though we send fixed questionnaires to our respondents we aim for a *discussion* regarding our questionnaires. We consider the word *discussion* more appealing because it removes the formal edge of it. Because of this, we also find it easier to ask follow-up questions but also connect the responses from our respondents to theories during the interview, letting them commentate and take a standpoint regarding the theories. The design of our questionnaires are directly related to our research question and purpose as we aim for subjective assessments on the given areas. The questionnaires can be found in the Appendix.

2.3.1 Respondents

We consider an audit firm to be appropriate since we need an audit´s point of view when it comes to insolvency, barrier of seriousness and private limited company as a corporate form. Another reason why we consider an audit firm is to get answers to our questions excluding the aspects of the abolishment of the audit obligation. The clients that turn to an audit firm for help and advice have made an active choice of buying services provided by an audit firm. Therefore, the answers we will receive automatically will not be affected by the abolishment of the audit obligation. We choose to turn to one of the *"Big Four"* audit firms, *PwC*. To increase the reliability of the empirical study and to get a broader point of view from an audit's perspective in order to capture the phenomenon, we also got in contact with a smaller audit firm named, *Refima Revision.* Here we want to capture even more aspects and angles. By including a smaller audit firm, the credibility of the outcome also increases. Our third respondent is *Nyföretagarcentrum*, which is a Swedish foundation that promotes business creation and entrepreneurship with advice. We consider them to be essential to include in the study to fill the gap of knowledge regarding selected topics in section 2.2. Last, given that the reduction has involved many actors in the Swedish business community, it is justified to involve the state-owned company, *ALMI*. *ALMI´s* mission is to promote growth through funding and advice. It is therefore essential to include *ALMI* in our empirical study, because our research is limited to small and medium sized companies in Sweden. Both *Nyföretagarcentrum* and *ALMI* are one of the first parties new entrepreneurs meet when setting up a business and therefore have a good insight. Information from these parties is essential for us in the investigation of our research area.

Inger Kollberg currently works at PwC as an authorized auditor. She has worked at PwC since 1988 (including a break for studies) and has been working as an authorized auditor since 2004. Gun Sjöstrand is an approved auditor at Refima Revision and she has worked at Refima Revision for 11 years. Harry Goldman is the Chief Executive Officer (CEO) of Nyföretagarcentrum and has been active in the company since 1985. Our respondent, Sven Andersson, currently works at ALMI Företagspartner Väst as a Credit Director. Andersson has worked as a Credit Director for four years but has more years of experience in ALMI for example as an Regional Director. All respondents are aware that this is a public document and we have been given permission to publish their names in the thesis.

2.3.2 Loss of respondents

We also contacted two more auditing firms in order to get more reflections and points of view on the reduction of minimum share capital. Unfortunately one of them did not have time due to the high season. The other estimated that he could not add anything in the discussion.

2.4 Reliability and Reflections

Reliability is a concept used exclusively in qualitative terms (FAR Komplett 2011). Information is reliable if it does not contain any material misstatement and is not biased (FAR Komplett 2011). Personal interviews are made for a subjective assessment of how the reality is perceived. Therefore, one has to keep in mind that the answers we receive are not general and objective but subjective. This, we are well aware of and our desire as we strive to get an idea of how the selected respondents experience the capital reduction based on their profession. To ensure our representation and thus improve the credibility of the interviews we record them to the extent possible. To improve the credibility to a greater extent we make personal interviews face-to-face as far as it is possible in order to notice the respondent's body language and reaction to our questions. Out of four interviews we made one over the phone. How this phone interview affects the reliability is hard to say but worth mentioning is that it can only be one who conducts the interview. During this interview we did not have any chance to record the interview which may entail misunderstandings, misinterpret or that we do not have the respondents fully attention.

Authenticity is a concept, which deals with the study giving an accurate picture of reality (Bryman 2011). Because our empirical study is based on interviews and the respondent´s point of view on reality we believe that the authenticity in our study is high.

It may be argued that the thesis does not include enough respondents to get a wide enough position and therefore deteriorate the reliability and authenticity of the survey. We are aware of the fact that it is difficult to find any general opinion gathered from our respondents due to the number of interviews. As we mentioned in section 2.3.2, we planned to have more interviews. Because of loss of respondents and due to the time limit we choose to focus on the interviews we did had and get a deeper analyse of the empirical study.

We are aware that the financial crisis of 2008 may have affected both number of start-ups, number of bankruptcies and balance sheets for liquidation purposes. We do not aim to investigate possible effects that the financial crisis of 2008 might have had since it is not a part of our purpose and will therefore not be included in either the theoretical framework or the empirical study. However, after completion of our study we felt the necessity to give a thought to possible affects of the financial crisis anyway. These reflections can be found in section 7.1.

3. Theoretical framework

In this chapter we aim to give the reader basic information about private limited companies. We also present the theories that will be used when understanding and analysing the empirical study. The initial section describes what applies regarding limited companies. The next sections will deal with how capital affects entrepreneurship, insolvency and the barrier of seriousness. The final section deals with gender, which is divided into separate sections to ease reading.

3.1 Introduction – limited company

A private limited company is one of the most used corporate forms in Sweden. One can practically say that a limited company is composed of its shares. The shares are tradable and can be distributed freely between hands (SOU 2008:49). To set up a limited company, a few requirements must be met. ABL defines the first one as "share capital". The requirements for a private limited company are as followed:

If the share capital is in SEK, it should be at least 50 000 (ABL 1 chapter, 5§). If the share capital is distributed among multiple shares, every share represents an equal part of the share capital. The shareholding in the share capital represents the ratio value (ABL 1 chapter, 6§). The share capital can then both increase and decrease, but not under the minimum limit. The share capital can either be paid in liquid assets or property other than liquid assets, such as contribution in kind (SOU 2008:49).

Moreover, according to ABL 1 Chapter 3§, another feature is that part owners are not personally responsible for limited companies' obligations, which means that they do not risk losing their private personal belongings during the investment.

3.1.1 Capital protection

Capital protection is legislated in ABL and is based on the share capital (Andersson 2010). Owning a limited company means as mentioned above that the owners do not need to meet the company's payment obligations, which in turn means that the owner´s private finances are separate from the business's finances (Andersson 2010). Justification for the rules of share capital of ABL is thus a protection for the company's creditors (Andersson 2010). According to ABL, it is therefore reasonable to require a share capital from those who want to use this corporate form (SOU 2008:49). If the traders do not wish to provide this share capital, there are other types of corporate forms they can choose between, but unlike a limited company, with a personal obligation to company debts (SOU 2008:49). Share capital also serves as buffer function, a kind of "cushion" for the creditors if the companies perform poorly (Andersson 2010). In line with this, according to Andersson (2010) who in turn refer to ABL, 25 chapter 13-20 §, compulsory liquidation can be considered if half of the share capital is exhausted.

3.1.2 Abolishment of the audit obligation

Like the reduction of the minimum share capital was made to simplify for small business owners, the abolishment of the audit obligation had the same purpose. The reason for this change in law was that the government, through various reforms, wanted to cut unnecessary administrative burdens and reducing costs for businesses (Småföretagarnas riksförbund 2011). The change in law regarding the abolishment of the audit obligation came into force on First of November 2010 and applies to companies that meet two of the three following conditions: net turnover is less than SEK three million, not more than three employees, and the company's total assets are below SEK 1.5 million (SOU 2008:32). With the amendment, small businesses (which meets two of the three requirements) are not required to have an auditor and are therefore not obligated to pay the audit cost (Småföretagarnas riksförbund 2011).

3.2 Share capital- impact on entrepreneurship

Economic activity is moving from large, existing companies toward small and new ones (Verheul & Thurik 2001). The developed countries are undergoing a fundamental change, moving from a managed economy toward an entrepreneurial economy (Audretsch & Thurik 2001. referred in Verheul & Thurik 2001). "*Entrepreneurship seems to be a driving force in economic development. However, entrepreneurship itself cannot be a determinant of growth*" (Wennekers & Thurik 1999. referred in Verheul & Thurik 2001 p 11). The Inquiry, SOU 2008:49, refers to representatives of small businesses who emphasises that the capital requirement of SEK 100 000 for some small business owners constituted a barrier for the corporate form limited company, especially for businesses within the service sector. According to the Inquiry a consequence of the reduction of minimum capital requirement would be that it attracts entrepreneurs from another corporate form, for example sole proprietorship (SOU 2008:49). The Inquiry (SOU 2008:49) notes that the goal of the reduction was not to increase the number of limited companies at the expense of other forms of businesses (SOU 2008:49).

