

Entrepreneurs and workers



ABHIJIT BANERJEE AND ESTHER DUFLO

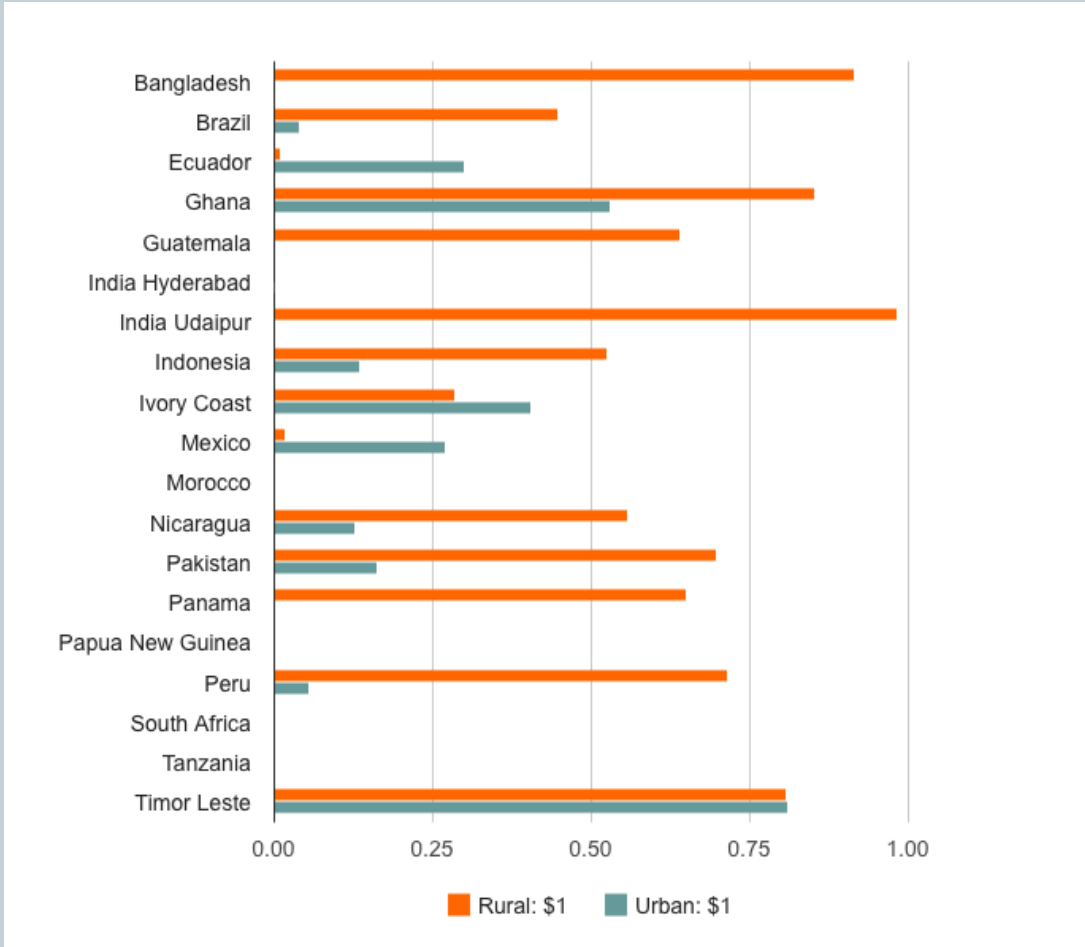
14.73

Lots of entrepreneurship among the poor

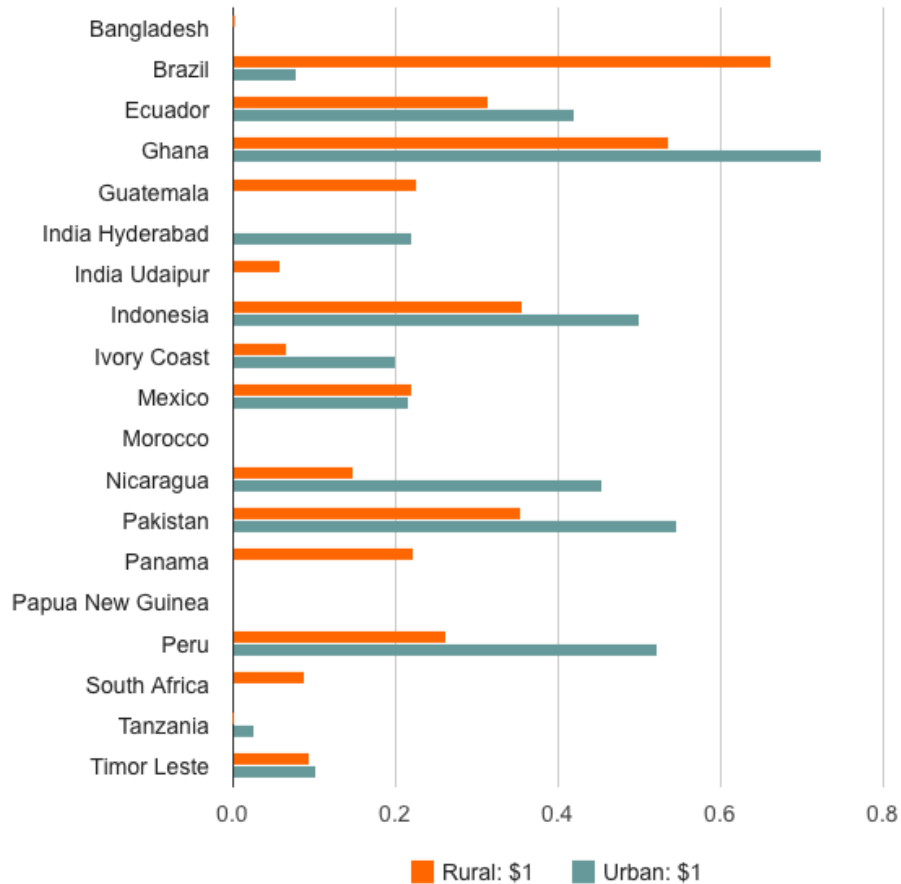


- Who is an entrepreneur?
 - ?
 - ?
- Examples
 - ?
- 12% of people in the OECD describe themselves as self-employed
- The corresponding fraction among the poor is much higher.

