



From poverty trap to commodity trap: entrepreneurship and well-being among the poor

Michael H. Morris · Sohrab Soleimanof ·
Marcello Calle · Reginald Tucker

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Abstract Building on disadvantage theory and the capabilities framework, the research explores how two critical aspects of the poverty experience, experienced scarcity, and a limited opportunity horizon, can result in the creation of ventures that struggle to achieve marketplace success, which in turn detracts from the entrepreneur's perceived well-being. These business struggles are traced to a commodity trap, where the business is not well differentiated in the marketplace, suffers from low volumes and margins, has little bargaining power, and is labor-intensive and capacity-constrained. A set of hypotheses regarding these relationships are tested using data from a

sample of entrepreneurs from poverty backgrounds within Ecuador. The results provide support for the hypothesized relationships. Disadvantages from poverty translate into disadvantages within a business, and failure to overcome these disadvantages results in a lower sense of well-being on the part of the entrepreneur. Implications are drawn for theory and practice.

Plain English Summary Poverty conditions can compromise the impact of new venture creation on a person's well-being. The authors explore how two critical aspects of the poverty experience impact the ventures created by low-income entrepreneurs: prolonged exposure to resource scarcity and the tendency of the poor to perceive a restricted range of opportunities in their environments. It is demonstrated that these two factors lead individuals to create marginal businesses that fall into the commodity trap, where they are undifferentiated from competitors, labor-intensive, with limited capacity and no bargaining power, and experience both low volumes and profit margins. The more severe the commodity trap, the lower will be the entrepreneur's perceived well-being. For researchers, the findings suggest the importance of recognizing the potential non-financial outcomes of entrepreneurial activity. Policymakers interested in entrepreneurship as a poverty alleviation tool are likely to find policies and programs that encourage venture creation are largely ineffective unless they

M. H. Morris (✉)
McKenna Center for Human Development and Global
Business, Keough School of Global Affairs, University
of Notre Dame, Notre Dame, IN 46615, USA
e-mail: mmorri24@nd.edu

S. Soleimanof
E.J. Ourso College of Business, Louisiana State
University, Baton Rouge, LA 70803, USA
e-mail: soleimanof@lsu.edu

M. Calle
Facultad de Ciencias de La Administracion, Universidad
del Azuay, Cuenca, Ecuador
e-mail: marcalles@uazuay.edu.ec

R. Tucker
Tom Love Division of Entrepreneurship & Economic
Development, University of Oklahoma, Norman, OK,
USA
e-mail: reg@ou.edu

include mechanisms that enable entrepreneurs to avoid or escape the commodity trap. With community ecosystems, intervention approaches should center on developing training, mentoring, and other forms of intervention that assist these entrepreneurs in addressing specific components of the commodity trap.

Keywords Entrepreneurship · Poverty · Commodity trap · Opportunity horizon · Resource scarcity · Subjective well-being

JEL Classification L25. L26

1 Introduction

Over the past decade, there has been growing scholarly attention to the link between venture creation and the subjective well-being (SWB) of the entrepreneur (Wiklund et al., 2019). Prior research highlights the economic (e.g., income generation) and non-economic (e.g., self-determination) benefits of entrepreneurship, as well as its possible costs (e.g., stress) for SWB (Stephan, et al., 2020). These studies suggest that entrepreneurship generally promotes the well-being of entrepreneurs, with the impact varying in different contexts (Stephan et al., 2023).

We seek to expand this body of knowledge by focusing on a less examined setting, the context of poverty (Bhuiyan & Ivlevs, 2019; Saridakis et al., 2021). Can entrepreneurship improve the lives of the poor? Prior research has often labeled entrepreneurial efforts in less developed and impoverished contexts as necessity-driven, treating these entrepreneurs as homogeneous and primarily income-focused (Dencker et al., 2021; O'Donnell et al., 2024). However, the diverse nature of entrepreneurship in poverty contexts underscores the need to examine the link between venture creation and major nonfinancial drivers of SWB such as life satisfaction (Kim-mitt et al., 2020; Weber et al., 2023). This inquiry is particularly significant because entrepreneurship has frequently been proposed as an effective solution to poverty (Bruton, et al., 2013; McMullen, 2011; Sutter et al., 2019). Thus, we seek to understand whether, and under what conditions, entrepreneurship can benefit the SWB of those living in poverty.

For this purpose, we draw on disadvantage theory (Light, 1979) and the capability approach (Sen,

1999) to shed light on how the experience of living in poverty can shape the entrepreneurial journeys of the poor and the associated (nonfinancial) outcomes. We focus on two key aspects of poverty highlighted by these foundational theories—experienced resource scarcity and limited opportunity horizons—to explain how these factors contribute to the creation of problematic ventures. Specifically, we assess the tendency of these ventures to fall into what has been labelled the commodity trap (Morris, et al., 2018), where the business is not well-differentiated, has little bargaining power, is labor-intensive and capacity-constrained, and suffers from low volumes and margins (Morris et al., 2018). Resource scarcity, one of the most prominent disadvantages of poverty (De Bruijn & Antonides, 2022; Jachimowicz, et al., 2022; Wilson, 2011), places entrepreneurs in a constant state of uncertainty about whether they can meet their basic needs (Roux et al., 2015). As a result, they are forced to make trade-offs regarding which expenses to pay and what sacrifices to endure. Economists have noted how this can lead to a short-term mindset and sub-optimal decision-making (Shah et al., 2018). Additionally, poverty limits the individual's capabilities as they related to the range of opportunities they can perceive and pursue (Alvarez & Barney, 2014). A limited opportunity horizon constrains the kinds of ventures being launched, and the ability to adapt appropriately as the venture unfolds (Bruton et al., 2015). We develop a research model to explain how experienced resource scarcity and limited opportunity horizons contribute to the creation of commodity-type ventures, and the impacts of all these factors on subjective well-being.

We collect and analyze data from entrepreneurs coming from poverty backgrounds in Ecuador, a developing country in the global south that represents an especially relevant context for our study. Despite pervasive poverty and numerous barriers for doing business (World Bank, 2024), Ecuador ranks among the top countries when it comes to levels of entrepreneurial activity (35% of the population), business ownership (15% of the population, and proportion of local businesses (60% of firms) Global Entrepreneurship Monitor, 2021). Yet, living conditions and life satisfaction rank considerably below many other countries (Legatum Prosperity Index 2020), which raises the question of why entrepreneurial activities fail to promote SWB. The results support our thesis that particular aspects of

poverty often push entrepreneurs into more severe commodity traps and these venture experiences can actually reduce their perceived well-being.

This study sheds new light on the link between entrepreneurship and well-being in a context where entrepreneurship frequently emerges out of necessity, but can also be driven by other factors. We also contribute to a richer understanding of why these ventures are often problematic. We highlight how varying degrees of the commodity trap characterize poverty-driven entrepreneurship and explain why poverty entrepreneurs often fail to realize the benefits of venture creation. Further, we extend disadvantage and capability theories by demonstrating how disadvantages and capability shortcomings associated with poverty can shape entrepreneurial journeys, making entrepreneurship not a tool that alleviates poverty but instead one that can undermine SWB. The results provide important insights regarding how ecosystems can better support poverty entrepreneurs in creating sustainable ventures.

2 Theoretical underpinnings

2.1 Disadvantage theory and entrepreneurship

Poverty entrepreneurs start from a position of disadvantage when creating a business. The disadvantages are rooted in the multi-dimensional nature of poverty. Beyond a lack of income, the poor frequently struggle with poor diets, unemployment, chronic health problems, sub-standard housing, lack of dependable transportation, weak schools and limited educational opportunities, high rates of crime and violence, physical and emotional fatigue, single parenthood, limited social networks, and various forms of discrimination (Hernandez, 2011; Maldonado & Nieuwenhuis, 2015; von Braun et al., 2009; Tirado, 2015; Wilson, 2011). This complex mosaic can result in poverty traps, or self-perpetuating cycles of poverty, from which it is difficult for individuals to escape (Bannerjee & Newman, 1994).

