WHEN MONEY BUYS ATTENTION. THE INFLUENCE OF POVERTY AND GENDER ON ADVICE CENTRALITY IN MICROLENDING GROUPS (SUMMARY)

Hana Milanov  
*TUM School of Management, Germany*

Rachida Justo  
*IE Business School, Spain, rachida.justo@ie.edu*

Steven Bradley  
*Hankamer Business School, USA*

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SUMMARY

WHEN MONEY BUYS ATTENTION. THE INFLUENCE OF POVERTY AND GENDER ON ADVICE CENTRALITY IN MICROLENDING GROUPS

Hana Milanov, TUM School of Management, Germany
Rachida Justo, IE Business School, Spain
Steven Bradley, Hankamer Business School, USA

Principal Topic

Social ties are important for a range of outcomes – and especially as channels to resources (Hoang & Yi, 2015). This emphasizes the importance of understanding how individuals come to occupy central positions (Klein et al., 2004). In the context of microfinance, where social centrality is particularly potent (Milanov, Justo, Bradley, 2015; Velasco & Marconi, 2004), a prominent antecedent is one’s poverty level. While evidence indicates that microfinance programs building on social capital can indeed reduce borrower’s poverty level, it is not clear why and how different poverty levels prior to entering micro lending groups shape social dynamics in these groups in the first place.

We draw on Status Expectation State Theory and argue that poverty level prior to entering a microfinance group is negatively related to how sought out an individual is in that group (advice centrality). We posit that the salience of poverty as a status marker will be contingent on an individual’s gender and on poverty ‘equality’ among other members’ in the group.

Method

Data on resulting sample of 161 microentrepreneurs was collected in 2011 in collaboration with a microfinance agency in Nairobi, Kenya. Advice centrality, was measured as the number of members in a group who indicate that a focal individual is someone they go to for business advice or information. Poverty level was measured using the Progress out of Poverty Index (PPI®) for Kenya. We used OLS regression models with robust standard errors clustered by group.

Results and Implications

Our results confirm the importance of a person’s prior poverty level as an antecedent of an individuals’ ability to socialize within a microlending group: poorer individuals struggle to be identified as “go to” persons in the group– and this effect is stronger for men. We also find that the direct effect of poverty is contingent on group inequality.

We contribute to research on networks calling for more understanding of entrepreneurial tie formation (Hoang & Yi, 2015) by showing that poverty affects individual’s potential to become central in a group. We contribute to social entrepreneurship by examining factors that might hamper potential social benefits of MFI groups (Bruton et al., 2011; Mayoux, 2001) - in this case poverty.

CONTACT: Rachida Justo; rachida.justo@ie.edu, Tel: +34 91 568 9728; IE Business School, Alvarez de Baena, 4 28006 Madrid, Spain.