INSIGHTS

@ CENTER FOR EMERGING MARKETS

DECEMBER 2025

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Center for Emerging Markets

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About the Center for Emerging Markets

The Center for Emerging Markets (CEM) at the D'Amore-McKim School of Business at Northeastern University conducts and disseminates research on how local and foreign firms can leverage emerging markets for the greater good. Founded in 2007 by Ravi Ramamurti, University Distinguished Professor of International Business & Strategy, CEM is a leading center of its kind in the U.S., with a reputation for cutting-edge research, particularly on international-ization strategy, innovation, and corporate governance.

CEM leverages the expertise of over 70 faculty fellows from across Northeastern University, many of whom are thought leaders in their fields and have authored many books, prize-winning articles, and cases on firms in emerging markets.

It is guided by a distinguished external advisory board and maintains close ties with practitioners. It strives to integrate emerging markets into the education, research, and work experience of students and regularly disseminates best practices to managers, policymakers, academics, and students.

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About This Issue

Letter from Editor Valentina Marano

We are pleased to share this new issue of Insights @ Center for Emerging Markets. Drawing on original research from Africa, Asia, and Latin America, plus practitioner perspectives from global leaders, this issue examines how institutional choices shape whether growth in emerging markets is sustainable, inclusive, and resilient to disruption.

Our brief on Myanmar sanctions finds that many multinationals exited the country under stakeholder and reputational pressure rather than legal compulsion, with abrupt departures often worsening humanitarian outcomes. The authors propose a “responsible exit” framework emphasizing due diligence, transparency, worker protection, and careful asset transfer.

A contribution centered on Ecuador links supranational trade policy with domestic entrepreneurial ecosystems, showing that liberalization alone does not transform entrepreneurship when finance, regulation, and capability-building remain misaligned.

Our next brief examines “politics of pollution” in China and shows that political ties to high-level officials tend to bind firms to national environmental priorities and reduce emissions, while ties to local officials (under pressure to deliver jobs and GDP) can increase pollution. Managers and policymakers are encouraged to map political relationships by level so that political capital supports, rather than undermines, green transition.

Fieldwork from South Africa’s informal economy introduces the “visibility paradox,” where entrepreneurs must be visible enough to attract customers yet hidden enough to avoid predation or punitive enforcement. The study highlights “selective visibility” as a survival strategy and urges trust-based, phased approaches to engaging informal firms. And a field experiment from rural Ghana reveals that free mobile bank accounts and financial literacy had little impact on usage, underscoring that true financial inclusion also requires income security and concrete payment needs.

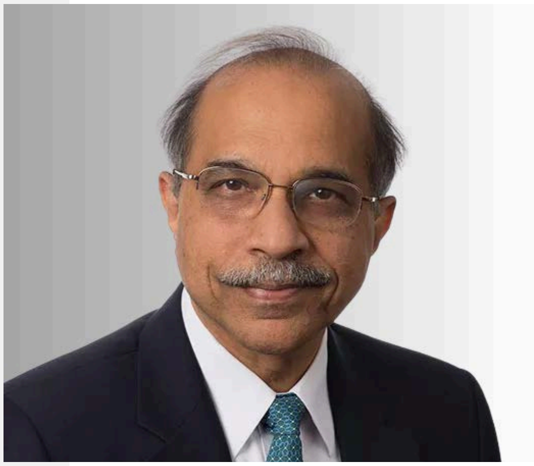
This issue also introduces a new feature: Executive Voices, where Frank D’Souza discusses how AI will disrupt services firms and why cultures of continuous learning and adaptability will be decisive, and Farhad Forbes reflects on why family governance is as critical as corporate strategy for long-run survival.

Together, these pieces show that institutions (public and private, formal and informal, human and technological) are strategic levers, and we invite you to use these insights to inform your own decisions and debates about the future of emerging markets.

- Valentina Marano

Valentina Marano is an Associate Professor of International Business & Strategy at the D’Amore-McKim School of Business at Northeastern University

Insights Production Team



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Insights @ Center for Emerging Markets is a biannual publication that translates rigorous academic research and practitioner perspectives into real-world lessons for managers and policymakers.

Executive Voice: How Services Firms Can Navigate AI Disruption

Executive Voice:
Based on a lecture delivered on October 2, 2025 at CEM by Frank D’Souza, co-founder & former CEO of Cognizant

In Short

Frank D'Souza co-founded Cognizant in 1994 and served as its CEO from 2007 to 2019, building it into a Fortune 200 information technology services giant. He is currently co-founder and Managing Partner of Recognize, a private equity fund focused on technology services. This note is based on D'Souza fireside chat with CEM Director Ravi Ramamurti in October 2025 as part of the Center's Vivek & Vandana Sharma India Lecture Series. D'Souza's topic was “Can India compete in AI and Related Technologies?”. His core message: AI will disrupt Indian IT companies profoundly, but out of the “creative destruction” that follows could emerge Indian companies (existing and new) that not only survive but thrive... provided they understand where and how to compete.

A 1990s-Scale Disruption

D'Souza draws a direct parallel between today's AI moment and the offshoring revolution of the 1990s. In that earlier era, the convergence of low-cost bandwidth and collaboration technologies allowed digital work to flow seamlessly across borders for the first time. India had a large pool of software talent, and when bandwidth became cheap, that talent could suddenly serve global demand. Companies like Cognizant emerged to capitalize on this shift, fundamentally disrupting the services industry. Now, AI is going to disrupt the IT services industry. The question is whether today's Indian technology firms, which boomed during the offshoring era, are ready to be at the receiving end of disruption.

