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MICRO-ENTREPRENEURSHIP IN BASE-OF-THE-PYRAMID MARKETS: THE INFLUENCE OF FORMAL INSTITUTIONAL VOIDS, MARGINALIZATION, AND NETWORKS (INTERACTIVE PAPER)

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MICRO-ENTREPRENEURSHIP IN BASE-OF-THE-PYRAMID MARKETS: THE INFLUENCE OF FORMAL INSTITUTIONAL VOIDS, MARGINALIZATION, AND NETWORKS

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Principal Topics

Primarily in emerging economies, base-of-the-pyramid markets are highly impoverished contexts in which individuals live on approximately \$1-2 per day, accounting for 70% of the world's population. In base-of-the-pyramid markets, formal institutions are often not well developed and are contexts characterized more accurately as formal institutional voids. Informal institutions can provide a substitute framework to guide transactions in contexts of formal institutional voids, yet norms can marginalize certain categories of individuals (e.g., based on gender, ethnicity, etc.), exacerbating the challenges in base-of-the-pyramid markets. Drawing on institutional theory, network theory, and development research, we examine how gender differences, network composition, and formal institutional voids interact to influence the performance of micro-entrepreneurs.

Method

The study's sample consists of 444 Chinese-based micro-entrepreneurs that operate ventures in base-of-the-pyramid market settings. Data were collected in 2013 with the assistance of MicroCredit (a pseudonym), a nationwide provider of microloans to small and informal businesses. The entrepreneurs in the sample were asked to respond to survey items pertaining to themselves and the venture (i.e., gender and network). Additionally, MicroCredit representatives provided measures regarding the context (i.e., formal institutional voids) and venture performance (i.e., loan payback ability). Given the structure of the data, we utilized a multilevel modeling approach to test our hypothesized relationships using the mixed models procedure in IBM SPSS (Gooderman et al., 2015).

Results and Implications

The findings associated with the study are threefold. First, we find that as the number of formal institutional voids increase, their influence on venture performance is more negative for female micro-entrepreneurs relative to men. Next, we find that the effect of leveraging non-family networks on venture performance is less positive for females relative to male micro-entrepreneurs. Finally, our results suggest that gender and non-family network ties jointly moderate the relationship between formal institutional voids and venture performance, such that male micro-entrepreneurs with a greater percentage of non-family network ties will experience the highest level of venture performance.

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