

Decoding underperformance of entrepreneurship at the bottom of the pyramid: a literature review of the field

Amber Y. Chang

BNU-HKBU United International College, Zhuhai, China, and

Yalan Xu

South China University of Technology, Guangzhou, China

Abstract

Purpose – Driving economic development at the bottom of the pyramid (BOP) is an enduring global challenge. While the market-based approach places hope on entrepreneurship as a major impetus to drive the underdeveloped economy, the performance of entrepreneurial businesses and their impact on poverty reduction are sometimes below expectations. This paper seeks to examine the factors that may be hindering entrepreneurship within the BOP context. This paper presents preliminary answers and provides research suggestions related to this question.

Design/methodology/approach – In order to identify the reasons behind the underperformance of entrepreneurship at the BOP, a comprehensive literature review was conducted to see what is already known about this puzzle.

Findings – By reviewing extant literature, four clusters of factors were found to shape entrepreneurial activities at BOP: (1) Individual-level factors may be restraining entrepreneurial activities within BOP context, (2) gender inequality at BOP is hindering female entrepreneurship, (3) insufficient institutional support is holding back entrepreneurial activities in BOP and (4) business development initiatives are making multi-faceted impacts on entrepreneurial activities in BOP.

Originality/value – This paper contributes to theory in that it is the first comprehensive review of literature on constraints of entrepreneurship in the context of BOP. In investigating influential factors of entrepreneurial success in the BOP context, the authors recognize four major influential forces that are shaping entrepreneurial processes at the bottom of the pyramid and further propose three directions of future research that are worthy for further exploration.

Keywords Bottom of the pyramid, Economic development, Entrepreneurship, Institutional environments, Gender gaps

Paper type Research paper

Introduction

Entrepreneurship is viewed as a sort of emancipatory process with the potential to generate broad economic and social changes, particularly at the bottom of the pyramid (McCloskey, 2013; McCloskey, 2017). Many officials and scholars alike believe that entrepreneurship is a key engine of economic growth and poverty reduction (Bruton *et al.*, 2015). Although extreme poverty has declined since the start of the 21st century, the World Bank notes that 700 million



people are still living on less than \$2.10 per day in terms of 2017 purchasing power parity. And the COVID-19 pandemic, the war in Ukraine, and rising inflation worldwide have caused a renewed increase in poverty of some 75 to 95 million more poor population according to the World Bank (Mahler *et al.*, 2022). Therefore, it is even more urgent today to understand what influential factors are holding back the entrepreneurial processes that may contribute to economic and social development in poverty, or in other words, at the bottom of the pyramid (BOP) (Ahlstrom *et al.*, 2019).

Market-based initiatives intend to involve poor people with more economic activities. In the last decade, an emerging approach held that the most sustainable solution of poverty reduction is stimulating entrepreneurship among the BOP community (Bruton *et al.*, 2013; Prahalad, 2006; Si *et al.*, 2020; Sutter *et al.*, 2019). Supporters of entrepreneurship believe that if helpful seed resources are offered to the poor, they can make a living by creating small businesses (Cull *et al.*, 2009). Successful entrepreneurs not only can help themselves, but also create employment for others around them, and improve living standards in their communities (Ahlstrom, 2010). In such a manner, a virtuous cycle for entrepreneurship is built and can continuously help people and their communities out of poverty. Defined as “entrepreneurship”, the process of entrepreneurship is expected to bring about new economic, social, institutional, and cultural environments and ecosystems (McCloskey, 2013; Rindova *et al.*, 2009). For example, based on a pilot study in Rwanda’s coffee sector, Tobias and colleagues argued that the entrepreneurial process could transform the lives of ordinary entrepreneurs and their communities by creating both economic and social value (Tobias *et al.*, 2013).

Though much of the early work on the economic development at the BOP was in economics (McCloskey, 2006, 2019), organizational studies have entered this field in the last three decades, thanks to the pioneering work of management scholars (Bruton *et al.*, 2013; Christensen *et al.*, 2019; Prahalad and Lieberthal, 1998). In particular, management scholars examine the micro-level challenges that entrepreneurs go through at the bottom of the pyramid. To clarify, in this study we define an entrepreneur as “an individual who owns a business and employs others even if the employees are unpaid family members”, following prior studies in the BOP context (Mondragón-Vélez and Peña, 2010). This definition takes into account the particularity of the BOP context.

Despite the flourishing literature, comprehensive reviews of existing studies on constraints of entrepreneurship from BOP context are still largely absent. Some studies have reviewed literature in fields related to the current study. In particular, Bruton *et al.* (2013) reviewed a decade of studies from 2003 to 2013 and examined findings on the impact of entrepreneurship on poverty reduction. Kolk *et al.* (2014) undertook a systematic review of the evolution of BOP at its outset during 2000–2009. However, none of the existing studies has investigated the constraints lying in entrepreneurship within the particular context of BOP. While a contextualized view of entrepreneurship is being encouraged by scholars in recent years (Shepherd *et al.*, 2019; Welter, 2011), a comprehensive review of literature on what factors are hindering entrepreneurship at the BOP context is essential at the moment.

