

**Varieties of Capitalism and the Base of Pyramid Population Segment in Affluent Economies:
Discussion on Entrepreneurship Financing and Skills Development**

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ABSTRACT

This chapter addresses an under-researched topic of the base of pyramid in affluent economies by specifically focusing on varieties of capitalism perspective as a theoretical lens. We focus on coordinated market economies of Denmark, Finland, Norway and Sweden and liberal market economies of Ireland and United Kingdom, in the current chapter. We use publicly available statistics to present an overview of the current situation in the above-mentioned coordinated and liberal market economies, followed by specific discussion on the entrepreneurship financing and skills development dynamics. The discussion reveals that significant differences exist in coordinated market economies and liberal market economies with regards to base of pyramid population segment, and in the premises of financing and specific skills development for entrepreneurship. We highlight the issues such as entrepreneurship specific vocational training, and consideration of non-conventional financial instruments as being potentially useful for entrepreneurship promotion in affluent economies.

Keywords: Base of the pyramid, Coordinated Market Economies, Entrepreneurship Financing, Liberal Market Economies, Skills Development & Varieties of Capitalism.

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1. Introduction

The *base of pyramid* also referred by some as the *bottom of pyramid* (BOP) population segment represents the single largest portion of residents on the planet (Prahalad, 2006; Leposky *et al.*, 2020). BOP focused research in different fields of social sciences has rapidly expanded since the introduction of this specific term by Prahalad (e.g., 2002; 2006). At the same time, BOP focused research has primarily focused this population segment in the developing economies of in Africa, Asia, and Latin America. These studies have addressed a range of topics like frugal innovation, social enterprises, social value creation, technology use by entrepreneurs, role of microfinance, and product and services marketing strategies of both local and foreign firms (e.g. Cieslik, 2016; Ghauri and Wang, 2017; Armstrong *et al.*, 2018; Bhatti *et al.*, 2018; Leposky *et al.*, 2020). Despite interesting insights by these studies, the focus on only developing economies' context has perhaps biased some of the knowledge accumulated in this area. We suggest that it is important to acknowledge that BOP population segment is not only limited to emerging and developing economies; but also exists in affluent (developed), mostly western economies. This issue or its relevance are not explicitly (or significantly) present and acknowledged in the extant economics, entrepreneurship, management, policy, and sustainability studies. Hence, our chapter tries to conceptually address this gap in the literature.

Economics literature has generated ample evidence on the existence of poverty and significant inequality in affluent economies (e.g. Jäntti and Danziger, 2000; Smeeding, 2006; Dorling, 2018). This poverty and inequality are manifested in a particular section of population that becomes marginalised with limited participation in economic activities (e.g. Morris *et al.*, 2018; Sutter *et al.*, 2019). This marginalised section of population can be caught in conditions similar to BOP conditions in many developing economies. Even though conditions of BOP residents in affluent economies are not necessarily life threatening and may not represent extreme poverty as in most developing countries (e.g. Sutter *et al.*, 2019), the phenomenon is observable. Therefore, BOP population segment (residents) in affluent economies (like developed economies of western Europe and Northern America), needs a closer analysis, for better understanding of this under-researched context.

Significant differences exist in affluent primarily western economies due to differences in their institutional structures and systems of economic governance. These differences have been specifically addressed by the typology of the varieties of capitalism (VOC) developed by Hall and Soskice (2001). VOC perspective focuses on the differences in liberal market economies (LMEs) compared to coordinated market economies (CMEs). We argue that BOP population segment in affluent western economies needs to be analysed using VOC lens. This is because all the associated

aspects with easing the BOP condition, such as regulations, access to welfare benefits, entrepreneurial possibilities including access to financing and entrepreneurial skills development, tend to differ in CMEs compared to LMEs (e.g. Hall and Soskice, 2001; Huber *et al.*, 2018; Walker *et al.*, 2018). We suggest that having a clearer understanding of how varieties of capitalism connect to the features of the BOP population segment, and especially the means to ease the situation through entrepreneurial opportunities, allows introducing more efficient means to address the related challenges.