The multi-dimensional nature of poverty can close out options, particularly for employment, pushing people into entrepreneurship, something scholars have labeled necessity-driven entrepreneurship (NE) (O'Donnell et al., 2024). It is particularly common in less developed economies (Amorós et al., 2019). While there is evidence that

many of the poor who start businesses are driven by multiple motives (Bacq, et al., 2025), necessity is a prominent factor. Necessity-driven entrepreneurs come from diverse backgrounds with various needs, and income generation is not always their sole goal (Dencker et al., 2021). As such, their heterogeneous nature raises questions about the importance of different venture outcomes for the poor, including both the traditional focus on financial outcomes, but also the impact of venture creation on a person's sense of well-being (Kimmitt et al., 2020; Weber et al., 2023). To address these complexities, we draw on two foundational theories—disadvantage theory (Boyd, 2000; Light, 1979) and the capability approach (Sen, 1999, 2019)—to examine the nature and outcomes of entrepreneurship in poverty contexts.

Disadvantage theory (Light, 1979) provides a lens for capturing how the realities of life in poverty conditions can shape the entrepreneurial experience. The theory posits that poverty challenges, often exemplified by a severe lack of resources, serve as both motivations for and barriers to pursuing actions that can change one's circumstances (Light & Rosenstein, 1995). Within entrepreneurship, these dual effects have been used to explain venture creation among women, immigrants, and minorities (Boyd, 2000; Horton & De Jong, 1991; Morris et al., 2022).

On the one hand, disadvantage can serve to enhance the attractiveness of venture creation, particularly where poverty has resulted in unemployment, under-employment, or employment at low wages. It can foster the motivation needed to transcend one's circumstances and realize the fruits of one's labor (Krishna, 2004). The individual strives to not become a victim of poverty and to provide better opportunities for their family and future generations (Nakara et al., 2021). This viewpoint is consistent with the arguments of Cumming et al. (2021), who find that higher levels of income inequality encourage entrepreneurial activity because their alternative income/opportunity cost is less attractive than being an entrepreneur. The individual is motivated by the belief that venture creation will reduce the inequality gap. On the other hand, disadvantages associated with poverty can serve as an inhibitor. A severe lack of resources can undermine the willingness and ability to create a business (Payne, et al., 2012; Wilson, 2011). As they operate near the lower bound of

utility, Banerjee and Newman (1994) suggest this as a prime factor reducing entrepreneurial activity among the poor.

These dual forces are operating both simultaneously and against one another. As resource disadvantage motivates and inhibits the individual, the net effect can be the incentive to create a new venture, but one that is marginalized, with constrained potential for achieving favorable outcomes (Adebayo & Nassar, 2014; Morris et al., 2022). Cumming et al. (2021) conclude that such ventures will not move people out of poverty.

2.2 Capability approach and entrepreneurship

An additional foundation can be found in the capability approach (Sen, 1999) which is based on two core assumptions: (a) the freedom to achieve personal well-being is of primary moral importance; and (b) well-being is tied to individuals' capabilities to do and be what they value. Central to this approach are "functionings" and "capabilities." A functioning refers to an achievement—what a person manages to do or be—while a capability is the ability to achieve that functioning. Capabilities determine the range of life choices and opportunities available, allowing individuals to select the kind of life they want to live. In essence, the approach emphasizes the importance of "freedom to achieve" and "capabilities to function" as the key elements for human development and well-being. As Robeyns (2005) points out, well-being depends not only on the functionings individuals attain but also on the real opportunities and choices they have to pursue the life they value.

When applied to entrepreneurship and poverty, the capability approach takes the spotlight off income as the guiding principle in gauging outcomes of venture creation (Dencker et al., 2021), highlighting well-being as the ultimate goal (Kimmitt et al., 2020). Furthermore, the approach underscores the importance of individuals' capabilities in shaping the kinds of ventures they can establish and the quality of outcomes they can achieve (Weber et al., 2023). This perspective goes beyond merely considering resource constraints, suggesting that capabilities or accessible opportunities can profoundly bias and limit the entrepreneurial journeys and outcomes of disadvantaged individuals. For instance, an impoverished person may have access to certain resources, but their

disadvantaged background may restrict the skills, networks, confidence, vision, or other favorable conditions needed to effectively leverage those resources.

The capability approach makes a critical distinction between resources and capabilities, noting that simply having resources does not guarantee the ability to convert them into valuable opportunities. Personal, social, and environmental factors play significant roles in transforming resource possessions into capabilities—opportunities for people to do and be what they value in life (Robeyns, 2005). This distinction is vital because it highlights that the potential for venture success hinges not only on what individuals have but also on what they can see is possible to do with what they have (Gries & Naude, 2011). In this context, the concept of an "opportunity horizon" becomes relevant (Berkman, 2015; Müller, 2002; Morris et al., 2018). It refers to the range of opportunities and possibilities the poor can perceive and pursue. The opportunity horizon plays a prime role in determining the types of ventures that individuals from impoverished backgrounds can create and the well-being outcomes they can attain.

2.3 From resource constraints and limited opportunity horizons to well-being

The experience of poverty will find individuals confronting obstacles beyond those faced by typical entrepreneurs. Morris et al. (2020) have referred to these obstacles as the liabilities of poorness. Examples of these liabilities include literacy gaps, the inability to focus due to non-business distractions, and vulnerability due to lack of any safety net. Despite these challenges, individuals in poverty are often motivated to pursue entrepreneurship in the hopes of achieving favorable outcomes—functionings that improve well-being. These desired functionings may include creating a sustainable venture, establishing financial security for their family, employing other disadvantaged people, gaining pride and self-respect, working at a fulfilling occupation, developing a community voice, or giving back to the community.

However, poverty-related disadvantages—particularly resource constraints and limited opportunity horizons—can influence the nature of the businesses being created by the poor and the possible functionings which venture creation can make possible. The poor will bring fewer resources and capabilities to

the venture and will struggle to develop capabilities as the venture evolves. The establishment of a poorly performing venture could detract from their well-being. In the discussion below, we more fully explore these relationships.

3 Research model

While anecdotal evidence suggests that entrepreneurship can help lift people out of poverty (e.g., Amorós et al., 2021a, 2021b; Banerjee et al., 2015), others have noted the tendency of the poor to create businesses that generate limited revenue and income (Acs & Kallas, 2008). Scholars often describe ventures of the poor as imitative survival businesses born out of necessity (Doering & Wry, 2022), and as largely inefficient and marginal (Matos & Hall, 2021), with higher-than-normal failure rates (Adebayo & Nassar, 2014). Si et al. (2021) suggest that relatively few of these businesses actually move people out of poverty and may even make them worse off financially (Cho, 2015). Some go so far as to question the broader societal value of this type of entrepreneurial activity (Shane, 2009; Stam, 2015). In this context, we delve deeper into the venture experiences of those living in poverty and explain why their businesses may—or may not—enhance their well-being. Specifically, we explain how two key characteristics of these entrepreneurs, serious resource constraints and limited opportunity horizons, often lead them to fall into commodity traps that restrict their capabilities, or their freedom to achieve the kinds of lives they value.