We conduct a review of studies in the last three decades focusing on one key question: what are the factors that lead to entrepreneurial underperformance at the BOP? Considering the boundary of the BOP context, we agree with Kolk and colleagues that “proposing an exact definition of BOP is difficult and counterproductive” (Kolk *et al.*, 2014). In previous work, definitions of BOP vary in terms of numeric indicators. Here, we trust the judgments of each paper’s authors on whether it is a BOP context or not.

As such, this study makes three main contributions. First, this paper contributes to theory in that it is the first comprehensive review of literature on constraints on entrepreneurship in the context of the BOP. Second, in investigating influential factors of entrepreneurial success in the BOP context, we recognize four major influential forces that are shaping

entrepreneurial processes for BOP entrepreneurs. With the specific antecedents identified, we also illustrate the heterogeneity among BOP contexts. Third, we identify three research directions that are rarely examined in extant studies and suggest an approach to this work.

In the remaining parts of this article, we will first explain the method by which we generate the article pool for review. After obtaining the sample articles, we categorize them into four themes. Then we propose three directions of future research.

Methods

To answer the call for a rigorous review with a transparent and reproducible procedure, we conducted a systematic review following the criteria suggested by [Tranfield et al. \(2003\)](#). The review process began with the use of ProQuest database. Following previous studies ([Busenitz et al., 2003](#); [Claire et al., 2020](#)), we limited our search to peer-reviewed articles of scholarly journals, which helped us to enhance quality control due to the rigorous review process of those journal articles before publication.

In the next stage, we refined the initial database, from the disciplinary stance, by only including key journals listed in the ranking of sub-category “Entrepreneurship and innovation” in Google Scholar Metrics. We used the journal ranking of h5-index as a criterion for selection of key journals because it is more robust and less affected by citation manipulation than impact factor ([Minasny et al., 2013](#)). To increase the possibility that all relevant articles would be included in the final database, we further included major management journals listed in FT50 journal lists ([Busenitz et al., 2003](#)). We also included “*World Development*” and “*Journal of Development Economics*” as they are the most influential journals on development studies that focus on topics about BOP, poverty reduction and alike. Overall, the journal list with a wider range enabled us to provide a broader and deeper review and analysis in terms of entrepreneurship in the context of BOP.

Based on those initial search protocols, multiple combinations of keywords were used to track target articles; we searched those combinations in the areas of titles, abstracts and keywords of articles in the database and journals. One combination was formed by two or three keywords of the following: “entrepreneur(s)”, “entrepreneurship”, “entrepreneurial”, “startup(s)”, “venture”, “self-employment”, “subsistence”, “BOP”, “poverty”, “impoverished”, “base of the pyramid”, and “bottom of the pyramid”. Given the rich literature related to emerging approaches to financing in developing countries, we also included keywords like “microcredit”, “microfinance” and “crowdfunding” ([Chen et al., 2017](#); [Newman et al., 2017](#)). The keyword-based search resulted in 119 unique articles, with duplicates dropped. We also checked the reference list of those identified articles to enrich our sample articles for review, which led to a further six papers.

We also applied two criteria in order to narrow down to studies that focus specifically on our topic. First, we only selected studies whose sample was from BOP contexts, including developing economies, low-income countries and regions, or poor/slum communities. We dropped those articles that did not specify their context of study or clearly declared their research context as developed area(s). Second, we excluded studies of social entrepreneurship, one special type of entrepreneurship that is popular in the BOP context. Social entrepreneurship is rather different from traditional entrepreneurship in the perspective of entrepreneurial opportunities, orientations, visions, accessible resources, and characteristics of entrepreneurs ([Dacin et al., 2010](#)). Thus, we only considered general entrepreneurship in BOP areas and dropped studies of social entrepreneurship. This process reduced our database to 90 articles.

In the final stage, the authors read all remaining 90 articles to check the relevance of theoretical or empirical focus. Seven articles were excluded since their main focus did not rest on entrepreneurship in BOP context. For instance, although keywords like BOP, entrepreneurship and poverty were included in its abstract, work by [Joshi et al. \(2019\)](#) was excluded as its main focus was how solar photovoltaic technologies helped energy-poor communities. Therefore, our database finally had 83 articles for inclusion.

A systematic classification of the final dataset was performed for descriptive purpose. Figure 1 presents the detailed distribution of when and where those articles were published and the trend of the curve indicates the increasing research interests in this fields. Table 1 summarizes the countries or regions where those studies were conducted. Table 2 lists the methods that each paper adopted. Our final sample covers a period of over three decades (1988–2022) and 15 journals. Nearly one-third of those articles were published in the past five years (2018–2022). Contexts of studies were mostly areas in Southeast Asia, Africa, and South America. Among the 83 articles, there are 20 theoretical papers and 63 empirical papers. In the following section we will provide a detailed analysis of the literature, with framework presented in Figure 2.

Findings

We find that the majority of research focuses on either drivers and impediments of entrepreneurship or social and economic outcome of entrepreneurship, while very few studies investigate the difficulty and particularity embedded in the entrepreneurial process under the BOP context. We divided the literature into four themes, each of which represents a broad type of constraint/driver on entrepreneurial activities. We will talk about each theme in the following pages.