How many households had at least one person self employed in agriculture?



How many households have at least one person self-employed in non-agricultural work?



Why is this surprising?



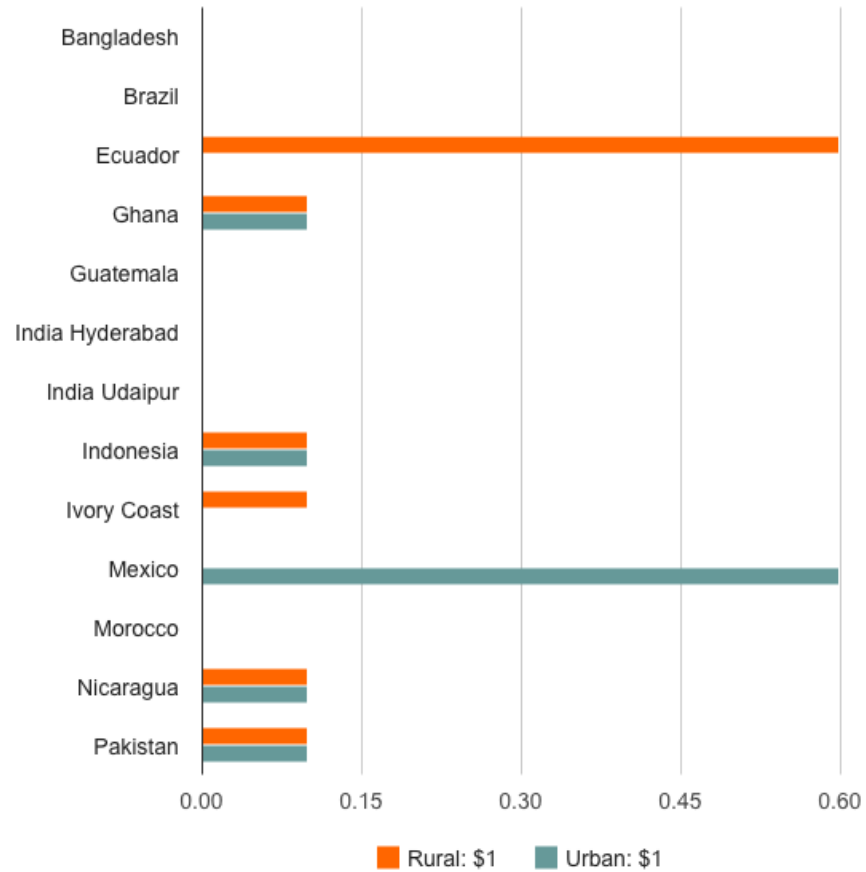
- What are disadvantages of the poor with the respect to entrepreneurship
 - ?
 - ?
 - ?
- What are advantages of the poor with respect to entrepreneurship?
 - ?