The definition of entrepreneurship is complex and a multidimensional concept. To understand the concept it is necessary to deconstruct the concept into its components and attributes. Entrepreneurship characteristics are smallness, innovation, deregulation, competition, cooperation, motivation, variation and turbulence (Wennekers & Thurik 1999 & Audretsch & Thurik 1999, 2001. referred in Verheul & Thurik 2001). The deregulation and variation are essential dimensions and that the low barrier should enable a wide range of entrepreneurs to enter the market. Diversity in terms of processes, products, forms of organization and targeted markets should lead to a selection process where customers have the choice of freedom to choose according to their own preferences. (Verheul & Thurik 2001). Thus, no group of potential entrepreneurs should experience any kind of barrier for setting up a business (Verheul & Thurik 2001).

Miola (2005) discusses the minimum capital requirement and is of the opinion that the main criticism to legal minimum capital is that it creates excessive obstacles for new competitors entering the capital market (Enriques, Macey n 2, 1199 et seq, referred in Miola 2005). With other words, when the minimum capital requirement is fixed at a level too high (Armour 371 et seq. referred in Miola, 2005). According to Miola (2005) the lower amount of minimum capital constitutes a feature of the limited company, which tends to satisfy the need for simplification. However, it is not capable of serving as a criterion for the selection of corporate forms in accordance with the business' characteristics. Generally it may be held that a lower minimum capital requirement encourages small businesses along with other factors, to adopt the corporate form. Meanwhile, the higher minimum capital required for the public company tends to restrict the use of such companies to firms of more significant company size. (Wiedemann n 21, 565; Portale n 20, 24 et seq; Schmidt, Gesellschaftsrecht 2004. referred in Miola 2005).

3.3 Share capital and insolvency

According to Bankruptcy Act (SFS 1987:672) first chapter 1-2§§, a debtor who is insolvent shall following his own or a creditor's petition be declared bankrupt, unless otherwise provided. Insolvency means that the debtor cannot legally pay his debts and that this inability is not merely temporary (Bankruptcy Act SFS 1987:672).

Bankruptcy is a procedure that aims to equitably distribute a company's assets among the company's creditors, unlike compulsory liquidation, which is a way to wind up a company (Sandberg 2007). Liquidation can be carried out voluntarily or due to the requirements in ABL (Sandberg 2007). One of the reasons for compulsory liquidation is when the share capital does not meet the requirements in ABL, i.e. when the equity is less than half registered share capital. If the company's equity is less than half of the registered share capital, the Board must take certain actions (Sandberg 2007). As the capital shortage is a fact the company has the opportunity to spend some time closing the equity gap (Sandberg 2007). If this is impossible, the company must decide on liquidation (Sandberg 2007).

When there is reason to believe that the company's equity is less than half of the registered share capital the Board is incumbent to immediately establish and allow the company´s auditors to review a balance sheet (ABL Chapter 25, 13 §). If the Board does not prepare a balance sheet, they will be personally liable (FAR Komplett 2011). The balance sheet is the tool that shareholders and Board members must have as a basis when they decide whether the company should continue operating or go in liquidation (FAR Komplett 2011). It is not lack of capital according to the annual account that will be crucial for decisions on the company's obligation to compulsory liquidation but it is the balance sheet that constitutes the basis for the decision (Sandberg 2007). If the balance sheet shows that the company's equity is less than half of the registered share capital, the Board must issue the summons as soon as possible an annual general meeting to consider whether the company should go into liquidation (FAR Komplett 2011). This constitutes the initial inspection meeting (FAR Komplett 2011). If the balance sheet that has been presented at the first meeting does not show that equity at the time the meeting was at least estimated registered share capital and the meeting has not decided that the company should go into liquidation, the shareholders have eight months to heal equity gap (FAR Komplett 2011).

Within this period, the annual general meeting must re-examine the question whether the company should go into liquidation (FAR Komplett 2011).

The minimum initial capital required constitutes a certain level and an indication when the business is getting close to insolvency. The article "*An analysis and critique of the EU.s minimum capitalisation requirement*" (Ewang 2007) reviews the case for and against the capital maintenance doctrine. As an argument for the minimum share capital requirement, Ewang (Whitworth 1887. referred in Ewang 2007) says that the fundamental function of the legal capital regime is the protection of creditors but also that a legal minimum requirement reduces the risk that the corporation will default on its debts. Furthermore, Ewang (2007) highlights the minimum requirement as a protection from insolvency. Even though it is undeniable that the minimum capital requirement does not eliminate the risk of insolvency, it does tend to prevent it (Ewang 2007). Thus, it protects involuntary creditors in advance (Miola; Mulbert-Birke; Cf Manning Bayless & Hank Jr 1990); Enrigues & Macey. referred in Ewang 2007).

Another argument for minimum share capital requirement, according to Ewang (High Level Group of Company Law Experts, note 6. referred in Ewang 2007), is that it functions as a guarantee of the capital adequacy; i.e. ensuring the adequacy of a company´s assets for its entrepreneurial activity. The imposition of a minimum capital requirement bears a conjunction to the capital maintenance principle by serving as a minimum initial level for the capital that is to be maintained. To reduce the risk of early insolvency this capital requirement is assumed to protect creditors in the sense that preserving the initial capital (Hansard. referred in Ewang 2007). The legal capital has a preventive function, by itself, and is supposed to work as a red flag, an alarm, for creditors when liabilities threaten to exceed assets (Miola 2005). With other words, when there is a danger that the company will become insolvent (Miola 2005).

The fundamental task of legal capital is to realize a barrier of seriousness for the business, avoiding or reducing the risk of the formation of enterprises with absolutely insignificant net assets (Miola 2005). Thus, the risk that the company may become insolvent shortly after formation as a result of lacking a solid foundation is therefore decreased (Lutte 2004; Schön 2002; High Level Group; Group of German Experts on Company Law 2003; Krüger, Mindestkapital & Gläubigerschutz 2005. referred in Miola 2005). Miola (2005) express the minimum capital through shareholders' contributions as a sort of admission ticket for the privilege of limited liability. The rules regarding minimum capital requirement aim to ensure that the amount of legal share capital is covered through contributions that are adjusted and suitable for increasing a company's net assets (Miola 2005). Miola (2005) presents more criticism when saying that the obligated annual general meeting, in the event of serious loss of capital where the loss is equivalent with half or more of called-up share capital are not immediate and may not give an early warning of an imminent financial crisis (Cheffins et seq; Davies 1985; Wymeersch. referred in Miola 2005). Furthermore, Miola (2005) says that this is further the case because of the relatively low amount of legal capital requirement means it is quickly exhausted by losses and therefore cannot prevent the company's insolvency (Hertig. referred in Miola 2005).
The Inquiry (SOU 2008:49) note that the lower the capital requirement is, the greater is the risk of the company entering into an involuntary liquidation situation, i.e. a situation where half of the share capital has been consumed, forcing the board to act in accordance with the provisions dealing with involuntary liquidation.

3.4 Minimum capital- a barrier of seriousness

The Inquiry (SOU 2008:49) says that a minimum capital requirement is an entrance barrier. This barrier ensures that an entrepreneur has a well-developed business idea and that he is prepared to commit capital. In comparison with no limit at all, the barrier is a way to reduce the risk of the corporate form being used for illegitimate purposes such as economic crime (SOU 2008:49). Even though the capital requirement does not prevent misuse of the corporate form by itself, but the requirement could constitute a certain barrier for people who *wish* to set up a private limited company for illegitimate purposes (SOU 2008:49). The Inquiry (SOU 2008:49) advocate the need for a lower limit in order to reduce risk for limited companies being used for illegitimate purposes. The Inquiry (SOU 2008:49) shows the reasoning when the minimum share capital rose from SEK 5 000 to SEK 50 000 in 1973. When the limit was set to SEK 5 000 it was pointed out that it enabled for illegitimate purposes and that the limited company as corporate form significantly was used to achieve tax benefits (SOU 2008:49).

As with the Inquiry (SOU 2008:49), Ewang (Miola. referred in Ewang 2007) thinks that the capital requirement acts as a barrier to formation where the minimum capital requirement also may serve in preventing the abuse of the privilege of limited liability but also a prevention of frivolous incorporations. In conclusion, Ewang (2007) means that it is the combination of the minimum capital requirement and limited liability that constitutes a break on frivolous formation of business enterprises. Despite this reasoning, that minimum capital tries to prevent the formation of frivolous incorporation, Ewang (Kahn-Freud. referred in Ewang 2007) also says that it opens up for “horrendous consequences” for smaller companies. It may be argued that the imposition of minimum capital requirement is not desirable for small enterprises in the sense that since it is intended to prevent frivolous incorporation, it acts as a barrier for small and undercapitalised businesses preventing their entry (Kahn-Freud. referred in Ewang 2007).