The discussion presented above forms the basis for our chapter's focus. We aim to offer a conceptual overview on BOP population segment in selected western affluent economies. As no specific BOP definition exists in the context of affluent economies, we aim to address this issue by incorporating views from multiple relevant academic disciplines. We discuss the differences of LMEs and CMEs focusing especially on the entrepreneurial possibilities in relation to access to financing, and relevant skills development. These delimitations are grounded in existing knowledge: Access to financing (including credit) has been identified as a driver for entrepreneurial activities (e.g. Kuzilwa, 2005) like training and skills development (e.g. Hermelin and Rusten, 2018; Nguyen, 2018). Furthermore, there is a linkage between training and funding considering that training on the financial opportunities and its terms and conditions links to the ability and willingness of potential entrepreneurs to rely on specific funding instruments (see, e.g., Amesheva *et al.*, 2019; Damian and Manea, 2019). At the same time, both economics and management literatures have established that entrepreneurship is a key in improving living conditions of people (Sutter *et al.*, 2019); thereby, making it an important tool for easing BOP conditions for that population segment.

We incorporate conceptual insights from extant literature regarding the role of financing (e.g. Bruton *et al.*, 2015; Chiu *et al.*, 2018), and link it with entrepreneurial possibilities for BOP residents in affluent economies. We argue in this context, that if people in BOP population segment are unable to access appropriate financing especially from formal channels, they may not (be able to) embrace entrepreneurship (e.g. Herkernhof *et al.*, 2016) as a possibility to ease the BOP conditions. We further suggest that for BOP residents, alternative financing modes supported by institutions of affluent countries can be useful in this concern. The discussion offered is substantiated by presenting some relevant statistics as well as highlighting different financing possibilities for entrepreneurs in selected affluent economies. Furthermore, besides access to financing; training and entrepreneurial skill development have been mentioned as important factors for the success of the ventures especially in developed economies (Karlan and Valdivia, 2011; Hermelin and Rusten, 2018; Nguyen, 2018). Prior studies mention that significant variance exists in training and skill development policies and practices across developed affluent economies (e.g. Busemeyer and Trampusch, 2012). However, training and skills development are not straightforward issues. For example, at the same time, CMEs

like Nordic countries tend to offer better social benefits than LMEs, which can potentially reduce motivation to engage in entrepreneurship (e.g. Saunders, 2017; Raitakari *et al.*, 2019). Moreover, entrepreneurship specific training and skills development for BOP population segments in affluent economies, has been rather lacking. We also address this specific aspect later in the chapter.

In order to make the discussion focused substantiated with some relevant statistics and examples, our chapter focuses on the Nordic countries (Denmark, Finland, Norway and Sweden) as representative of CMEs. LMEs in our chapter are represented by Ireland and United Kingdom. This delimitation helps to offer structured insights in the discussion. This choice of representative countries for CMEs and LMEs, in line with the country categorizations presented by established VOC scholars like Hall and Soskice (2001) and Hall and Gingerich (2009). These studies indicate that CMEs and LMEs differ in terms of regulation, welfare benefits, financing for entrepreneurship, and entrepreneurial possibilities (see, e.g., Becker-Ritterspach *et al.*, 2017; Saunders, 2017; Walker *et al.*, 2018). Hence, this categorization helps in making the discussion offered in our chapter more specific.

The rest of the chapter is organised as follows. The next sections will address BOP population segment in affluent economies and explicate why varieties of capitalisms (VOC) perspective is needed to better understand this specific context. This is followed by the section on dynamics of entrepreneurship financing for BOP population segment being addressed using VOC lens. The section after that specifically addresses skills development in relation to entrepreneurship in this context. The chapter concludes with presentation of implications, limitations and future research directions.