The Incumbent's Challenge

D'Souza's assessment reveals the depth of the challenge facing established firms in today's tech environment. The innovator's dilemma makes it structurally difficult for successful incumbents to transform their business models, even when they clearly see disruption approaching. Recent layoff announcements from large firms like Accenture and Tata Consultancy Services serve as early warning signals. Yet D'Souza is optimistic that AI will boost innovation globally, including in India. Insurgent companies are emerging across geographies, though few have reached scale. The opportunity exists for both new entrants and incumbents willing to fundamentally reinvent themselves, but the window is narrow, and history suggests most will miss it.

India's Comparative Advantages

D'Souza believes that India's competitive position differs fundamentally from the 1990s opportunity. The country lacks access to the massive capital required for AI infrastructure: the GPUs, power capacity, and networking being built at unprecedented scale in the United States. China is becoming increasingly competitive at building foundational models and core AI infrastructure, as evidenced by developments like DeepSeek.

But India has genuine advantages, particularly at the inference level, at the top of the stack where AI meets specific industry problems. This application layer leverages India's traditional strengths in applying technology rather than building underlying infrastructure. Additionally, India's massive, digitally enabled population creates potential advantages in data, a critical input for AI systems that could prove decisive in certain applications.

For emerging economies beyond India and China, D'Souza emphasizes that the biggest opportunity isn't building foundation models either. Applying AI across traditional sectors, such as manufacturing and agriculture, could boost GDP by 35-40% in these countries. This application opportunity requires less capital than infrastructure development while potentially delivering broader economic benefits. Indeed, that may be where real value can be unleashed by AI.

How Firms and Individuals Must Adapt

Successfully competing in the age of AI requires transformation at both organizational and individual levels. For companies, D'Souza points to culture as Cognizant's defining competitive advantage. The firm built a team focused relentlessly on adaptation, where continuing yesterday's approach felt uncomfortable. This cultural foundation created organizational capacity for continuous learning and change, capabilities that D'Souza believes matter more than any specific technical skill as the landscape shifts rapidly beneath incumbents' feet.

For individuals, the imperative is equally profound. D'Souza acknowledges that millions of service workers in India face disruption, yet he sees reason for optimism. The world will almost certainly become more technology-intensive over the next two decades, requiring human effort to implement and maintain that complexity. He believes that technology intensity will not just come from some smart machine, but humans in entirely new categories of jobs. Today's workers may need to reinvent themselves two or three times during their careers. Those who double down on core capabilities like critical thinking, empathy, adaptability, and commit to lifelong learning will find their place in this new landscape—especially if they pair these with domain expertise and AI fluency.

- This summary was prepared by Kathryn Slomski, Program Manager at the Center for Emerging Markets.

Executive Voice: Why Family Governance Matters as Much as Corporate Strategy

Executive Voice:
Based on Farhad Forbes's talk on October 27 at CEM's Family Business Summit.

In Short

Farhad Forbes is Co-Chairman of Forbes Marshall, a privately held engineering company approaching its 80th anniversary, and served two terms as global chair of the Family Business Network International, representing 4,000 family companies across 65 countries. This note is based on Forbes' keynote at CEM's Family Business Summit in October 2025. His message: Family businesses face a dual mandate: managing the business itself while managing the family's relationship to that business. Mastering both determines whether families build lasting enterprises or become cautionary tales.

The Hidden Business Within the Business

Every business faces operational demands such as strategy, finance, and competitive dynamics. But family businesses carry an additional burden: managing the family as a stakeholder system with its own complex governance requirements.

Family businesses tend to carry less debt, maintain longer time horizons, and build deeper community ties than publicly traded alternatives. They also tended to weather the pandemic better, retaining employees when others laid off workers. Yet without proper family governance, conflict and succession struggles poison both family relationships and business performance.

Preventing Governance Breakdown

When firms start small with limited shareholders, informal decision-making often works. Problems surface as shareholding divides across family lineages. Majority owners make decisions without considering minority shareholders' interests, even when those minorities are relatives. Boards often include people who rubber stamp decisions and the company does not develop governance mechanisms. Continued success requires structures separating family governance from corporate governance and establishing clear ownership protections. Forbes implemented this eighteen years ago in his own company, creating a non-statutory board with external directors to provide complex market expertise, enforce owner and management accountability, and offer neutral ground for resolving disagreements.

Ensuring Succession Succeeds

Research shows that only one-third of family-owned firms make it through the second generation, and just 13% make it through the third, yet firms surviving the third generation are much more likely to continue, because they know how to manage generational transition. The challenge has two dimensions: the senior generation struggling to let go and the next generation lacking adequate preparation or space to lead. Forbes emphasizes that succession requires working across generations with compromise, patience within the next generation for implementing changes, providing the space to the next generation for their ideas, and perseverance when conflicts arise. He also advocates bringing senior and next generations to family business forums together where they can learn from peers navigating identical challenges across cultures and industries.

Engaging the Next Generation in the Right Role

Beyond transitioning authority lies a deeper question: what role should each generation play? Forbes outlines three roles: owner-manager running operations, owner-governor serving on boards while non-family runs operations, or responsible owner-shareholder influencing values and overall business direction without direct involvement. Each generation should engage differently as the business and economy change.

Forbes emphasizes getting the best person for the job for operational roles, regardless of family affiliation. Family members often understand the business and company culture deeply and benefit from mentorship by long-tenured executives. But, without proper education or passion for the business prevailing, professional non-family management is preferable, with family preserving company values without operational involvement.

