

# A STUDY OF SMALL NEIGHBORHOOD TIENDITAS IN CENTRAL AMERICA

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*Abstract: We describe and benchmark tienditas (in-home convenience-like retail stores) and the tiendita business sector using a large sample of 850 tienditas from Nicaragua and El Salvador. Three research questions concerning tiendita business dynamism, informality, and competitive scope shape our article. In general, we find that tienditas may range from subsistence operations to dynamic business enterprises primarily run by female microentrepreneurs; they typically skirt government oversight; and they compete fiercely in a monopolistically competitive business environment.*

For those who live in the periurban periphery and rural environments in Central America, the *tiendita* or neighborhood grocery and convenience store is not only an essential and integral part of everyday life but also part of the ubiquitous business landscape. The *tiendita* is relied on to supply economically marginalized neighborhoods with the essentials of life: food staples, fuel, cooking oil, toiletries, and school supplies. *Tienditas* also serve as convenience stores, providing rapid access to common household-product needs close to home. The quintessential *tiendita* is located in the public front-porch area of the home; is maintained by the female head of household; and is open from dawn to dusk, seven days a week.

In Central America, *tienditas* thrive at the periphery precisely because they cater to their neighbors' immediate familial consumer needs. In urban areas, it is common for a dozen *tienditas* to serve a single neighborhood, typically defined as the community within easy walking distance given the uneven terrain, poor roads, and inadequate infrastructure. In rural areas, the lack of sufficient population densities permits only enough business for one or two *tienditas* per hamlet. Through casual observation, it seems that very little distinguishes one *tiendita* from the next in this unitary market segment. Yet on closer examination, differentiation based on store location and size, hours of operation, the availability of customer credit, product selection, and so on are all sources of competitive (dis)advantage.

This article takes an in-depth look at the *tiendita* microenterprise sector, using a large sample of urban and rural *tienditas* covering two Central American nations. We seek to provide a baseline description of *tienditas* in the economic context of Central America, exploring three related research themes: the robustness of microentrepreneurship as a sector of economic refuge or centers of economic dynamism through the business example of *tienditas*, the determinants

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and viability of tienditas as informal or formal enterprises, and the nature of the competitive environment in which tienditas are positioned.

#### DESCRIPTION OF TIENDITAS

Tienditas, literally “little stores,” are in-house convenience or tiny grocery stores typically found in the relatively poorer or underdeveloped sections of the country, such as shantytowns, rural hamlets, and urban barrios. Serving the local neighborhood, these in-house convenience stores are locally known as *tiendas*, *tienditas*, or *pulperías*;<sup>1</sup> we use the first two terms interchangeably throughout this article. The tiendita caters to a nearby clientele that is bound to the neighborhood by location, primarily the result of mobility constraints due to a lack of financial resources, inadequate transportation alternatives, and poor job prospects. In Nicaragua, more than half of urbanites and roughly three-quarters of rural residents chose pulperías as their primary shopping outlet (D’Haese, Van de Berg, and Speelman 2008).

The in-house convenience store typically devotes and converts the front section of the home to a selling space or retail outlet. The size and construction of the tiendita depends on the local market and the resource base of the entrepreneur. For example, in urban areas in El Salvador, it is common for the retail space to be fully enclosed behind iron bars and household walls to keep intruders and thieves out but to offer a display that is fully visible from the barred windows to assist consumers in their purchases. In less crime-ridden areas, tiendas typically allow for customers to walk into the home and shop among the products, many of which are displayed on shelves, hanging rods, or behind glass-case cabinets. A retail space of two hundred square feet may be typical, but each retail environment reflects the home construction in the first order with the concomitant retail space usually an added feature after the home was built.

The basic stock of a tiendita includes staple food supplies (e.g., rice, beans, eggs, bread, pastries, cooking oil, sugar, vegetables), hygienic products (e.g., soap, toilet paper, toothpaste, condoms), junk food (e.g., candy, cookies, chips, soda), school supplies (e.g., pens, pencils, paper), and other specialty items depending on the tienda (e.g., secondhand clothing, calculators, ice cream, canned foods, firewood, cigarettes). For both Nicaragua and El Salvador, tiendita start-up costs may be as low as US\$100.<sup>2</sup> Indeed, we found that just more than one-quarter (26.6 percent) of Salvadoran and nearly one-half (43.7 percent) of Nicaraguan tienditas began operations with investments of \$100 or less.