2. BOP in Affluent Economies and VOC perspective

Defining the BOP in affluent (primarily western European and North American) economies can be rather difficult due to no established definition of this population segment being available so far. Furthermore, it has been argued earlier that majority of BOP research has focused on developing and emerging markets, which means that a fitting definition may be even more difficult to find. For example, Angot and Ple (2015) have conducted one of the few studies focusing on serving BOP market in rich economies, offering several examples of products and services developed by firms as well as discuss business models in this context. However, they do not specifically define what is meant by BOP in the affluent (rich) countries' context.

Keeping in view, this dearth of specific research on BOP population segment in affluent economies and lack of its clear definition, we resort to nearest research domain. Poverty has been studied to a notable extent in both developed and developing economies' context. In order to better

understand BOP population segment, we argue that relative, rather than absolute poverty (Sen, 1983; 1992) is a relevant concept. Within affluent economies, poverty perceptions and dynamics differ significantly between Northern, central and Southern European countries, and North America or Asia Pacific. We further acknowledge the argument by Sen (1992:115) that poverty is a state characterised by the levels of capabilities that are, in the view of society, unacceptably low, and we advocate that a multidimensional perspective is needed when BOP segment is considered (see Misturelli and Heffernan, 2012). Approached in this manner, poverty may involve a variety of challenges beyond economic ones, including capability deprivation, marginalization, discrimination, and poor health (Amorós *et al.*, 2011). These aspects are important because individual's capabilities and their development (or lack thereof) is not only a function of their personal choices, working and learning, but are also contingent upon the institutional and welfare regime of the country they live in (Esping-Andersen *et al.*, 2002). Therefore, we believe that inclusion of varieties of capitalism (VOC) perspective in this discussion is relevant.

VOC has been considered as a very useful theoretical perspective to understand not only the differences in types of capitalistic models in countries, but also the influence of differences in socioeconomic aspects such as welfare, unemployment and business development (Hall and Soskice, 2001; Schröder, 2013). VOC categorises economies in liberal market economies (LMEs) comprising primarily English-speaking countries like USA, UK, Ireland, Australia and Canada, and to the coordinated market economies (CMEs) of Continental Europe and Scandinavia (Hall and Soskice, 2001). We focus on CMEs from Nordic region (Denmark, Finland, Norway and Sweden), and LMEs from British Isles (Ireland and UK) for discussion and analysis purposes. In order to further build a case for the use of VOC perspective to understand BOP population segment in affluent economies, we start by referring to relative poverty statistics. According to World Bank, dataset developed by Demirguc-Kunt *et al.* (2018), relative poverty in UK and Ireland has been between 15 and 20 percent during last decade while Nordic countries have shown statistics of around 10 percent during this time. Another widely used measure of inequality in society is GINI coefficient. World bank statistics reveal that latest available GINI coefficient of Denmark is 28.7, Finland is 27.4, Ireland is 32.8, Norway is 27.0, Sweden is 28.8. and UK is 34.8 (World Bank, 2020). These statistics clearly show that in affluent economies of western Europe, inequality and poverty are significantly more visible in the examined LMEs of Ireland and UK compared to Nordic CMEs. Therefore, it is reasonable to argue that BOP population segment in UK and Ireland is relatively higher compared to Nordic CMEs. This is understandable and in line with arguments in prior studies that have referred to relatively high percentage of people suffering from economic deprivation in LMEs compared to CMEs with stronger social safety net (welfare) (e.g. Schroder, 2019; Alper *et al.*, 2019).