Practical Imperatives

Forbes concludes with three pieces of guidance. First, invest in family governance before crisis forces action – through independent boards, and clear ownership agreements. Second, establish channels for learning and cross-generational dialogue to facilitate smooth transitions. Third, recognize that each generation should engage with the business differently, matching capabilities and business needs.

The challenges facing family firms are real, but solvable through deliberate planning.

- This summary was prepared by Kathryn Slomski, Program Manager at the Center for Emerging Markets.

Should I stay, or should I go now? Trouble with sanctioned regimes

Interested in learning more?
Contact Professor Htwe Htwe Thein at
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In Short

Sanctions are a common foreign policy tool, but succeed fully in less than 10% of cases. Examining the case of Myanmar after the 2021 coup, Thein, Grosman, Sosnovskikh, and Klarin show that multinational companies' exits are often driven by informal stakeholder pressures rather than legal mandates. While intended to uphold human rights, hasty exits can worsen humanitarian conditions and even strengthen regime-linked actors. To address this, the authors propose a "responsible exit" framework emphasizing due diligence, transparency, and worker protection. For policymakers, the study highlights the indirect and uneven impacts of sanctions, urging more coordinated design and clearer guidance to prevent harm to local populations.

Sanctions are widely used to pressure regimes accused of human rights violations, yet research shows they succeed their intended goals fully in less than 10% of cases and only reach negotiated settlements about 35% of the time. Limited effectiveness reflects enforcement gaps and unintended economic shifts. Russia, for example, has circumvented sanctions through intermediaries such as Armenia and Turkey, while Myanmar's junta continues to access trade and investment from regional partners. Against this backdrop, the authors analyze how MNCs navigate sanctioned environments. Using Myanmar as a case, they show that many firms exited not because they were required by formal mandates but due to informal stakeholder pressures. However, abrupt exits often deepened humanitarian harm by transferring assets to regime-linked actors or leaving employees vulnerable.

Key Findings

Sanctions' impact is constrained by uneven participation and informal economic activity that sustain trade. In Myanmar, Western firms withdrew under activist pressure due to fear of reputational risks, but regional actors from China, India, Thailand, Korea, Taiwan, and Japan quickly filled the gap, maintaining the junta's revenue streams. Informal border trade and delayed departures further weakened sanctions' overall effect.

Crucially, sanctions work less through strict legal enforcement and more through reputational pressures. Yet these pressures can backfire: hasty exits without safeguards expose workers to job loss and allow sanctioned entities to capture valuable assets. This creates a central dilemma: staying risks reputational damage, while leaving can intensify local suffering.

Responsible Exit: Managerial and Policy Implications

The study proposes a "responsible exit" approach in which MNCs align with international norms (UN and OECD guidelines), conduct independent due diligence and audits, communicate transparently with stakeholders, prioritize worker welfare through severance, retraining, or redeployment, and prevent asset transfers to sanctioned or unethical buyers. Timing is critical. Exiting too quickly may satisfy external critics but leave behind instability; gradual, planned withdrawals allow for mitigation measures and preserve corporate legitimacy, although they risk continuing to contribute to the Myanmar junta's income, which has been widely condemned for funding military repression.

For managers, sanctions demand ethical foresight, not reactive compliance. Anticipating potential sanctions allows firms to design responsible exit strategies in advance. Transparent engagement with employees, NGOs, and investors can balance humanitarian responsibilities with reputational concerns. In contrast, silent or opaque exits may deflect short-term criticism but risk long-term reputational damage.

For policymakers, the findings highlight that sanctions rarely operate as absolute trade barriers. Loopholes, alliances, and uneven enforcement undermine their effectiveness. Sanctions are essential but require strategic design. Effectiveness improves through international coordination, clear corporate guidance on responsible exits, and humanitarian safeguards to protect workers.

Closing enforcement gaps prevents circumvention by non-compliant actors and enhances credibility.

Takeaway

Sanctions work—especially when combined with responsible corporate exits. Their power lies in both direct economic pressure and indirect effects: reputational risks, stakeholder pressures, and civil society mobilization. When sanctions are well-coordinated and exits are deliberate, transparent, and worker-centered, this combination can effectively pressure regimes while protecting vulnerable populations.

Original Work

Thein, Htwe Htwe, Anna Grosman, Sergey Sosnovskikh, and Anton Klarin. "*Should We Stay or Should We Exit? Dilemmas Faced by Multinationals under Sanctioned Regimes.*" Journal of World Business 59, no. 6 (2024).

Bridging Trade Policy and Entrepreneurship: Lessons from Ecuador's Institutional Ecology

Interested in learning more?
Contact Luis Alfonso Dau at
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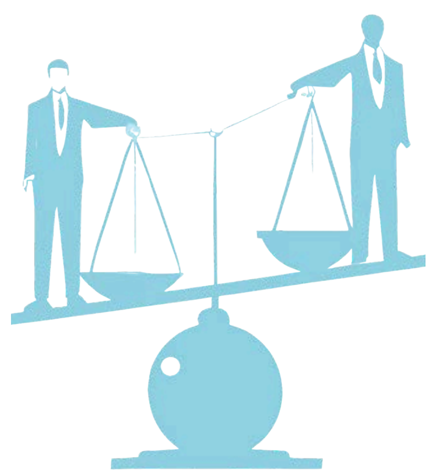
In Short

Dau, Moore, Alfonzo Cordero, and Cervantes Zepeda explore how the balance between formal and informal institutions shapes entrepreneurial ecosystems in developing economies. Opening borders doesn't automatically transform entrepreneurship—trade liberalization can coexist with small-scale and informal ventures when domestic policies misalign with local realities. Drawing on Ecuador as a case study, the analysis reveals how disconnects between national trade policy and local business support programs constrain entrepreneurial transformation. Sustainable, opportunity-driven entrepreneurship in emerging markets requires coordinated strategies that align trade exposure with targeted ecosystem strengthening, particularly in finance and capability building.