The typical tienda is open from six in the morning until eight in the evening, seven days a week. For the best and most regular customers, approximately one-third to three-quarters of tienditas extend credit. The workforce comes from the family unit, typically under the direction of the wife (Haase 2007), who is sup-

1. The term *pulperia* is used principally in Nicaragua.

2. All monetary amounts in this paper have been converted to US dollars. At the time of the survey, El Salvador used the US dollar as its official national currency. Nicaragua uses the córdoba as its national currency, which was valued at 15.9 córdobas to the US dollar at the time of our data collection.

ported by other family members in the household. Generally, the entrepreneurs have a middle-school education or less but do have considerable work (or potential work) experience to draw on, given their middling age.

Families of means often avoid *tienditas* and replace them with purchases at “modern” grocery stores with a larger selection and better prices (Minten and Reardon 2008). In essence, for the well-to-do, supermarkets become a first-order preference over other grocery outlets such as *tienditas*, butcher shops, and fruit and vegetable vendors (D’Haese, Van de Berg, and Speelman 2008). This follows rational consumer behavior theory that selection and price act as the primary drivers of supermarket choice over *tiendas* for the relatively affluent, who have the ability (e.g., time, means, and transportation) to shop at supermarkets.

#### LITERATURE REVIEW AND RESEARCH QUESTIONS

In this article, we rely on three streams of research derived from the literature on microenterprise development, informality, and competitive markets.

*Microenterprise Development* / Much of the early and continuing literature surrounding microenterprise development derives from practitioners, although a growing academic literature is unfolding. The operators of microenterprises are referred to as microentrepreneurs (Portes and Hoffman 2003). These microentrepreneurs are self-employed; entrepreneurship refers to own-account employment (Blanchflower and Oswald 1998) and in this study signifies small or micro owner-operated businesses. Academic researchers have classified microenterprises as business entities with typically five or fewer employees, engaged in nonprimary activities, and selling at least 50 percent of their output (Johnson 1998; Mead and Liedholm 1998).

*Micro* is the key word in *microenterprise*, as Mead and Liedholm (1998) found that working proprietors or one-person businesses accounted for more than half of all microenterprise employment in the developing world. Extending the workplace to unpaid family members in working proprietorships accounts for more than 75 percent of all workers engaged in microenterprise establishments (Mead and Liedholm 1998; Portes and Hoffman 2003). More recent scholarship has revealed the importance of the macroeconomic climate in combination with microenterprise health (Daniels 2003; Pisani and Patrick 2002), microfinance and microenterprise development (Baptista, Ramalho, and da Silva 2006; Pisani and Yoskowitz 2005), the returns to small start-up investment (McKenzie and Woodruff 2006), and microenterprises as dynamic or disadvantaged enterprises (Fajnzylber, Maloney, and Montes Rojas 2006; Nichter and Goldmark 2009). The literature is mixed with regards to microentrepreneurship and the sectoral maximization of earnings (Daniels 2003; Pisani and Pagán 2004; Fajnzylber, Maloney, and Montes Rojas 2006).

*Informality* / The great majority of the self-employed in developing countries, particularly in Central America, work under conditions of anonymity with relation to governmental and regulatory authorities and thus are considered informal-sector

participants (Funkhouser 1996; Jain and Pisani 2008; Pisani and Pagán 2004; Portes, Itzigsohn, and Dore-Cabral 1994). The retail function of tienditas may be performed under the auspices of government regulators and tax collectors, but more often than not the government is absent from tiendita oversight. Employment hidden from government purview has been referred to as informal employment (Hart 1973, 1970). In essence, work “activities that avoid state regulation” best describes informality (Itzigsohn 2000, 11). Yet informal work activity is not said to be criminal in that the work itself could be undertaken within the bounds of government legislation (Portes and Schauffler 1993).

