Norwegian Business School

Himal Gautam

PhD Candidate

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February 15, 2024

Application to the NBER Entrepreneurship Research Boot Camp 2024

Dear Organizing Committee,

I am enclosing my application to participate in the NBER Entrepreneurship Research Boot Camp 2024. I am a fourth-year PhD student in Finance at BI Norwegian Business School. I have been working on topics around entrepreneurship and household finance. I have attached the following documents with the application:

- Curriculum vitae
- Statement of research
- List of completed courses

My advisor Charlotte Østergaard (charlotte.ostergaard@bi.no or co.fi@cbs.dk) will be sending her letter of recommendation in line with this application.

I sincerely look forward to hearing back as I think the boot camp will help strengthen my understanding of the entrepreneurship finance literature and help refine my research agenda.

Please let me know if you have any other questions.

Thank you for considering my application.

Regards,

Himal Gautam

Himal Gautam

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EDUCATION

BI Norwegian Business School, Oslo, Norway
PhD in Finance, 08/2020-Present
Affiliated to the Centre for Corporate Governance Research (CCGR)
Advisor: Prof. Charlotte Østergaard

Master of Science in Finance, 08/2018-07/2020

Kathmandu College of Management, Kathmandu, Nepal
Bachelor of Business Information Systems, 08/2012-07/2016

RESEARCH INTERESTS

Entrepreneurial finance, Household finance, Family firms

WORKING PAPERS

Entrepreneurs of circumstance: labour market distress and entrepreneurship
SSRN Link
I study individuals who become entrepreneurs following an industry downturn using the massive decline in oil prices in 2014 to understand the potential of entrepreneurship as an alternative career path for employees affected by industry downturns. The oil price decline resulted in increased entrepreneurial activity among oil workers in Norway. Compared to new entrepreneurs unaffected by the shock, such 'entrepreneurs of circumstance' tend to originate from lower income levels within their respective companies. These entrepreneurs also run more profitable firms, and the difference in profitability is unique to the cohort of firms started by employees affected by the shock.

Family wealth and family firm employment *with Janis Berzins, Salvatore Miglietta and Bogdan Stacescu*
Some types of firm ownership may provide more stable employment, but whether family firms are the most likely candidates, especially in a downturn, is still an open question. We model firms' employee firing and retention decisions and empirically examine the impact of large negative shock (COVID-19 pandemic) on such decisions within the universe of family and nonfamily firms in Norway. We find that family wealth plays a significant role in determining whether family firms are less likely to fire or furlough employees. Consistent with our model, but unlike the insurance mechanisms proposed by the existing literature, we find that firms owned by the poorest as well as the wealthiest families do not provide higher employment protection.

WORK IN PROGRESS

Enterprising up the ladder: entrepreneurship and social mobility

Beautiful CEOs *with Asja Bosnic*

ACTIVITIES

WEFI Fellow, 05/2023-Present Link
PhD Workshop in Entrepreneurial Finance and Innovation
Prof. Michael Ewens, Columbia Business School

PRESENTATIONS

2024 American Finance Association (PhD Poster Session, San Antonio, Texas)

2023 Nordic Finance Network (PhD Nordic Finance Workshop, Levi, Finland), World Finance Conference (Kristiansand, Norway)

2022 BI Finance Department Seminar (Oslo, Norway)

SERVICE

Co-organizer
WEFI Student Workshop (Fall 2023)

TEACHING	**BI Norwegian Business School** *Teaching Assistant* GRA6562 - CFA Research Challenge (MSc course) GRA6541 - Topics in Corporate Finance (MSc course) GRA6515 - Quantitative Methods in Finance (MSc course) GRA6559 - Fintech (MSc course) GRA6289 - Financial Distress, Restructuring and Bankruptcy (MSc course) FIN3616 - Financial Modelling in Practice (Bachelor course) FIN3522 - Markets and Institutions (Bachelor course) GRA6034 - Mathematics (MSc course)
GRANTS & AWARDS	AFA Travel Grant, American Finance Association, 2024 Best Student Award, BI Norwegian Business School, 2020
LANGUAGES	English (bilingual), Nepali (native), Norwegian (intermediate), Hindi (advanced)

Statement of Research

Himal Gautam

February 15, 2024

My main research interest lies in understanding the reasons behind entrepreneurs' decision-making processes and the factors that influence the outcomes of those decisions. Currently, I am working on exploring the interaction between entrepreneurship and household finance.