“Natural Entrepreneurs”

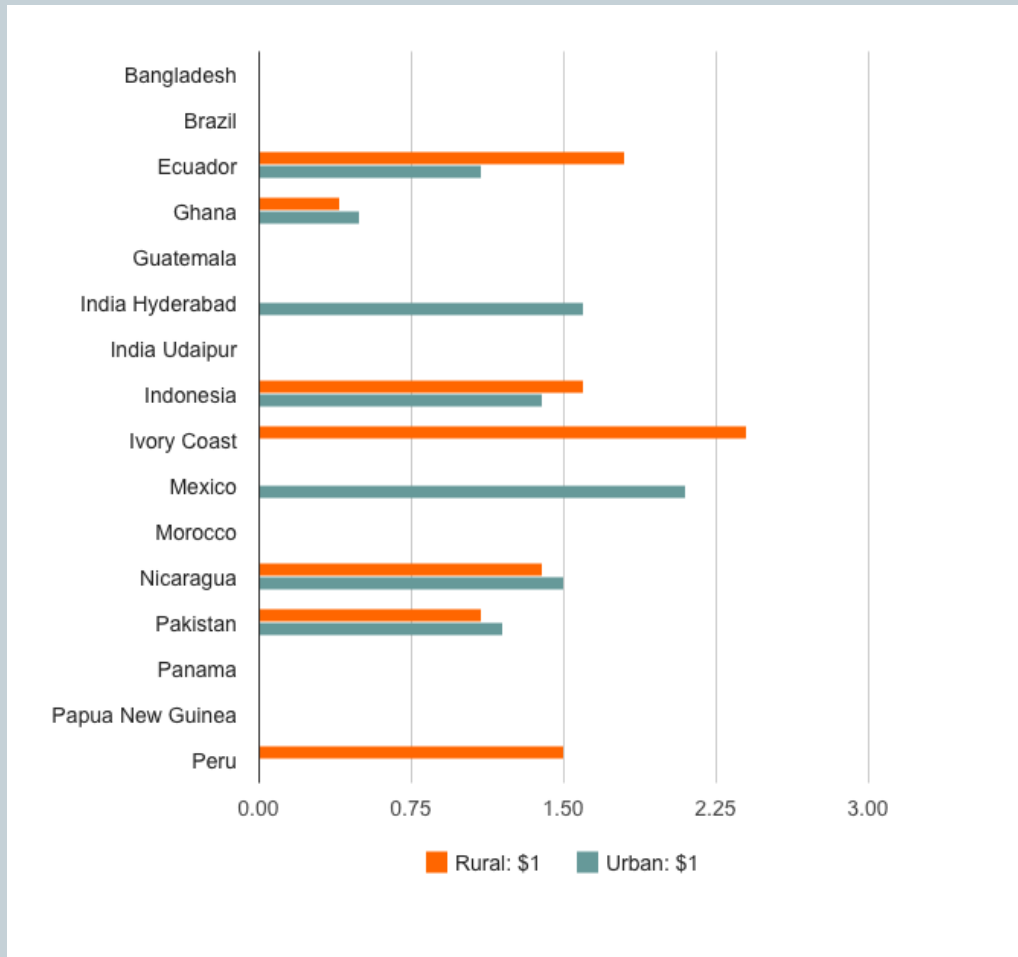


- Does this mean that the poor are natural entrepreneurs?
- What do we know about the businesses of the poor?
 - Size
 - Type
 - Multiplicity
 - Durability
 - Aspirations