Even though VOC perspective can offer useful insights to BOP research, it has not been specifically applied to analyse this topic so far. At the same time, some researchers have used VOC to explain differences in governmental approaches to addressing poverty in rich economies. However, the focus of most of these studies has been on redistribution and taxation strategies (e.g. Cahuvel and Bar-Hain, 2016; Behringer and van Treeck, 2017). An important role that entrepreneurship can potentially play in uplifting BOP population segment has been rather under-researched, and its analysis from the perspective of VOC has been very limited. Only recently, scholars have shown that VOC is strongly linked to entrepreneurship in the developed economies (e.g. Dilli *et al.*, 2018). However, the question of how VOC plays a role in relation to key aspects of entrepreneurship in affluent economies like financing and skills development, still awaits analysis by academic researchers. Considering the relevance of VOC perspective in relation to entrepreneurship by BOP population segment, the next two sections offer specific discussion on entrepreneurship financing and skills development in affluent economies by highlighting the differences in selected CMEs and LMEs.

3. Entrepreneurship Financing and BOP in Affluent Economies

In recent years, scholars from multiple fields including development, economics and management studies have suggested that entrepreneurship provides a viable solution to the extreme poverty (e.g., Jones Christensen *et al.*, 2015; Sutter *et al.*, 2019). However, most of the prior research on this topic has focused on the developing and emerging economies with people mostly living at or below subsistence level. As a result, such prior studies offer useful insights to BOP research in developing and emerging markets context. However, what this means for BOP population segment, or what the role of entrepreneurship is in advanced affluent economies, is not as clear. Entrepreneurship is widely defined as ‘situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships’ (Eckhardt and Shane, 2003: 336). More recently, entrepreneurship has been viewed as encompassing transformational change that may extend to social or institutional spheres (e.g. Battilana *et al.*, 2009). We argue that the second definition captures the influence of entrepreneurship on the lives of BOP population segment in affluent economies; changing the conditions of BOP population segment in terms of entrepreneurship (e.g., with transformation in training and funding schemes) has far-reaching influence.

For entrepreneurship to reach its potential as a remedy for easing BOP conditions, access to financing for entrepreneurship among BOP population segment is highly relevant. Entrepreneurial

finance is developing rapidly, and many new forms of financing along with traditional banking and support channels have emerged in recent years (Bruton *et al.*, 2015). Even though majority of scholarly work on financing for entrepreneurship has focused on developing or emerging economies, it has been gradually acknowledged also that financial inclusion – defined as access to formal financial services at an affordable cost in a fair and transparent manner – is decreasing in traditionally developed and affluent economies (e.g. Swamy, 2014). Lack of financial inclusion (i.e. financial exclusion) in affluent economies is visible from the fact that in EU out of total population, 11.6 percent are without bank account, 35.4 percent have no credit card or other forms of borrowing possibilities and 23 percent are at risk of poverty (Pedrini *et al.*, 2016).

At the same time, dependence of BOP population segment on welfare is relatively high in affluent CMEs, compared to the situation in LMEs like UK, where many employed people tend to fall in working poor category where their income need to be supplemented by welfare payments by the states to reach viable levels (Moller *et al.*, 2003; Copeland and Daly, 2012). Before proceeding further, it is important to refer to recent statistics concerning entrepreneurship or self-employment in our focus countries. According to recent statistics from 2019, 15.26 percent of labor force is self-employed in UK (Trading Economics, 2020a), while in Ireland the number is 15.2 percent (Trading Economics, 2020b). In Nordic CME countries, percentage of self-employed entrepreneurs in Denmark is 8.2 (Trading Economics, 2020c), the number in Finland is 13.12 percent (Trading Economics, 2020c), the number in Norway is 6.5 (Trading Economics, 2020d), and the number in Sweden is 9.81 percent (Trading Economics, 2020d). These findings indicate that entrepreneurship is a relevant source of income, and when supported, can provide a source of transforming the conditions for the BOP population segment.