3.1 Falling into commodity traps

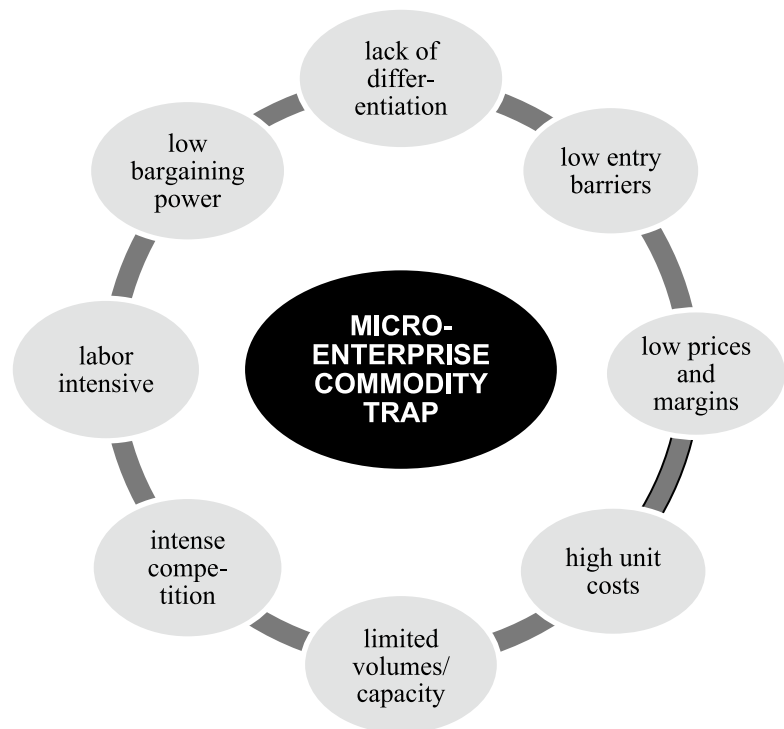
The term “commodity trap” has been used to discuss the commoditization of products in large companies as competition intensifies and products mature (D’Aveni, 2010; Chesbrough, 2011). However, this concept can be expanded to capture the market position of many firms started by those in poverty—and the causes of their marginal nature (Morris & Santos, 2024). The poor tend to start commodity-type businesses that are difficult to differentiate from competitors, of which there are often many, particularly as entry barriers tend to be low (Cumming et al., 2021; Halkias et al., 2011). Absent meaningful differences in the offering, the business is forced to compete on price, and often

sets prices relatively low (Si et al., 2021). Operations tend to be labor intensive, with the founder providing much of the labor (Lee & Rodriguez-Pose, 2021). This, when combined with an inability to afford capital equipment and a lack of technology, limits the volume of goods or services the firm can produce (Blattman & Ralston, 2015). Lack of adequate cash flow and limited capacity find the entrepreneur having little bargaining power with suppliers and customers (Trivedi & Petkova, 2022). Inventory is purchased in small lot sizes, often at retail prices, driving up costs (Cho, 2015). The absence of cost economies combined with low prices results in low unit margins. A combination of low volumes and margins makes it difficult to produce the level of profits that can improve the entrepreneur’s economic condition.

The key to this expanded notion of a commodity trap is the interdependent nature of these variables, as suggested in Fig. 1. For the poverty entrepreneur, it is a trap in the sense that it can be quite hard to escape given limited capabilities. Finding ways to differentiate the business can be costly, but it is difficult to raise prices and margins without customers perceiving a unique value offering, particularly with numerous competitors present. Investing in technology and equipment might address the challenges of labor intensity, low capacity and productivity, and lack of bargaining power, but the poor can struggle with technological literacy (Neumeyer, et al., 2020) while low profits make it difficult to qualify for loans to buy equipment (Wiid & Cant, 2021). Yet, the extent to which poverty entrepreneurs experience this trap will vary, and we need to better understand how poverty conditions contribute to the severity of the trap.

3.2 Resource constraints and the commodity trap

At the core of the poverty experience is the persistent struggle with resource constraints—limited money, time, and energy. The impoverished individual must make immediate- and short-term tradeoff decisions regarding which bills to pay and the things they will go without. Such decisions often prove to be sub-optimal, resulting in higher expenses over time. In addition, the poor must deal with a lack of time and energy, such as when attempting to raise children as a single parent, serve as a caretaker for an extended family member, and work two part-time jobs while simultaneously starting a business.

Fig. 1 The commodity trap

Economists studying scarcity emphasize that those with severely limited resources tend to focus more exclusively on the most pressing tasks at hand, often ignoring other essential tasks, even when doing so compromises their ability to achieve long-term goals (Shah et al., 2015). Immediate needs consume a disproportionate amount of their time, effort, and limited financial resources (Mani, et al, 2013). As a result, the poor are apt to overlook other important needs and may pursue actions that are costlier in the longer term (Griskevicius, et al., 2013). Shah et al. (2012) conclude that resource scarcity creates its own mindset, changing the ways people look at problems and make decisions. They struggle to plan for the future and find it difficult to think holistically regarding the interdependent nature of decisions and needs.

When attempting to grow a venture, severe resource constraints result in a short-term, reactive orientation where decisions are made in isolation and the individual avoids long-term commitments. Avoiding the commodity trap requires a strategic orientation, where the entrepreneur works to create sources of differentiation, find ways to penetrate mainstream markets, and charge value-based prices (D'Aveni, 2010). Sub-optimal trade-off decisions result in short-term spending priorities

that result in higher costs over time, reducing cash flows and profit margins (Shah et al., 2012). Beyond this, the scarcity mindset, shaped by the poor's experienced resource constraints, can lead them to minimize purchase quantities, reducing their bargaining power with suppliers and the ability to achieve economies over time. Similarly, a pre-occupation with short-term trade-off decisions keeps the poverty entrepreneur from seeing how a series of well-planned sequential actions might result in an enhanced ability to win key customer accounts, reduce costs, or form strategic partnerships that can elevate the firm's competitive position (Das, 1987). The failure to properly plan for unanticipated developments can also undermine the financial position of the venture, leading to reduced production levels or cutbacks in marketing and sales efforts (Morris, 2020). Further, planning is necessary to identify, save for, and invest in the kinds of equipment and technology that can increase volumes and lower unit costs. Based on this discussion, we hypothesize:

H1: The severity of resource constraints experienced by entrepreneurs in poverty positively affects the extent to which their ventures struggle with challenges associated with the commodity trap.

3.3 Limited opportunity horizons and the commodity trap

Beyond resource constraints, those living in poverty have a limited range of options when making life decisions and attempting to meet needs (Sen, 1999). Accordingly, when starting ventures and addressing associated challenges, the poverty experience will tend to restrict individuals' opportunity choices and the ability to act on those choices. Alvarez and Barney (2014) posit that low levels of human, social, and financial capital, combined with unfavorable contextual factors—such as inadequate infrastructure, limited access to education and training, social biases and discrimination, anti-business norms and values, and community values and expectations that impede progress—significantly limit the range of opportunities that individuals in poverty can perceive and pursue. These authors distinguish between “self-employment” opportunities, which are typically limited in potential and driven by necessity, and more attractive “discovery” and “creation” opportunities, concluding that the poverty context often channels individuals to perceiving and pursuing only the former.

The notions of an opportunity horizon and horizon scanning have been applied in various contexts (e.g., Brown et al., 2016; Ricciardi et al., 2017). Within entrepreneurship, Morris et al. (2018) build upon Kirzner's (1983) concept of alertness in discussing opportunity horizons of the poor. They refer to the range of opportunities (or possibilities) an individual is able to perceive at a given point in time. They argue that the depth and breadth of these horizons are constricted by educational deficiencies, literacy gaps, employment in low-skilled jobs with little advancement potential, segregation, discrimination, in-group socialization, and limited networks. As Berkman (2015) notes, poverty restricts a person's vision of what might be possible.

An entrepreneurs' opportunity horizon is a critical factor in avoiding the commodity trap. Individuals embedded in poverty contexts often find that their personal circumstances impose boundaries on the opportunities they perceive (Payne et al., 2012; Shantz et al., 2018; Uz, 2015). Such boundaries lead them to start ventures based on what they know and see in their immediate environment, frequently resulting in imitative, labor-intensive ventures that address small market niches (Alvarez & Barney, 2014; Morris

et al., 2018). Narrow opportunity horizons reinforce doing things in conventional ways, with less awareness or acceptance of new alternative approaches (Yurdakul & Atik, 2016). Thus, limited opportunity horizons lead individuals in poverty to only envision and create ventures based on needs they encounter in their daily lives, phenomena they observe in their immediate surroundings, and the limited skills and experience they have acquired in life (Chavoushi, et al., 2021).