The equilibrium between formal institutions (laws, regulations, trade agreements) and informal systems (social norms, networks, cultural practices) determines whether entrepreneurial ecosystems thrive or merely survive. In developing economies, formal institutions set the structural framework, while informal systems mediate how these frameworks function in practice. When formal institutions are weak or inconsistent, informal arrangements fill the gaps—for better or worse—shaping who becomes an entrepreneur, how they access resources, and whether their ventures can grow.

Ecuador demonstrates both the promise and peril of this institutional balance. The government has introduced new entrepreneurship laws and support centers, yet informal networks remain the primary channel through which ventures secure capital, navigate regulations, and identify opportunities. This duality creates a fragile institutional ecology, especially vulnerable when external trade commitments clash with domestic priorities.



Institutions and Ecosystem Dynamics

Both domestic and external actors influence the institutional landscape through varying interests and power dynamics. In developing economies like Ecuador, closing institutional voids requires new laws and programs to formalize entrepreneurial support. But each new formal rule must find equilibrium with existing informal practices—a constant recalibration that creates both volatility and opportunity.

Ecuador's ecosystem reflects these dynamics in concrete ways. The Centro de Atención al Emprendedor represents a meaningful step forward—a one-stop center coordinating public agencies to provide registration, financing, and training services. Yet its impact depends entirely on integration with broader trade and development policies. Resource limitations, high tariffs, and restricted access to finance continue to constrain the system, demonstrating that isolated interventions cannot overcome systemic misalignment.

Policy and Managerial Implications

For policymakers, Ecuador's case reveals a fundamental truth: international trade agreements and domestic entrepreneurship strategies must speak the same language. Trade liberalization through agreements such as the 2017 EU pact and Pacific Alliance membership offers greater market access. But high import tariffs and regulatory barriers simultaneously undermine competitiveness, creating a policy environment that gives with one hand while taking with the other.

The solution requires policy coherence across three dimensions. First, strengthen access to finance—Ecuador ranks 52nd out of 54 economies in entrepreneurial finance, a gap no amount of trade liberalization can overcome. Second, reduce trade-related production costs that prevent entrepreneurs from competing internationally. Third, promote innovation-friendly regulations that help entrepreneurs transition from survival-based to growth-oriented ventures.

For managers and entrepreneurs, understanding institutional duality is not academic—it's survival. Leveraging informal networks helps navigate bureaucratic inefficiencies that formal systems cannot yet resolve.

Simultaneously, engaging with formal mechanisms—entrepreneurship support centers, trade facilitation programs—enhances legitimacy and market reach. Building trust across these institutional layers enables more resilient business models capable of adapting to policy shifts and international pressures.

Conclusion

Ecuador's experience underscores a central lesson: entrepreneurial ecosystems thrive when domestic institutions and trade policies reinforce rather than contradict each other. A well-calibrated balance between laws, norms, and market incentives fosters both stability and innovation. As countries pursue economic integration and entrepreneurship reform, coherence between international ambitions and local realities will determine whether ecosystems evolve toward sustainable, opportunity-driven growth—or remain trapped in necessity-driven survival mode.

Original Work

Dau L. A., Moore E., Alfonzo Cordero F., Cervantes Zepeda M.. 2025. _Understanding the complex interplay between supranational trade policy and domestic-level entrepreneurial ecosystem policies._ In Rolland, S. (Ed.), Research Handbook on Trade Law and Development, Edward Elgar Publishing, pp. 348-363 (ISBN 978-1-03532-595-5).

The Politics of Pollution: Picking the Right Government Relationships

Interested in learning more?
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In Short

This study examines how political ties between firms and government influence pollution, using data from 6,758 privately owned Chinese enterprises. The authors find that ties to high-level government officials (provincial/national) reduce pollution, while ties to low-level officials (prefectural/county/township) increase it, reflecting different priorities and constraining pressures at each level. Owner's social class and the salience of government attention to primary goals (environment at high levels, GDP growth at low levels) further condition these effects. For policymakers and managers in emerging markets, the findings highlight coordination across government levels and careful curating of political ties to mitigate environmental harm and support sustainable industrial practices.

Firms often rely on political ties to navigate regulations and access resources. Yet these ties can have unintended environmental consequences. New evidence from China clarifies a long-standing puzzle: the effect of political ties on pollution depends on which level of government the tie connects to. Ties with high-level officials encourage firms to reduce emissions, while ties with low-level officials can increase pollution. Managers and policymakers need to recognize these dynamics to ensure political relationships contribute positively to environmental goals. Alignment across levels—and attention to owner characteristics—is essential.

