Cover letter

May 1, 2016

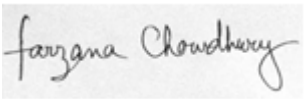
NBER Productivity, Innovation and Entrepreneurship Program
1050 Massachusetts Ave.
Cambridge, MA 02138

Dear NBER Research Committee members:

I am submitting a research proposal in response to the NBER Productivity, Innovation and Entrepreneurship (PIE) Program. I am a lecturer in the College of Business and Entrepreneurship in the University of Texas-Rio Grande Valley. The title of the proposal is "**Do Institutions Facilitate Trickle-Down of Wealth in Corrupt Economies?**" Requested budget is $**18621**, and the duration of the proposed research is July 1, 2016 - June 30, 2017.

Please feel free to contact me if any other relevant information is needed. Thank you for considering my proposal.

Sincerely,



Farzana Chowdhury
Lecturer
College of Business and Entrepreneurship
Ph#812-360-9358

Do Institutions Facilitate Trickle-Down of Wealth in Corrupt Economies?

Table of Contents

Project Statement ……3-4

References……..……. 5

Output and Deliverables……. 5

Budget and Justification ……...…….. 6

Appendix A & B …..……. 7-8

Curriculum Vitae ……..10-14

Does Entrepreneurship Facilitate Trickle-Down of Wealth in Corrupt Economies?

Introduction

Entrepreneurial activities are an important factor for local and national economies as they generate employment and income but there is variation in entrepreneurial activities across countries (Baumol, 1990; Djankov et al. 2002; Klapper et al. 2006). Institutions are an important framework within which entrepreneurs operate. Institutions are a set of prescriptions and constraints that humans use to organize all forms of repetitive and structured interactions (Ostrom, 2005). These structured interactions influence the levels of entrepreneurial activities and wealth distribution in a country. Corruption, defined as the use of public office or authority for personal benefit, is a common institutional feature in many developing countries (Rodriguez et al., 2006). Studies suggest that although corruption can be a hindrance to economic development, it can also be exploited by entrepreneurs to facilitate transactions and processes that are important for entrepreneurial activities ('grabbing hand vs. helping hand' theory) (Dreher and Gassebner, 2013; Shleifer and Vishny, 2002; Shleifer and Vishny, 1993). Recent publications show that corruption may, in fact, be helpful in increasing entrepreneurial activities, and, consequently, economic growth of different countries (Méon and Sekkat, 2005). Yet a relevant topic that remains relatively unexplored is: ***do institutions in corrupt economies facilitate trickle-down of wealth to the masses, or do they only benefit the entrepreneurs or the entire society***? This proposed research is aimed at addressing this topic in a novel framework in the intersection of institutions, human well-being, and entrepreneurship.

A Pilot Study

I have conducted a pilot study on the research proposed here using data from a subset of the South and East Asian countries. This effort was supported by a research grant from the Ostrom Workshop in Political Theory and Policy Analysis at Indiana University (a legacy of the late Nobel Laureate in Economics, Dr. Elinor Ostrom). Preliminary analyses show promising results regarding the relationship between income inequality, corruption, and entrepreneurship [Figure. 1, self-employment (panel a), and income inequality, corruption, and newly registered firms (panel b)]. Income inequality goes down as corruption level decreases, self-employment level also decreases as corruption level decreases. On the other hand, the number of newly registered firm increases as corruption level decreases. These results warrant further investigation if these results are consistent for countries situated in another region. Additional investigation should include whether entrepreneurship also helps to reduce poverty level and increase social welfare in the society.

Proposed research

In this research I shall use 1) institutional factors, 2) entrepreneurship, 3) economic growth, 4) social welfare (life expectancy, access to health care, access to education), 5) poverty level, 6) income inequality (expressed by the Gini index, World Bank and World Income Inequality Database (WIID)) from 53 South and East Asia and Central and Latin American countries with varying degrees of corruption (countries are listed in Appendix A). The institutional factors for this study are 1) contract enforcement, 2) legal protection of property, 3) rule of law, 4) labor regulations, and 5) business regulation. The sources and price lists of all required data sets are given in Appendix B. The timeframe of this research is 2003-2013, which is chosen because the entrepreneurship data from World Bank Group Enterprise Survey (WBGES) are available starting 2003 and WIID data is available until 2013. Based on World Bank classification, some

of these countries are low income (per capita Gross National Income, or GNI ≤ $1,045) and others are middle income (GNI $4,125 - $12,746). The sources and price lists of all required data sets are given in Appendix B.