Theme 1: psychological constraints and difficulty in building human capital are restraining entrepreneurial activities at the bottom of the pyramid

Many researchers have paid close attention to the effect of individual-level factors on entrepreneurial intention and outcomes in the BOP. Previous studies have shown that impoverished individuals are associated with resource insufficiency in various kinds, including human resources, social resources, financial resources, etc (Mambula, 2004).

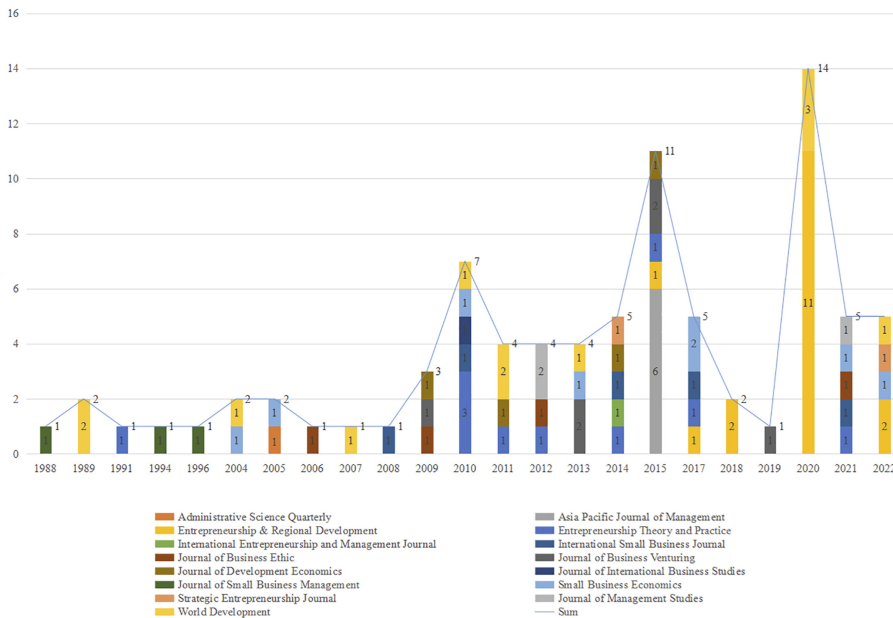


Figure 1. Articles and frequency by journal source and year

Countries and regions	Frequency
Bangladesh	5
Benin	1
Brazil	2
Cameroon	1
Chile	1
China	5
Estonia	1
France	2
Guatemala	1
India	7
Italy	1
Jordan	1
Mexico	1
Mozambique	1
Nicaragua	1
Nigeria	1
Pakistan	1
Paraguay	1
Peru	2
Rwanda	1
Sierra Leone	2
South Africa	1
Spain	1
Sri Lanka	4
sub-Saharan Africa	1
Tanzania	1
United States	4
Venezuela	1
Vietnam	1
Multiple	13

Table 1.

Geographical
distribution analysis
by the 83 articles^{a, b}

Note(s): ^a Conceptual papers are excluded

^b Other countries include: Afghanistan, Cambodia, Dominican Republic, Finland, Indonesia, Iraq, Kenya, Middle East, Suriname, Republic of Trinidad and Tobago and Tajikistan

Lack of resources in BOP proves to be a solid hindrance preventing the poor from engaging or succeeding in new businesses. There are both similarities and differences between entrepreneurship in the BOP context and that in other contexts. We find that current studies on individual-level disadvantages mostly lie in two sub-clusters: (1) psychological elements embedded in entrepreneurial activities in the BOP context and (2) difficulty in building human capital for start-ups in the BOP context.

Psychological constraints in entrepreneurial activities in the BOP context. Psychological factors affect entrepreneurs in many aspects, including confidence in and motivation for business success (Newman *et al.*, 2014). As recognized in extant studies, entrepreneurial activities do not necessarily lead to economic prosperity (Alvarez and Barney, 2014). Take Venezuela for instance, data from Global Entrepreneurship Monitor shows that the rate of entrepreneurship in the country is high, while the percentage of new ventures that can survive is extremely low, only 1% in 2011 (Puente *et al.*, 2017). Most of the new ventures in that country are neither sustainably growing nor contributing to job creation. Actually, most entrepreneurs from poor communities start their businesses just to make a living. One reason behind the low quality of new ventures in the BOP is that the poor might lack growth aspirations for their business (Puente *et al.*, 2017).

