

> Wednesday, May 17th, 2023

15:30 - 17:00

MANAGEMENT & SOCIETY

**RESEARCH
SEMINAR**



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

‘HYBRIDITY SPILLOVERS: LEGITIMACY PRESSURES AND CROWDFUNDED MICROLOANS’

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ABSTRACT

Microfinance institutions (MFIs) are hybrid organizations that operate globally and offer financing to ventures that are shut out of traditional finance markets. As a hybrid organization, MFI faces the challenge of fusing multiple institutional logics, and then communicating those logics to its local and category stakeholders. Further complicating the matter, stakeholders also have different ways of exercising judgments of legitimacy. In this study, we theorize that a nation’s institutional fragility is related to lower manifestations of hybridity in the microenterprises supported by MFIs. Further, we hypothesize that an MFI’s financial performance and gender focus offer important signals of legitimacy to stakeholders, and thus will influence the extent to which hybridity will spill over to the microenterprises in the MFIs lending portfolio. Further, these factors will mitigate the effects of national fragility, a pervasive problem in nations where microfinance is widely deployed. To test our theory of hybridity spill overs, we created a three-level dataset consisting of over 370,000 loans to ventures facilitated by 99 microfinance institutions operating in 38 countries. Our results suggest that macro- level state fragility is associated with lower hybridity, and that performance and gender focus positively moderate this relationship.