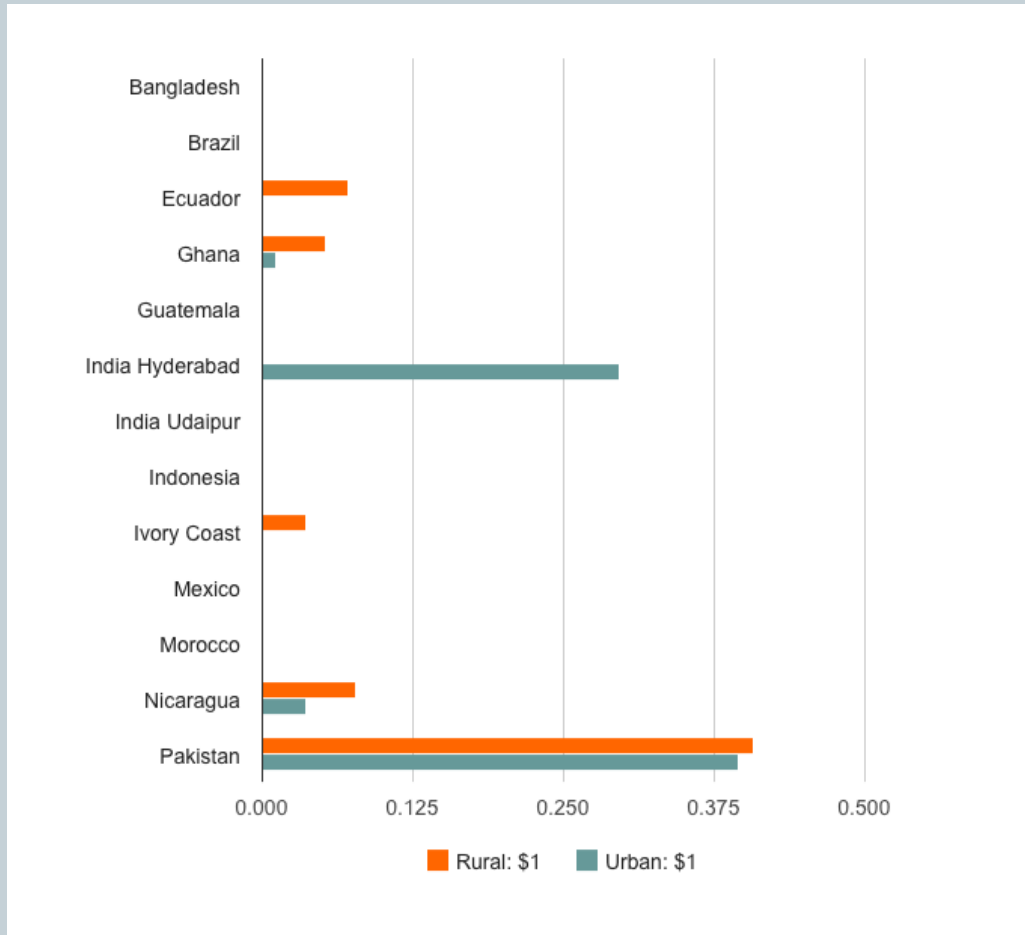
How many paid employees do these businesses have?



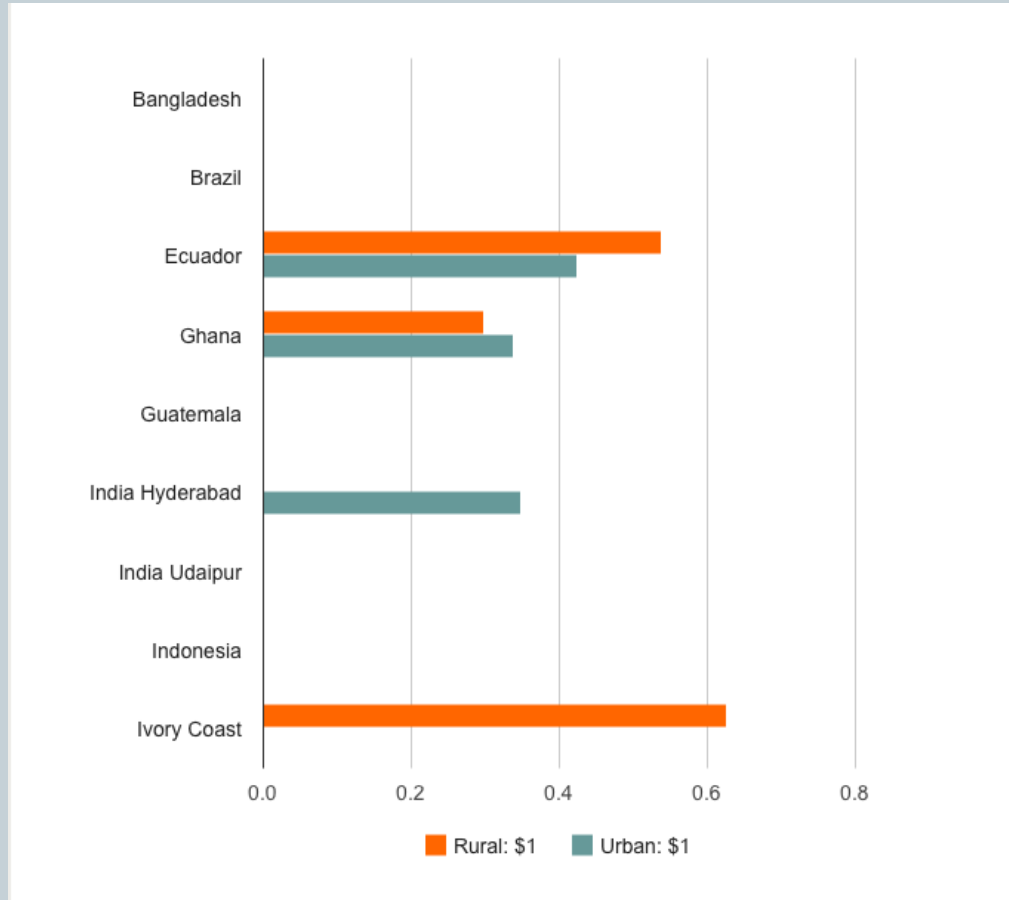
How many total employees do these businesses have?