The first step in this research will be to examine whether these countries can be divided into three categories in terms of income inequality during the study period, namely, A) decreased, B) increased, and C) remained unchanged (Figure 1).

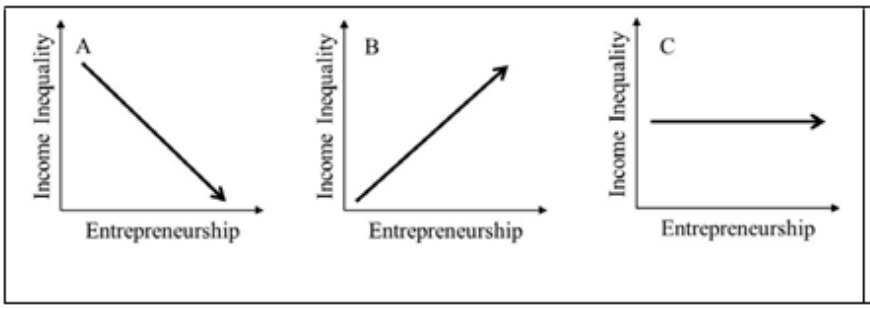


Figure 1: A conceptual diagram showing the trajectories of income inequality vs. entrepreneurship in three categories of countries during 2003-2013.

The next step would be examining which 'institutional factors' in each category (A, B, and C as in Figure 1) and which types of entrepreneurial activity may explain the trend of income inequality. This will be done by the following regression model:

$$y_{ij} = f(\beta x_{ij}, \Theta z_{ij}, \alpha, \gamma, \mu_{ij}), \quad i=1,\ldots\ldots, N; \qquad (1)$$

$$\mu_{ij} = v_{ij} + e_{ij} \qquad (2)$$

where y_i is the trend of Gini index in a given category of countries *i* i*n geographic region j* during the study period, β and Θ are parameters to be estimated, x_i is a vector of independent explanatory variables (i.e., entrepreneurial activities) and z_i is a vector of strictly exogenous control variables. The error term μ_i in equation (1) consists of unobserved country-specific effects v_i and the observation-specific errors e_i; γ is set to control for regional effects, and α is set to control for unobserved time-specific effects and region j (regions) of a given observation.

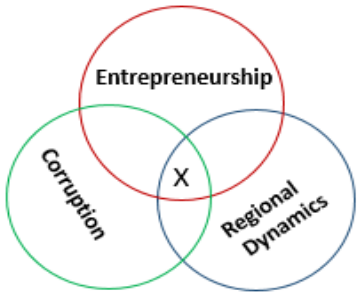


Figure 2: Proposed research at the Intersection of Institutions, Human Well-Being and Entrepreneurship

<u>Potential for broader impacts</u>

The purpose of this proposed project is to identify the institutional factors that can assist in reducing income inequality and increasing access to social services in corrupt nations where entrepreneurship is increasing in lieu of corruption. Hence, this research is in the intersection of institutions, human well-being and entrepreneurship (X in Figure 2). This research has the potential to <u>identify the set of institutional factors</u> that allow income inequality to decrease and social welfare to increase in countries that have corrupt institutions. Reality dictates that corruption is not going to be eradicated immediately, especially in developing countries. So gaining a greater understanding of its effects is important. In addition, entrepreneurship has been increasing in these countries and economic growth is taking place despite corruption. Therefore, identifying the institutional factors that promote human well-being through this boost in entrepreneurship has a tremendous policy implication. Policy recommendations can be formulated by international agencies, donor nations, and trade organizations to improve the lots of the commons even when corruption cannot be completely eradicated.

References

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Dreher, A., and Gassebner, M. 2013. Greasing the Wheels? The Impact of Regulations and Corruption on New Firm Entry, Public Choice 1-20.