Methods	Frequency
Theoretical papers	16
Review papers	4
<i>Qualitative methods</i>	
Case analysis (single/multiple case analysis)	24
Interview (in-depth and/or semi-structured)	9
<i>Quantitative methods</i>	
ANOVA	1
Blundell–Bond system-GMM approach	1
Cluster analysis	1
Cox proportional hazards model	1
FGLS	1
Fixed-effect/Random-effect regression	3
Hierarchical OLS regressions	1
Instrumental variable	1
Intent-to-treat estimate	1
Logistic regression	1
Matching-based regression	1
Meta-analysis	1
Modeling	1
Multilevel mixed model	2
Multiple correspondence analysis	1
Natural experiment design	2
OLS regression	5
Ordered-probit model	5
Ordinal model	1
Partial least squares	1
Path analysis	1
Probit estimates	3
Quantile regressions	2
Quasi-experimental methods	1
Seemingly unrelated regressions	1
Spatial econometrics techniques	1
Survey	7
Two-stage least squares regression analysis	1

Note(s):^a Frequencies are not mutually exclusive as multiple methods could be employed in one single paper

Table 2.
Analytical methods
used in the articles^a

Reasons for psychological difficulties, such as low growth aspiration, in entrepreneurship in the BOP context are multilayered. Puente and colleagues' study provides evidence that entrepreneurs from BOP are significantly different from those from the non-BOP context in terms of growth aspiration. Studies also find that growth aspiration is affected by age, gender and economic contexts. The growth aspiration of entrepreneurs can be increased by a higher level of education (Brana, 2013; Puente *et al.*, 2017).

In investigating the poor's psychological factors that affect entrepreneurial activities, some researchers look from the spiritual perspective. Spiritual capital refers to "a set of resources stemming from religion and available for use in economic and political development" (Berger and Redding, 2010). The spiritual capital of the poor may positively affect their entrepreneurial activities (Neubert *et al.*, 2017). Entrepreneurial activities involve obtaining new knowledge (Fletschner and Mesbah, 2011) and being open to new possibilities. People living in poverty may hold a belief that the current situation is unchangeable (Dreze *et al.*, 1999). Religion might exert influence on entrepreneurs' behaviors, as it affects their

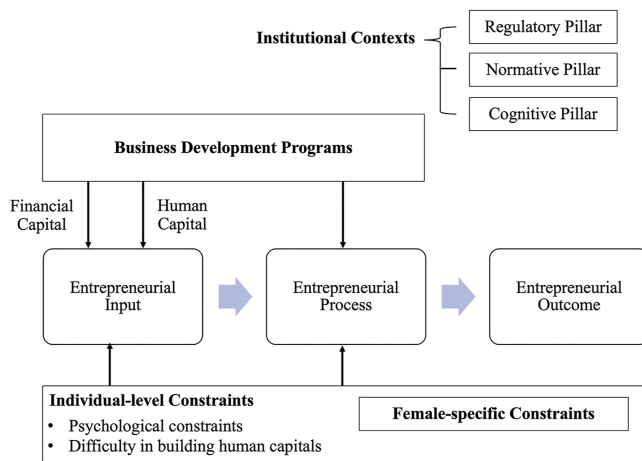


Figure 2.
Theoretical framework

values and thus entrepreneurial motivation or orientation (Brana, 2013; Mambula, 2004). Religious practices such as meditation and prayer help people gain spiritual capital (Greenfield and Marks, 2007), improves confidence in making changes by oneself and also promotes innovation in new ventures (Bandura, 2003). Neubert *et al.* (2017) also found that spiritual capital is positively related to innovation, total sales and the number of employees while controlling for other forms of capital.

Difficulty in building human capital for start-ups in the BOP context. Being an entrepreneur requires specific human capital for opportunity discovery and creation (Alvarez and Barney, 2014). Building human capital is particularly difficult for individuals from poor regions because they suffer from underdeveloped educational systems and usually do not possess sufficient human capital for getting involved in new business (Webb *et al.*, 2010). For instance, illiteracy is a common problem at the bottom of the pyramid. Hence, one significant factor determining the human capital of entrepreneurs is education level. Using a sample from Kenya, Bradley *et al.* (2012) prove that higher levels of education positively influence the quality of start-ups because entrepreneurs equipped with supporting knowledge could understand the market demands, solve problems encountered in the process of starting a business, and achieve entrepreneurial success more easily. Sutter and colleagues show a positive correlation between higher level education and entrepreneurial performance using survey data from Nicaragua (Sutter *et al.*, 2014).

Early childhood education by parents lays the foundation for the productivity of future education as well as the development of entrepreneurs' capabilities, which affects their propensity to start a new venture in the future (Mambula, 2004). That could explain why family background might affect not only the entrepreneurial likelihood but also the ultimate outcomes of entrepreneurship (Mambula, 2004; Neubert *et al.*, 2017). However, the relationship between family business background and entrepreneurial outcomes has not been agreed on among scholars. In the study of Neubert *et al.* (2017), their results show that family business background is negatively correlated with innovation performance in start-up firms in Kenya and Indonesia.

Previous working experience is another element of human capital that may be a major explanatory factor in entrepreneurship. Opportunities through the workplace, the assistance of former employers, and role modeling of prior colleagues could all increase the likelihood to start a new venture (Mambula, 2004). Meanwhile, the experience and skills from prior work

are closely related to entrepreneurial outcomes. Entrepreneurs perform more effectively in the areas related to previous work and are more likely to succeed (Mambula, 2004).

The bottom of
the pyramid

Theme 2: women face more constraints in building psychological capitals and obtaining essential resources for entrepreneurial activities and thus perform poorer than men in the BOP

Women are more vulnerable in subsistence contexts compared to men. Gender is one of the most important influential factors of business creation (Jayawarna *et al.*, 2014). In South Africa, for instance, women suffer from hunger, unemployment, low income and low education level more often and severely than men (Scott *et al.*, 2012). Many women also suffer from violence and harassment (Primo and Khan, 2003). At the BOP, women are more likely to encounter obstacles like illiteracy and language barriers (Fletschner and Mesbah, 2011).