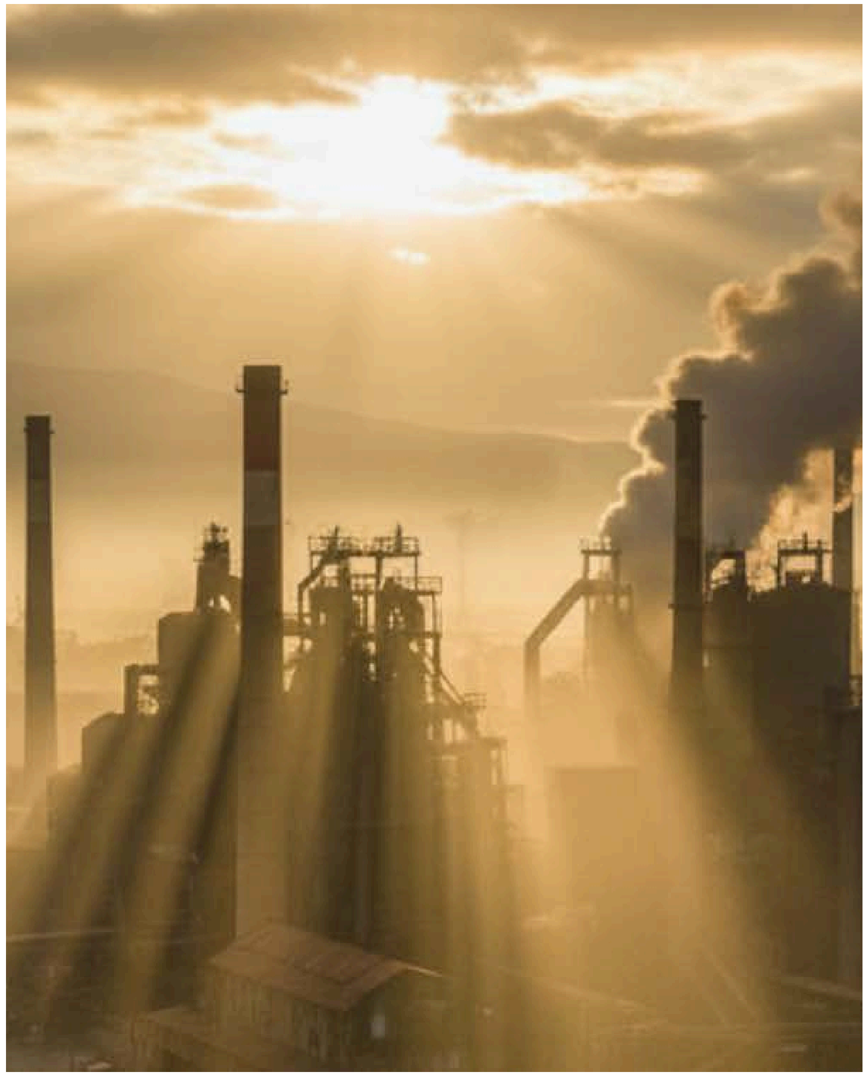
What the Researchers Did

Using data from 6,758 fully private firms across 2008–2014, the authors distinguish achieved political ties (e.g., being a business owner delegate to the five different geographic levels of the People's Congress/CPPCC). Pollution intensity is captured via official pollution levy fees scaled by sales. Statistical "tobit" models with extensive controls test how tie level relates to pollution and how two moderators—owner social class and government attention to primary goals—shape these relationships.

What They Found

High-level ties reduce firm pollution; low-level ties increase it. Mechanism: political ties "bind" firms to the priorities of the connected officials. At high levels, environmental protection is a national priority; at lower levels, growth and jobs dominate. Two conditions matter:

- **Owner's social class.** Higher-class owners amplify the reduction from high-level ties and blunt the increase from low-level ties (greater reputational exposure and capacity to resist local growth-at-all-costs pressure).
- **Government attention.** When environmental accidents heighten high-level attention, the pollution-reducing impact of high-level ties grows stronger. When local GDP targets are higher, the pollution-increasing impact of low-level ties intensifies.



Implications for Managers

Political ties are not uniformly "good" or "bad" for environmental performance. Political ties can provide firms with valuable benefits, such as preferential access, information, and protection, but they also entail substantial costs and expectations that may compromise autonomy. Managers should therefore conduct a careful cost–benefit analysis before establishing or maintaining such ties, rather than assuming they will always be advantageous. They also need to think strategically about which level of government to engage with, as the implications of ties at the national or provincial level can differ greatly from those at prefecture, county, or township levels.

For their existing ties, they should audit their political-tie portfolio by level (provincial/national vs. prefecture/county/township) and be mindful that local-level ties can unintentionally undermine your firm's environmental commitment. If your owner/top team has high social standing, lean into high-level engagement to advance credible green commitments; if you rely on local ties, institute internal guardrails—KPIs, third-party audits, and escalation triggers—to prevent "quiet" emissions creep.

Implications for Policymakers

Coordinate incentives across levels so firms can consistently commit to green goals. Practical moves:

- Cascade consistent metrics (e.g., link local promotion criteria partly to sustainability-related targets).
- Synchronize inspections and reporting calendars to reduce arbitrage across levels.
- Signal surges in high-level attention (post-accident periods) with targeted, time-bound guidance for politically connected firms. Engage high-social-class owners who can shape sector norms and catalyze broader green transformation.

Beyond China: The level-logic travels. In federations like Canada, federal ties may pull toward compliance while provincial priorities vary; in Belgium, regional environmental authority can dominate even when national economic aims differ. The authors also discuss recent Chinese policy trends suggesting stronger high-level oversight could narrow the gap between levels over time.

Bottom line: Not all political ties are equal. Map them by level, monitor attention signals, and design cross-level governance so political capital accelerates—rather than undermines—pollution reduction.

Original Work

Li, W. H., Cuypers, I. R., Ertug, G., Bapuji, H., & Liu, W. (2025). *Not All Political Ties Are the Same: Firms' Ties to the Government and Pollution.* Journal of Management, 01492063251361787.