Greene., W. H. 2008. Econometric analysis. 6th ed., Upper Saddle River, N.J. : Prentice Hall.

Klapper, L., Laeven, L., & Rajan, R. 2006. Entry regulation as a barrier to entrepreneurship. Journal of Financial Economics, 82(3), 591-629.

Méon, P. G., & Sekkat, K. 2005. Does corruption grease or sand the wheels of growth? Public choice, 122(1-2), 69-97.

Ostrom, E. 2005. Understanding Institutional Diversity. Princeton, NJ: Princeton University Press.

Rodriguez, P., Siegel, D. S., Hillman, A., and Eden, L. 2006. Three lenses on the multinational enterprise: politics, corruption, and corporate social responsibility. Journal of International Business Studies, 37(6), 733-746.

Shleifer, A., and Vishny, R. W. 2002. The grabbing hand: Government pathologies and their cures. Harvard University Press.

Shleifer, A., and Vishny, R.W., 1993. Corruption. Quarterly Journal of Economics, 108, 599-617.

Outputs and Deliverables

1. To develop a model that identifies the set of institutional factors that allow income inequality to decrease in countries with corrupt institutions.

2. Potential conference presentations:

- American Economic Association
- Babson College Entrepreneurship Research Conference (BCERC)

3. To submit manuscripts to scholarly journals.

Budget

Title: Do Institutions Facilitate Trickle Down of Wealth in Corrupt Economies?
PI: Farzana Chowdhury
Lecturer, University of Texas-Rio Grande Valley
Duration of Funding: July 1, 2016 to June 30, 2017

Item	
1. Data Purchase (PRS group business data)	7714
2. ICRG Historical Data Set	8045
3. Conferences Attendance - American Economic Association Conference	
A. Airfare, Brownsville, Texas - Georgia	451
B. Lodging for 4 nights @ 150/night	600
4. Conferences Attendance - Babson College Entrepreneurship Research Conference	
A. Airfare, Texas - Oklahoma	411
B. Lodging for 4 nights @ 150/night	600
C. Conference fee	800
Total	**18621**

Budget Justification

1. Two required set of data need to be purchased, other data sets are free
2. Conference travel expense is for attending Babson College Entrepreneurship Research Conference (BCERC) in June, 2017
3. Conference travel expense is for attending American Economic Association Annual Conference in January, 2018

Appendix A

List of the low and middle-income countries to be used in the proposed study (Countries are listed in alphabetical order)