Moreover, once a venture has been launched, its eventual success can be dependent on how it adapts over time (Morris & Webb, 2014). Adaptation requires that the entrepreneur identify and act upon emerging opportunities as the venture unfolds (Busewitz et al., 2014; Lichtenstein et al., 2006). Poverty entrepreneurs' limited horizons prevent them from recognizing emerging opportunities that can change the trajectory of their businesses. Butler (1991) notes how the entrepreneur from disadvantaged circumstances can take an “economic detour,” where their actions actually limit the potential of the business and result in more problematic enterprises (see also Webb et al., 2013). The information content to which they are exposed and can process is limited (Jennings, 1994; Wilson, 2011), making it harder to appreciate technological opportunities, or opportunities for collaboration, that can enhance the productivity and capacity of their businesses. This discussion leads to the following hypothesis:

H2: The limited opportunity horizons of entrepreneurs in poverty positively affect the extent to which their ventures struggle with challenges associated with the commodity trap.

3.4 Commodity traps and subjective well-being

The value of entrepreneurship in the context of poverty ultimately depends on its impact on an individual's well-being (Kimmitt et al., 2020; Wiklund et al., 2019; Weber et al., 2023). Sen (2019) explains well-being as the range and quality of capabilities and achieved functionings that enable individuals to lead the kind of life they value. As such, it is a holistic construct that transcends financial well-being to include psychological, emotional, social, and physical elements (Diener, 2000). Well-being is a subjective notion as it occurs within a person's experiences and

reflects an evaluation of one's life (Diener & Ryan, 2009). It has been associated with health and longevity (Harrison et al., 2012), better social relations (Sun et al., 2020), and the ability to be more productive and earn a higher income (Taris & Schaufeli, 2018).

Scholars have noted how aspects of the entrepreneurial experience can both contribute to and detract from the capabilities and functionings that affect SWB. For example, such aspects as being autonomous and independent, experiencing personal growth and ownership, and creating something new and valuable can enhance entrepreneurs' SWB (Patel & Wolfe, 2019; Ryff, 2019; Shir et al., 2019; Stephan et al., 2020). Conversely, other aspects can detract from SWB, including poor financial performance, high levels of ambiguity, uncertainty, and stress, as well as physical and emotional exhaustion (Lechat & Torrès, 2017; Rauch et al., 2018).

The influence of entrepreneurship on the SWB of individuals living in poverty remains an under-explored area of study (Kimmit, et al., 2020). In a context where the alternative may be unemployment or low-paying jobs with limited opportunities for advancement, being one's own boss and starting a business can be seen as valued functionings that provide individuals with enhanced capabilities in life, thereby improving their SWB. Indeed, recent studies have found a positive relationship between entrepreneurship and financial well-being among disadvantaged individuals (Saridakis et al., 2021; Yu et al., 2022). Amorós et al., (2021a, 2021b) demonstrated that necessity-driven entrepreneurship can increase the overall well-being of poverty entrepreneurs in developing countries. From a capability development standpoint, Su et al. (2021) found that generalized trust in entrepreneurial ecosystems can enhance the SWB of impoverished entrepreneurs. Similarly, Shantz et al. (2018) demonstrated that business ownership can serve as a source of identity and provide these entrepreneurs with a platform for engaging with and contributing to their community.

Other research findings suggest that the relationship may not always be positive. For instance, Bhuiyan and Ivlevs (2019) examined micro-entrepreneurship among the extreme poor in Bangladesh and found that microcredit had an indirect negative effect on overall life satisfaction, primarily through increased worry. Morris et al. (2023) also discuss the potential for venture creation to result in a sense of

failure, compromise one's financial circumstances, undermine their self-esteem, and leave them feeling they have let down their community.

For the poverty entrepreneur caught in the commodity trap, the potential for a negative impact on SWB seems especially great. The ability of the venture to contribute to development of the financial, social, and human capital of those in poverty is arguably compromised to the extent that the business is labor intensive and makes little money. With little differentiation, no bargaining power, and low sales volumes, the poverty entrepreneur struggles to make ends meet and support a family, despite dedicating long hours to the business. This is a type of survival venture that fails to address poverty conditions (Cumming, et al., 2021; Morris & Kuratko, 2020). Caught up with having to do much of the production work, the individual struggles to keep up with the demands of sales and marketing, cash flow management, book-keeping, inventory control, and other operational issues (Zarbakhsh et al., 2015). The result can be high levels of stress and relatively low levels of learning or capability development (Mensah & Benedict, 2010). The sense that one is working hard, yet making little progress in achieving the kind of life they aspire to have, can enhance the emotional burden imposed by the venture experience while undermining the entrepreneur's self-efficacy. On balance, marginalization of the venture resulting from the commodity trap is likely to outweigh any positive attributes of the entrepreneurial experience. This combination of factors leads us to the following hypothesis:

H3: The severity of commodity traps experienced by entrepreneurs in poverty negatively affects their SWB.

Given the direct links between key aspects of the poverty experience and SWB, our hypotheses suggest that the commodity trap plays a central role in explaining aspects of these links, and hence serves a mediating role, for poverty entrepreneurs. Falling into commodity traps can reinforce and accentuate the stressors deriving from the entrepreneurial journey and limit capability development (Stephan, et al., 2023). Caught in commodity traps, poverty entrepreneurs fail to realize the benefits of having one's own business. Instead, meager financial results, continuous demands on their labor and time, and physical and emotional fatigue with little

to show for it can undermine their SWB. Uz (2015) discusses this likelihood in explaining how threats to survival lead to tightening of rules and norms governing a social unit, with such tightening negatively associated with SWB. The ability to break out of the commodity trap is instrumental in developing a business that improves poverty entrepreneurs' circumstances, and this can be undermined by cultural tightness. This ability requires them to perceive and pursue key opportunities to redirect the business. Examples of such opportunities could include incorporation of new technologies, forming strategic partnerships, new resource leveraging approaches, addition of new products or services, and creative possibilities for differentiation, among others. As such, varied levels of the commodity trap help to explain how severe resource constraints and limited opportunity horizons restrict the functionings and capabilities of poverty entrepreneurs, keeping them from leading the kinds of life they value, thereby diminishing their SWB. This discussion leads us to hypothesize:

H4: The negative effect of experienced resource constraints on the SWB of entrepreneurs in poverty is partially mediated by the creation of a venture that falls into a more severe commodity trap.

H5: The positive effect of opportunity horizons on the SWB of entrepreneurs in poverty is partially mediated by the creation of a venture that falls into a less severe commodity trap.

4 Research method

To test these hypotheses, a cross-sectional survey research design was implemented among low-income entrepreneurs based in Ecuador. As a developing country with a poverty rate of 37.6%, extreme poverty rate of 19.2% (Macrotrends, 2022) and income inequality (Gini) coefficient of 47.3%, and with a relatively high rate of entrepreneurship (a total early-stage entrepreneurial activity score of 36.2; GEM, 2021), Ecuador is an especially relevant context to investigate the implications of poverty and the commodity trap for individual well-being.

4.1 Sample and data collection

A cross-sectional sample of micro-entrepreneurs from disadvantaged backgrounds and based in Ecuador was generated. The dearth of data on entrepreneurs in poverty is a global challenge, as individuals do not indicate their poverty status when registering a business, and many ventures of the poor are unregistered. At the same time, the overwhelming number of ventures started by entrepreneurs in poverty conditions are microenterprises (Morris et al., 2022; Sutter et al., 2019). Different perspectives exist as to what constitutes a microenterprise, particularly across countries. They have been defined based on numbers of employees, revenues, assets, and start-up financial requirements (Contreras, 2022). In the current study, we rely on the definition employed by the Ecuadorian government, which is less than ten employees or \$20,000 in assets (Magill & Meyer, 2005). These standards are reflective of those used in a number of scholarly studies (Anastasia, 2015; Contreras, 2022; Deller & McConnon, 2009).