The study of informality has taken several approaches: structuralist (Hart 1973, 1970), neo-Marxist (Bienefeld 1975), legalist (De Soto 1989), and microenterprise development approaches are chief among them (Rakowski 1994). We believe that each of these approaches adds significant insights into developing economic and entrepreneurial contexts, including excess or surplus labor resulting in own-account employment (structuralist), capitalist systems that betray microentrepreneurship (neo-Marxist), government legislation and graft that inhibit microenterprise development (legalist), and the practice of self-employment not only as a means of survival but also as a path toward poverty alleviation (microenterprise development). Typically, informality is considered a negative economic state of being. Nonetheless, the sheer number of informal-sector participants, upward of half of all employment in Central America (Funkhouser 1996; Pérez Sáinz 1999), requires serious investigation into the phenomenon.

*Competitive Markets* / Our third area of focus concerns competitive markets for microenterprises in developing contexts. Jaffe, Carciente, and Zanoni (2007, 341) found informal competition to be “cutthroat” for street vendors in Caracas, Venezuela, in an environment described as hypercompetitive and highly innovative. Even in informal contexts in developed economies, competition can be intense (Pisani and Yoskowitz 2006). Ease of market entry is a hallmark of microenterprises in the developing world (Jaffe, Carciente, and Zanoni 2007; Daniels 2003). Price dispersion is part and parcel of neighborhood grocers and convenience stores (Adams 1997). The funding source and size for microbusiness start-up has been found to be an important determinant of efficiency and economic returns. Hernández-Trillo, Pagán, and Paxton (2005) have found that Mexican microenterprises that are able to access external start-up financing are more efficient microenterprises than those that rely on internal start-up funds. And McKenzie and Woodruff (2006) found much higher returns for Mexican microenterprises with very shallow start-up costs than for those with relatively higher levels of start-up financing.

In addition, consumer demand and behavior is a critical component of microenterprise success (Daniels 2003). For neighborhood grocers, Kirkup and colleagues (2004, 514) found that consumer choice is important because “choice afforded control over what and how they buy, and allowed them [consumers] to feel they were not being dictated to.” Altogether, we believe that the monopolistically competitive market model (Chamberlin 1933)—a market described by many competitors with small market shares and small market power, differentiation and nonprice competition, independent and noncollusive action, with easy firm en-

try and exit—may aptly characterize the tiendita market environment in Central America.

As the first researchers to exclusively study tienditas as a sector in the Central American environment, we seek to explore three specific research questions germane to the literature review:

1. Are tienditas microentrepreneurship spaces of economic refuge or economic dynamism?
2. In the prevailing regulatory environment, do tienditas follow an informal or formal business pattern, and what determines their (in)formal path?
3. What is the nature of the competitive market structure or model for tienditas?

We explore these questions in the Central American environment with a focus on national distinctions and dimensions within El Salvador and Nicaragua. Although the two countries are related by geography and regional history, we often distinguish between tiendita national contexts because of the discrete political economies of contemporary El Salvador and Nicaragua. These questions also explore uncharted public policy and economic space. For public policy, a better understanding of the efficacy and pathway of tienditas may allow for directed resource allocation toward poverty reduction. In the economic sphere, better knowledge of the sector may extend economic resources to next-best income-earning alternatives.

#### METHODOLOGY

Tienditas in both El Salvador and Nicaragua were surveyed in the summer and fall of 2004. Our surveys of tienditas were undertaken in the urban periphery of San Salvador in the communities of Apopa, Santa Tecla, Sosonate, and Soyopango. Only Sosonate is not physically located in the urban metroplex of Greater San Salvador; Sosonate (population of seventy-five thousand) lies within an hour's drive to the west of the capital. In Nicaragua, our surveys were undertaken in the department of Matagalpa, the second most populous and important district in the country after Managua. With the assistance of Catholic Relief Services (CRS), which serves both environments extensively through microfinance institutions,<sup>3</sup> we sought to acquire a representative sample of neighborhood tienditas.

No specialized government census of tienditas exists for either El Salvador or Nicaragua. The 2005 Economic Census of El Salvador suggests a vibrant microenterprise sector with just over one hundred thousand retail firms employing four persons or less (Ministerio de Economía 2005). The greater San Salvador area inclusive of Sosonate comprises about 38 percent of these microbusinesses, of which we targeted 365 urban tienditas for survey. Selection of tienditas was based on recommendations from our partner institution in El Salvador, which has contact with over ten thousand microenterprises in El Salvador. Our partner institution's reach consisted of only urban areas, hence our urban-only sample from El Sal-

3. These two CRS-affiliated microfinance institutions are Caritas in Matagalpa, Nicaragua, and Enlace in San Salvador, El Salvador.

vador. Tienditas in San Salvador, as in Matagalpa, Nicaragua, are more common in the semiperiphery of population centers, as argued earlier. At the minimum, we surveyed 9 percent of the universe of firms in San Salvador, but our sample is more probably in the range of 15 percent of available firms, although we cannot be definitive.