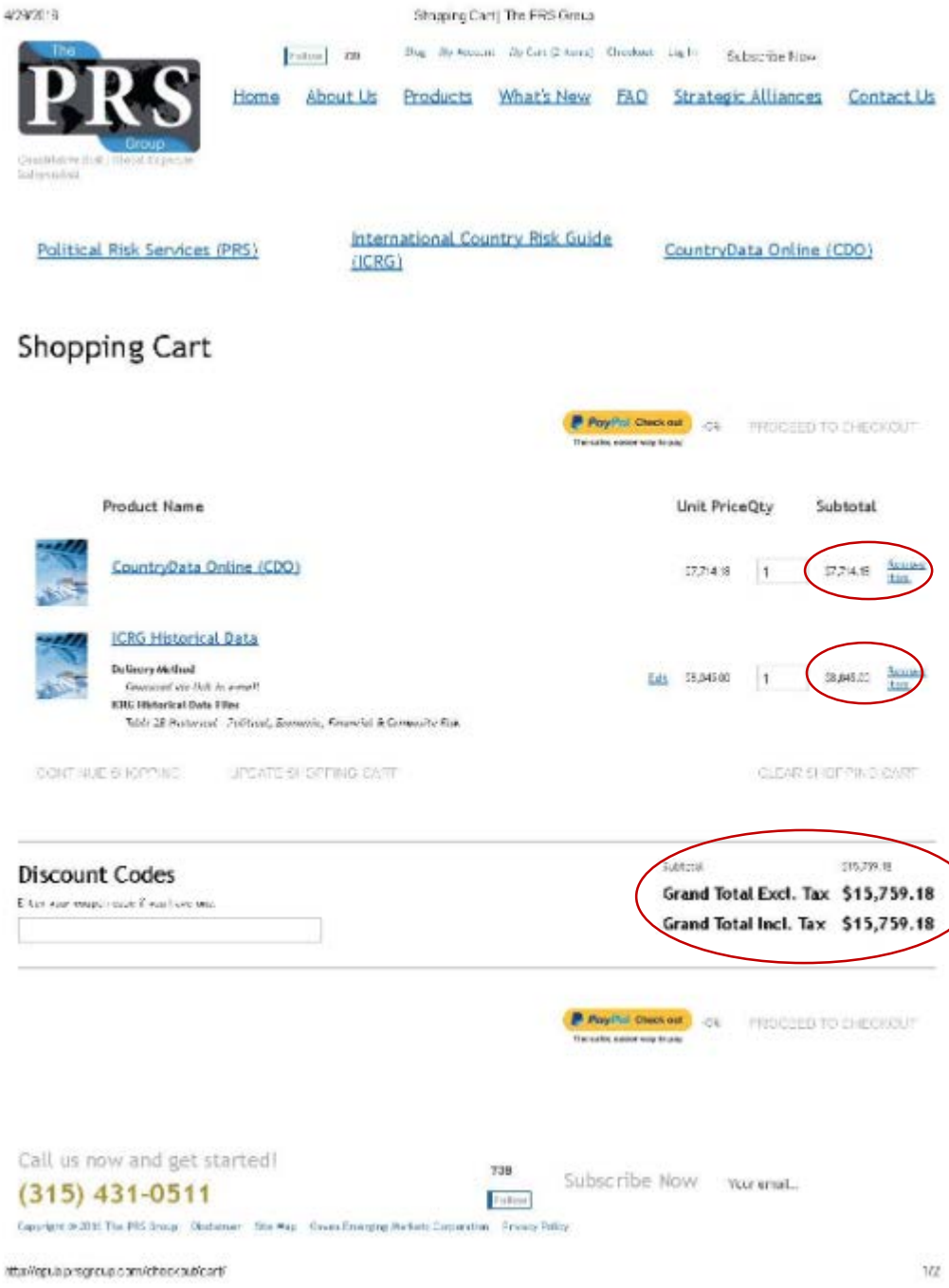
Country Name	GNI per capita (constant 2005 US$)	Country Name	GNI per capita (constant 2005 US$)
Bangladesh	769	India	1150
Belize	3646	Indonesia	1738
Bhutan	1851	Lao PDR	729
Bolivia	1266	Malaysia	6815
Brazil	5651	Mexico	8168
Cambodia	667	Mongolia	1671
China	3591	Nepal	413
Colombia	4316	Nicaragua	1363
Costa Rica	5913	Pakistan	833
Dominican Republic	4733	Paraguay	1920
Ecuador	3667	Peru	3845
El Salvador	3067	Philippines	1935
Guatemala	2255	Thailand	3546
Haiti	484	Timor-Leste	2315
Honduras	1523	Vanuatu	2073
		Vietnam	984

Appendix B

List of data sources and price

Institutional Factors and Entrepreneurship Measures	**Data Source**	**Price**
Business regulation ***	The PRS Group (https://www.prsgroup.com/prsgroup_shoppingcart/cdWizard5.aspx)	$7,714
ICRG Historical Data***	The PRS Group (https://www.prsgroup.com/prsgroup_shoppingcart/cdWizard5.aspx)	$ 8,045
Legal protection of property	World Bank Doing Business dataset (http://www.doingbusiness.org/custom-query)	No cost
	World Development Indicators (http://databank.worldbank.org/data/views/variableselection/selectvar iables.aspx?source=world-development-indicators)	,,
	Index of Economic Freedom, Heritage Foundation (http://www.heritage.org/index/explore)	,,
Contract enforcement	Economic Freedom Index , Fraser Institute (http://www.freetheworld.com/)	,,
Entrepreneurship	World Bank Group Entrepreneurship Snapshot (http://www.doingbusiness.org/data/exploretopics/entrepreneurship)	,,
	Global Entrepreneurship Monitor (http://www.gemconsortium.org/key-indicators)	,,
Rule of Law	Worldwide Governance Indicators (http://databank.worldbank.org/data/views/variableselection/selectvar iables.aspx?source=worldwide-governance-indicators)	,,
Corruption	Index of Economic Freedom, Heritage Foundation (http://www.heritage.org/index/explore)	,,