Correspondingly, a survey was shared with a database of low-income entrepreneurs running microenterprises who receive various types of support from public institutions and non-government organizations. The database was created over a number of years by the Ecuadorian city of Cuenca, the nation's third largest city. It encompasses a fairly representative sample of poverty entrepreneurs in the region. We supplemented this database with low-income participants in an entrepreneurial assistance program involving the Universidad del Azuay, based in Cuenca. During the Fall of 2021, we contacted 1334 entrepreneurs by email and another 207 entrepreneurs enrolled in the assistance program. A total of 549 responses were received for a response rate of 35.6%. After eliminating incomplete surveys, the final sample includes data from 348 entrepreneurs, a total well above that recommended based on "the maximum number of inner or outer model linkages pointing at any latent variable in the model" (Kock & Hadaya, 2018, p. 6; see also Hair, et al., 2011). Respondents were between 18 and 70 years old (average = 36.6), with 72% being female, an average venture age of 2.86 years, and average venture size of 2.26 employees including the entrepreneur. Business types were diverse, including both providers of products (e.g., food, handicrafts, jewelry,

clothing, flowers), and services (e.g., laundry, transportation, security, childcare, cleaning, beauty services, a variety of repair services). Street vendors constituted a significant part of the sample.

4.2 Measures

Established scales were employed to assess most of the constructs in the research model. The original questionnaire was designed in English. It was then translated into Spanish and translated back to English to ensure the validity and accuracy of the Spanish translation (Brislin, 1980). The individual measures employed in our survey are described below.

4.2.1 Independent variables

The individual's experience of resource constraints is measured using a general measure of resource scarcity developed by Roux et al. (2015). The scale includes three items: "My resources are very scarce," "I don't have enough resources," and "I need to acquire more resources." The respondents used a five-point Likert scale, ranging from "1=strongly disagree" to "5=strongly agree" to answer these questions.

In addition, we developed a measure of business resource constraints for our robustness analysis. The scales used by Hanlon and Saunders (2007) asked participants to what extent they have enough of each of the following when it comes to resources to support their businesses: network contacts, people who can give them feedback on ideas, financial assistance, strategic information, and emotional support. Entrepreneurs used a five-point Likert scale to determine their level of access to each of these resources ("1=I have very much" to "5=I need much").

The entrepreneur's opportunity horizon was measured using a scale that captures variety of one's life experiences. The evidence suggests that individuals will recognize more unique and diverse opportunities when they experience access to new learning opportunities, can expand their social networks in meaningful ways, experience less social exclusion, and are less influenced by homogeneous local norms and expectations (Alvarez & Barney, 2014). Shantz et al. (2018) highlight the positive influence of exposure to influences and behaviors outside of one's immediate surroundings (see also Uz, 2015). Santos

(2024) emphasizes exposure to mentors, apprenticeships, diverse work opportunities, travel, educational exchanges, and military service. For these reasons, participants were presented with ten items related to different aspects of one's life that expose them to new knowledge, experiences, and possibilities, and asked whether these items applied to them.

The items used included: "I have lived most of my life in the city where I live now (reverse coded)," "I have travelled to other cities and towns many times," "I have visited another country," "I have had many different kinds of jobs in my life," "I have had a job working for a large company," "I have one or more hobbies that I enjoy," "I have specialty training or a certification in a trade or job category," "I have served in the military," "I like to read a lot of books," and "I often get advice or have personal conversations with people who come from different backgrounds than me." We summed the binary responses (yes/no) to these items to capture the versatility of respondent life experiences as a proxy measure of their opportunity horizons. Higher scores on this scale indicate respondents have more diverse life experiences, reflecting a broader opportunity horizon.

To validate this approach, Tang et al.'s (2012) measure of entrepreneurial alertness served as a proxy for the respondents' opportunity horizon in our robustness analysis. The scale includes three sub-dimensions. Three items are used to measure *scanning and search* (sample item: "I always keep an eye out for new business ideas when looking for information"); three items captured *association and connection* (sample "I often see connections between previously unconnected domains of information"); and *evaluation and judgement* is measured using three items (sample item: "I can distinguish between profitable opportunities and not-so-profitable opportunities"). A five-point Likert scale ranging from "1=strongly disagree" to "5=strongly agree" was employed, with higher scores indicating broader opportunity horizons.

4.2.2 Dependent variables

We developed a scale to capture different aspects of a venture's commodity nature, including lack of differentiation, customers' and suppliers' bargaining power, low margins, low capacity, and low profitability (Porter, 2008). Specifically, entrepreneurs used a

five-Likert scale, ranging from “1=strongly disagree” to “5=strongly agree,” to characterize commodity trap aspects of their business. Example items include, “while I try to be better than my competitors, it is difficult to be different in the eyes of customers,” “when it comes to my suppliers, there is little room for me to bargain or negotiate,” and “because I don’t make very much profit on each item I sell, I must sell a lot of items to make any money.” Higher scores indicated a business is experiencing a more severe commodity trap.

The scale developed by Diener et al. (1985) was used to measure SWB. Respondents used a five-point Likert scale, ranging from “1=strongly disagree” to “5=strongly agree.” The items include, “the conditions of my life are excellent,” “in most ways my life is close to my ideal,” and “I am satisfied with life.” Higher scores on this scale indicate higher levels of SWB.

4.2.3 Control variables

Effects of both personal and business-related control variables were included in the analysis. At the personal level, participant’s age and gender were included given their impacts on a person’s personal and professional experiences (e.g., Rosa et al., 1996). At a business level, the effects of venture age and size

were accounted for given that younger and smaller ventures are more challenged with liability of newness and smallness issues that constrain their ability to produce favorable outcomes for their owners (Aldrich & Auster, 1986).

5 Analysis and results

5.1 Measurement model tests

Confirmatory Factor Analysis (CFA) was used to test for the reliability and validity of the measures. We followed a common scale purification practice and optimized the measurement model based on item loading factors to ensure the CFA model’s convergence (Wieland et al., 2017). Table 1 shows the final list of items, standardized factor loadings, *t*-values, Composite Reliability (CR), and Average Variance Extracted (AVE) for each construct. CR values for all measures are higher than the suggested threshold (>0.70), which indicates acceptable scale reliability (Bagozzi & Yi, 2012). Also, all loading factors are significant and higher than 0.4, suggesting satisfactory levels of convergent validity for the constructs. In addition, AVEs for latent constructs are higher than 0.4 and larger than shared variances between each two constructs, which indicates

Table 1 Measurement model

Item description	Loading (<i>t</i> -value)
<i>Experienced resource constraints</i> ($CR=.79$, $AVE=.57$)	
• My resources are very scarce	0.79 (23.27)
• I don’t have enough resources	0.92 (27.87)
• I need to acquire more resources	0.50 (11.23)
<i>Opportunity horizon</i> ($CR=.88$, $AVE=.88$)	
• Variety of life experiences	0.94 (6.60)
<i>Commodity trap</i> ($CR=.75$, $AVE=.44$)	
• While I try to be better than my competitors, it is difficult to be different in the eyes of customers	0.46 (9.49)
• When it comes to my suppliers, there is little room for me to bargain or negotiate	0.53 (11.64)
• Because I don’t make very much profit on each item I sell, I must sell a lot of items to make any money	0.76 (21.09)
• After I cover my costs, there is not much left over for me	0.82 (24.17)
<i>Subjective well-being</i> ($CR=.81$, $AVE=.59$)	
• In most ways my life is close to my ideal	0.74 (22.22)
• The conditions of my life are excellent	0.73 (21.57)
• I am satisfied with life	0.83 (27.58)

$N=348$, chi-square/degree of freedom = 1.40, CFI = 0.99, NNFI = 0.98, AGFI = 0.95, RMSEA = 0.03, and SRMR = 0.03

acceptable discriminant validity among the constructs (Fornell & Larcker, 1981). Finally, the common fit indices for the CFA model (chi-square/degree of freedom=1.40, CFI=0.99, NNFI=0.98, AGFI=0.95, RMSEA=0.03, and SRMR=0.03) suggest a good fit between the data and the measurement model (Hooper et al., 2008).

