

Women, Entrepreneurship and Institutions

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Abstract

Rapid urbanization in developing countries offers new opportunities for entrepreneurial growth, as urban density allows for collaboration and trade. However, such advantageous exchanges are limited in environments with absent or weak institutions where one partner consistently fears expropriation by the other. We test the hypothesis that industrial selection by gender and the gender earnings gaps reflects limitations on rule-of-law in Zambia. If men have a comparative advantage at violence, this will reduce women's bargaining power without legal support, and may cause inter-gender economic interactions and partnerships to break down or fail to form. Our theoretical model emphasizes the possible complementarity between the rule of law and female entrepreneurship. We test our model with a novel dataset of Zambian manufacturing entrepreneurs, where we introduce exogenous variation in local institutional quality. We find that improved institutions reduce the gender gap in trust and economic activity