Prior evidence shows that the likelihood of females starting up a business is less than that of males (Korosteleva and Stepień-Baig, 2020). The motivations of female entrepreneurs to start a business are generally significantly different from those of male entrepreneurs. Men are more likely to have an ambition in growing their enterprise, while women are more likely to do business to buy food and contribute to living expenses (Pueyo *et al.*, 2020). Female entrepreneurs have a lower expectation for the growth of enterprise and are more risk averse than those male entrepreneurs (Puente *et al.*, 2017). Another discouraging fact about female entrepreneurship is that the businesses created by women tend to be smaller, less efficient, and with lower added value. For instance, in Tanzania, the fishing industry is dominated by men while women are involved in low-value activities, such as cooking for fishermen (Pueyo *et al.*, 2020).

Female entrepreneurs face more challenges, like social constraints, compared with male entrepreneurs, in building social capital and getting access to various types of resources (Braná, 2013; Lindvert *et al.*, 2017; Thompson *et al.*, 2009). Fletschner and Mesbah's (2011) study shows that women from rural Paraguayan communities are not allowed travelling alone or use certain transportation means. Similarly, Lindvert and colleagues find that in Pakistan, traditional Islamic norms restrict women to network with men outside the family. Women are even not allowed to share a workplace with men. Women in Palestine are only allowed to receive female clients and they could visit merely when their husband is away from home (Al-Dajani and Marlow, 2010). In Tanzania, women are not allowed to get outside of the home after sunset (Pueyo *et al.*, 2020).

The cultural and social norms in these traditional contexts also make it awkward for women to talk to men who are not their relatives. Women get information mostly from face-to-face interactions with their female relatives, friends, and neighbors (Mooko, 2005; Ngimwa *et al.*, 1997). Consequently, women have very limited opportunities to build trust with stakeholders and to get access to various resources. Prior study reveals significant gender differences in access to capital, skills and other resources for business (Pueyo *et al.*, 2020). For instance, it is very difficult for women entrepreneurs to obtain knowledge about financial institutions operating in their communities (Fletschner and Mesbah, 2011).

Given all the constraints and challenges women in the BOP context face as mentioned above, many business development initiatives have been established to help women entrepreneurs doing business in the BOP environment. Through evaluating the impacts of business development programs, Valdivia posits that when intensive training is provided to female entrepreneurs, their business performance can be improved. They need both general training on best practices for managing a small business, and technical training which refers to specific advice for each entrepreneur's business (Valdivia, 2015). Maas and colleagues found that business development programs can also help women entrepreneurs to build social networks through four strategies: "modifying and building on existing bonding

networks, transferring linking ties, teaching how to build bridging networks, and the creation of a network of entrepreneurial peers” (Maas *et al.*, 2014).

Although female entrepreneurship cannot break away from certain religious or cultural traditions, the massive financial resources and human attention brought to the bottom of the pyramid are benefiting females in several ways (Scott *et al.*, 2012). As one of the disadvantaged groups, women may also earn a better income and inspire empowerment through entrepreneurial engagement or related supporting programs (Scott *et al.*, 2012). The general mindset of society could even be altered due to the development of entrepreneurship. For instance, entrepreneurs in slum communities emphasize more on the education of their children more than ever (including female children) and thus promote the formation of a supportive environment of education that will benefit future generations (Shepherd *et al.*, 2021).

In sum, extant studies on gender gap in entrepreneurial performance in the BOP illustrate that women are less likely to start a business, female entrepreneurs have more difficulties in obtaining financial resources, and female-led businesses do not perform as well as those led by males. These findings are consistent with prior literature of female entrepreneurship in regular context (e.g. Jennings and Brush, 2013). However, among the various factors hindering women’s entrepreneurial activities, some are unique to the BOP context. The cultural and social norms in the BOP context constrain women’s freedom in engaging in entrepreneurial activities. Female entrepreneurs are not only constrained in acquiring financial resources from banks but also in obtaining information about how to apply for financial resources, which is unique in the BOP context.

Theme 3: insufficient regulatory institutions and conservative culture are holding back entrepreneurial activities in BOP

Institutions are often thought of as the “rules of the game” (North, 1990), and can both facilitate and hamper entrepreneurial activities (Bruton *et al.*, 2010). The rate of entrepreneurial failure is higher in abject poverty regions than may be necessary because of shortcomings in the local institutions that otherwise encourage entrepreneurs and protect them from local or regional interference and incursion (Deininger *et al.*, 2007; Matos and Hall, 2020; Mokyř, 1992; Young *et al.*, 2014). Chowdhury (2021) argued that without a cooperative socio-structural intervention, individual entrepreneurs are incapable of realizing an escape from poverty. In previous research under the BOP context, institutions are mostly mentioned as constraints of entrepreneurial activities (Dana, 1994, 1996; Harper, 1991; Kistruck *et al.*, 2015).