In my first paper "Entrepreneurs of circumstance: labour market distress and entrepreneurship" (solo-authored), I explore how labour market shocks at the industry level influence entry into entrepreneurship. One of the objectives here is to understand whether individuals displaced by industry obsolescence can consider entrepreneurship as a viable alternative, and whether such a transition is efficient. The answer to this question depends on the attributes of the marginal entrepreneur currently employed in a declining sector. I specifically study individuals who became entrepreneurs after the decline in Norway's oil and gas industry in 2014 and find that the marginal entrepreneur in this context has some unique characteristics. Among oil and gas employees, I find that this downturn motivated people from lower income levels to start new firms compared to previous years. Additionally, I observe that firms founded by individuals with prior experience in the oil and gas sector perform better than firms without such a background. Importantly, this effect is unique to oil employees who were directly affected by the drop in oil prices. My findings suggest that there is untapped entrepreneurial potential at the middle of the income distribution within firms. Additionally, a firm started by the marginal entrepreneur pushed into entrepreneurship by a sector-wide decline is likely be more profitable.

In a work-in-progress project with the working title "Enterprising up the ladder: entrepreneurship and social mobility", I investigate the impact of entrepreneurship on wealth inequality. Entrepreneurship can serve as a means for individuals to generate wealth and move up the wealth distribution. I find that entrepreneurs are disproportionately more likely to end up at the top of the income and wealth distribution when looking at individuals whose parents belonged to the bottom decile of the wealth distribution. However, it can also function as a way for the already wealthy to preserve their wealth (Fagereng et al., 2020). So, the impact of entrepreneurial activity on wealth inequality is not obvious. One challenge in identifying this is self selection, as individuals with the highest expected returns from entrepreneurship are more likely to start firms. I intend to address this using two possible approaches: (1) by comparing entrepreneurs and non-entrepreneurs who are very finely matched on various demographic and educational attributes and (2) by exploiting a quasi-random assignment of new migrants to different municipalities with varying levels of entrepreneurial activity. The second approach builds on the idea that children who grow up in areas with a high firm density are more likely to become entrepreneurs

when they grow up (Guiso et al., 2020). Norway provides an interesting setting to study this as access to higher education is very similar across the wealth distribution mitigating concerns about differences in opportunities. I intend to examine the causal role of entrepreneurship in enhancing individuals' wealth and shed light on how entrepreneurial activity impacts the aggregate wealth distribution.

I am also interested in the interaction between the balance sheets of entrepreneurs' households and their firms, specifically how shocks to one may transmit to the other. Firm balance sheets and household balance sheets are often viewed in isolation but for entrepreneurs who own a majority of their firm, we can look at it as one big optimization problem. For instance, following the increase in interest rates post-pandemic, firms and households both faced an increase in borrowing costs. Depending on the level of debt entrepreneurs had on a personal level (mortgage would be the most prominent) and the level of debt in the firm, they might choose to respond to the interest rate shock in different ways. I plan to explore whether entrepreneurs use resources from the firm to mitigate issues in the household and vice versa, and more importantly investigate if the transmission is similar in both directions or not.

These projects reflect my long-term interest in learning more about the interaction of entrepreneurship with the macroeconomic environment and household attributes. The choice to become an entrepreneur can be driven by shocks in the macroeconomic environment or household circumstances. Similarly, entrepreneurs, through their choices can influence the finances of their own household, and the wider economy.

Working at the Centre for Corporate Governance Research (CCGR) at BI Norwegian Business School, I have had the opportunity to access high quality micro-data on Norwegian firms and households, as well as work with researchers who look at interesting questions on privately held firms. However, we don't have faculty members actively working on entrepreneurship. I have been eager to identify avenues to learn about emerging research fields within entrepreneurship as well as to interact with other scholars working in the field. Since 2023, I have been a PhD fellow at the Workshop on Entrepreneurial Finance and Innovation (WEFI). As a part of this fellowship, 11 PhD students have bi-weekly meetings with Prof. Michael Ewens at Columbia University where we present research ideas, explore collaboration opportunities, and receive mentorship and feedback. The fellows also co-organize student-led workshops for other PhD students to present their work on topics of entrepreneurship and innovation.

The NBER Entrepreneurship Boot Camp presents an exceptional chance for me to deepen my comprehension of entrepreneurial finance research. Through interactions with the other WEFI fellows, I have been exposed to previously undiscovered research avenues. I anticipate that the boot camp will provide me with opportunities to explore these new areas further, gaining invaluable insights into promising directions for future research. Additionally, I eagerly anticipate engaging with scholars to discuss my ongoing work and aspire to discover fresh and compelling questions to investigate, alongside potential collaborators.