*******A snapshot of price information is given in page 9


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EDUCATION

Indiana University, Bloomington, IN
PhD: Dissertation Defended, 2015
Major: School of Public and Environmental Affairs (Management, Public Finance)
Minor: Kelley School of Business (Entrepreneurship)

Indiana University, Bloomington, IN
School of Public and Environmental Affairs
Master's in Public Affairs, 2010
Concentration: Policy Analysis, Non-profit Management, Comparative and International Affairs

Ball State University, Muncie, IN
Miller College of Business
Bachelor of Science, Corporate Finance, 2005

ACADEMIC EXPERIENCE

Lecturer, College of Business and Entrepreneurship, 2016
University of Texas-Rio Grande Valley, Brownsville, TX

Research Fellow, 2015-2016
Institute of Development Strategies, Indiana University, Bloomington, IN

Research Fellow, 2015-2016
Department of Management, University of Lisbon, Lisbon, Portugal

SPEA Graduate Research Assistant, 2011-2014
World Bank, Washington, DC Summer Intern, 2012
Indiana Business Research Center (IBRC), Graduate Research Assistant, 2012
Center for Evaluation and Education Policy (CEEP), Graduate Research Assistant, 2011-2012

PUBLICATIONS

Peer Reviewed Journal Articles

Chowdhury, F. (with Belitski, M., and Desai, S.). 2016. Taxes, Corruption, and Entry. *Small Business Economics*, DOI: 10.1007/s11187-016-9724-y.

Chowdhury, F., Desai, S., Audretsch, D., Belitski, M. 2015. Does Corruption Matter For International Entrepreneurship? *International Entrepreneurship and Management Journal*, 11: 4, 959-981.

Chowdhury, F. Terjesen, S., and Audretsch, D. 2015. Varieties of entrepreneurship: Institutional drivers across entrepreneurial activity and country. *European Journal of Law and Economics*, 40:1, 121-148.

Chowdhury, F. and Audretsch, D. 2014. Institution as Looting Apparatus: Interaction of gender equality and institutions on Female Entrepreneurship. *Eurasian Business Review*, 4:2, 207-225.

Audretsch, D. and Chowdhury, F. 2011. Knowledge spillover and economic development. *International Review of Entrepreneurship*, 9: 2, article # 1.

Articles under Review

Venâncio, A., Chowdhury, F. Foreign Competition: Blessing or Curse for Entrepreneurs. (Under review in *Journal of International Business Studies*).

Belitski, M., Chowdhury, F., Desai, S. A gendered effect of corruption? Evidence on firm exports in 91 developing countries. (Under review in *Journal of Management Inquiry*).

Peer Reviewed Book Chapters

Chowdhury, F. 2015. Mobile Money, (in) *The SAGE Encyclopedia of Economics and Society*, Ed. Frederick Wherry.

Chowdhury, F. 2015. Unbanked, (in) *The SAGE Encyclopedia of Economics and Society*, Ed. Frederick Wherry.

Chowdhury, F. 2012. Debt, Chapter D, (in) the *Encyclopedia of New Venture Management*, Ed. Matthew R. Marvel, pp: 109-110. SAGE Publications Inc. New York.

Chowdhury, F. 2012. Equity and Debt, Chapter E, (in) the *Encyclopedia of New Venture Management*, Ed. Matthew R. Marvel, pp: 176 -178. SAGE Publications Inc. New York.

Chowdhury, F. 2012. Infrastructure, Chapter I, (in) the *Encyclopedia of New Venture Management*, Ed. Matthew R. Marvel, pp: 256 – 258. SAGE Publications Inc. New York.

Chowdhury, F. 2012. Research and Development, Chapter R, (in) the *Encyclopedia of New Venture Management*, Ed. Matthew R. Marvel, pp: 395-396. SAGE Publications Inc. New York.

