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INSTITUTIONAL CONTEXT AND ENTREPRENEURSHIP DECISIONS IN MEXICO

Abstract:

The paper analyses the institutional variations at the state level and their impact on entrepreneurship decisions. The results offer potentially new theoretical insights and practical implications for developing or emergent countries. We apply Multilevel non-linear mixed-effects probit regression to test different hypotheses regarding the impact of institutional variables on entrepreneurial decisions and the path toward entrepreneurship.

Some of our findings suggest that improved formal institutions across states reduce the entrepreneurship probability, implying interactions with other variables and indirect effects; encourage the selection into formal ventures, and discourage self-employment. Consequently, those institutions do not encourage entrepreneurship selection as an occupation but entrepreneurial quality, i.e., the selection of productive-formal entrepreneurship and larger ventures. Inadequate informal institutions increase the entrepreneurship and formal entrepreneurship probabilities, implying the interactions with other variables and indirect effects and supporting the corruption “greases the wheels” hypothesis, consequently encouraging productive ventures. Novel evidence of the positive relationship between criminality and entrepreneurship types is reported.

Keywords:

Entrepreneurship decisions, developing countries, institutional context, formal and informal entrepreneurship.

JEL Classification: A10, J01, L26