There are three categories of institutions, namely regulatory, normative, and cultural-cognitive institutions (Scott, 2013). Regulatory institutions may fundamentally decide what resources and protection entrepreneurs can obtain from the government and social systems, since regulations direct and legalize activities through sanctions and enforcement. Institutions within the BOP market are generally relatively weak due to their limited capabilities in providing institutional benefits such as protecting property rights (Webb *et al.*, 2009). Take Mozambique in the 1990s as an example. When the World Bank financed a program to encourage entrepreneurship, the results were not satisfactory as expected. The problem partially lies in the weak regulatory system that could hardly provide a stable business environment or protect the financed programs from bribes, extortion and outright theft (Dana, 1996). Similar problems with weak institutions also existed in Vietnam when that country started to encourage entrepreneurship in the late 1980s (Dana, 1994). Lin and colleagues had a similar finding in China that the influence of entrepreneurship on poverty alleviation is weaker in regions of the countryside, underdevelopment or with lower levels of financial development (Lin *et al.*, 2021). Bureaucratic structures, absence of a banking

system, constrained access to export markets and lack of legal structure were all hindering innovation and new business creation (Ahlstrom, 2010; Dana, 1994; Tomizawa *et al.*, 2020). The cases of Mozambique, Vietnam and several others indicate the negative effects that weak regulative institutions make on entrepreneurship.

Recent studies suggest, however, that the effects of regulatory institutions are more complex than previously thought (Mair *et al.*, 2012). While strong regulative institutions such as legal and financial rules can promote entrepreneurial activities, complying with regulatory institutions may harm small businesses and entrepreneurship in certain circumstances. Study by Kistruck *et al.* (2015) evidenced that complying with legal rules can be a double-edged sword for entrepreneurs. More specifically, as an avenue of obtaining legitimacy from the regulatory institutions, whereas formal business registration leads to increased access to financial and human resources for entrepreneurial firms, such signaling of stability and profitability also attracts undesirable criminal acts such as extortion, theft and vandalism. This could partly explain why many entrepreneurs in the BOP would maintain their businesses informally.

Prior research on normative and cultural-cognitive institutions in the BOP context centers on one important means, which is culture. Normative institutions are rooted in the values and norms that shape professional standards and people's behaviors (consciously) (Bruton *et al.*, 2010; Scott, 2013). Cultural-cognitive institutions are affecting entrepreneurial activities mostly at the individual level in terms of preconscious behavior (Scott, 2013). Both normative and cultural-cognitive institutional impacts can be transmitted through culture, professional rules and communications, and other well-accepted vocational standards and conventions (Bruton and Ahlstrom, 2003; DiMaggio and Powell, 1983; Jepperson, 1991). Researchers recognized contextual factors such as cultural support for entrepreneurship, can positively affect an entrepreneur's aspirations for business growth in the future (McCloskey, 2017). Here they measured cultural support for entrepreneurship in terms of people's recognition and respect for entrepreneurial success, and perception of starting a business as a desirable career. In the study on manufacturing firms in Nigeria, Mambula (2004) also noted that cultural environments cannot be ignored as determinants of entrepreneurial success. One of the informants in the study, who is a manager, considered local cultural environments in Nigeria as an obstacle for business because some traditional beliefs discourage the hard work of people.

In general, the institutional context in the BOP context is often characterized by weakness and ineffectiveness in facilitating functions of entrepreneurial activities. These studies also awaken us to the complexity of institutions within BOP markets (McCloskey, 2013). The unsettling institutional environments, which often present at the base of the pyramid, are not simply weak, but are made up by individual institutions with different levels of strength, which exert diverse impacts on the entrepreneurial process, often hindering it (Mair *et al.*, 2012; Mokyr, 2016; Ogilvie, 2014).

Theme 4: business development initiatives are contributing to building financial and human capital for entrepreneurial activities in BOP, but the inherent commercial logic of some institutions may harm the poor

Millions in loans have been provided to people struggling in poverty through recent programs of microfinance and crowdfunding (Alvarez *et al.*, 2015). A lack of access to financial capital is one of the most serious constraints in poor regions and may lead to entrepreneurial failure (Bradley *et al.*, 2012; Franco and Haase, 2010; Mambula, 2004; Vedula *et al.*, 2022). It is widely agreed that access to microcredit can increase household incomes. However, the impact of such financial institutions and provisions is still under debate (Chen *et al.*, 2017); both positive and negative outcomes have been reported in previous research

(Chliova *et al.*, 2015). In addition, among the poor clients benefiting from microcredit institutions, their income increases can vary considerably in magnitude and durability (Shaw, 2004). One recent study shows that the impact of small credit supporting traditional livelihoods (e.g. farming, fisheries) is comparable with credits supporting micro businesses (Singh *et al.*, 2022). Since the poor usually have better skills and knowledge in traditional livelihood activities, funding micro businesses is not always the best choice for loaners in the BOP. It is noteworthy that the study also showed that when multiple members of a microcredit peer group engaged in livelihood activities simultaneously, the benefit of the small credit was larger.