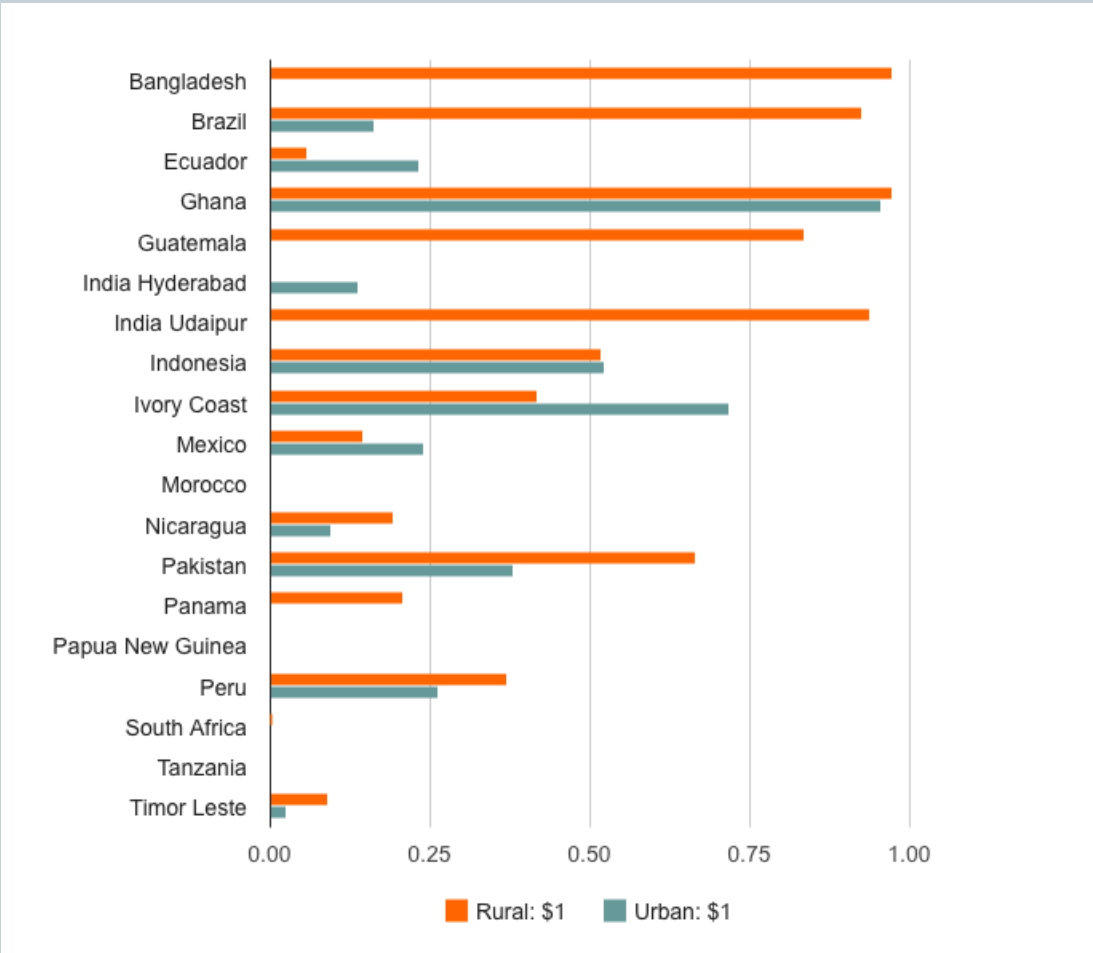
What percent of businesses own a vehicle?