The 2005 national population census from Nicaragua reports a robust self-employment pattern in Matagalpa, with 42.3 percent of the economically active population engaged in own-account employment (Instituto Nacional de Información de Desarrollo 2006). The census suggests a total retail population of approximately 5,500 establishments. Of these, we surveyed 485 tienditas, both from urban (67.5 percent) and rural (32.5 percent) areas.<sup>4</sup> From our prior fieldwork in the region (Pisani and Yoskowitz 2005, 2010), we believe the universe of tienditas to be about 2,000 firms, about one-third of all retail businesses. We estimate that our sample consists of about 25 percent of tienditas in the region. Together, we argue that our sample is fairly representative of the tiendita population given the general lack of public data for the tiendita sector; nonetheless, we note that our method of sample acquisition has not fully eliminated the risk of some systematic sample bias.

The survey instrument consisted of ninety questions grouped around the themes of business operations, business finance, and respondent and household demographics. On average, the survey took between forty and forty-five minutes to complete and was conducted at the tiendita.<sup>5</sup> The original survey, written in English, was translated into Spanish and then back translated into English. To ensure readability and clarity, as suggested by Brislin (1980), bilingual graduate students at the second author's institution completed the translation and back translation and minor differences were resolved. Four trained and paid university business students, two each from Matagalpa and San Salvador, assisted in the survey administration with the active support of CRS staff in both locations. Our results follow.

## RESULTS AND DISCUSSION

Here we first provide baseline descriptive statistics and characteristics derived from our survey of 850 tienditas in Central America. Next we turn to our three research questions concerning the dynamism of tienditas, the informality of tienditas, and the competitive marketplace of tienditas.

### *Baseline Tiendita Descriptive Statistics: Demographic and Business Characteristics*

A baseline of general tiendita characteristics provides a unique backdrop to the tiendita retail sector in Central America (see tables 1 and 2). With about ten

4. A test of means showed no significant differences between the two subsamples along the following critical variables: start-up costs ( $p = .796$ ), weekly sales revenue ( $p = .577$ ), weekly business income ( $p = .577$ ), and current inventory value ( $p = .265$ ). Hence, we collapsed all the urban and rural observations.

5. De Mel, McKenzie, and Woodruff (2009) found that basic microenterprise surveys revealed about as much usable information as detailed firm diaries, thus mitigating the generally poor record-keeping performance of microenterprises.

Table 1 Firm-level characteristics of Central American tienditas (US\$)

