

Poverty plays complex role in entrepreneurship for Indian women

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Over a billion entrepreneurs in the world operate in subsistence economies, often living hand to mouth. Is there a relationship between such poverty and entrepreneurial activity? A new study in the *Journal of Public Policy & Marketing* says yes and sheds light on the way in which two kinds of constrained consumption spur—or in some cases impede—entrepreneurial activity.

"There is a complex interplay when it comes to entrepreneurship between what we define as 'chronic' constrained consumption and 'periodic' constrained consumption," write the authors of the study, Srinivas Venugopal, Madhubalan Viswanathan (both University of Illinois), and Kiju Jung (University of Sydney). "An increase in chronic constraints can lead poor people to start small businesses, but if periodic constraints are numerous, the burden and stress that they place on the poor are so great that entrepreneurial activity is essentially stymied."

The authors base their findings on a study of over 150 poor women who live in an urban community in southern India. "Chronic" constrained consumption is a measure of a household's average monthly expenditures: the lower the average expenditures, the more chronic the constrained consumption. "Periodic" constrained consumption refers to changes in consumption that are particular to a time of month or year.

Increases in chronic consumption constraints spurred entrepreneurial activity as long as periodic constraints were kept at a minimum. A barrage of periodic constraints created too much uncertainty for the women who were more chronically constrained, hindering their ability to see a way out of [poverty](#) and thereby diminishing entrepreneurial intention. However, even for women who suffer a lot of periodic constraints, education that increases marketplace literacy can, by increasing entrepreneurial self-efficacy, enable them to overcome a temporary economic setback and still

seek a livelihood through entrepreneurial activity.

"There is a psychology of poverty that is important for researchers to understand, and it is crucial to know the triggers, enablers, and suppressors of entrepreneurship in subsistence. Scholars must be sensitive to the motivations and social structures that emerge within contexts of poverty rather than imposing pre-existing theories evolved in affluent contexts of the West."

More information: Srinivas Venugopal, Madhubalan Viswanathan, and Kiju Jung. "Consumption Constraints and Entrepreneurial Intentions in Subsistence Marketplaces." Forthcoming in the *Journal of Public Policy & Marketing*.

Provided by American Marketing Association

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