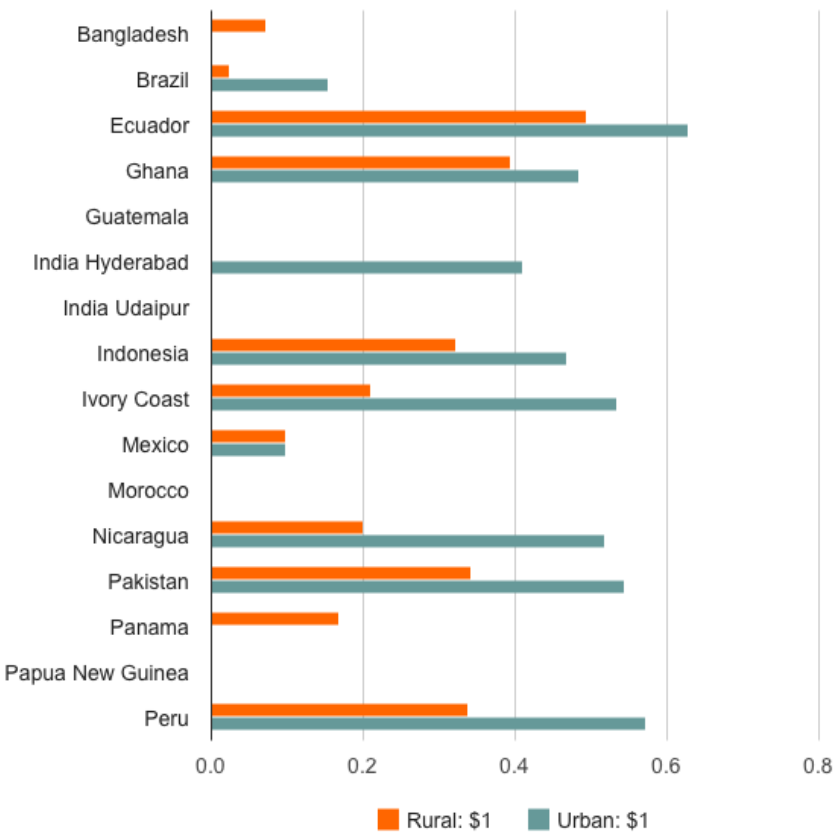
What percent of businesses own some machines?



How many households receive income from multiple sectors?



How many poor households have at least one non-agricultural business?