Ewang (Van der Elst 2002. referred in Ewang 2007), discussing the minimum capital requirement of EU legislations, is of the opinion that the legislations are significantly too low to provide any real security for creditors. Furthermore, “*it was argued even if these amounts were raised as is the case with most EU Member States, many small corporations may be unable to raise the minimum cost and thus cannot be formed as limited companies”* (Van der Elst 2002. referred in Ewang 2007 p 26). This reasoning would lead to a consequence where any meaningful initial capital requirement would constitute a barrier or obstacle in the formation and start-ups of companies, which could constitute difficulties for new competitors to enter the market (Ewang 2007). A long-term effect of this is that the risk of monopolies would increase. (Van der Elst 2002. referred in Ewang 2007). Ewang (2007) also reason against a minimum paid-up capital and emphasise difficulties creating an appropriate requirement. Ewang (2007) argues that the minimum capital requirement is discriminatory in the 2nd EU Directive. Apart from the fact that the 2nd EU Directive only is applicable to public limited companies and not private limited companies, Ewang (2007) is of the opinion that a minimum capital may create an important cost of error. So by legislators and regulations ”guess wrong” and set capitalization levels too high or too low (Ewang 2007).

Even though this relates to the 2nd EU Directive for public limited companies, the same reasoning can be applied regardless what the minimum capital limit are referred to; whether it is for public limited companies or for private limited companies. If the capital requirement is set too high, there is a possibility that it would impede desirable new entries and permit existing industries to charge monopoly prices (Ewang 2007). With this reasoning, the practical ground of the difficulty of setting an appropriately level of minimum capital requirement for different industries and the problems of enforcement may reflect its efficacy questionable (Freedman 2000; ABA-ALI, MBCA ANN 1971. referred in Ewang 2007). Ewang (2007) means that The 2nd EU Directive by and large is a ”one-size-fit-all”-concept and that it is ”(...) *less effective and often less restrictive in the sense that they are not tailored to the specific financial and industrial characteristics of the company involved*” (Cf La Porta et al 1998. referred in Ewang 2007 p 27).

Armour (2006) questions the mandatory legal capital rules. It is argued that legal capital does no longer constitute an appropriate concept when it comes to safeguarding the interests of creditors (Armour 2006). This is most obvious as it regards mandatory rules, which impose a “one-size-fits-all”-concept that is likely to be over-regulatory (Armour 2006). Also Miola (Enriques, et seq. referred in Miola 2005) criticizes the level of minimum capital requirement by saying that the legal capital is based on mandatory rules that are too challenging and strict for some enterprises. Armour (2006) emphasises the fact that a minimum capital requirement imposes an ”entry price” for limited companies and that the consequence is most likely to be felt on small enterprises. According to Armour (2006), an effect of the attractive reduction of risk in a limited company, which the entrepreneurs are offered, is that it could be associated with the ease of obtaining limited liability. A minimum capital requirement might deter individuals from engaging in entrepreneurial activities because of lack of sufficient resources to meet a minimum capital requirement (Blanchflower and Oswald 1997. referred in Armour 2006). Legal capital rules are a form of primitive regulatory technology (Armour 2006). This would most likely generate more costs than benefits, especially when it comes to minimum capital legislations (Armour 2006). The rules impede entrepreneurs’ ability to gain access to limited liability. The restrictions imposed by such rules are unlikely to be appropriate for all companies (Armour 2006).

3.5 Gender

3.5.1 Introduction

Female entrepreneurs are still underrepresented but the share of female entrepreneurs is growing (Holmquist & Carter 2009). Wealth creation, innovation and economic development are promoted by growth of women's enterprises in all countries. One example of how wealth creation, innovation and economic development have been promoted is through a project called The Diana Project. In order to raise awareness and expectations of women business owners regarding the growth of their firms the project was established 1999 (Holmquist & Carter 2009).

There are a few areas where male and female diversity is to be seen in a direct way and that will, most likely, influence the amount and composition of financial capital (Verheul & Thurik 2001). Diversity in gender equality is to be seen in following areas: experience and education, networking, sector, firm size, time spent on running a business and entrepreneurial characteristics (Verheul & Thurik 2001). These factors lead to a result in female entrepreneurs, to a greater extent, have a lower requirement of start-up capital in comparison to male entrepreneurs (Verheul & Thurik 2001).

3.5.2 Experience and education

According to Brush (1992. referred in Verheul & Thurik 2001) there is a difference between male and female entrepreneurs in the factor "experience and education". It is the *type* of education that differs, not the *level* of education. The article stresses that women are more likely to have an education in the area of economic, administration or commercial and that they often are more specialised in personal services for example teaching, sales and administration (Van Uxem and Bais 1996 referred in Verheul & Thurik 2001). Male entrepreneurs on the other hand more often have completed a technical education and are more likely to be experienced in fields like management, sciences and technology. They also tend to have more industry experience, experience with human resource and financial management and the application of modern technologies (Fisher et al 1993; Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). Also Acker (2006) is on the same track as Verheul & Thurik (2001) regarding experience in job when saying that secretaries, clerks, servers, and care providers are still primarily women (Acker 2006). Acker also says that women are starting to be distributed in organizational class structures in ways that are similar to the distribution of men (Acker 2006).

3.5.3 Networking

Another factor is networking. One important reason for network activities is to improve the entrepreneur`s view on his goals but also to broaden their view on how to reach their goals and future activities (Verheul & Thurik 2001). There is no significant difference in networking between male and female entrepreneurs (Verheul & Thurik 2001). The article of Verheul and Thurik (2001) refers to a statement by Brush (1992 who in turn refers to Aldrich 1989), saying that the network size and composition may differ. Women usually engage in smaller networks consisting primarily of women while men spend more time developing and maintaining networks (Cromie & Birley 1990. referred in Verheul & Thurik 2001). Women often have other obligations and activities outside the business, which is at the expense of formal and informal networking (Verheul & Thurik 2001). This leads to the fact that women spend less time on networking than men (Moore and Buttner 1997. referred in Verheul & Thurik 2001). Moreover, the members of both formal and informal networks are not always open to accepting women (Verheul & Thurik 2001). Having a large network may imply a greater chance to exchange relevant information (Verheul & Thurik 2001). According to Verheul and Thurik (2001) female entrepreneurs spend less time networking than male entrepreneurs. This could deprive them of important information and knowledge concerning the acquisition of finance, Verheul and Thurik says (2001).

3.5.4 Sectors

Male and female entrepreneurs work in different sectors (Verheul & Thurik 2001). Women are most certainly to be found in the service industry (SOU 2008:49). And within sectors women are more likely to be found in supporting jobs (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). Women are overrepresented in the retail- and service sectors, primarily personal services (OECD 1998. referred in Verheul & Thurik 2001), which imply relatively small initial investments and a small requirement of financial capital (Verheul & Thurik 2001). Men on the other hand are overrepresented in manufacturing, financial services and wholesale trade (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). As mentioned earlier, one of the possible effects of the reduction of minimum share capital is that the private limited company as corporate form would be more accessible to those businesses where the requirement of share capital is relatively small (SOU 2008:49). This reasoning mainly relates to companies in the service industry according to the Inquiry (SOU 2008:49).

3.5.5 Size

Female and male entrepreneurs differ in the way they finance their companies in which women tend to have a smaller amount of start-up capital (Verheul & Thurik 2001). Generally much attention is paid to female entrepreneurs and their problems when it comes to financing their business (Verheul & Thurik 2001). One possible reason for this may have to do with the size of their business; the start-up size of businesses operated by women is often smaller than businesses operated by men (Carter & Rosa 1998; OECD 1998; Stigter 1999. referred in Verheul & Thurik 2001). A few reasons for this are brought forward in the article of Verheul and Thurik (2001). One reason is that female entrepreneurs have a smaller amount of equity capital available because of earlier experiences when it comes to jobs and salary payments but also because family property more often is registered in the name of the husband (Verheul & Thurik 2001). Another reason is that women often start their business in an industry where the capital requirements are relatively low, for example the service sector (Verheul & Thurik 2001).