5.2 Common method bias tests

Two tests were used to assess common method bias (CMB). First, Harman's single-factor test was performed to determine if a major (>50%) part of variance in the data can be explained by a single factor (Chang et al., 2010). An exploratory factor analysis (EFA) of all the study's measures shows that more than one factor emerged from the data (6 factors emerged accounting for 68% of the variance in the data). Also, when restricting the number of extracted factors to one, EFA results show that only 22% (<50%) of the variance can be accounted for by a single factor. In addition, a CMB test suggested by Cote and Buckley (1987) was employed, where three competing measurement models were analyzed. Model 1 is a method-only model in which all items are loaded on a single latent construct; Model 2 is a trait-only model in which all items are loaded on their respective latent construct according to our measurement model; Model 3 is a method and trait model that is a combination of Model 1 and Model

2. This analysis shows that Model 2 (chi-square/degree of freedom=1.40, CFI=0.99, NNFI=0.98, AGFI=0.95, RMSEA=0.03, and SRMR=0.03) is better than Model 1 (chi-square/degree of freedom=14.34, CFI=0.47, NNFI=0.34, AGFI=0.59, RMSEA=0.20, and SRMR=0.14) and Model 3 is under-identified. Thus, Model 2 is the superior model, suggesting CMB is not a major concern.

5.3 Hypotheses tests

Table 2 presents descriptive statistics for the study's variables. A significant and positive correlation suggests that women experience higher levels of resource constraints in their lives compared to men. Also, the analysis results indicate that women have more limited opportunity horizons and own younger ventures compared to men. There is a significant positive correlation between an entrepreneur's age and their opportunity horizon, suggesting as people become older, they have more diverse life experiences and broader opportunity horizons. Finally, as expected, the results show that entrepreneurs experience less resource constraints when their ventures are older and larger (Aldrich & Auster, 1986).

Structural Equation Modeling (SEM) was used to test the hypotheses. Figure 2 presents the research model with the hypothesized relationships. As shown in Fig. 2, fit indices suggest satisfactory fit between our model and the data (chi-square/

Table 2 Descriptive statistics

	Mean / SD	Min / max / median	1	2	3	4	5	6	7
1- Entrepreneur – Age	36.66 / 9.31	18 / 70 / 36							
2- Entrepreneur – Gender	1.72 / 0.47	0 / 1 / 1	–0.06						
3- Venture – Age	2.86 / 3.75	1 / 30 / 2	0.20***	–0.12*					
4- Venture – Size	2.26 / 1.58	1 / 17 / 2	0.00	–0.01	0.15**				
5- Resource Scarcity	3.87 / 0.80	1 / 5 / 4	0.01	0.17**	–0.15**	–0.18***			
6- Opportunity Horizon	0.62 / 0.20	0 / 1 / 0.60	0.13*	–0.15**	0.09 ⁺	0.10 ⁺	–0.06		
7- Commodity Trap	3.44 / 0.80	1 / 5 / 3.5	–0.07	–0.02	–0.02	–0.09 ⁺	0.21***	–0.21***	
8- Subjective Well-being	3.54 / 0.85	1 / 5 / 3.67	–0.05	–0.05	0.04	0.11*	–0.29***	0.21***	–0.23***

N = 348, ⁺*P* < .1, **P* < .05, ***P* < .01, ****P* < .001

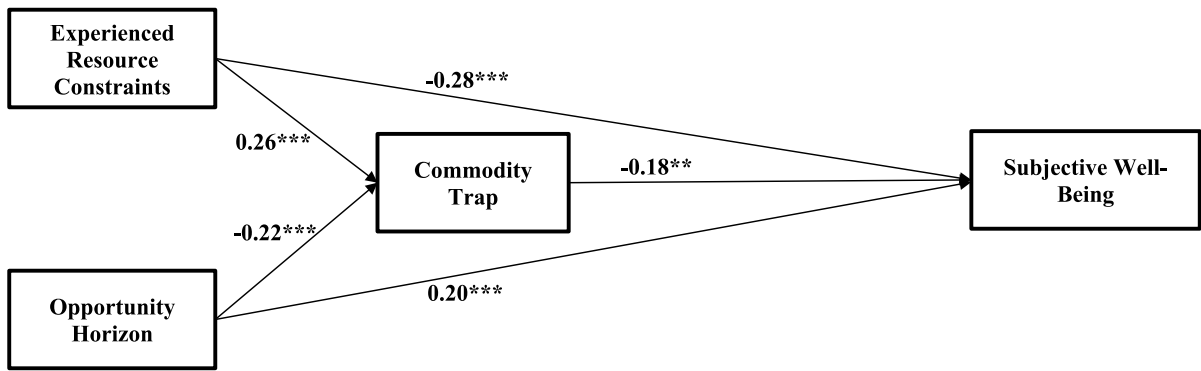


Fig. 2 Structural Equation Model results. $N=348$; control variables: Entrepreneur—Age, Entrepreneur—Gender, Venture—Age, Venture—Size; chi-square/degree of freedom = 1.32, CFI=0.98, NNFI=0.97, AGFI=0.94, RMSEA=0.03, and SRMR=0.03

degree of freedom = 1.32, CFI=0.98, NNFI=0.97, AGFI=0.94, RMSEA=0.03, and SRMR=0.03). The SEM results indicate that resource constraints ($\beta=0.26$, p -value < 0.0001) has a positive and significant link with a venture's commodity trap, providing support for H1. Also, a broader opportunity horizon ($\beta = -0.22$, p -value < 0.0001) has a significant and negative effect on the commodity trap, which provides strong support for H2. Together, these results suggest that the greater the constraints and narrower the opportunity horizons, the more the business will be stifled in a commodity trap.

Additionally, a venture's commodity nature has a significant and negative influence on entrepreneurs' SWB ($\beta = -0.18$, p -value < 0.01), which supports H3. This result indicates that entrepreneurs whose ventures are more constrained in a commodity trap are less satisfied with their lives. In other words, commodity ventures created due to resource constraints and limited opportunity horizons do not help them become more satisfied in life.

Finally, the SEM results indicate that the direct effects of resource constraints ($\beta = -0.28$, p -value < 0.0001) and the opportunity horizon ($\beta=0.20$, p -value < 0.0001) on SWB are still significant after considering the mediation role of the commodity trap. These results provide empirical support for H4 and H5, suggesting that entrapment in commodity ventures partially mediates the negative impacts of resource constraints and narrow opportunity horizon on entrepreneurs' SWB. Overall, our model can explain 13% and 20% of the variance in the commodity trap and SWB, respectively.

5.4 Robustness tests

Several robustness tests were performed to ensure the validity of the findings. First, we used ordinary least squares (OLS) regression analysis to test the hypotheses using a different analytical method. Table 3 presents the results for our regression robustness tests. Five separate regression models were run: Model 1 includes the control variables as independent variables and the commodity trap as the dependent variable; Model 2 tests for the additional effects of resource constraints and the opportunity horizon on the commodity trap; Model 3 includes the control variables as independent variables and SWB as the dependent variable; Model 4 examines the direct effects of control variables, resource constraints and the opportunity horizon on SWB; and Model 5 tests the effects of control variables, resource constraints, opportunity horizon, and commodity trap on SWB. The regression assumptions were checked using common regression diagnostics and Variance Inflation Factors (VIFs < 1.13) to ensure that there are no multicollinearity issues.