Variables	All (N = 850)	El Salvador (N = 365)	Nicaragua (N = 485)
Full-time participation in the tiendita by microentrepreneur (%)	<b>89.2</b>	<b>84.4</b>	<b>92.5</b>
Average total hours open for business per week (SD)	97.6 (15.5)	96.9 (17.9)	98.2 (13.3)
Average days open per week (SD)	<b>6.9</b> (0.5)	<b>6.8</b> (0.7)	<b>6.9</b> (0.2)
Average weekly business sales (SD)	190.98 (244.57)	203.96 (271.84)	183.30 (226.85)
Mean weekly business income (estimated @ 20% of sales)	38.20	40.79	36.66
<i>Business (in)formality</i>			
Formal (%)	<b>32.0</b>	<b>22.5</b>	<b>39.2</b>
Informal (%)	<b>68.0</b>	<b>77.5</b>	<b>60.8</b>
<i>Tiendita location with respect to home</i>			
Attached to home (%)	93.2	94.4	92.3
Detached from home (%)	6.8	5.6	7.7
Initial start-up costs (SD)	<b>546.18</b> (1,469.81)	<b>1,073.66</b> (2,251.26)	<b>204.75</b> (293.03)
<i>Funding source for business start-up</i>			
Personal funds (%)	<b>68.2</b>	<b>49.4</b>	<b>81.9</b>
MFI (%)	<b>15.8</b>	<b>25.4</b>	<b>8.7</b>
Family (%)	<b>9.7</b>	<b>15.5</b>	<b>5.5</b>
Friends (%)	<b>2.0</b>	<b>3.5</b>	<b>0.9</b>
Other bank (%)	<b>2.1</b>	<b>2.0</b>	<b>2.1</b>
Moneylender (%)	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>
Other (e.g., distributor) (%)	<b>1.7</b>	<b>3.5</b>	<b>0.4</b>
Current inventory value (SD)	<b>1,129.07</b> (2,397.69)	<b>1,578.09</b> (3,197.96)	<b>1,104.96</b> (1,657.13)
Average number of paid employees (SD)	<b>0.3</b> (.8)	<b>0.8</b> (1.2)	<b>0.1</b> (0.5)
Share with paid employees (%)	<b>17.0</b>	<b>48.1</b>	<b>8.5</b>
Average number of unpaid (family) employees (SD)	<b>1.6</b> (1.0)	<b>1.7</b> (1.0)	<b>1.5</b> (1.0)
<i>Business plan at start of business</i>			
Yes (%)	<b>42.8</b>	<b>18.7</b>	<b>60.9</b>
No (%)	<b>57.2</b>	<b>81.3</b>	<b>39.1</b>
Average number of neighborhood or competitor tienditas (SD)	<b>9.5</b> (8.3)	<b>8.0</b> (8.7)	<b>10.6</b> (7.8)
<i>Compared to last year, business is . . .</i>			
Very good (%)	<b>14.4</b>	<b>13.1</b>	<b>15.2</b>
Good (%)	<b>29.9</b>	<b>25.4</b>	<b>33.2</b>
Same (%)	<b>28.2</b>	<b>23.9</b>	<b>31.3</b>
Bad (%)	<b>21.0</b>	<b>29.2</b>	<b>15.2</b>
Very bad (%)	<b>6.3</b>	<b>8.2</b>	<b>5.0</b>

Note: Rows in boldface indicate significant differences between tienditas in El Salvador and Nicaragua. SD = standard deviation.

Table 2 Microentrepreneur-level characteristics of Central American tiendita operators

Variables	All (N = 850)	El Salvador (N = 365)	Nicaragua (N = 485)
<i>Gender (%)</i>			
Male	22.2	13.1	29.1
Female	77.8	86.9	70.9
Mean age (SD)	41.1 (11.9)	43.7 (13.6)	39.2 (10.0)
Mean education level, years (SD)	7.5 (6.0)	8.7 (6.0)	6.6 (5.9)
Mean reported paid work experience, years (SD)	6.1 (8.9)	8.1 (9.5)	5.0 (8.3)
Mean years worked in a tiendita (SD)	7.6 (7.3)	8.2 (8.8)	7.2 (5.9)
<i>Civil status (%)</i>			
Single	26.6	29.7	24.4
Married	61.4	55.5	65.7
Separated or divorced	6.3	6.4	6.3
Widowed	5.6	8.4	3.6
Home ownership (%)	86.6	77.6	93.4
Household head (%)	69.6	59.3	77.4
<i>Mean household size</i>			
Number of children (SD)	1.5 (1.1)	1.6 (1.1)	1.4 (1.1)
Number of adults (SD)	3.5 (1.5)	3.5 (1.5)	3.5 (1.6)
Total	4.8 (2.0)	4.7 (2.0)	4.9 (2.0)
<i>Home flooring (%)</i>			
Dirt	12.4	2.8	19.7
Wood	2.6	2.0	3.0
Cement	32.8	30.5	34.6
Cement plus	52.3	64.7	42.8
Mean bedrooms (SD)	2.8 (1.5)	2.9 (1.5)	2.8 (1.4)
Enrolled in health insurance (%)	15.8	25.1	8.8
Enrolled in social security (%)	12.0	22.6	4.5
<i>Mother's occupation (%)</i>			
Self-employed	50.7	48.6	52.2
Wage and salaried	13.0	20.9	7.4
Did not work	36.3	30.5	40.4
<i>Father's occupation (%)</i>			
Self-employed	73.0	58.4	82.9
Wage and salaried	22.3	38.6	11.2
Did not work	4.7	3.0	5.9

Note: Rows in boldface indicate significant differences between tienditas in El Salvador and Nicaragua. SD = standard deviation.

tienditas in easy walking distance in each barrio, consumers find tienditas not only plentiful but practically always open. Inside the tiendita one typically finds a female full-time owner-operator. During busy times (e.g., after school, at meal-times) and when the microentrepreneur needs to step away, one to two family or household members assist with the tiendita; however, fewer than half of tien-



ditas owners employ paid help in El Salvador, and fewer than 10 percent do so in Nicaragua.