When it comes to company size, women generally have smaller businesses than men (Verheul & Thurik 2001). One can say that there is a correlation between the smallness of female entrepreneurial activity and the sector of their business (Verheul & Thurik 2001). In previous research, supported by national and international statistics, it appears that female entrepreneurs tend to run smaller businesses than male entrepreneurs, measured by number of employees and turnover (Holmquist & Carter 2009). As mentioned earlier, women are more likely to operate in the service sector where there are low entry barriers, high competition and low profit margins (Verheul & Thurik 2001). Their smallness proves in several ways, for example, a small amount of start-up capital (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). Van Uxem and Bais (1996. referred in Verheul & Thurik 2001) also says that female entrepreneurs more often consider their business as a secondary source of income, the business is not the only means of earning a living. One possible reason for this is that most female entrepreneurs have an earning partner according to Van Uxem and Bais (1996. referred in Verheul & Thurik 2001). The main business objective of male entrepreneurs is growth so that they can take part of the expected and increasing returns (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). While growth is a primarily goal for most male entrepreneurs, it is only a secondary goal for female entrepreneurs (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001).

3.5.6 Time spent on running a business

A fifth factor where diversity in male and female entrepreneurship is to be seen is the time they spend on running their business (Verheul & Thurik 2001). The proportion of female entrepreneurs are low, women are less active as entrepreneurs than men are, regardless of cultural and political contexts (Minitti et al. 2005 referred in Holmquist & Carter 2009). More than half of the operating women have other activities besides running their own business, like being employed or taking care of their families (Stigter 1999. referred in Verheul & Thurik 2001). Of those female entrepreneurs who work part-time in their business, approximately half is part-time entrepreneur due to household activities. In comparison to female entrepreneurs, only a small percentage of the male part-time entrepreneurs have similar obligations (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). Verheul and Thurik (2001) say that women often try to combine work- and household responsibilities, which means that women by and large only are entrepreneurs part-time. Also Acker (2006) is of the opinion that women have more obligations outside work than men which may constitute an obstacle for women spending time required on the "main job" (Acker 2006). Part-time entrepreneurship often goes together with a smaller company, which in turn means relatively few investments and a small requirement of financial capital (Verheul & Thurik 2001). But a part-time entrepreneurship may also give the impression that the business is not important or successful enough to merit all the entrepreneurs' resources (Verheul & Thurik 2001). This reasoning can entail negative affects when it comes to external financing (Verheul & Thurik 2001). A bank, for example, can be expected to be more cautious when deciding whether or not to invest in the business (Verheul & Thurik 2001). In conclusion one can say that female entrepreneurs have several tasks; "double assignments" as expressed in the article of Verheul and Thurik (Loscocco 1991; Tigges & Green 1992. referred in Verheul & Thurik 2001).

3.5.7 Entrepreneurial characteristics

The final factor is entrepreneurial characteristics (Verheul & Thurik 2001). By and large, men value their own entrepreneurial characteristics higher than women, especially when it comes to risk taking, industry and technological knowledge. (Van Uxem & Bais 1996. referred in Verheul & Thurik 2001). Verheul and Thurik (2001) think that the lack of confidence of female entrepreneurs in their own entrepreneurial capabilities may be attributed to a relatively negative self-perception (Hofstede 1991. referred in Verheul & Thurik 2001). The fact that female entrepreneurs, according to Verheul and Thurik (2001), have less confidence in their entrepreneurial capabilities leads to the start-up of smaller companies with a requirement of a small share capital (Verheul & Thurik 2001). Brindley (2005) refers to Slovic (1987) who argues that almost every study of risk perception has come to the conclusion that men seem to be less concerned about risk than are women. Chung (1998, referred in Brindley 2005) shares the same opinion as Slovic (1987, referred in Brindley 2005), pointing out that men tend to make more risky judgements than women. Chung (1998, referred in Brindley 2005) supports the point by explaining that men and women processe information differently from each other. Therefore it is a difference in the approach to risk cues, in which women assign more weight to risk cues in the matter that women are more detailed information processors than men (Chung 1998, referred in Brindley 2005). Chung (1998, referred in Brindley 2005) also discovered that women are more risk averse than men.

Another diversity in entrepreneurial characteristics is on the area of financing their business. Some state that female entrepreneurs make more use of their own resources and less of debt financing (Verheul & Thurik 2001). Money borrowed from friends and family is an exception (Carter & Rosa 1998; Honig-Haftel & Martin 1986; Neider 1987; Hisrich & Brush 1987; Olm et al 1988; Johnson & Storey 1993. referred in Verheul & Thurik 2001). The cause for the diversity in men and women in this area may depend on access to formal sources of debt financing, for example banks, private financial institutions and informal financial networks (Olm et al 1988; Riding & Swift 1990. referred in Verheul & Thurik 2001).

Though Holmquist and Carter (2009) in their article "The Diana Project: pioneering women studying pioneering women" say that there is little difference between male and female characteristics, they do mention some characteristics typical female entrepreneurs. In their article they say that one of the early pioneering studies of women entrepreneurs (Schwartz 1976) reveals that the issues of today are not new (Holmquist & Carter 2009). The set of attitudes and characteristics of female entrepreneurs are important personality traits for success are strong ego and achievement, ambition of closely control the operation of their business and a motivation of the need to achieve and have job-satisfaction, economic necessity and a desire for independence (Holmquist & Carter 2009). Holmquist and Carter (2009) emphasise the fact that both men and women both have entrepreneurial qualities, which can be developed.

4. Empirical study

In this section, our respondents express their points of view regarding the subjects of our discussion topics. This is developed in an empirical study with primarily subjective assessments but also objective statements in terms of statistical data. Statements, beliefs and arguments reflect the respondents′ views on the reduction of share capital and its affects while the statistical data shows accurate facts. The empirical study is divided by stated topics from the theoretical framework.

4.1 Share capital - impact on entrepreneurship

Statistics show that the number of new registered limited companies has increased from 2001 until 2012. A new registered company is often similar to a company start-up, but it can also involve a converted company or subsidiaries (Bolagsverket 2013).

Table 2

Corporate form	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Limited company	16571	16116	15420	19288	20561	23894	27994	27555	24228	34708	43959	39263

(Source: Bolagsverket, own translation)

Both PwC (Kollberg) and ALMI (Andersson) believed that number of private limited companies has increased since the reduction of minimum share capital. This outcome is caused by the change in corporate form, many businesses that had been pursued in sole proprietorship or partnership have chosen to operate as limited company instead (PwC). The tax rules are more advantageous and there are dividend opportunities (PwC). This shift was very clear given the statistics, ALMI said. ALMI also meant that the change in law has had time to stabilize. More recently the number of new businesses have increased and most likely limited companies as corporate form is higher than before (ALMI).

According to PwC, it is generally positive that the required share capital has been reduced from SEK 100 000 to SEK 50 000, given that it will be a smaller barrier to set up a business. Nyföretagarcentrum (Goldman) agreed with PwC saying that the reduction of minimum share capital was a good action that made the “step” to set up a company shorter. Nyföretagarcentrum and Refima Revision (Sjöstrand) also meant that it is now easier to set up a limited company, arguing that SEK 100 000 may be considered as a small sum, but is in fact a large sum as well as SEK 50 000, for private individuals to insert in the firm. There is really no reason not to set up a limited company if the initial invested capital is SEK 50 000 or SEK 100 000 in that Swedish Government also has simplified it with the abolishment of the audit obligation (ALMI). ALMI continued by saying that the shift in corporate form was caused by the reduction of minimum share capital in combination with the abolishment of the audit obligation. The reduction of minimum share capital in combination with the abolishment of the audit obligation has lead to that many companies, which have conducted their businesses in sole proprietorship or partnership, have chosen to shift corporate form to limited companies (Refima Revision).

Nyföretagarcentrum was of the opinion that the share capital has a dramatic impact on entrepreneurship, although in no particular sector, but straight across. Sole proprietorship still dominate even though limited companies increase, Nyföretagarcentrum said. A part of the explanation for the increase in 2011 was due to that the companies switched from sole proprietorship to limited company (Nyföretagarcentrum). Nyföretagarcentrum explained that people who turn to Nyföretagarcentrum choose between sole proprietorship and limited company, and where the majority of entrepreneurs select limited company.

The purpose with the reduction of minimum share capital was to encourage more people to set up a limited company but ALMI pointed out that the business is more vulnerable with a lower capital. ALMI compared limited companies with sole proprietorships and concluded that most entrepreneurs run their business as sole proprietorship, which means higher personal risk. The personal risk is lower in a limited company where the only loss is the invested capital (ALMI). From this perspective, ALMI argued, it is very positive because one is able to finish what has been started up. You may lose money but you can restart or continue with an employment instead, as for sole proprietorship the debts usually are left which may limit a talented entrepreneur from moving forward (ALMI).