Navigating the Visibility Paradox in Informal Economies: Insights from South Africa

Interested in learning more?
Contact Professor Robert Nason at
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In Short

In informal economies, visibility is both a necessity and a risk. Entrepreneurs must be seen to attract customers and partners, yet exposure also invites scrutiny from authorities or criminals. Drawing on fieldwork in the township of Delft, Cape Town, this study examines how informal business owners balance these competing pressures through "selective visibility," strategically revealing themselves to certain audiences while remaining hidden from others. The findings show that "social embeddedness"—i.e., connections through age, gender, or nationality—shapes how entrepreneurs navigate visibility. Policymakers and development practitioners can use these insights to design more nuanced, context-sensitive support for informal entrepreneurs.

Across many emerging markets, informal businesses sustain local livelihoods yet operate in environments of uncertainty and limited regulation. For these entrepreneurs, visibility presents a paradox. Being visible helps attract customers, suppliers, and community trust, but it can also bring unwanted attention from tax authorities, law enforcement, or criminals. Drawing on a small-area census in Delft South (Cape Town, South Africa), the research shows visibility is not a yes-no choice but a calibrated practice. While a substantial share of firms choose a path of remaining "invisible", others practice one of two paths of "selective visibility": either to the state ("authority-oriented visibility") or to local customers and networks ("community-oriented visibility").

Who chooses which path? Social "embeddedness" (local roots) matters. Highly embedded entrepreneurs—typically older, domestic, and female—can leverage their trust and reputation to remain off the radar of formal authorities while sustaining sales via word-of-mouth. By contrast, less embedded entrepreneurs—often younger men or recent migrants—lack deeper local ties. They tend to pursue community-oriented visibility to win legitimacy and demand, accepting higher exposure to risks as a trade-off.

Performance is configurational, not a one-size-fits-all. The study's qualitative-comparative analysis indicates no universal “win” from full visibility. Paths to better performance tend to involve: (a) low-embedded entrepreneurs practicing community-oriented selective visibility, or (b) partially embedded entrepreneurs succeeding via invisibility or authority-oriented selective visibility, depending on age, gender, firm age, and local competition.

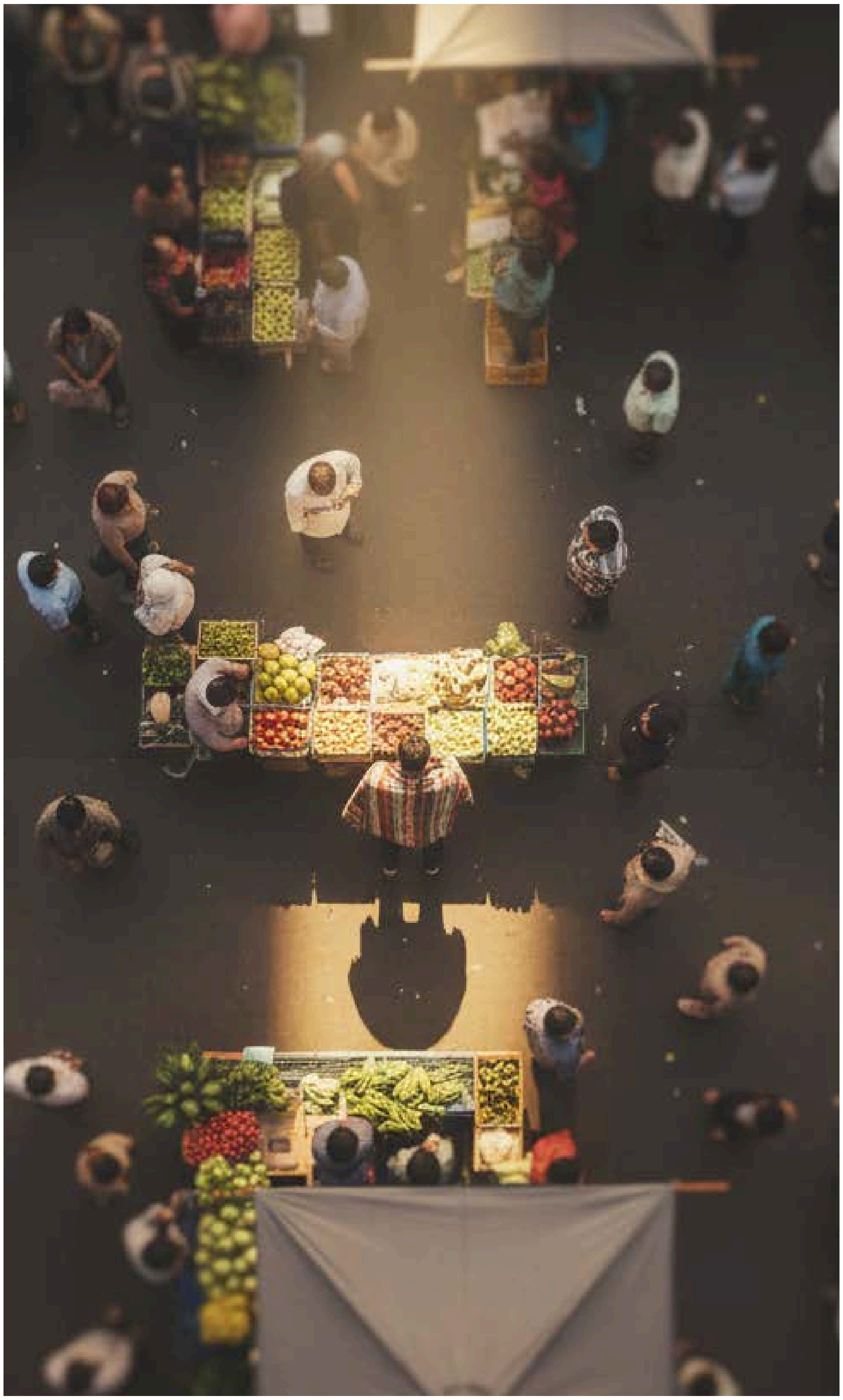
What this Means for Policy and Practice

- For policymakers: Visibility is context-dependent, not inherently good or bad. Treat invisibility as a risk-management response rather than illegal evasion. Priorities: simplify low-stakes registration, de-risk first contact (amnesties, grace periods), shift from punitive sweeps to trust-building, and co-design channels with community intermediaries to make stepwise formal engagement credible and safe.
- For development programs and NGOs: Segment by embeddedness. For highly embedded (often women, older locals), support discreet growth (customer referrals, supplier terms, home-based upgrades). For less embedded (often younger, migrants), focus on pathways to public legitimacy (location guidance, basic compliance, dispute-resolution links).