Start-up costs average about \$550 for all sampled firms and vary nationally between \$200 in Nicaragua and \$1,075 in El Salvador. Most start-up capital is accessed through personal savings, microfinance institutions, and family funds. Within a few years, these microenterprises are able to grow their stock to increase their sales and outreach and to meet the needs of clientele. This growth is not adequately planned out in advance but occurs when funds or assistance (e.g., from profits, distributors, informal finance institutions) becomes available. Weekly sales average around \$200, with about \$40 a week in profits, while business is generally stable or good.<sup>6</sup> A clear majority of these firms operate outside the boundaries of official government oversight, more so in El Salvador. Although eleven of the fifteen variables reported in table 1 are statistically different between the two national samples, meaningful differences exist primarily for sales volumes, inventory size, start-up capital, and earnings (when adjusted for income differentials) and business compliance. In addition, business income from the *tiendita* serves as the only income source for slightly more than half (52.4 percent) of respondents. Respondents with outside income sources from other household members beyond the *tiendita* were able to augment weekly household income by approximately \$39 per member.

Focusing on the microentrepreneur, we reveal own-account employment that is mostly female, married, and middle-aged. Haase (2007, 7) argues that *tiendas* in Nicaragua attract female proprietorship because “they are located in the home,” thus allowing women to earn income while maintaining the home; we concur with his assessment. Others (Lancaster 2002; Montoya 2003) have suggested that the “home” is a private space in which men can exert their dominance over women to keep women pure from moral corruption found in public spaces (or the “street”). In this view, female business proprietorship undertaken in the home is acceptable, perhaps moral, because “good” women remain at home under the watchful eye of husband, family, and community. Nonetheless, the *tienda* is situated at the junction of public and private spaces, where the home dually serves as a business establishment literally adjacent to the street, and as the hearth of the family where the most intimate family affairs are conducted. Regardless, we believe that women who earn a stable and respectable income, such as that provided by *tiendita* ownership, and contribute to the financial well-being of the household have begun to break down the traditional views of women.

In addition, these microentrepreneurs have completed a middle-school education and have worked most of their adult life—half of it in their current *tiendita*. Complementing their ownership of their *tiendita* is the ownership, often as head

6. With more than a decade of experience working, researching, and consulting with microenterprises in the region, we find the 20 percent profit estimate a fair one (see Pisani and Yoskowitz 2010). Microbusinesses at this level, for the most part, do not keep adequate financial records, and most business owners do not know with precision how much money they make, as business and household finances are most often one and the same. In addition, we found that the profit margins of *tiendita* staples ranged closely to our 20 percent estimate.

of household, of the premises in which the *tiendita* is housed. These homes are also abodes for the family, about five strong living in a medium-size structure that contains approximately three bedrooms (a proxy for household wealth accumulation). In conjunction with the number of bedrooms, floor composition provides some clues into the well-being of the family, where dirt floors suggest a greater incidence of poverty and number of bedrooms suggests accumulated household capital. Clearly, given Salvadorans' greater coverage of cement flooring than their Nicaraguan counterparts, they enjoy a healthier home environment. This is also reflected in the generally higher availability of medical insurance and social security coverage in El Salvador. Last, the tradition of own-account employment runs high for *tiendita* microentrepreneurs, whose parents were more likely to be self-employed, especially in Nicaragua.

Clearly, microentrepreneurship within *tienditas* differs between the two samples. Notably, Salvadoran *tiendita* proprietors tend to be proportionately older, more educated, more often female, more experienced, and have better home flooring and greater access to health and pension benefits than Nicaraguan *tiendita* owners. In contrast, Nicaraguan *tiendita* owners are more likely to own their homes and storefronts in greater proportion, have fathers who were self-employed, and self-identify as a household head (in spite of their greater likelihood of being married) than Salvadoran *tiendita* proprietors. With our baseline data established, we next turn to analyses of our three research questions.