Refima Revision however was unsure if capital protection is much in use now with a share capital of SEK 50 000, furthermore Refima Revision said that a share capital of SEK 100 000 was neither. However, both PwC and Refima Revision meant that in most cases, it does not matter if it is SEK 100 000 or SEK 50 000 since it is still not enough as risk capital. The owners might need to contribute additional capital or any other guarantees to set up a business, SEK 50 000 is small of amount (PwC). Even if the banks lend out money, they demand more securities from the owners (PwC). PwC continued by explaining that different industries have different requirements. For a one-person consultant, it might work with a share capital of SEK 10 000 or even SEK 1 000, but if it concerns a more advanced activity, a higher share capital will be needed (PwC). It is to find a level that suits everyone, which has not been founded yet (PwC).

4.2 Share capital and Insolvency

Statistics show that number of bankruptcies among limited companies have increased in the first quarter of 2013 (UC 2013). However, statistics could not show a consistent increase of bankruptcies over a 12-year period (2001-2012). The level of bankruptcies has been relatively stable (Tillväxtanalys 2013).

Table 3

Corporate form	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Limited company	5687	6299	6346	5908	5226	4649	4343	5929	6428	5704	5539	6163
Sole proprietorship	1159	1066	1137	1054	927	906	911	795	765	1064	951	876
Partnership	595	565	754	687	631	605	537	474	445	506	468	432

(Source: Tillväxtanalys, own translation)

According to PwC, insolvency in general has not been affected by the new requirement of minimum share capital but PwC did rather see a difference between individuals and how they have acted. Some entrepreneurs plan well and have tried to consider everything that might happen, while others set up their businesses without planning carefully (PwC). Thus, how the entrepreneurs' act is related to the individuals and characteristics, not the share capital. According to PwC the definition of business owners are equivalent with the definition of entrepreneurs and those entrepreneurs PwC comes across may not think of the consequences when setting up a business. It either comes as a happy surprise or worse, when entrepreneurs realise that capital is exhausted and they need to establish a balance sheet for liquidation purposes, PwC explained. Both PwC and Refima Revision mentioned the fact that the reduction of the share capital involved a significantly shorter path to use half registered share capital as the amount of initial capital may be small and therefore rapidly spent. There will certainly be people who do not understand what they get themselves into, in which an auditor had the effect to reason and get the entrepreneurs to understand the consequences (PwC). If entrepreneurs opt to not have an auditor or a financial consultant, they may lose an expertise, which may imply problems, PwC explained. Neither PwC nor Refima Revision could see a link between start-ups with a share capital of SEK 50 000 and bankruptcies.

PwC had not noticed that the number of balance sheets for liquidation purposes have increased since the reduction either. The companies that Kollberg (PwC) works with, where the share capital is set to SEK 50 000 has not increased her work with balance sheets for liquidation purposes. The ones Kollberg (PwC) has had recently had in fact a share capital of SEK 100 000 in one case and more than SEK 100 000 in another case, and both businesses still consumed their capital. However, the insolvency in the businesses could not be linked to the share capital but to the business itself. Neither Refima Revision could identify a difference in the amount of balance sheets for liquidation purposes since the reduction of minimum share capital. Refima Revision pointed out that businesses are not always aware of the obligation of establishing a balance sheet for liquidation purposes when there is an indication of half registered share capital, which is exhausted, though it is required by law. But there is also a possibility that businesses are not aware when they have become insolvent and therefore do not establish a balance sheet for liquidation purposes (Refima Revision). Refima Revision also explained that it is only possible for Refima Revision to notice a sign for insolvency when they are handling the book-keeping, otherwise it is difficult to notice it. An entrepreneur does not contact Refima Revision saying they have consumed half registered capital and ask Refima Revision for help (Refima Revision). Instead the entrepreneur continues running their business in ignorance (Refima Revision).

4.3 Minimum capital- a barrier of seriousness

Both PwC and Nyföretagarcentrum were of the opinion that a smaller minimum capital in general makes the barrier to set up a business lower. The difficulty on the other hand is for small companies to set up a business and establish contacts and in such cases, SEK 50 000 will not be enough (PwC). ALMI was also of the opinion that SEK 50 000 often is not enough when setting up a business. For a small business, perhaps a "shop", SEK 50 000 could be enough. Overall, ALMI demand a higher equity than SEK 50 000. PwC emphasised that SEK 50 000 might work for companies that have been running as a sole proprietorship or as a partnership and after the reduction decided to shift corporate form. These companies may already have its amount in share capital and established contacts, it might work for them to have a share capital of SEK 50 000 since their businesses are already running. It is also not uncommon that the capital will be consumed shortly the first year. The reasonable level of capital constitutes a discussion between the customer and ALMI. A lower capital requirement may encourage more people to set up a business given that it is a smaller business. But at the same time the lower requirement constitutes a limit of risk taking and you have the possibility to start over if the company is unable to do well.

When we asked if ALMI considered SEK 50 000 in comparison with SEK 100 000 possibly might result in a lower seriousness among business, ALMI said like Nyföretagarcentrum that SEK 50 000 still is a very high requirement for the individual entrepreneur. Furthermore, ALMI has not noticed any differences in seriousness in business idea of the companies with SEK 50 000 in comparison with companies with SEK 100 000. Refima Revision on the other hand questioned whether entrepreneurs thought through their business ideas before the reduction of minimum share capital either. Many entrepreneurs set up a business because they have a dream and they want to see if this dream can be realized (Refima Revision). Refima Revision expressed that small business owners might never have thought it through and Refima Revision did not think there is much difference between SEK 50 000 and SEK 100 000 in this regard. Refima Revision saw a problem when entrepreneurs were used to operate in sole proprietorship and might not understand the difference between the both corporate forms, sole proprietorship and limited company. For example, when it comes to the payment of wages (Refima Revision).

4.4 Gender

On the question of whether gender could have an impact on a possible change in seriousness among enterprises with SEK 50 000 in comparison with SEK 100 000, ALMI had not noticed any change. On the same question, PwC on the other hand had experienced that women prefer to have more certainty in their projects. In general, they tend to think through their business ideas many times before they take a decision to set up their businesses and in most cases they realize that SEK 50 000 is not enough (PwC). Women have in general done more research and they are more secure once they get to the point in which setting up a business becomes actual (PwC).

PwC, ALMI and Nyföretagarcentrum work with more male than female entrepreneurs in general. Refima Revision on the other hand said that it was not something Refima Revision had thought about, since Refima Revision did not define the clients in terms of men and women, but in terms of clients. Since the reduction of minimum share capital PwC had not noticed any changes in distribution of men and women. But in general female entrepreneurs are increasing, ALMI pointed out. At the moment 30% of the offered financing by ALMI goes to female entrepreneurs and it is an increasing percentage according to ALMI. Nyföretagarcentrum on the other hand experienced that more men set up limited companies while women used to dominate start-ups at sole proprietorship. Nyföretagarcentrum informed us that currently 52,5% of those who set up a limited company are women and continued by saying that the proportion has increased. In this discussion, Nyföretagarcentrum also said that it is mainly companies in the service sector that are set up, in which women dominate.

After the reduction, the proportion of men and women has evened out and there are more start-ups in limited companies, and it is both men and women according to Nyföretagarcentrum. Nyföretagarcentrum pointed out that the more you lower the barrier, the more it pushes on to women. Nyföretagarcentrum considered it therefore to be positive from a women´s point of view. However, ALMI had a different opinion and said that even though the number of female entrepreneurs has increased, it is not because of the reduction of minimum capital requirement. Generally women are more risk averse than men and what it depends on is difficult to answer but it might be historically conditioned, ALMI said. ALMI has noticed that women are more concerned to reimburse their debts than men are. Men try to negotiate more to get past the reimbursement while women try to the very end (ALMI). In the aspect of financing men might push harder because they want to borrow more money, but one has to keep in mind that there does exist obvious exception (ALMI). There are many women who are very driven, but the percentage is smaller in comparison to men. What it depends on is hard for ALMI to define but it is obviously going to change and somehow this will flatten out. In general ALMI did not think it had to do with gender but instead the sense of entrepreneurship.

Networking is a factor that is taken in consideration in the advisory service of ALMI. Men use their network in a different way to women, ALMI explained. Certainly women have their networks but they do not use it in the same way as men in the sense that men have larger networks and they take advantage more extensively and they might be a little more outspoken, push more and use their contacts to a greater extent than women (ALMI). Nyföretagarcentrum on the other hand thought that both men and women are networking equally, especially the younger generation where other types of networks play a significant part (Nyföretagarcentrum).