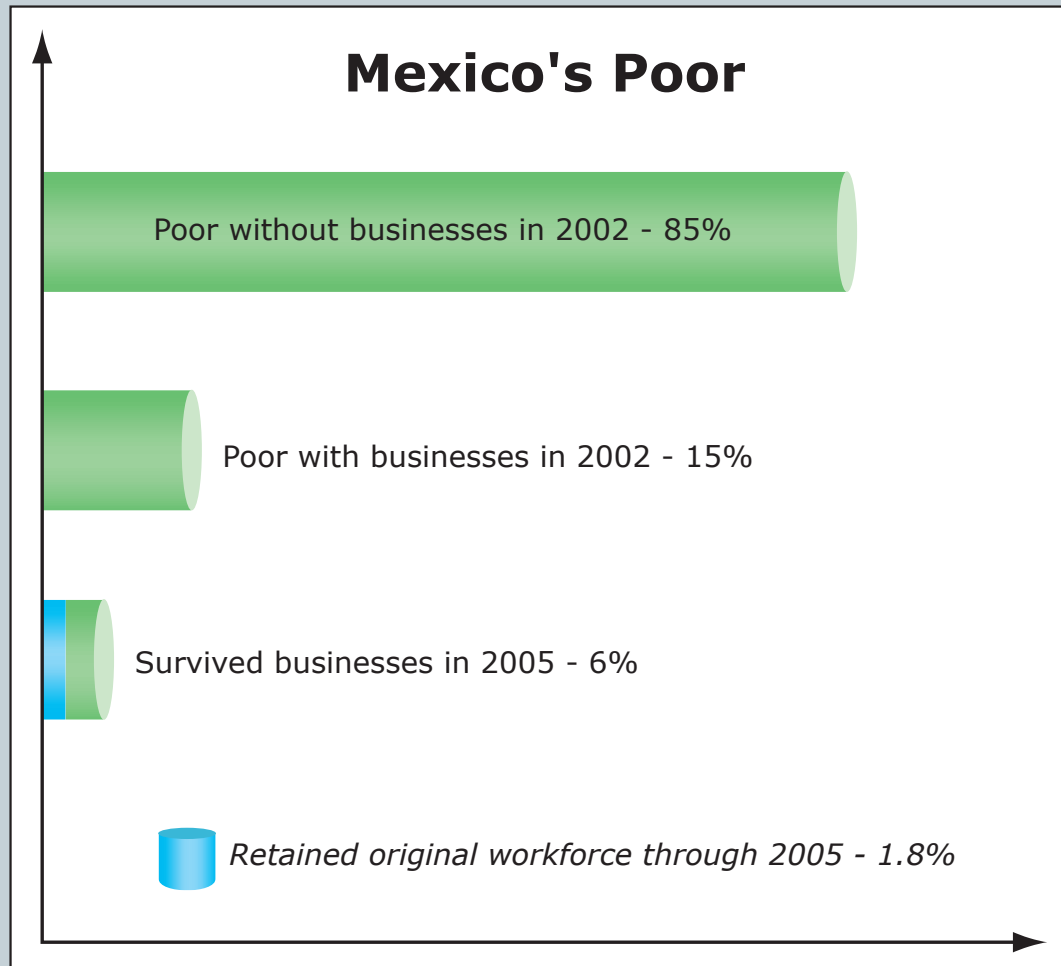


Image by MIT OpenCourseWare.