Financial capital alone is not enough to stimulate sustainable business, and better knowledge and novel ideas are needed (Bradley *et al.*, 2012; McCloskey, 2013). Addressing this problem, many programs are providing grassroots entrepreneurs in poverty with necessary training. Researchers have shown that a multifaceted program offering productive assets, consumption support, technical skills, high-frequency home visits, access to saving accounts, and health education can promote lasting progress in poorer communities (Banerjee *et al.*, 2015). Avon's business development programs in South Africa, for example, provided women with training and helped them build useful social networks (Scott *et al.*, 2012). The entrepreneurs benefit from Avon's program not only in increasing income but also in a sense of empowerment. Similarly, by providing a platform for gaining knowledge through social interactions, microcredit institutions help female entrepreneurs not only get access to financial resources but also reduce their internal psychological constraints (Garcia *et al.*, 2020). The training and social support provided by business development platforms like microfinance institutions also makes a positive influence on the psychological capital of entrepreneurs in the BOP context (Newman *et al.*, 2014; Newman *et al.*, 2017).

One inherent problem with business development programs, such as microfinance institutions, is that they hold a mix of social and economic logic within the organizations (Khavul, 2010). In the interaction between the effects of poverty alleviation logic and commercial banking logic, the fundamental logic of eliminating poverty is gradually displaced by the commercial banking logic (Kent and Dacin, 2013). The increased interest rates charged by microfinance institutions have become a heavy burden for borrowers (Sun and Im, 2015). In the meantime, market logic also decides how much commercial and public capital microfinance organizations can acquire (Zhao and Lounsbury, 2016). There are conflicts between market logic and social logic within microfinance institutions from time to time.

Future research opportunities

Based on extant literature on entrepreneurship and poverty, this paper has sought to classify the existing findings in the field of BOP's entrepreneurship into four themes—individual-level constraints, gender inequality, insufficient institutional support and business development initiatives at the BOP. While we observe that more research in this field has been emerging in recent years, we also recognize several key research gaps that require more attention from researchers in future work.

Recognizing heterogeneity among BOP contexts

The BOP refers to the largest but poorest socio-economic group in general. The findings in our review indicate that the impact of entrepreneurial activities on poverty alleviation is mixed. One reason that leads to the controversial results is that a precise criterion of "poverty" or "bottom/base" of the pyramid is yet indecisive. Varying "bases" or "bottoms" are studied in different articles, while some of them do not really target populations

(or people subgroups) at the bottom of the pyramid, thus leading to varied entrepreneurial outcomes (cf. [Khosravi et al., 2021](#)). Our paper reveals that the contextual influence of BOP is multilayered through individual, resource, and institutional constraints, and through the people groups being studied. While not calling for a universal definition (or redefinition) of BOP, we advocate for more studies examining the nuance among different BOP contexts in countries and among different communities.

To examine heterogeneity among various BOP contexts, future studies may make further comparisons of entrepreneurial activities located in BOP contexts with different natures. The poor population is not only located in less developed countries but also distributed in low-income regions, such as rural areas in some developing countries, and even in developed countries. There are differences in the level of institutional support among rural areas in developing countries like China, and less developed countries like Kenya. Meanwhile, the resource availability for entrepreneurs also varies in different contexts. Individual characteristics of entrepreneurs are different in diverse cultural and social backgrounds. A lot of opportunities for future research lie in the influence of heterogeneous institutional supports, resource constraints and entrepreneurial characteristics on entrepreneurial activities and outcomes.

Moreover, while the influence of regulatory institution on entrepreneurship is broadly discussed, normative and cognitive institution has drawn less attention from researchers. Given the crucial role of three pillars of institutions on entrepreneurship, more attempts to examine the influence of normative and cognitive institutions in the BOP context as well as the interactive effects among different pillars on entrepreneurial activities and outcomes are required. For example, it is worth examining how the cultural-cognitive institutional pillar may interact with the regulative pillar and encourage the latter's development in positively impacting entrepreneurial success or failure in the BOP context ([McCloskey, 2019](#); [Tomizawa et al., 2020](#)).

Attaching importance to entrepreneurial capabilities in the BOP context

Another gap stems from the fact that the majority of the 83 reviewed articles neglected the indispensable role played by entrepreneurial capability. Entrepreneurial capabilities refer to the competencies and alertness of entrepreneurial actors to prospect, develop and exploit opportunities by reconfiguring human, social and financial resources ([De Massis et al., 2018](#); [Tang et al., 2012](#)). Such entrepreneurial capabilities enable entrepreneurs to seize opportunities and succeed by redeploying resources at hand. However, there are few studies that explore the impact of entrepreneurial capabilities. Aligning with the definition, we suggest two paths for future research: (1) identification and exploitation of entrepreneurial opportunities and (2) managing resources in BOP context.

Identification and exploitation of entrepreneurial opportunities. Entrepreneurship is concerned with why, when, how, and by whom opportunities for creation of goods and services are discovered, developed and exploited, as well as the economic, technological, and social consequences of this pursuit ([Nair and Ahlstrom, 2003](#); [Shane and Venkataraman, 2000](#)). It is stressed in the concept that the ability to identify, develop and exploit opportunities is essential for entrepreneurs to succeed and realize poverty alleviation and eventual escape. Our review has also verified this point. For instance, entrepreneurship targeting at opportunity exploitation tend to be more productive compared with those for subsistence and are more likely to reduce poverty ([Bradley et al., 2012](#); [Cumming et al., 2020](#)). Firm growth remains a key variable for the improvement of a region and its economy ([Ahlstrom, 2010](#); [McCloskey, 2006, 2013, 2019](#)).