In terms of experience, Nyföretagarcentrum believed that men and women are equally experienced, while the attitudes of men are more "cocky". Women are more careful but they have a greater chance of survival than men who in general declare more bankruptcies (Nyföretagarcentrum). In accordance to Nyföretagarcentrum, ALMI also said that there is no difference in experience between men and women.

On the of question whether there is a difference between men and women in terms of time spent on the business and whether women have more obligations outside their business, ALMI had not seen any differences in gender. Thus, ALMI pointed out that a colleague who works with cultures within ALMI were able to see differences and explained that in some cultures more time is spent at home. In contrast, Nyföretagarcentrum argues that entrepreneurship is not a full-time job and explained that most entrepreneurs invest alongside another hobby or employment and "sneak" about their businesses. The first year is always difficult to support yourself and it is rather more common to work full-time with the company in the third year (Nyföretagarcentrum).

5. Analysis

In this section we aim to link the theoretical framework together with the empirical study to analyse possible relations. The analysis also aims to examine whether and how the theory differs from practice.

5.1 Share capital- impact on entrepreneurship

In our theoretical framework, the Inquiry (SOU 2008:49) emphasised the consequence that more entrepreneurs would be attracted to limited companies as corporate form after the reduction. Miola (2005) was on the same track as the Inquiry (SOU 2008:49), saying that the low barrier might enable a wide range of entrepreneurs to enter the market (Miola 2005). Statistics showed that the number of new registered limited companies has increased from 2001 until 2012, which was projected in the Inquiry (SOU 2008:49). Generally it may be held that a lower minimum capital requirement encourages small businesses along with other factors to adopt the corporate form limited company (Miola 2005). As Nyföretagarcentrum mentioned in our empirical study, the part selecting limited companies is increasing in comparison to sole proprietorship. ALMI explained this phenomenon by the reduction of share capital in *combination* with the abolishment of the audit obligation. The legislation of abolishment of audit obligation was made at the same period of time as the reduction of share capital. Unlike Nyföretagarcentrum, both PwC and Refima Revision were able to respond whether the reduction meant an increase in limited companies as corporate form without the influence of abolishment of the audit obligation. This is because they meet entrepreneurs who have or at least are not averse to find an auditor, while the responses from Nyföretagarcentrum most certainly are influenced as Nyföretagarcentrum has contact with various entrepreneurs with different reasons to set up a limited company, perhaps because of the abolishment of the audit obligation. Both PwC and Refima mentioned that they have not experienced an increase in entrepreneurship in their profession. PwC emphasised that this might have to do with the abolishment of audit obligation i.e. PwC do not meet as many entrepreneurs as they used to before the reduction.

What all respondents agreed with was the fact that the corporate form had become more available, many entrepreneurs shift corporate form from sole proprietorship to limited company which have lead to an increase in limited companies. This is in line with the prediction in the Inquiry (SOU 2008:49) but also what Verheul and Thurik (2001) meant by saying that the lower barrier should enable a wide range of entrepreneurs to enter the market.

ALMI pointed out that another factor that entails an advantage for a limited company and that might attract entrepreneurs to shift corporate form is that one is able to finish what has been started up if the business does not do well. As mentioned by ALMI, you may lose money, but you can restart or continue with an employment instead. Whether minimum capital requirement would create an obstacle for new competitors entering the capital market none of our respondents could say. Though none of the respondents had anything to add in this discussion, both the Inquiry (SOU 2008:49) and Miola (2005) had a reasoning regarding minimum requirement and that it might constitute a barrier for small enterprises. Especially for enterprises within the service industry, according to the Inquiry (SOU 2008:49). Refima Revision expressed that neither SEK 50 000 or SEK 100 000, especially SEK 50 000, is a big amount of money in a business and pointed out that one has to separate money in the business from money in private life where the amount of SEK 50 000 may be considered as much money. While it was observed in the theoretical framework that a low amount of minimum capital required attracts more entrepreneurs choosing limited companies as corporate form, a level of minimum capital that is too high may constitute a restriction (Miola 2005). PwC emphasised that it is to find a level that suits everyone, which has not been found yet. With this reasoning it is important to set the minimum level at a "fair" level. Although, a "fair" level is a subjective concept and entrepreneurs are likely to have different opinions as to what it entails.

5.2 Share capital and insolvency

Capital regime and minimum capital required are supposed to work as protection for creditors from insolvency according to Ewang (2007). Ewang (2007) also considered a minimum requirement as a warning flag when it comes to insolvency but also pointed out that a minimum requirement does not eliminate the risk of becoming insolvent but it tends to prevent it. PwC on the other hand pointed out that insolvency did not have to do with the minimum share capital required. PwC rather thought that it had to do with the individuals themselves or the business itself and thus not the share capital. Both Refima Revision and PwC emphasised the fact that a low share capital easily is exhausted, which entails a larger risk for becoming insolvent. This reasoning is supported by both Miola (2005) and the Inquiry (SOU 2008:49).

Amazingly, neither PwC nor Refima Revision observed any differences in work with balance sheets for liquidation purposes or the fact that more companies might have gone bankrupt with a lower share capital. It may be held that this outcome have to do with the fact that it has only been just over three years since the reduction of share capital and the respondents might not have had time to identify any patterns yet. Another reason that both PwC and Refima Revision mentioned was the fact that the abolishment of audit obligation has led to auditors not meeting as many clients as they did before the current legislation came into force. Refima Revision also pointed out that many companies that according to law have to establish a balance sheet for liquidation purposes, do not do so, and this in turn could be an additional reason why Refima Revision had not seen any difference in work with balance sheets for liquidation purposes.

5.3 Minimum capital- a barrier of seriousness

While the Inquiry (SOU 2008:49) said that a minimum capital requirement constitutes an entrance barrier, which ensures that an entrepreneur has a well-developed business idea and is prepared to commit capital, it was not something our respondents mentioned. Both ALMI and Nyföretagarcentrum had not noticed any differences in seriousness in business ideas in companies with a share capital of SEK 50 000 in comparison to companies with SEK 100 000 in share capital. Refima Revision emphasised that the business idea before the reduction, when the minimum capital required was set to SEK 100 000, was not always well developed. Furthermore, Refima Revision could not see any differences in well-developed business ideas between enterprises with SEK 100 000 and SEK 50 000 i.e. before the reduction in comparison to after the reduction. Refima Revision expressed that small business owners may never have thought it through and meant that many entrepreneurs set up a business because they have a dream and want to see if this dream can be realized. With this reasoning; that they want to see if their dream can come true, it may be held that setting up a business is not that big of a deal. The initial phase of setting up a limited company has been facilitated due to the reduction of minimum capital required, which was the purpose with the reduction according to the Inquiry (SOU 2008:49). Although none of the respondents could perceive a difference in seriousness, a discussion regarding the barrier of seriousness can be held anyway. As the capital requirement was lowered there is a possibility that seriousness among start-ups would have decreased after the reduction. As the requirement "only" is set to SEK 50 000 it would follow that more people venture or consider setting up a business not that big of a deal. One may “take a chance” on setting up a business and not think through the strategy, business idea or approach. With this reasoning, the number of balance sheet for liquidation purposes as well as bankruptcies might have increased. A lower requirement would also have meant that more people have set up a business for illegitimate purposes.

In the event of preventing the formation of frivolous incorporation, Ewang (2007) suggested that the minimum capital requirement opened up "horrendous consequences" for smaller companies. Ewang (2007) was of the opinion that the requirement was not desirable for small enterprises in the sense that since it is intended to prevent frivolous incorporation, it acts as a barrier for small and undercapitalised businesses preventing their entry. This is supported partly by one of our respondents when PwC said that the requirement of share capital might differ depending on the industry. PwC said that for some businesses a share capital of SEK 10 000 or even SEK 1 000 may be enough, but PwC also pointed out that a company with a more advanced activity may need a higher share capital, something that ALMI also agreed with. Both Ewang (2007) and Armour (2006) considered a minimum requirement as a "one-size-fit-all" concept. This in turn applies to all industries with no exception. Also Miola (2005) questioned whether a legal limit is positive in this respect and manifested that legal capital is based on mandatory rules that are too challenging and strict for some enterprises. It is to find a level that suits everyone, which has not been founded yet, according to PwC. This is in line with the theory of Ewang (2007) where it was said that legislators and regulations might "guess wrong" when setting a limitation of share capital. The practical ground of the difficulty of setting an appropriate level of minimum capital requirement for different industries and the problems of enforcement may reflect its efficacy questionable, Ewang (2007) meant.