Book Reviews

Chowdhury, F. 2014. Debt and Developing Economies: Are Repayment Options Fair?. *Public Administration Review*, Volume 75, Issue 2, 329-331.

Chowdhury, F. 2008. Mullahs, Merchants, and Militants: The Economic Collapse of the Arab World. *Economic Affairs, Book Review*, Volume 28, Issue 2, 101-102.

Articles in Preparation

Chowdhury, F., Venâncio, A. Exploring Moderating Role of Finance and Human Capital on Female Firm Performance (To be submitted to *Journal of Business Venturing*).

Chowdhury, F., Venâncio, A. Getting Out of the Shadow: Why Firms become Formal (To be submitted to *Administrative Science Quarterly*).

Chowdhury, F., Belitski, M., and Desai, S. Taxes and varieties of entrepreneurship: Moderating Role of corruption. (To be submitted to *Journal of Business Ethics*).

Chowdhury, F., Audretsch, D., Desai, S., Belitski, M. Regulations, Corruption and International Entrepreneurship (To be submitted to *Global Strategy Journal)*.

Chowdhury, F., Desai, S., Belitski, M., and Audretsch, D. Interplay of corruption, income distribution, and entrepreneurship: A tale of two regions (To be submitted to *Organization Studies*).

Chowdhury, F. Corruption and Foreign Direct Investment: A Meta-Analysis (To be submitted to *The Economic Journal*).

Chowdhury, F., Desai, S., Belitski, M., and Audretsch, D. Reducing income inequality through entrepreneurship in developing countries: Role of corruption (To be submitted to *Human Relations*).

Chowdhury, F. Impact of corruption on growth entrepreneurship (To be submitted to *Journal of International Business Studies*).

Book in Preparation

Chowdhury, F., Desai, S., and Audretsch, D. Corruption, Entrepreneurship, and Societal Welfare: A Global Perspective. To be published in Fall, 2016 (Contract signed with Springer Publication).

Discussion Paper

Chowdhury, F. 2007. Impact of Islamic Institutions on Economy and Economic Condition of Islamic Countries: Ten Years Later. *Institute for Development Strategies Ameritech Discussion Papers* [http://www.indiana.edu/~idsspea/papers/ISSN%2007-1.pdf].

Conference Proceeding

Chowdhury, F. 2013. Institution as Looting Apparatus: Interaction of gender equality and institutions on Female Entrepreneurship. *Association of Global Management Studies*, Berkeley, CA, March 4-5.

Popular Press

Chowdhury, F. 2013. Consumers should care about workers. Guest Column: *The Herald-Times*, Page: A5, May 15.

Chowdhury, F. 2013. Americans should be questioning foreign policy, *The Herald-Times* Page: A5, September 23.

PRESENTATIONS

Conferences

Chowdhury, F. 2015. Relationship between Tax Policy-Entrepreneurship: Role of Corruption. Sustainability, Ethics, and Entrepreneurship Conference (PDW), Denver, Colorado, April 28-30.

Chowdhury, F. 2015. Formal Institutions and Entrepreneurships: Moderating Role of Corruption. Babson College Entrepreneurship Research Conference, Natick, Massachusetts, June 10-13.

Chowdhury, F. 2015. Entrepreneurship, Corruption, and Income Inequality. Midwest Political Science Association, Chicago, Illinois, April 16-19.

Chowdhury, F. 2015. Entrepreneurship, corruption and income inequality. The Workshop in Political Theory and Policy Analysis, Bloomington, Indiana, April 1.

Chowdhury, F. 2014. Taxes, Corruption and Entrepreneurship. Academy of International Business (Accepted).

Chowdhury, F. 2014. Taxes, Corruption and Entrepreneurship. Babson College Entrepreneurship Research Conference (BCERC) (Accepted).

Chowdhury, F. 2014. Corruption, Taxes, and Entrepreneurship. Academy of Management Conference, Philadelphia, Pennsylvania, July 31-August 5.