With Model 1 the regression results confirm that, similar to our main findings, none of the control variables has a significant relationship with a venture's commodity trap. Model 2 results indicate that resource constraints ($\beta=0.21$, $p < 0.001$) and the opportunity horizon ($\beta = -0.20$, $p < 0.001$) have, respectively, significant positive and negative relationships with the commodity trap, providing additional support for H1 and H2. Model 3 results indicate that control variables have no significant direct effect on SWB, aligning with

Table 3 Robustness test – regression analysis

Variables	Model 1: Commodity trap		Model 2: Commodity trap		Model3: Subjective well-being		Model4: Subjective well-being		Model5: Subjective well-being	
	B	SE	B	SE	B	SE	B	SE	B	SE
■ Entrepreneur age	−0.07	0.01	−0.06	0.01	−0.06	0.01	−0.07	0.01	−0.08	0.01
■ Entrepreneur gender	−0.02	0.09	−0.08	0.09	−0.04	0.1	0.03	0.09	0.01	0.09
■ Venture age	0.01	0.01	0.04	0.01	0.03	0.01	−0.01	0.01	−0.00	0.01
■ Venture size	−0.09 ⁺	0.03	−0.04	0.03	0.11	0.03	0.04	0.03	0.04	0.03
■ Resource constraints			0.21***	0.05			−0.27***	0.06	−0.24***	0.06
■ Opportunity horizon			−0.20***	0.22			0.21***	0.23	0.18***	0.23
■ Commodity trap									−0.15**	0.06
R^2	0.01	0.09		0.02		0.13		0.15		
Adjusted R^2	0.00	0.08		0.01		0.11		0.13		
F	1.16	15.09***		1.58		21.67***		7.97**		

Standardized regression coefficients are reported in the table

$N=348$, ⁺ $P<.1$, * $P<.05$, ** $P<.01$, *** $P<.001$

our main findings. In Model 4, resource constraints ($\beta = -0.27$, $p < 0.001$) and the opportunity horizon ($\beta = 0.20$, $p < 0.001$) have significant direct relationships with SWB. Model 5 shows that the commodity trap ($\beta = -0.15$, $p < 0.01$), resource constraints ($\beta = -0.24$, $p < 0.001$), and opportunity horizon ($\beta = 0.18$, $p < 0.001$) are significantly related to SWB. Together, the results from Models 3 and 5 provide additional support for H3, H4, and H5, highlighting both the direct and indirect effects in the mediation model (Baron & Kenny, 1986). Using the Sobel test, we confirmed the significance ($p < 0.05$) of the indirect effects of our independent variables on SWB through the commodity trap, indicating partial mediation.

Additionally, we employed the PROCESS macro, which uses bootstrapping to further examine the

partial mediation effects in our research model (Hayes, 2022). Separate mediation models were analyzed for each independent variable. The results, presented in Table 4, align with our SEM and regression analyses, showing significant direct, indirect, and total effects of resource constraints and the opportunity horizon on SWB, with the commodity trap playing a partial mediation role. Overall, the findings from the regression models and PROCESS macro analysis are consistent with the SEM results, indicating that our main findings are robust across different analytical techniques.

Resource constraints and opportunity horizons have been conceptualized as two critical and independent aspects of living in poverty. The possession of resources does not necessarily lead to expanded opportunity horizons, while individuals can also find ways to

Table 4 Robustness test – total, direct, and indirect effect analysis

	Estimate	SE	95% confidence intervals	
Direct effect of resource constraints on subjective well-being	−0.26***	0.06	−0.38	−0.15
Indirect effect of resource constraints on subjective well-being	−0.04*	0.02	−0.07	−0.01
Total effect of resource constraints on subjective well-being	−0.30***	0.06	−0.41	−0.18
Direct effect of opportunity horizons on subjective well-being	0.77**	0.24	0.31	1.24
Indirect effect of opportunity horizons on subjective well-being	0.15*	0.07	0.03	0.29
Total effect of opportunity horizons on subjective well-being	0.92***	0.23	0.46	1.38

Unstandardized coefficients are reported in the table

$N=348$, ⁺ $P<.1$, * $P<.05$, ** $P<.01$, *** $P<.001$

broaden their opportunity horizons despite having limited resources. The nonsignificant correlation between resource constraints and opportunity horizon support this notion. Yet, one may argue that resource constraints can restrict an individual's ability to engage in various life experiences, thereby limiting one's opportunity horizon. To address this, we conducted a robustness test to examine whether accounting for the possible effect of resource constraints on the opportunity horizon can change the main findings. For this purpose, a causal link was added from resource constraints to the opportunity horizon in the SEM model. The results indicate no major change to the main findings and the added link is not statistically significant ($\beta = -0.04$, $p = 0.48$), suggesting these two major aspects of living in poverty can exist independently of one another.

As an additional robustness test, we re-assessed these relationships using two alternative measures of business-focused resource constraints and the opportunity horizon. Table 5 presents the measurement model for this analysis. The CFA results are satisfactory and suggest that our robustness measures have acceptable reliability and validity. Fit indices also suggest a good fit between the SEM model and the data (chi-square/degree of freedom = 1.78, CFI = 0.93, NNFI = 0.92, AGFI = 0.88, RMSEA = 0.05, and SRMR = 0.06). The SEM results indicate that both business-focused resource constraints ($\beta = 0.40$, p -value < 0.0001) and entrepreneurial alertness ($\beta = -0.14$, p -value < 0.05) have, respectively, positive and negative significant effects on the commodity trap, providing additional support for H1 and H2. Further, the commodity trap ($\beta = -0.26$, p -value < 0.001) has a negative and significant effect on SWB, which further supports H3. Also, entrepreneurial alertness ($\beta = 0.28$, p -value < 0.0001) has a significant and positive influence on SWB, which further supports H5 and suggests that the commodity trap partially mediates the link between entrepreneurial alertness and SWB. However, the robustness model's results suggest that the direct effect of business-focused resource constraints on SWB is not significant ($\beta = -0.04$, n.s.). Access to business resources might not have an effect on SWB beyond the effect it has on enabling people to improve the commodity nature of their businesses. Overall, the robustness SEM model can explain 17% and 18% of the variance in the commodity trap and SWB, respectively, which is similar to our main model.

6 Discussion

Prior research has established that entrepreneurship can enhance SWB in various contexts (Stephan et al., 2023). Beyond economic well-being, it can contribute to development of social, emotional, psychological, and spiritual well-being (Ryff, 2019; Wiklund et al., 2019). However, the relationship between entrepreneurship and SWB within the context of poverty is not well-understood. While there is evidence to suggest individuals living in poverty disproportionately create ventures that yield very modest profits (Doering & Wry, 2022), and these ventures can serve as a crucial means of support for many people (Banerjee, et al., 2015), the extent to which the entrepreneurial experience improves overall well-being would appear to be limited.

Based on the current study, a key explanation of anemic performance might lie with the commodity trap, where the entrepreneur creates a fairly undifferentiated business that is labor-intensive, with constrained capacity, low entry barriers, little bargaining power, and low volumes and margins. The commodity trap often characterizes the entrepreneurial journeys undertaken by impoverished individuals whose engagement in entrepreneurship is driven by necessity. However, our results demonstrate that falling into this trap is a matter of degree, and that when individuals experience more severe resource constraints and more limited opportunity horizons, the commodity trap becomes more problematic.

The results demonstrate that the SWB of the entrepreneur is enhanced based on the extent to which the entrepreneur is able to avoid or the degree to which they can escape the commodity trap. Notably, the commodity trap serves as a mediating mechanism between key poverty disadvantages—experienced resource constraints and limited opportunity horizons—and SWB. This is a critical finding, as it reinforces the potential of entrepreneurship to make a positive difference in the lives of these entrepreneurs when the commodity trap can be overcome. Further, by focusing on SWB, we more holistically consider the benefits made possible through venture creation, which can include enhancements of independence, self-efficacy, self-identity, self-sufficiency, and contribution to one's community, among others.