Ultimately, managing the visibility paradox requires policies that balance protection with opportunity. Recognize selective visibility as a legitimate strategy and design phased, trust-first interventions that strengthen—rather than expose—the informal firms underpinning local livelihoods.

Original Work

Nason, R., Vedula, S., Bothello, J., Bacq, S., & Charman, A. (2024). *Sight unseen: The visibility paradox of entrepreneurship in an informal economy.* Journal of Business Venturing, 39(2), 106364.
Journal of Business Venturing Best Article 2024



When Access Isn't Enough: Insights on Bank Account Usage in Rural Ghana

Interested in learning more?
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In Short

This study examines whether financial literacy drives bank account usage among rural populations in Ghana provided with zero-cost mobile bank accounts. Using a field experiment with 142 participants across four rural communities (Assin Fosu, New Edubiase, Sefwi Wiaso, Sefwi Asawinso), researchers find that neither financial literacy nor its interaction with financial self-confidence significantly increased account usage. Follow-up surveys and interviews show that usage hinged on income constraints and a concrete payment need; only 3 of 142 participants (2.11%) used the accounts, typically when clients required a bank transfer for contract work. Access and literacy alone were not sufficient to generate usage, even when accounts were free, simple to operate, and opened during the cocoa harvest when incomes were expected to be higher. These findings suggest that policymakers should combine banking access initiatives with economic empowerment strategies to enhance account usage among underserved populations.

Bank accounts are the foundation of financial inclusion, enabling secure savings, access to credit, and the ability to make digital payments. In rural sub-Saharan Africa, low usage of banking services limits people's financial security and opportunities for entrepreneurship. Policymakers and NGOs have therefore prioritized financial literacy programs and expanded access to bank accounts, particularly mobile-based, zero-cost accounts. Yet, empirical evidence on whether these interventions lead to meaningful use of accounts remains limited.

Recent research by Osei, Barnard, Derban and Essuman tested the impact of financial literacy on bank account usage among young adults in rural Ghana. A field experiment provided 142 participants with free mobile accounts and tracked their usage over multiple waves. The study also incorporated self-efficacy, a measure of individuals' confidence in their ability to manage banking tasks, as a potential enhancer of the literacy effect.

The results were striking: only 2% of participants actively used their accounts, and neither financial literacy alone nor its interaction with self-efficacy improved usage. Interviews and surveys suggested why: access to an account and training in financial skills were insufficient when participants lacked a pressing need for banking or faced income constraints. Many participants relied on cash transactions, and low monthly income (about USD 38 on average during the study period) limited their ability to save or transact digitally.

These findings clarify that financial literacy interventions in isolation cannot guarantee financial inclusion. Access alone does not drive usage; rural individuals are motivated to use bank accounts primarily when they see a practical need, such as receiving client payments or saving surplus income. Additionally, usage increases meaningfully only once income exceeds a threshold that allows people to manage and store funds beyond day-to-day expenses.

Practical implications

These findings point to several implications for policymakers, NGOs, and financial institutions seeking to promote meaningful financial inclusion in rural contexts:

- Measure progress by active usage, not ownership alone, and pair access and literacy initiatives with efforts that raise and stabilize incomes, so people have surplus to transact or save.
- Design efforts around concrete payment needs (e.g., contract payment programs that require bank transfers), since these directly motivate usage.
- Community-level approaches (such as farmer or trader associations that help commercialize and diversify activities) can support income and capability, making formal transactions more likely.
- Qualitative engagement should continue to surface context-specific barriers and triggers that condition whether literacy translates into use.

In conclusion, expanding access to bank accounts and providing financial literacy training are necessary steps, but they are not sufficient on their own. A multidimensional approach that addresses income constraints, practical motivations, and community support structures is essential for rural financial inclusion.

Original Work

Osei, Y. A., Barnard, H., Derban, W., & Essuman, D. (2025). *Does financial literacy enhance banking transactions among rural people with access to bank accounts? Insights from a field experiment in Ghana.* Africa Journal of Management, 11(1), 104–125.

What Else is Happening at CEM?

This fall, the Center for Emerging Markets brought together top voices in innovation, entrepreneurship, and global strategy, while recognizing the students and faculty leading impactful research on emerging economies.

Startup Grit in Latin America

September 30 – Vicente Zavarce (DMSB '16)

Founder and CEO of Yummy, Vicente Zavarce returned to Northeastern to share how he built Venezuela's top food delivery app into a $200 million superapp. From navigating hyperinflation to expanding across Latin America, he spoke about the mindset, risks, and NU experiences that shaped his path, especially the Emerging Markets minor and entrepreneurship network.