Chowdhury, F. 2014. Taxes, Corruption and Entrepreneurship. Transatlantic Policy Consortium, Bloomington, Indiana, June 24-25.
Chowdhury, F. 2013. Institution as Looting Apparatus: Interaction of gender equality and institutions on Female Entrepreneurship. Association of Global Management Studies, Berkeley, California, March 4-5.
Chowdhury, F. 2012. Varieties of entrepreneurship: Institutional drivers across entrepreneurial activity and country. Academy of Management Conference, Boston, MA, August 7.
Chowdhury, F. 2011. Formal and Informal Networks and Entrepreneurship across Countries. Academy of Management Entrepreneurship Doctoral Consortium, Austin, August 12.

Workshops
Chowdhury, F. 2014. Entrepreneurship, Taxes, and Corruption. Indiana University Wuppertal University Entrepreneurship Research Workshop, Bloomington, Indiana, August 6-7.
Chowdhury, F. 2007. Max Planck Institute of Economics Summer Institute, Jena, Germany, July 20-24.

RECOGNITION

Grants
Ostrom Workshop Graduate Student Research Grant, Indiana University, $5,000 (2014)
Islamic Society of North America Internship Grant, $20,000 (2012)
SPEA Travel Grant, $1800 (2015), $1,200 (2014), $600 (2013), $600 (2012), $600 (2011)

Grant writing experience
Kauffman Dissertation Fellowship (not funded)
NSF Doctoral Dissertation Improvement Grant (submitted)

Awards
Robert Agranoff Fellowship Award, 2015.
Academy of International Business, Relevance for Practice Award, 2014.
World Bank, Washington, DC, Summer Internship Award, 2012.
The HRH Prince Alwaleed Bin Talal ISNA Fellowship Award, 2008-2009.
Mutual Federal Savings Bank Scholarship, Dept. Finance, Ball State University, 2004-2005.

ACADEMIC SERVICES

Manuscript Reviewer
World Development
Journal of Business Venturing
Journal of International Business Studies
Small Business Economics Journal
Academy of International Business
Babson College Entrepreneurship Research Conference (BCERC)
Academy of Management (International Management, Entrepreneurship)
Alliance for Research on Corporate Sustainability (ARCS)
U.S. Association for Small Business and Entrepreneurship (USASBE)

Conference Committee Duties
Sessions Organizer, Association of SPEA PhD Students (ASPS) Annual conference, 2014

Professional Development Conference (ISNA) annual conference, 2009
Association for Financial Professionals Annual Conference, 2005

Teaching and Professional Development Workshops

Rehabilitate Your Slideshow: Effective Alternatives for Engaging Presentations, November 5, 2014.
Multilevel Modeling: A Practical Overview, November 5, 2014.
Stata Workflow: Planning, organizing, documenting workflow data effectively, efficiently, and accurately, October 25, 2013
iRubric workshop: Building writing assignments in Oncourse, exploring writing strategies that foster student engagement and assess student learning, October 22, 2013
Savvy Management Workshop: Effective strategies for managing research materials, 'footprint' in social media, maximizing networking potential of social media, October 15, 2013

Statistical Software Proficiency

SAS, STATA

Professional Membership

Academy of Management (International Management, Entrepreneurship Division)
Academy of International Business (AIB)
Midwest Political Science Association

COURSES TAUGHT

International Business (INTB 3300), University of Texas-Rio Grande Valley, Brownsville, TX
Statistical Techniques (K300), Teaching Assistant, 2014, Indiana University, Bloomington, IN
Management Science (V348), 2011, Associate Instructor, Indiana University, Bloomington, IN
Freshman Seminar (U100), 2009, Associate Instructor, Indiana University, Bloomington, IN
Financial Management (V361), 2008-2010, Teaching Assistant, Indiana University, Bloomington, IN
Public Finance (V371), Teaching Assistant, 2007-2008, Indiana University, Bloomington, IN

BUSINESS EXPERIENCE

Tax Specialist III, and Loan Officer, H&R Block, Bloomington, IN, 2007-Present
Tax Associate III, H&R Block, Lubbock, TX, 2005- 2006,
Tax Accountant, White Riddle & Company CPA, Lubbock, TX, 2005-2006

SOCIAL INVOLVEMENT

Volunteer, Interfaith Winter Shelter, Bloomington, IN, 2007-2015
Member, Toastmasters International, 2013-2015