#### *Tienditas as Centers of Refuge or Pockets of Economic Dynamism*

The literature on microenterprises has portrayed *tiendita* owners as everything from exploited cogs in the capitalist system (Bienefeld 1975) to champions of economic growth (De Soto 1989). This dualistic view suggests an opportunity to better position the reality of *tienditas* as centers of refuge and exploitation or pockets of economic dynamism. When asked, "Why did you open your *tiendita*?" the clear plurality of *tenderos* answered "because of economic necessity."<sup>7</sup> Adding other economic hardship responses ("no other work available," "to improve my economic situation," and "to increase food production") increases this group total to 64.9 percent of responses. Hence, nearly two-thirds of respondents began their *tiendita* as the result of economic difficulties. Nevertheless, one-third of the sample saw *tiendita* ownership as a means to supplement household income (11.5 percent), as a path to business ownership or business opportunity (10.3 percent), and as a method to remain at home and care for the children and household while earning income (5.0 percent). Other responses included easy work (4.0 percent), work that is satisfying (2.5 percent), getting into the business through inheritance (1.9 percent), and to better augment household food supplies (0.4 percent). Rather than a dualistic phenomenon, *tiendita* ownership reflects a continuum of circum-

7. Nearly all answers (98.0 percent) to this question were singular. When a respondent indicated more than one answer, each response was credited proportionately (e.g., 2 responses = .5 response per category each). The typical dual response was to earn income and to stay at home with children.

Table 3 *Central American tiendita monetary start-up requirements, by quartile*

Outlay by quartile (%)	All (\$)		El Salvador (\$)		Nicaragua (\$)	
	Range	Mean (SD)	Range	Mean (SD)	Range	Mean (SD)
Quartile 1 (0–25)	0–60	30.56 (16.15)	1–100	44.52 (30.87)	0–50	26.83 (12.26)
Quartile 2 (25–50)	60–150	98.85 (29.02)	100–300	186.35 (47.48)	50–125	68.44 (14.92)
Quartile 3 (50–75)	150–375	235.37 (54.42)	300–800	541.71 (132.02)	125–200	152.86 (30.18)
Quartile 4 (75–100)	375+	1,784.20 (2,577.02)	800+	3,639.24 (3,473.11)	200+	546.33 (427.76)

Note: SD = standard deviation.

stances from economic necessity or business opportunity to household support or self-actualization.<sup>8</sup>

Moving from qualitative responses to empirical insights, we seek to shed light on whether tienditas are centers of refuge or economic dynamism through the examination of three critical areas: the start-up financing necessary at formation of the microenterprise, the economic returns to own-account employment through tiendita operation and ownership, and the growth potential of microenterprises in the tiendita sector.

*Start-Up Financing* / Initial financing to start-up tiendita operations averaged about \$550—about twice as much as the average in El Salvador and about half as much the average in Nicaragua. One-quarter of all firms in the region were able to start with a minimal capital outlay of less than \$60 (see table 3). Put into perspective, the higher-end \$100 start-up for the first quartile in El Salvador represents two-thirds of the monthly minimum wage. The start-up burden is higher in Nicaragua, where \$50 represents about a month's wages for those at the bottom of the economic pyramid. Nevertheless, one-quarter of tienditas in the region were able to begin operations with a month's earnings at minimum wages.<sup>9</sup> Hence, start-up financing, though a constraint, is not a fundamental barrier to market entry, especially for the smallest tienditas.

*Economic Returns* / Our fieldwork in the region suggests that the best alternative employment for tiendita business owners would be found at minimum wage jobs, if work were available. This translates into hourly wage rates of \$0.78 in El Salvador and \$0.25 in Nicaragua, or weekly wages of \$37.50 in El Salvador and \$12

8. One reviewer noted that this dualistic perspective (refuge or dynamism) may also be considered the decision of a household for livelihood diversification for push (out of necessity) or pull (attracted by business opportunities) considerations.

