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Language and market inclusivity for women entrepreneurship: the case of microfinance

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ABSTRACT

Inclusive markets are key to fostering female entrepreneurship, and the microfinance sector has recognized and acted on this. Existing research has studied how institutions and organizational factors facilitate the process by which microfinance and other financial intermediaries tackle gender-based financial exclusion. But while the role of cultural institutions has been recognized as important, little research has systematically integrated culture in the study of gender-based financial exclusion. We posit that language is a cultural institution that influences the extent to which financial intermediaries are successful in outreaching women and supporting female entrepreneurship. Inspired by a performativity approach, we develop a set of hypotheses that delineate how a specific feature of language, gender marking in grammar, moderates the role of institutional (state capacity) and organizational (NGO status and global ties) factors in shaping microfinance outreach to women. Using the ratio of female to male borrowers in 2361 microfinance organizations from 115 countries during the period 1995–2015, we confirm that market inclusion of women depends on organizational and institutional factors, and that gender marking in grammar influences those relationships.

Executive summary

This paper aims to contribute to the literature on the institutions-inclusivity debate regarding the effectiveness of financial intermediaries-of which microfinance organizations are one specific instance- in providing credit to remedy gender-based exclusion. Such exclusion hampers female entrepreneurship by limiting access to credit. While the institutions-inclusivity literature has identified the role of formal institutional and organizational factors, such as state capacity, non-profit orientation, and internationalization, there has been no systematic theoretical and empirical study regarding how cultural institutions influence the role that the above factors may play.

Addressing this gap is important because cultural institutions may have a subconscious influence on actors. This is particularly relevant for microfinance organizations because their mission to work on outreach to women not only creates an economic revolution by expanding market access to those previously excluded, but also involves the creation of new values concerning gender, economic

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participation and societal organization. Omitting the role of cultural institutions may bias researchers, policymakers and actors on the ground as they diagnose which factors facilitate the creation of inclusive markets. Furthermore, understanding the role of cultural institutions is important in designing policies to address financial exclusion as this impedes female entrepreneurship and limits women's access to credit, thereby leading to misallocation of resources with consequences for efficiency and distribution at the micro- and macro-economic levels.

This paper focuses on the study of one such cultural institution, language gender marking, which existing research has shown to be historically embedded, transmitted from generation to generation, and an influential factor in the gendered partition of social reality that affects actors subtly and/or subconsciously. We explore how this cultural institution influences organizational and institutional factors that the institutions-inclusivity debate has identified as playing an important role in allowing financial intermediaries to successfully engage in outreach to women.

We draw on performativity theory, as interpreted by Derrida, as our theoretical lens. We argue that language gender marking constitutes the citation realm in which microfinance's intent to reach out to women is more or less performative. In high gender marking language environments, it is harder for microfinance organizations to successfully reach out to women (or "perform" this mission) because the creation of new rules and values is in sharp contrast with pre-existing values. This has implications for how NGO microfinance organizations perform in those environments, as well as for the value of global ties in mobilizing universalistic values of gender equality. Finally, language gender marking may also influence how state capacity improvements facilitate outreach to women.

Using this theoretical framework, we test our predictions against the empirical analysis of 2361 microfinance organizations operating in 115 countries in the period 1995–2015. We empirically test the moderating effect of language gender marking on the impact of state capacity, global ties and NGO status on the percentage of female borrowers (our measure of outreach). We measure language gender marking using the GII index (which captures the presence and intensity of female-male distinctions in language) as developed by [Santacreu-Vasut et al. \(2014\)](#). Our theoretical framework and empirical results support the claim that the influence of language gender marking is causal but does not involve agency (because of its subconscious nature). However, neither is it purely contextual, since its impact varies depending on which organizational/institutional factor is considered.

Regarding our contribution to practice, we show that language gender marking is a cultural institution that operates below the surface of conscious interactions. Its subtle influence on microfinance organizations is neither direct nor purely contextual, and, while it does not involve agency, it still works causally. Omitting this cultural institution, and more generally, failing to take account of cultural institutions that actors on the ground may not consciously be aware of, will inevitably lead to biased inferences regarding the role of organizational factors and formal institutions. In our discussion of the implications of our research for practice, we conclude that there are limits to entrepreneurship and that these may influence policy recommendations as follows. Interventions designed to improve state capacity are likely to be most beneficial in countries with high gender marking, because in those environments reducing the cost of providing microfinance loans by improving market infrastructure is particularly beneficial. On the other hand, funding outreach to women by NGO organizations may be less beneficial in countries with high gender marking in language. This reveals that the impact of language gender marking is not contextual only. Finally, and more cautiously, we suggest that promoting organizations' international ties may be the most effective in environments with high gender marking, where mobilizing a different citation realm may play a particularly important role.

1. Introduction

Women around the world face economic exclusion in the form of limited access to markets, including financial markets ([Kempson and Whyley, 1999](#); [World Bank, 2014](#)). This undermines the economic capacity of women ([Ridgeway, 2011](#)) and inhibits female entrepreneurship (e.g., [Ault, 2016](#); [Mair et al., 2016](#); [Tolbert et al., 2011](#)). Existing studies on the economic and entrepreneurial exclusion of women are based on certain assumptions that are grounded in an essentialist perspective. Examples of such assumptions include the view that entrepreneurship requires "male" virtues ([Ahl, 2006](#)), or that the economic exclusion of women is rooted in social discrimination which limits their ability to make financial decisions, even within their own household ([Serrano-Cinca and Gutiérrez-Nieto, 2014](#)). The essentialist perspective is normative, contextual, agency-imbued and action-based; it views gender exclusion as an inequitable social "order" that dominates socio-economic contexts that endorse male norms ([Ahl, 2006](#)).

This paper takes an alternative approach, analyzing the entrepreneurial exclusion of women from an institutional perspective ([Bruton et al., 2010](#); [Tolbert et al., 2011](#)). To do this, we look at the participation of women in financial markets via microfinance institutions. These are financial intermediaries that facilitate entrepreneurship by providing financial services to those excluded from mainstream financial services ([Yunus and Jolis, 1999](#)). Prior research in the institutional tradition has looked at how microfinance improves the financial inclusion of women by considering institutional and organizational determinants. Examples of such determinants are state capacity ([Ault, 2016](#); [Ault and Spicer, 2014](#)); lending practices ([Cobb et al., 2016](#)); or the emergence of for-profit and not-for-profit microfinance institutions ([Khavul et al., 2012](#)). [Mair et al. \(2012\)](#) study the institutional void encountered by microfinance institutions, while [Mair et al. \(2016\)](#) study the process of scaffoldings – i.e., the mobilization and stabilization of the microfinance institutional environment by, among other things, concealing goals that are inconsistent with the normative stance of certain groups. Notwithstanding, cultural institutions have been understudied in the literature.

In this paper, we investigate how one cultural institution - language - influences the creation of inclusive markets for women by microfinance institutions. Recent work shows how language influences the partitioning of social reality and the salience of certain categories ([Mavisakalyan and Weber, 2016](#)). We focus on one aspect of language, which relates directly to the gender divide in society: gender marking in grammar. We do this because grammatical gender marking has been shown to be historically grounded and to relate to a gendered division of labor ([Galor et al., 2016](#)). At the same time, gender marking in language has been shown to be

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