Though, PwC pointed out that many entrepreneurs shifted corporate form from sole proprietorships or partnerships to limited companies after the reduction, they already have the amount in share capital and established contacts, which, would mean that it might work for them to have a share capital of SEK 50 000 since their businesses are already running. As Miola (2005) and Armour (2006) said and which PwC was supporting, the minimum capital may constitute a barrier when being too challenging and strict for some enterprises depending on type of industry, meaning that in some cases the minimum capital required is set perfectly and is considered high or low enough.

5.4 Gender

According to Nyföretagarcentrum, female entrepreneurs choose limited companies to a greater extent these days. PwC had on the other hand not noticed any change in division of men and women. ALMI noticed an increase in limited companies operated by women but emphasised that it did not have to do with the reduction of share capital. While they disagreed in this area all respondents agreed to the fact that women are more risk averse than men. The fact that women tend to be more careful as entrepreneurs is a statement that has emerged from all respondents. PwC explained that female entrepreneurs tend to think through their ideas many times before they set up their limited companies and often realize that the current minimum capital required is not enough. This statement could mean that female entrepreneurs may have a registered share capital that exceeds SEK 50 000. According to Carter and Rosa (1998), there was a difference in the way male and female entrepreneurs finance their companies and meant that women tend to have a smaller start-up capital and less equity in general. This reasoning would mean that the number of female entrepreneurs would have increased since the reduction. PwC did not seem to agree with the statement of Carter and Rosa (1998), saying that women in general tend to be more careful when it comes to equity as mentioned above. As stated, Verheul and Thurik (2001) expressed reasons why female entrepreneurs have a smaller amount of equity i.e. the name of the firm is registered in the name of the husband, women have lower salaries and last in terms of risk. As mentioned, Carter and Rosa (1998) saw a difference in how female entrepreneurs finance their companies. While female entrepreneurs make more use of their own resources and less of debt financing, men tend to loan more from banks (Carter & Rosa 1998). The stated theory agrees with ALMI´s statement saying that men push harder because they want to borrow more money, while women in general are more eager to pay off their debt as quickly as possible.

Brush (1992. referred in Verheul & Thurik 2001) and Acker (2006) saw a difference in education and knowledge between men and women. It was thus the *type* of education that differs between men women and not the *level* of education (Brush 1992. referred in Verheul & Thurik 2001). Our respondents, Nyföretagarcentrum and ALMI though stated that there was no difference between men and women when it comes to experience and knowledge.

As the capital requirement was lowered, it would entail that more women would be attracted to the corporate form limited company. The Inquiry (2008:49) as well as Verheul and Thurik (2001) showed that women are more active within the service sector, a sector where capital requirement is relatively small. This statement Nyföretagarcentrum supported saying that female entrepreneurs are more active within the service sector. This would mean that the number of female entrepreneurs who run a limited company has increased. However, this was not something that was emphasised entirely by our respondents.

According to the empirical evidence, ALMI saw a difference between men and women in the way they network. Men use their networks in a different way to women. Certainly women have their networks but they do not use it in the same way as men since men have a larger network and as mentioned in the empirical study, they use it more and they might be more outspoken, push more and use their contacts to a bigger extent than women (ALMI). Nyföretagarcentrum on the other hand was of the opinion that both men and women are networking equally, especially in this younger generation. While, Verheul and Thurik (2001) expressed in their theory that there is no significant difference between men and women to the extent to which they network, our respondent ALMI said that there is a big difference.

There were also different opinions within the respondents and the theoretical framework regarding time spent on the firms. Verheul and Thurik (2001) stated that women run their business as a part-time job due to household activity. A part-time entrepreneurship often goes together with a smaller company, which in turn means relatively few investments and a small requirement of financial capital (Verheul & Thurik 2001). This reasoning could lead to a possible increase in female entrepreneurships because women may consider a limited company with a share capital of SEK 50 000 more appropriate and attractive with regard to their other activities. In turn, it may entail an increase in limited companies. While the theory in Verheul and Thurik (2001) expressed that women had more obligations outside their business, either at home or they consider entrepreneurship as a hobby alongside an employment, it was not something ALMI was familiar with. However Nyföretagarcentrum for instance claimed that entrepreneurship is not a full time job for anyone. Nyföretagarcentrum argued further that no company is great from the beginning.

In conclusion, all respondents had different opinions as to whether there *is* a difference between men and women. While all, except for Refima Revision, noticed that they work with more male than female entrepreneurs in general, Refima Revision did not seem to notice if the company had worked with more female than male entrepreneurs or vice versa. An explanation for this could according to Refima Revision be that the respondent thought in terms of clients instead of in terms of men versus women.

6. Conclusions

In this section we want to highlight our research question to answer it based on the theoretical framework, the empirical study and the analysis. This will prove our contribution with this bachelor thesis. Thus, we aim to make conclusions about our research question:

To what extent is it possible to identify differences in the barrier of seriousness and effects in gender equality after the reduction of minimum share capital?

We aim to answer the question in the same way as it is structured i.e. bottom-up.

6.1 Insolvency is not directly linked to the reduction of minimum share capital but the reduction had an impact on entrepreneurship

When it comes to impact on entrepreneurship and the increase in new registered limited companies, the reduction of minimum share capital meant that more entrepreneurs shifted corporate form to limited company. Though it is not certain that the reduction played a significant part in the shift of corporate form when compared to the abolishment of audit obligation and other benefits with limited company as corporate form.

The theoretical framework differs from the empirical study when it comes to insolvency. Our conclusion is that insolvency in businesses is not directly linked to the reduction of minimum share capital. Statistics showed that the number of bankruptcies have increased in the first quarter of 2013. However, statistics could not show a consistent increase over a 12-year period. Moreover, our respondents did not perceive an increase regarding work with bankruptcies or with balance sheets for liquidation purposes. Because our respondents did not experience an increase in insolvent businesses, a division in gender could not be identified in this area. Other factors affect insolvency, such as the abolishment of the audit obligation. Moreover, the amount of minimum share capital is rarely enough as capital protection for the creditors and whether the amount is enough or not depends on the industry. The minimum share capital requirement is enough for businesses that have been running for a while and that already have the amount in share capital and established contacts.

6.2 The reduction of minimum share capital did not affect the barrier of seriousness. Neither did it affect gender equality significantly

The barrier of seriousness has not been lowered given that statistics of bankruptcies as well as the responses from our interviews regarding bankruptcies and balance sheets for liquidation purposes. Neither did the subjective judgements from our respondents show that the level of developed business ideas was less well-developed in businesses with a share capital of SEK 50 000 in comparison to businesses with a share capital of SEK 100 000.

The amount of financial capital should be influenced by the following factors; experience and education, networking, sector, firm size, time spent on running a business and entrepreneurial characteristics. These factors were supposed to result in female entrepreneurs having a lower start-up capital than male entrepreneurs. Empirical research could however not support this entirely. Our respondents had different opinions regarding a possible increase of women operating a limited company in general but also different opinions whether the reduction of minimum share capital would have encouraged women to run a limited company. Of the given factors that would have had an impact on financial capital only entrepreneurial characteristics were highlighted by our respondents in a substantial way. It was primarily characteristics in terms of risk that was discussed, according to our respondents women are more risk-averse than men and that female entrepreneurs tend to think through their ideas many times before they set up their limited company. Though, we consider this difference is not substantial in total. According to our empirical study, the amount of financial capital is not significantly influenced by remaining factors, experience and education, networking, sector, firm size, time spent on running a business. In turn, this would entail that the same conclusions cannot be drawn from our empirical study as the theoretical framework could. Thus, the reduction would therefore not have affected gender equality in a substantial way.

6.3 Unidentified relations

In our research question we also aimed to investigate whether there was possible to find, if any, until now unidentified relations. In accordance with the Inquiry, SOU 2008:49, the minimum capital requirement constitutes an entrance barrier. This barrier ensures that an entrepreneur has a well-developed business idea and that the entrepreneur is prepared to commit capital. Hence, a reduction of the minimum capital requirement may entail a decrease in well-developed and well-reasoned business ideas. However, we have not been able to identify a relation between the reduction of share capital and a change in barrier of seriousness. Neither have we found a significant affect in gender equality caused by the reduction, as mentioned.

Since we did not find a relation between the reduction of minimum share capital and the barrier of seriousness as well as effects on gender equality caused by the reduction, a relation between the barrier of seriousness and gender equality is not vital.

