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ABSTRACT

Spatial proximity and microfinance performance

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Despite the fast-growing technologies and business automation, entrepreneurial activity location and place are not losing their relevance. At both the global scale and within individual countries the geographical allocation of economic activity is differentiated. It has been observed that entrepreneurial activity varies across geographic space. We examine the geographical proximity consequences for a distinct type of social enterprises – microfinance institutions – building on knowledge spillover entrepreneurship concept. The data covers 1,536 annual observations from 378 MFIs from 70 countries for the period 2000 to 2015. We use

a unique empirical approach to provide evidence of the interlinkages between the spatial proximity and cross-border entrepreneurial knowledge spillovers. Our Seemingly Unrelated Regressions method allows us to capture the simultaneous impact of spatial factors on the three dimensions of MFI performance- return-on-asset, number active borrowers and average loan per borrower. Our findings indicate that social dimensions of performance exhibit "spatial complementarity" while the financial performance is not significantly associated by spatial factors.

Keywords: Spatial proximity, social entrepreneurship, spillovers, microfinance.



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