However, together, financial exclusion and dependence on welfare as a relevant supplement to income indicate that there is relatively little manoeuvring for those who would like to improve their situation. Statistics on the financial inclusion data by the world bank (Demirguc-Kunt *et al.*, 2018) show that the people not part of labour force, presumably representing BOP population segment have limited access to traditional banking and credit services in LMEs of Ireland and UK compared to Nordic SMEs. This aspect also resonates with the differences in CMEs and LMEs already indicated in existing literature (see, e.g., Hall and Soskice, 2001; Huber *et al.*, 2018; Walker *et al.*, 2018). Hence, if BOP population segment members are to be motivated for entrepreneurship, financing aspects need to be considered thoughtfully by policy makers.

Keeping in view, limitations associated with traditional banking and financing, it is no wonder that in developed (affluent) European economies, entrepreneurs are increasingly combining traditional debt and equity start-up finance (e.g., friends, family, capitalists, and occasionally banks)

with microfinance (e.g. Pedrini *et al.*, 2016), crowdfunding (e.g. Belleflamme *et al.*, 2013, 2014), and a range of other financial innovations (e.g. Bruton *et al.*, 2015). Prior literature has mentioned certain unique features of these financial innovations. An important feature relates to the fact that these innovations may have arisen in one part of the world, but they quickly diffused across the globe. For example, microfinance emerged as a solution to a lack of capital for those living in poverty in developing economies, yet it has spread to developed economies (Eriksson *et al.*, 2011; Pedrini *et al.*, 2016). In fact, microfinance is the only medium which BOP population segment can utilise for starting a business – crowdfunding and other financial innovations having mostly been technology and innovation focused (e.g. Pedrini *et al.*, 2016; Chmelikova *et al.*, 2018). Moreover, some prior studies have shown that biggest beneficiaries of microfinance are ethnic minorities, immigrants, women and young people especially in developed western economies (e.g. Kraemer-Eis and Conforti, 2009; Jayo *et al.*, 2010; Hudon *et al.*, 2019). Some of these have also been found to be more visible in BOP population segment due to a variety of reasons. Therefore, microfinance and other relevant financing initiatives should be linked to specific policy interventions in order to foster entrepreneurship in BOP population segment in both types of affluent economies.

4. Entrepreneurial Skills Development and BOP in Affluent Economies

Skills development and training have been identified as important pre-requisites for the success of entrepreneurial ventures in both developed and developing economies (Beaver, 2002; Eze and Nwali, 2012; Ogundele *et al.*, 2012; O'Reilly *et al.*, 2015; Thurman, 2016). However, in case of developed affluent economies of western Europe, such skill development and training can be even more important, as these markets are highly competitive and to an extent saturated, which makes survival of entrepreneurial ventures even harder (e.g. Kollmann *et al.*, 2016). In fact, earlier research has revealed the existence of differences in LMEs vs. CMEs regarding specific aspects of skills development of population. It has been argued that vocational training is rather weak in LMEs due to lack of industry apprenticeships and as a result of formal education being focused more on generic academic topics rather than specific skills (Thelen 2004; Busemeyer and Trampusch, 2012). At the same time in CMEs, industry specific skills development has been rather strong, but it is dependent on training system (mostly by firms) providing these opportunities (Thelen, 2004). Historically, many low skilled employees in CMEs have had the possibility to gain long term employment in industrial organizations, which developed their skills over time (Harcourt and Wood, 2007). However, due to the changing nature of CME economies, outsourcing of low-tech industries to developing economies, and turbulence in work life caused by shortening work periods in some organizations and frequent

career transitions; such opportunities are increasingly becoming limited. As a result, such employees who end up losing industrial jobs can potentially end up being part of BOP population segment as their re-employment opportunities are limited due to a relative lack of skills (Crettaz, 2011). Challenges in LMEs and CMEs vary in nature, but they can be equally tough.