References

Fagereng, A., Guiso, L., Malacrino, D., and Pistaferri, L. (2020). Heterogeneity and Persistence in Returns to Wealth. *Econometrica*, 88(1):115–170.

Guiso, L., Pistaferri, L., and Schivardi, F. (2020). Learning Entrepreneurship from Other Entrepreneurs? *Journal of Labor Economics*, 39(1):135–191.

LIST OF COURSES COMPLETED

- Research seminar in Finance I (Spring 2023)
- Behavioral Finance (Spring 2022)
- Frontiers of Household Finance (Autumn 2022)
- Empirical Finance: Identification Strategies in Corporate Finance (Spring 2022)
- Topics in Corporate Finance (Spring 2021)
- Empirical Asset Pricing (Spring 2021)
- Asset Pricing Theory (Spring 2021)
- Panel Data/Microeconometrics (Spring 2021)
- Empirical Corporate Finance (Spring 2021)
- Corporate Finance Theory (Autumn 2020)
- Advanced Microeconomics (Autumn 2020)
- Advanced Statistics (Autumn 2020)
- Mathematics, PhD (Autumn 2020)

Charlotte Ostergaard
Professor of Finance
Copenhagen Business School and
BI Norwegian Business School
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February 15, 2024

To Whom It May Concern;

I am writing to recommend Himal Gautam for the NBER summer bootcamp in entrepreneurship.

Himal is a 4th year PhD student at BI Norwegian Business School (BI) in the department of finance. He is sponsored by the Center for Corporate Governance Research (https://www.bi.edu/research/research-centres/centre-for-corporate-governance-research), which I direct, and I am his main supervisor. I recently relocated from BI to Copenhagen Business School but have continued to supervise Himal and stay in close contact with him.

Himal works with Norwegian administrative data on entrepreneurial firms and their owners. He has come up with his own ideas for two other papers, and has a good eye for questions that have been little researched. In addition, he is working on a project with me.

He has a completed paper on entry into entrepreneurship in the wake of a recent (2014) downsizing of the Norwegian oil sector prompted by falling oil prices. The paper explores how entrepreneurship can be an alternative career path for mid-career workers, thus considering a group of individuals which has largely been overlooked in the entrepreneurial literature. The paper shows that a larger than normal number of mid-career workers actually do

establish new firms and shift to self-employment as a result of the shock and that they predominantly come from the lower-salary ranges in the firms they leave. Importantly, mid-career entrepreneurs tend to run more profitable firms compared to non-shocked entrepreneurs that start firms in the same sectors at a similar times, suggesting that the marginal "entrepreneur of circumstance" is of higher quality than the average entrepreneur. This paper has been presented at the World Finance Conference 2023 and the American Finance Association PhD poster session 2024, among others.

His is currently working on a second paper which will become his job market paper. It examines the extent to which entrepreneurship can mitigate inequality by allowing young individuals of high ability, who do not originate from a wealthy background, to climb the wealth distribution. I believe this paper has great potential, partly because the topic is of great interest and relevance and simultaneously under-researched, partly because he has excellent wealth data which allows him really to trace out what is going on. He has also thought of an exogenous shock to entrepreneurship which will aid econometric identification of the effects he wants to study.

The paper is still in its early stages and Himal would benefit greatly from attending the NBER bootcamp, as he would be able to incorporate insights from the camp into his work, maximizing the effect of attendance on his job market paper. In addition, joining a network of like-minded researchers would be a great asset for his future work and collaborations.

Himal joined the PhD program with a masters degree in finance from BI as a pure-A student. He has lots of potential and is more mature than most PhD students at BI. He is very social and keen to interact with both students and faculty. He is very good at approaching faculty to discuss his work and is excellent at reaching out to create opportunities for his progress and career. An example is his acceptance to the Workshop on Entrepreneurial Finance and Innovation (WEFI)-network run by Michael Ewans from Columbia University.

Himal would greatly benefit from closer contact with other researchers who work on entrepreneurship. Several of the BI faculty that Himal interacts with work with Norwegian administrative data, but their work is focused on family firms. I am myself not an expert in entrepreneurship, although I am interested in field and have some knowledged of it. I can tell that his work would benefit from the extra input and sharpness one gets from people who really know the issues and the frontiers of the literature.

It is also relevant to mention that Himal will go on the international job market.

I would be very happy to answer any other question you may have and can be contacted at the email below.

Sincerely

Charlotte Ostergaard