Building the Future of Tech in India

October 2 – Vivek and Vandana Sharma India Lecture

Frank D'Souza, co-founder and former CEO of Cognizant, joined CEM for a fireside chat on AI, India, and building future-ready organizations. Drawing on his experience growing Cognizant into a Fortune 200 company, he shared why India's strengths in talent and domain expertise position it to lead in applied AI. The conversation, moderated by CEM Founding Director Ravi Ramamurti, gave students and professionals a fresh perspective on tech-driven disruption.

Brazil, Reimagined

October 11–12 – BRASA Summit Américas

Northeastern hosted more than 500 Brazilian students from across the U.S. and Canada for the 10th BRASA Summit, the largest gathering of

Brazilian students in North America. CEM Student Associate Brenda Belgamo (DMSB '26) led the summit as director. Students met with recruiters, joined leadership workshops, and heard from major voices shaping Brazil's future including Dr. Drauzio Varella, Ana Fontes, and Ricardo Lacerda.

Can Indian Family Businesses Compete?

October 27 – Sharma India Initiative Summit

More than 270 students, faculty, and business leaders came together for a deep dive into the future of Indian family enterprises. Speakers including Farhad Forbes, Meher Pudumjee, Jamshyd Godrej, and John Davis discussed how succession, innovation, and governance can either strengthen or sink long-standing businesses. An alumni panel featuring Vidhan Bhaiya ('20) and Aashray Thatai ('13) brought a next-gen lens on leadership, AI, and navigating business with your dad as your boss.

Pictured: (1) Ravi Ramamurti (L), Farhad Forbes (C), Ashish Chugh (R) at the CEM India family Business Summit (2) Students at the 10th BRASA Summit Américas (3) Session on "How to management turbulent times in family businesses" by John Davis at CEM's India Family Business Summit

Rethinking Platform Power

November 18 – Faculty Seminar with Isak Ladegaard

Isak Ladegaard, Assistant Professor of Sociology at the University of Hong Kong, explored how platforms like anti-censorship software and far-right digital economies are building systems that operate outside of state control. His talk highlighted how tech can be both a driver of empowerment and a challenge to governance in today's digitally connected world.

Faculty Recognition

CEM Faculty Fellows earned major honors this fall:

- **Ruth Aguilera** was named a Clarivate Highly Cited Researcher and recognized for her contributions to global corporate governance.
- **Kimberly Eddleston** received USASBE's Mentorship Award, a Longenecker Fellowship, and a theory contribution award.
- **Alvaro Cuervo-Cazurra** joined the AOM Strategy Division Executive Committee and was honored for global service.
- **Luis Dau** won Best Paper in Multidisciplinary Research from the Academy of Management.
- **Mark Huselid** received the 2025 Dave Ulrich Impact Award.
- **Kunyuan Qiao** was named one of Poets&Quants' 50 Best Undergraduate Business Professors of 2024.

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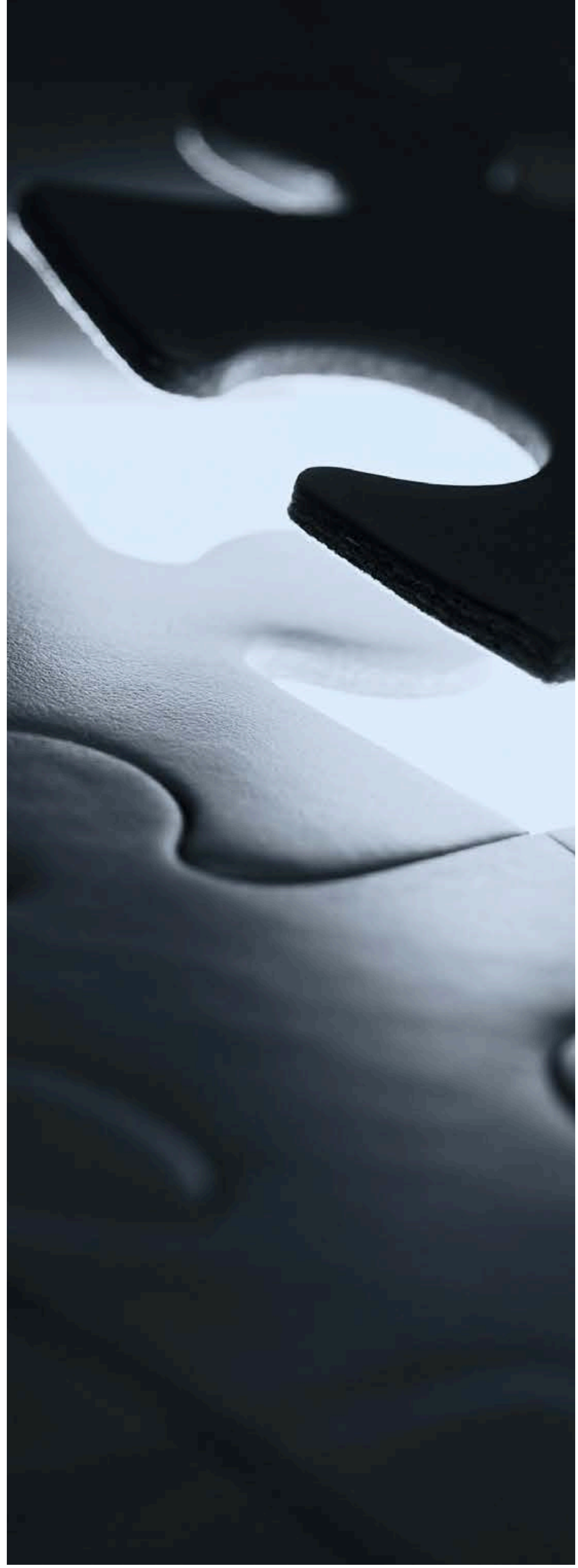

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