As this specific phenomenon represents a huge policy challenge, we can observe that irrespective of CME vs. LME categorization, governments (public bodies) are increasingly being forced to play a visible role in skills development for BOP population segment as well as generally. For example, the Entrepreneurship Competence Framework (EntreComp) developed by the Joint Research Centre (JRC) of the European Commission on behalf of the Directorate General for Employment, Social Affairs and Inclusion (DG EMPL), has been designed to improve the entrepreneurial capacity by providing holistic overview of needed competences and learning outcomes (see Bacigalupo *et al.*, 2016). Examples can be found also in the national level, such as in the introduction of apprenticeship degrees in UK that are receiving significant public funding at the same time when other academic degrees have rather high fees (Bradley *et al.*, 2019). In CMEs including Nordic economies, national and regional governments are progressively attempting to develop vocational degree programmes targeted at entrepreneurship (Chiu, 2012), and in countries like Finland entrepreneurship is already a natural part of primary school education (Lepistö and Rönkkö, 2013; Hietanen, 2015; Deveci and Seikkula-Leino, 2018). In fact, an important advantage of CMEs in this concern relates to availability of training infrastructure for vocational training, which earlier was mostly oriented towards industrial skills development (Nylund and Rosvall, 2019). An interesting strategy in this concern has been to make entrepreneurship a visible part of schooling starting already from early years in order to develop those skills in future generations as industrial jobs are increasingly going to be limited in the future (e.g. Rasmusen and Fritzner, 2016).

Eurostat statistics on continuing vocational training (Eurostat, 2020) show that in Nordic CMEs, adult participation in continuous learning programmes is relatively higher compared to LMEs of Ireland and UK. However, at the same time, percentage of firms employing vocational training participants is relatively low in both CMEs and LMEs being analysed in the current chapter (Eurostat, 2020). This gives further credence to our argument that along with training BOP population segment for getting jobs, entrepreneurship specific training and skills development is highly needed in both CMEs and LMEs (see also Hermelin and Rusten, 2018; Nguyen, 2018); self-employment is very important and there are observations that entrepreneurship in this segment is actually increasing.

A good example the case of CMEs is of Finland, where self-employing entrepreneurs represent around 50% of all entrepreneurs (Statistics Finland, 2017). Also, it has been found in a recent survey

that entrepreneurial vocational skills are in demand even in CMEs like Finland as many entrepreneurs are increasingly looking forward to sub-contract their activities (Statistics Finland, 2018). It should further be noted that reasonable work has been done for entrepreneurial education and skills development in all Nordic CMEs, as depicted by Chiu's (2012) report on state of entrepreneurial education in Nordic countries. However, most of this work is undertaken at a general level and specificities of skills development for BOP population segment have not been fully addressed. Similar observation can be made for LMEs like Ireland and UK. We argue that it is important for the researchers as well as policy makers to work on developing entrepreneurial skills set which offer realistic possibilities to BOP population segments in these economies.

5. Implications, Limitations and Future Research Directions

The purpose of current chapter was to address BOP population segment in less researched context of affluent economies using VOC perspective as a lens. We present entrepreneurship financing and entrepreneurial skills development as possible strategies for providing support for BOP residents to improve their conditions. To make our discussion specific, we use some public statistics from Nordic countries to provide insight into the situation in CMEs, while data from Ireland and UK did the same for LMEs. Our review supports the notion that there are significant differences in CMEs and LMEs with regards to entrepreneurship financing possibilities and skills development for BOP population segments. Based on these findings, our chapter offers several theoretical and policy implications.

A key theoretical insight relates to highlighting specificity of affluent economies in relation to BOP research. As significant BOP research has been undertaken in emerging or developing economies, relevant constructs and their definitions tend to be more linked to that context. We argue that BOP theorists should try to develop and agree on definition of this population segment that would also accommodate underlying features of affluent economies' context. Moreover, since based on our overview of CMEs and LMEs, there is a variation across almost all discussed aspects from the nature of BOP population segment to the potential remedies and their antecedents; a key theoretical implication relates to applicability of VOC to better understand BOP population segment in affluent economies. We believe that such theoretical framing might significantly enhance the potential applicability of VOC perspective in BOP research especially in affluent economies and provide the needed theoretical tools for generating appropriate measures and indicators.