Furthermore, our findings indicate that the disadvantages of the poverty experience at the individual

Table 5 Robustness test – measurement model

Item description	Loading (<i>t</i> -value)
<i>Experienced resource constraints</i> ($CR=0.80$, $AVE=0.45$)	
• Financial resources	0.53 (11.95)
• Feedback and advice	0.70 (20.60)
• Network contacts	0.67 (18.79)
• Strategic information	0.85 (31.85)
• Emotional support	0.56 (13.10)
<i>Scanning and search</i> ($CR=0.83$, $AVE=0.62$)	
• I always keep an eye out for new business ideas when looking for information	0.56 (14.08)
• I am an avid information seeker	0.83 (31.79)
• I am always actively looking for new information	0.93 (40.24)
<i>Association and connection</i> ($CR=0.77$, $AVE=0.53$)	
• I see links between seemingly unrelated pieces of information	0.65 (16.65)
• I am good at “connecting dots”	0.74 (21.52)
• I often see connections between previously unconnected domains of information	0.78 (23.73)
<i>Evaluation and judgement</i> ($CR=0.90$, $AVE=0.75$)	
• I can distinguish between profitable opportunities and not-so-profitable opportunities	0.88 (49.10)
• I have a knack for telling high-value opportunities apart from low-value opportunities	0.90 (53.85)
• When facing multiple opportunities, I am able to select the good ones	0.81 (35.61)
<i>Entrepreneurial alertness</i> ($CR=0.76$, $AVE=0.52$)	
• Scanning and search	0.68 (13.21)
• Association and connection	0.83 (15.47)
• Evaluation and judgement	0.63 (12.23)
<i>Commodity trap</i> ($CR=.75$, $AVE=.44$)	
• While I try to be better than my competitors, it is difficult to be different in the eyes of customers	0.47 (9.79)
• When it comes to my suppliers, there is little room for me to bargain or negotiate	0.54 (12.11)
• Because I don't make very much profit on each item I sell, I must sell a lot of items to make any money	0.75 (21.37)
• After I cover my costs, there is not much left over for me	0.81 (24.30)
<i>Subjective well-being</i> ($CR=.81$, $AVE=.59$)	
• In most ways my life is close to my ideal	0.75 (22.62)
• The conditions of my life are excellent	0.72 (20.81)
• I am satisfied with life	0.83 (27.08)

$N=348$, chi-square/degree of freedom = 2.04, CFI = 0.94, NNFI = 0.92, AGFI = 0.88, RMSEA = 0.05, and SRMR = 0.07

level extend to the disadvantages of ventures launched by individuals living in poverty. Disadvantage theory stresses the dualistic nature of poverty as both motivator and inhibitor of entrepreneurial behavior (Light & Rosenstein, 1995). However, beyond motivating the poor to overcome the difficulties in starting a business, the current study demonstrates that the disadvantages imposed by poverty can play a direct role in creating a business that suffers from commodity traps, preventing those ventures from improving a person's SWB. Prior scholarship suggests that poverty disadvantages can result in poor planning

and decision-making, limiting the ability of one to improve their circumstances (Jennings, 1994; Sheehy-Skeffington & Rea, 2017). The current research further demonstrates how, when entrepreneurship is pursued, it can serve to keep a person in disadvantaged circumstances, or perhaps make them worse off.

From a capability perspective, our findings suggest that poverty entrepreneurs may lack capabilities or options to avoid or escape the commodity trap. Limited capabilities translate into reduced functionalities, undermining the freedom of the poverty entrepreneur to “undertake the actions and activities that

they want to engage in, and be whom they want to be” (Robeyns, 2005, p. 95). The range of opportunities available to the individual attempting to capitalize on the empowering potential of entrepreneurship is severely compromised in the context of poverty. Surmounting the commodity trap appears to be a key to enhanced SWB, with a strategic mindset (as opposed to a scarcity mindset) and strong opportunity recognition skills being fundamental for escaping this trap. When these skills are underdeveloped, the venture experience may take away from one’s sense of having a good life. Alternatively, when these skills are learned or enhanced through the venture experience, or by outside interventions, the resulting impact on SWB may also enable the entrepreneur to achieve higher-order functionings and discover outcomes they previously did not recognize as possible. Using this lens, a core purpose of entrepreneurship is to develop capabilities, and this is especially the case with the poor.

Several important implications emerge for policy and practice from our findings. The potential of entrepreneurship as a poverty alleviation tool is tied to contextual factors, and most notably the ability of those in poverty to receive the kinds of support that enables them to avoid the commodity trap or navigate their way out once in it. This means intervention approaches need to account for unique aspects of poverty that hinder capability development. A scarcity mindset and limited opportunity horizon may be vestiges of the poverty experience, but they also represent individual-level characteristics that can be addressed (Hajizadeh & Zali, 2016; Ozgen & Baron, 2007). However, nurturing such skills among impoverished individuals can be especially challenging due to inadequate infrastructure, their frequent exclusion from local entrepreneurial ecosystems, and institutional barriers that lead to social discrimination against them (Neumeyer et al., 2020; Weyers et al., 2008). From a public policy vantage point, efforts to remove these barriers and support the development of community ecosystems in ways that make them more inclusive, with intervention approaches that reflect poverty conditions and methods of addressing the commodity trap, become the priority. Hence, policies directed at ecosystem development, rather than directly at entrepreneurs, may prove more productive.

At the ecosystem level, understanding and addressing the interdependencies among the elements contributing to the commodity trap should be the

cornerstone of training, mentoring, incubation, and other entrepreneurial development programs, including those tied to microcredit schemes. For instance, assisting these entrepreneurs with approaches to differentiation, value-based pricing, mechanisms to replace labor with equipment, and incorporation of simple, low-cost technologies represent priorities. Further, intervention programs can facilitate cooperative procurement among entrepreneurs to achieve economies in buying, as well as co-marketing initiatives, and access to the sharing economy.

A limited opportunity horizon means the individual is able to perceive a smaller range of possibilities when it comes to identifying new business concepts and uncovering avenues for developing a business, particularly when obstacles are encountered. This can lead the poor to focus on concepts similar to those already in the marketplace, and that serve readily observable needs within their immediate surroundings. Simply making more money available to support these entrepreneurs can be short-sighted if this is not accompanied by expansion of the depth and breadth of their opportunity horizons. Efforts that help build and extend the entrepreneur’s network may represent the more critical investment. Similarly, opportunity horizons can be enhanced based on the availability of mentor-protégé programs, incubation services, role models, support for trade fair attendance, and related initiatives that expose the entrepreneur to a wider range of ideas and practices. However, such efforts must be designed with intentionality, where horizon expansion and commodity trap avoidance are defined objectives.

7 Limitations and future research

The findings must be interpreted with the study’s limitations in mind. Among these is the subjective nature of the measures employed. We relied upon respondent self-reports, as objective data is not available for the variables of interest. Although we attempted to rectify this issue by employing items based on existing scales and prior literature, perceptions of variables such as experienced resource constraints can depend upon one’s point of reference when it comes to their needs. Similarly, the various contributors to the commodity trap might be expected to vary in terms of their relative importance, and more work is needed to refine

how this construct is captured. Further, it is important to recognize that poverty is multifaceted and affects each person in a unique way. While we ensured that all participants had a poverty background, we did not assess the depth of poverty, whether it was multi-generational, or its specific effects on the respondents. In addition, cross-sectional surveys of representative samples of poverty entrepreneurs are difficult to accomplish. While sizeable, the representativeness of our sample is tied to the quality of the database provided by city government.

A related limitation is the lack of entrepreneurs in our sample who are not experiencing poverty. This is a germane area for future research. Understanding the extent to which these individuals have limited opportunity horizons and experience the commodity trap, and that these variables influence their perceived well-being, would help clarify the implications of poverty for new venture creation. Moreover, there are entrepreneurs from poverty backgrounds who create high performing, growth-oriented ventures. Future studies might examine effects of experienced resource constraints and the opportunity horizon on SWB for these entrepreneurs compared to those who create more marginal ventures.

Scholars may also investigate the boundary conditions of the effects explained in this research. Thus, a rewarding stream of research might examine personal (e.g., gender, ethnicity, character traits) and contextual (e.g., culture, exposure to a family business) factors that can moderate the effects of resource constraints and opportunity horizons on commodity traps and SWB. In a related vein, the findings suggest a need to further investigate contextual factors that enable the poverty entrepreneur to escape the commodity trap, including kinds of resource support that are more influential and how support is conveyed. Finally, the cross-sectional nature of our study limits our ability to definitively infer causality. It also prevents us from understanding how the effects of poverty influence SWB over time. Hence, new insights are needed regarding the temporal effects of poverty on well-being throughout the life of the venture. Researchers might also explore the extent to which, through ongoing learning, entrepreneurs are able to outgrow the effects of poverty over time. It further raises the possibility that negative or positive impacts on well-being subsequently have a reinforcing impact on how the entrepreneur approaches the business.

Declarations

Competing interests The authors declare no competing interests.

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