Still, the mechanism in which market entrepreneurial opportunities are identified, evaluated and exploited still has many remaining aspects of the proverbial black box,

especially in the context of the BOP, which researchers are still working at trying to unpack (Alvarez *et al.*, 2015; Alvarez and Barney, 2014; McCloskey and Carden, 2020; Si *et al.*, 2020). As presented above, the turbulent setting of BOP places both opportunities and challenges for entrepreneurs to start a business. Suffering from different levels of institutional and resource constraints, entrepreneurs' ability to identify and exploit opportunities, ways to start businesses and the entrepreneurial consequences might be quite different compared with their counterparts both in more developed areas and across various BOP contexts (Wu *et al.*, 2020). Based on this research gap, we call for future studies to explore and compare the difference in entrepreneurs' sensitivity, recognition, discovery, and creation in terms of entrepreneurial opportunities across contexts. It might also be interesting to study the different processes of opportunity identification and exploitation and resulting possible consequences – microfoundations of entrepreneurial behavior – especially in BOP.

Managing resources in the BOP context. Entrepreneurial capability is also indicated in the ability of entrepreneurs to properly manage resources. In our review, however, the foci of most studies were limited to the accessibility and availability of resources, ignoring the role of resource management capabilities. But simple possession and control of resources could hardly create value (McCloskey, 2013; Sirmon *et al.*, 2007). In other words, a lack of resources does not necessarily result in failure if entrepreneurs that are equipped with entrepreneurial capabilities and are able to manage resources at hand efficiently (Christensen and Raynor, 2003). A few scholars have noticed this research gap and made some attempts to further research in this area. For example, some entrepreneurs solve problems by applying various combinations of existing resources to overcome resource restrictions, which is called “resource bricolage” (Baker and Nelson, 2005; Sarkar, 2020; Wierenga, 2020). But resource shortage is not the only obstacle when doing business at BOP. Key institutions can impact the entrepreneur's ability to apply the resources effectively and to partner with those that can help the business, as research in effectual entrepreneurship also suggests (Read *et al.*, 2016) Thus, we suggest that future research explores more mechanisms through which entrepreneurs can make the most of resources at hand and overcome (or at least manage) various institutional, economic and social constraints owing to the external environment (Dunbar and Ahlstrom, 1995).

Resource management also requires entrepreneurs to make the correct judgment on resources. We should note that not all resources are good for the growth of entrepreneurial firms. Christensen and Raynor (2003) argued that if the investment is “impatient for growth but patient for profit”, money issues might condemn startups when failing to meet their expectations. Even good money could turn bad and become impatient through the “death spiral” due to the growth gap (Christensen and Raynor, 2003). Extant literature, however, rarely analyzes entrepreneurial failure through the lens of resource attributes, that is, the “type” of money provided and the frugality with which an entrepreneur must manage resources. We thus call for research on the dynamic impact of resources in various forms and amounts on entrepreneurial activities at the BOP, both beneficial and adverse. It would also be interesting to elaborate influence of specific contextual factors in the BOP on resource attributes and explore whether outcomes might be different across contexts.

Exploring the interplay of various forms of entrepreneurs within the BOP context

While this review has primarily focused on traditional entrepreneurship in seeking to reveal the influential factors that hinder entrepreneurial activities, many other forms of entrepreneurship are flourishing in the field of BOP as well. Unfortunately, mainstream studies tend to be limited to one certain type of entrepreneurship but neglect the potential interplay of various forms of entrepreneurship and their impact, which produces knowledge gaps. To better understand the influential factors and results of entrepreneurial activities within the BOP context, we call for future research on the interplay between traditional

entrepreneurship and that of other forms, including different forms of hybrid organizations (Bruton *et al.*, 2015).

One popular form of entrepreneurship in the BOP environment that is emerging is social entrepreneurship (Dacin *et al.*, 2010). Usually, social enterprises may provide support to locals and promote the construction of institutions and transaction market, encouraging more people to start businesses. Jain and Koch (2020) evidenced that social enterprises significantly help improve the economic and institutional environment in BOP regions that further facilitate local entrepreneurship, creating more jobs for locals and improving their standards of living. Another type of entrepreneurship that has received more attention from researchers is corporate entrepreneurship. Its influence on local entrepreneurs might be mixed. While their entrance increases the difficulties of local entrepreneurship in terms of resources accessibility and market competition, they bring about valuable knowledge, advanced managerial experience and business models that help entrepreneurs improve themselves and contribute to the construction of local markets and institutions (Ault, 2016). Considering the significant impact of various other types of entrepreneuring on local entrepreneurship, examining the interaction among different forms of entrepreneurship may be a promising direction that can help us better understand how virtuous cycle of entrepreneurship and growth could be established to facilitate the sustainable development of the economy and society, particularly in the BOP.

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Corresponding author

Yalan Xu can be contacted at: xuyalan@scut.edu.cn

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