A key policy implication emanating from the discussion in this chapter relates to highlighting specificities of entrepreneurship financing and skills development for BOP population segment. Our illustrations show that the participation in vocational and entrepreneurial skills training

is relatively high in Nordic CMEs compared to LMEs. Looking at how and why this works might provide the needed tools to transfer and translate best practices and approaches more widely to varying affluent economies. For example, it seems that taking entrepreneurial skills development as a part of specific continuous learning programmes in these countries, rather than generic ones, would be a viable approach.

The above argument receives support from another finding in our analysis: We found that percentage of firms employing vocational training participants is relatively low both in CMEs and LMEs. This aspect needs specific attention from the policy makers. It seems that if generic vocational training programmes do not inculcate required employability skills in BOP residents, then potential influence of such trainings on entrepreneurial success will also be limited. Therefore, entrepreneurship-specific vocational training programmes need to be developed in line with dynamics of the local context. We also found that even though significant emphasis is being placed on entrepreneurial education especially in Nordic CMEs, most of the work done so far is rather generic and tries to incorporate entrepreneurship to be part of educational curriculum from early on. It is important for policy makers to work in close coordination with interdisciplinary researchers, so that a specific tool set of entrepreneurial skills can be developed for BOP population segment in relevant CMEs and LMEs. In the same vein, it has been referred in some prior research on entrepreneurship education, that trainers should also be trained properly (Chiu, 2012: 68). We believe that this argument is especially valid in context of entrepreneurial skills development for BOP population segment. Policy makers should ensure that trainers in such programmes understand the sociological and psychological roots of BOP phenomenon properly in overall context of CME vs. LME dynamics. In this way, the trainers can help BOP residents to attain needed skills for success of entrepreneurial initiatives. Otherwise, without incorporating BOP context in these training and vocational programmes, chances of success are relatively low in our view.

Finally, the discussion presented in our chapter revealed relatively higher financial exclusion of BOP population segment especially in LMEs. This calls for policy makers in those countries to look for non-conventional financial instruments like microfinancing, which has proven to be useful in developed economies as well despite its origin in developing economies (e.g. Eriksson *et al.*, 2011; Pedrini *et al.*, 2016). In the context of microfinance, it is important to mention that profitability of microfinance initiatives is low in western European countries (Germany, Italy, Spain and UK), and in many cases, they need government subsidies to survive (e.g. Kraemer-Eis and Conforti, 2009). At the same time, research on microfinance in Nordic CMEs is very limited, but the same argument can be valid in these as well. Hence, a suggestion for policy makers is to link subsidies of microfinance for entrepreneurship with overall welfare spending, as it would support operations

of such financial players and simultaneously reduce financial exclusion. Moreover, our analysis indicated that savings propensity for entrepreneurship is lesser among BOP residents in the Nordic CMEs compared to LMEs of Ireland and UK. Although this is understandable due to better welfare benefits and safety net in CMEs, policy makers need to think about policies and financial instruments which incentivise savings for this specific purpose.

Our chapter does have several limitations like any other academic work. Firstly, the discussion offered in the chapter is mostly conceptual, which is augmented in some cases by secondary, and descriptive data based on different publicly available data sources. Hence, lack of primary data and its analysis is a major limitation, which also influences potential generalizability of arguments presented in it. Likewise, more sophisticated data analysis could provide more nuanced evidence on the relationships between the different constructs. We believe that if interviews can be conducted with policy makers, relevant public bodies (including vocational education providers) and BOP population sample in selected CMEs and LMEs; more specific insights to the role of entrepreneurship financing and skills development can be achieved. In particular, the reasons behind the patterns that our analysis revealed are important factors that need to be considered in further theory development. Therefore, this is one aspect which future studies can focus on and enrich BOP literature by undertaking country specific as well as comparative studies. Our initial analysis despite its limitations – can provide the needed starting points.

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