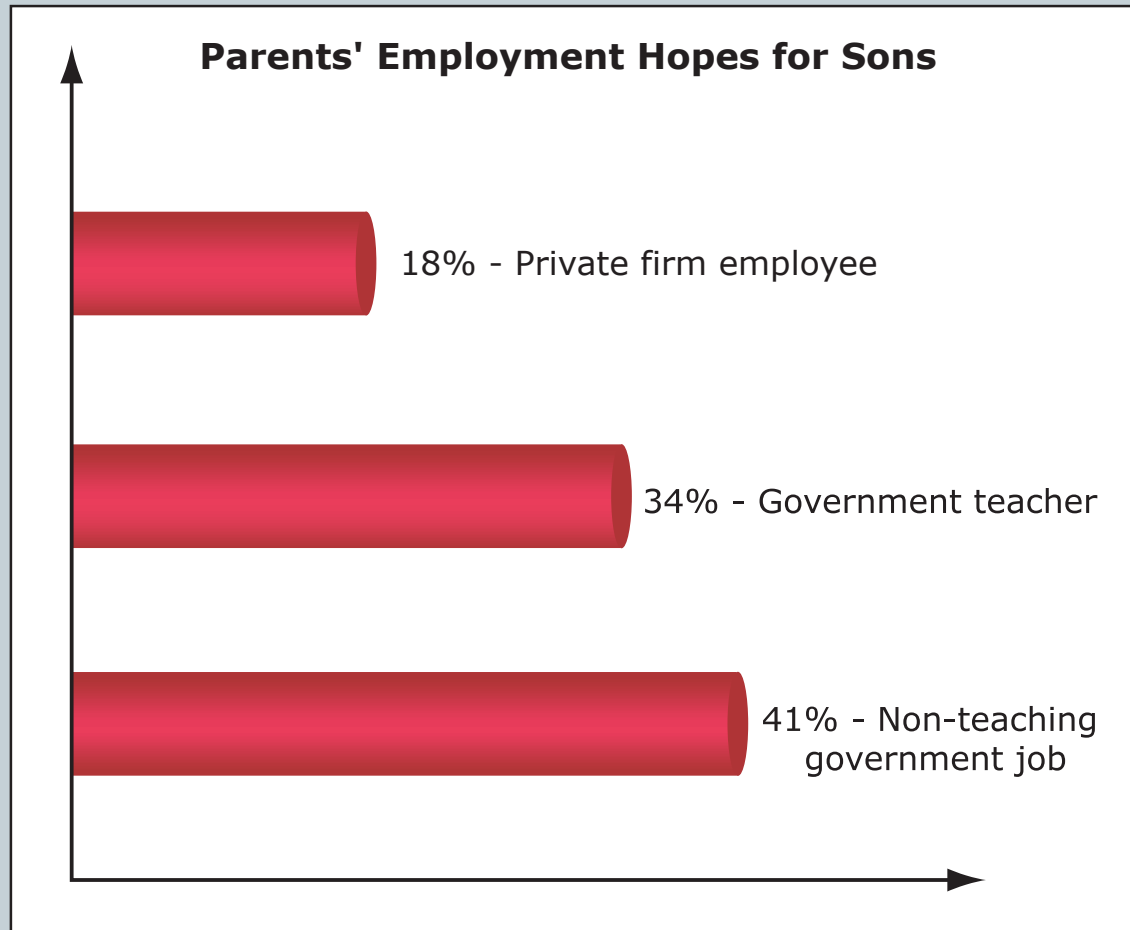
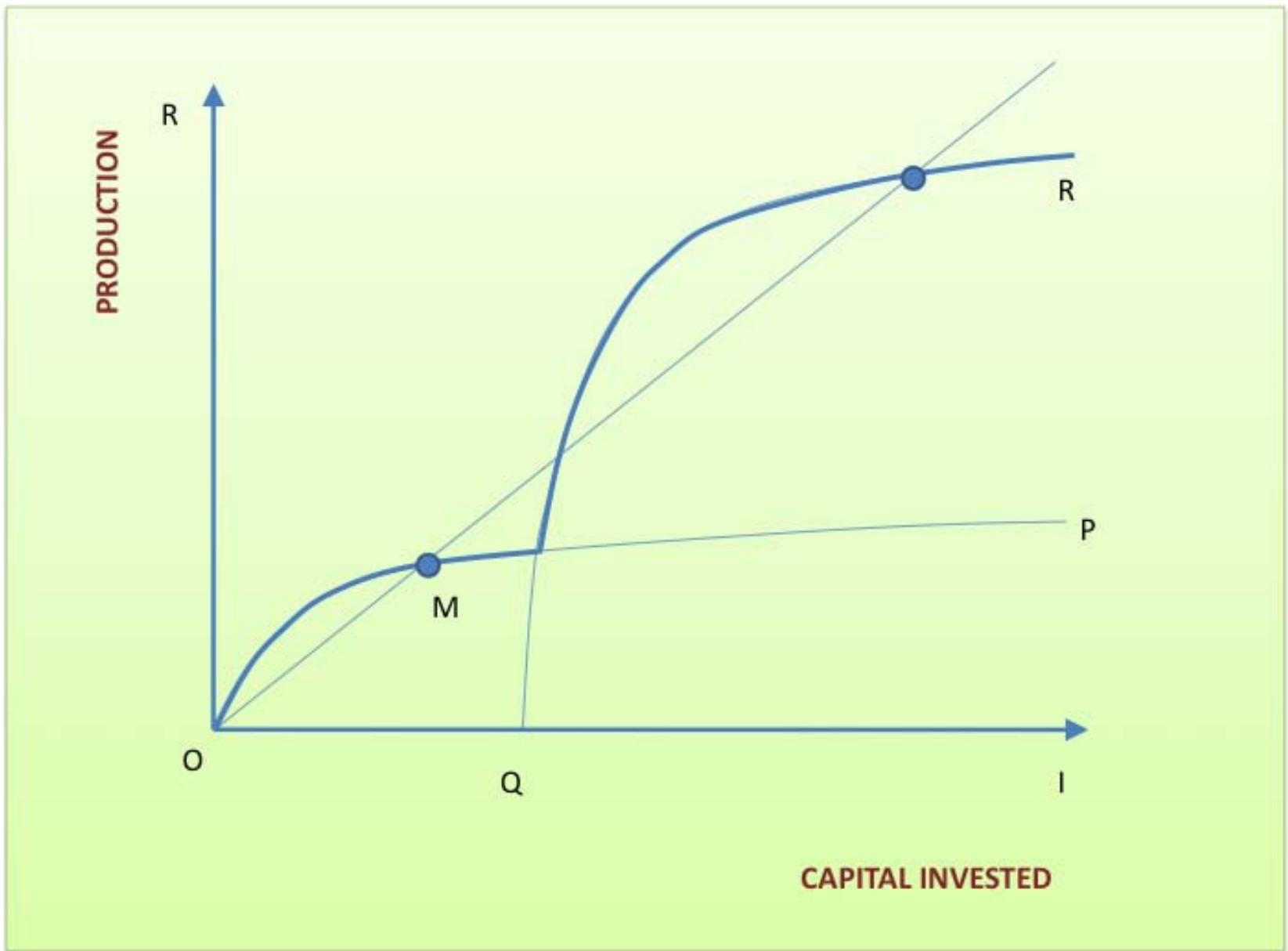


Image by MIT OpenCourseWare.

Are these profitable businesses?



- In Hyderabad, when household labor was priced at minimum wages most businesses lost money
- On the other hand they pay high interest rates—so marginal returns must be high.
- How do we square these facts?



Implications of this shape



- There is limited scope for growth.
- In Sri Lanka those who got \$250 in lottery got 60% or more return on their capital
- However many of those who got \$500 did not invest the second \$250.

Why are they in business



- Lack of good jobs:
Almost nobody grows
therefore no one creates
good jobs
- Flexibility
- “Idle” women

MIT OpenCourseWare
<http://ocw.mit.edu>

14.73 The Challenge of World Poverty
Spring 2011

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.