6.4 Contribution

In the initial section, 1.4 we presented our contribution with this thesis. We have considered judgements from people that work at companies that in turn work with entrepreneurs. This angle involves new knowledge in the area regarding a follow-up on the Inquiry, SOU 2008:49. Our study has brought new information to the table, which can be used in practice for future changes in legislation of minimum share capital. Our thesis is able to give an indication what a future reduction as well as an increase in minimum share capital will entail in the barrier of seriousness and gender equality. Because our study did not find a relation between the reduction of minimum share capital and the barrier of seriousness or any significant affects in gender equality, our result contribute an indication that a possible future change in legislation of minimum share capital does not involve a significant change in barrier of seriousness and gender equality.

7. Personal reflections and suggestions for further research

In this section we will commentate all the investigated areas. In the first subsection, we will reflect the outcome and conclusions that we do not have evidence for but that we think are important to highlight. Finally in the second subsection, suggestions for further studies are outlined. All these suggestions are highly interesting and we have during our journey considered them all, but given the scope of the thesis and the specified timeframe, they could not be explored.

7.1 Personal reflections

During the implementation of the study we have encountered outcomes and deviations that we were not prepared for in the beginning. In the initial stage of our study we thought that a lower capital requirement would lead to an increase in the number of new registered limited companies. The reduction would have a dramatic impact on entrepreneurship. Our expectation was that the reduction would imply an increase in entrepreneurs daring to set up limited companies or “take a chance” and invest in their dreams to a greater extent when the capital requirement is lower. Instead we got the impression from our respondents that it is mainly already existing companies that have converted to limited companies.

We had a view that the reduction of the share capital would imply an increase in the number of bankruptcies. Instead, statistics showed that number of bankruptcies remained relatively stable. Neither did our respondents confirm our expectations. We also thought that the reduction would involve an increase in number of balance sheet for liquidation purposes due to the fact that half registered capital will be rapidly exhausted. It is easier to spend SEK 25 000, which is half of SEK 50 000, in comparison to SEK 50 000 (half of SEK 100 000). Our respondents were not able to fulfil our expectation.

We expected that the barrier of seriousness would have decreased due to the reduction. Based on our expectation of a less well-developed business idea among new entrepreneurs, we thought there would be a significant lower barrier of seriousness. We also thought the barrier of seriousness to be lower after the reduction due to our expectation of a higher amount of bankruptcies and balance sheet for liquidation purposes. In contrast to our expectation, the outcome told us something else, our study showed no significant relation between the reduction and the barrier of seriousness.

Regarding gender equality, the subjective assessment from all of our respondents agreed with our own statement in the sense that female entrepreneurs are more cautious in general and less risk-averse than male entrepreneurs. In our theoretical framework, we showed different areas, which would have an impact on the amount and composition of financial capital and where men and women differ. Diversity in gender equality was to be seen in experience and education, networking, sector, firm size, the time they spend on running their business and entrepreneurial characteristics (Verheul and Thurik 2001). In conclusion, during our theoretical framework and empirical study we noticed that entrepreneurial characteristics primarily risk is of more importance than we thought. We became more aware of the difference in gender equality regarding risk. With this knowledge, we want to present another expectation regarding risk and its impact on the barrier of seriousness. In our study it is stated that women usually think through their business ideas many times before they make up their minds. With this reasoning it may be held that women either will come to the conclusion that they do not dare to set up a business or they dare which means a well-developed business idea. Given the fact that a lower capital requirement indirectly aims at the service sector where capital requirement is relatively low, companies within this sector would increase. From our study it emerges that female entrepreneurs are more active in the service sector in comparison to male entrepreneurs. This would in turn imply an increase in female entrepreneurship. This reasoning would entail an increase in the barrier of seriousness assumed female entrepreneurs *dare* setting up limited companies.

Even though we made it clear that we would not consider the financial crisis of 2008 when writing our thesis we have come to the conclusion that we do have to make a comment on its influence. The financial crises may have involved more people considering setting up a business/limited company to a greater extent than usual. If losing a job during the crisis, it might have motivated one to set up a business, perhaps a limited company. This would mean that the increase of limited companies is a fact not due to the reduction of minimum share capital itself.

Another possible affect of the crises was that more businesses have gone bankrupt. On the other hand, number of bankruptcies showed in table 3 does not show an increase in the number of bankruptcies, it gives us an indication that the financial crises did not have a significant impact on number of bankruptcies. What caused the bankruptcies of limited companies in 2009-2012 is hard to say but one can imagine that there is a number of limited companies that went bankrupt caused by the financial crisis of 2008. It would mean that those who went bankrupt due to a not well-developed business idea would have been reduced. This in turn would involve a possible increase in barrier of seriousness. The seriousness among limited companies might have been able to remain stable or even increased with this reasoning. We are aware that this is "only" a reasoning by us in a none substantiate way. To what extent the financial crisis has affected insolvency and the number of newly registered limited companies is difficult to answer and it was not our intention with our thesis.

7.2 Suggestions for further research

An area that has not been touched in this thesis, but that we consider to be an interesting one of research is to investigate and interpret whether there is up to now an unidentified relation between the reduction of share capital and the distribution among entrepreneurs with Swedish background versus foreign background. Do more entrepreneurs with foreign background set up limited companies to a greater extent when the minimum share capital required is set to SEK 50 000 in comparison to SEK 100 000?

Another area that is interesting to investigate is whether there is a relation between company structure and the size of its share capital. Now when the door is open for SMEs there may be a relation between the new share capital of SEK 50 000 and companies with a more simple company structure. Has the reduction meant that Swedish limited companies generally move towards a flatter and less hierarchical structure? Does the company structure differ between companies with a share capital of SEK 50 000 and companies with SEK 100 000?

Furthermore, since it has only been over three years since the reduction of share capital, one should wait a few years to do a statistical investigation to obtain the number of bankruptcies that has occurred in companies with the lower share capital. One can also investigate, by statistics, whether if the work with balance sheets for liquidation purposes has increased since the reduction of minimum share capital. Our study lacks up-to-date numbers in this, partly because it is primarily based on subjective assessments but also because it has, as mentioned above, only been just over three years since the reduction and one might have to wait a couple of years to see a pattern.

Another suggestion for further research is to investigate whether there is a difference in the barrier of seriousness between different sectors/industries. In our thesis we did not separate sectors/industries though we found out that the service industry attract more female entrepreneurs. According to our theoretical framework this might have to do with the fact that female entrepreneurs require a smaller amount of share capital, which is typical of the service industry.

Finally, instead of turning to large, established audit firms and state-owned companies, a suggestion is to turn to small companies that have chosen to either convert from partnerships/ sole proprietorships to limited companies or newly registered limited companies. Turning to small businesses one is able to investigate their reasons for converting.

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Appendix

Design of questionnaires PwC and Refima Revision

Introduction
a) May we record the interview?
b) May we publish your name in the thesis or do you prefer being anonymous?
c) Do you want to take part of the thesis when we are finished?

Presentation of the respondent
d) Can you tell us about yourself, what are your assignments and for how long have you been working in your current work place. Earlier experience?

Questionnaires
1. What is your general opinion regarding the reduction of share capital? Advantages and disadvantages?
2. Have you conceived a change in barrier of seriousness among entrepreneurs who have a share capital of SEK 50 000 in comparison to SEK 100 000? In what way and to which extent?
3. Do you believe the reduction of share capital has influenced barrier for women setting up a business? Have you notice a lowering of the barrier, which may imply more women *daring* setting up a business?
4. Have you notice any change in work with balance sheet for liquidation purposes?
5. Have you notice any change in work with bankruptcies?
6. Have you notice any increase of new start-ups?

During the interview/discussion we want to have involve gender equality in all questions.

Design of questionnaires Nyföretagarcentrum and ALMI

Introduction
a) May we record the interview?
b) May we publish your name in the thesis or do you prefer being anonymous?
c) Do you want to take part of the thesis when we are finished?

Presentation of the respondent
d) Can you tell us about yourself, what are your assignments and for how long have you been working in your current work place. Earlier experience?

Questionnaires
1. What is your general opinion regarding the reduction of share capital? Advantages and disadvantages?
2.Do you feel that the reduction of the share capital has reinforced the business world?
3.Have you conceived a change in barrier of seriousness among entrepreneurs who have a share capital of SEK 50 000 in comparison to SEK 100 000, in what way and to which extent?
4. Is the size of share capital significant in the discussion of setting up a business?
5. Have you notice any increase in entrepreneurs wanting to set up limited company? Is it any sector in particular that has changed faster than anyone else?
6. Do you believe the reduction of share capital has influenced barrier for women setting up a business? Have you notice a lowering of the barrier, which may imply more women *daring* setting up a business?
7. Have you notice any change in division of gender in following areas:
   Experience
   Networking
   Time spent on the business
   Entrepreneurial characteristics (risk)