9. Monthly minimum wages at the time of the survey hovered between \$50 (for Nicaragua) and \$150 (for El Salvador).

in Nicaragua. For tiendita owners, weekly incomes average \$40.79 in El Salvador and \$36.66 in Nicaragua and are not significantly different by gender (analysis of variance [ANOVA],  $F = .845, p = .359$ ). For both nations, tiendita owners are able to exceed their next-best weekly earnings alternative. Although the hourly returns in El Salvador are \$0.42 per hour, which is \$0.36 per hour lower than the minimum wage rate, the length of hours that the tiendita is open compensate for the hourly differential. The returns in Nicaragua are substantially higher, \$0.37 versus \$0.25, or 1.5 times greater. As tiendita ownership is primarily gendered (mostly female owned and operated), we believe the economic returns are higher for own-account workers in this market segment than for tenuous wage employment.<sup>10</sup> The entrepreneurship literature suggests long hours as an inherent aspect of self-employment (Alsete 2008), and we find the trade-off for relatively higher tiendita incomes is longer business (and work) hours.

*Growth* / Last, we look at the growth of tienditas over time, specifically examining inventory expansion. Eight years is the average length of time tiendita owners have had their microenterprise; this time has allowed them to grow their businesses, as seen in table 4. For the region, an ANOVA calculation with current inventory value as the dependent variable and number of years of tiendita operation as the independent variable indicates that every additional year of tiendita existence translates into a \$23.18 growth in inventory ( $F = 3.689, p = .055$ ).<sup>11</sup> And growth or business expansion primarily through augmenting inventory matches the response of nearly three in four tenderos when asked, "What are your future plans for their tiendita business?" Just over 10 percent (12.6 percent) wanted to maintain the business in its current form, and one in twenty intended to close their tiendita altogether. Clearly, most tenderos recognized that growth represented a better future.

A harsh economic reality, however, frames the tiendita economic picture, as 83.5 percent of respondents indicated that it would take at least one month or longer to find employment if they had to give up their tiendita. Of all respondents, 49.7 percent believed that it might take many months, perhaps years, to find another source of income, if one could be found at all. Only 14.9 percent of respondents believed that they could obtain alternate income or employment in less than two weeks, if circumstances dictated. Yet an overwhelming majority (93.1 percent) of tenderos indicated that they were satisfied with their current work, and less than one-quarter (24.7 percent) responded that they would accept alternate work provided that they earned the same income. Considering all of our information, we suggest that our findings related to start-up financing, economic returns, and economic growth in toto reflect tienditas as more a source of business dynamism than economic refuge in Central America, although the range of possible outcomes reflects one of subsistence to prosperity.

10. Still, earnings in the tiendita sector are lower than more male-oriented self-employed occupations such as butchers and carpenters (Haase 2006).

11. Nevertheless, current inventory size is more a function of the amount of start-up capital, as confirmed by further regression analyses.

Table 4 Current inventory values of Central American tienditas, by quartile

Outlay by quartile (%)	All (\$)		El Salvador (\$)		Nicaragua (\$)	
	Range	Mean (SD)	Range	Mean (SD)	Range	Mean (SD)
Quartile 1 (0–25)	0–300	172.43 (83.43)	0–300	186.84 (97.95)	0–300	161.56 (68.99)
Quartile 2 (25–50)	300–600	438.98 (91.70)	300–570	438.22 (56.44)	300–600	400.33 (80.74)
Quartile 3 (50–75)	600–1,200	867.36 (180.34)	570–1,200	820.74 (197.90)	600–1,250	848.64 (188.25)
Quartile 4 (75–100)	1,200+	3,435.67 (3,792.70)	1,200+	4,911.64 (5,129.84)	1,250+	2,623.46 (2,450.36)

Note: SD = standard deviation.

### *Tienditas and Business Informality*

Most of the tienditas in our sample are informal businesses. In our interviews, many business owners did not know that they were required to formalize their microenterprises or the procedures for formalization, hence displaying operational ignorance of business formality. Other microentrepreneurs just did not want to concern themselves with the costs of formalization (e.g., time, taxes).<sup>12</sup> Yet approximately one-third of the sample conducted business formally. Although formality enhances the ability to openly conduct business, prospectively expand, or simply be large and potentially secure formal credit, microenterprises are often compelled into formality because of government enforcement, a centralized location near government authority, and a firm size that makes it difficult to hide from government control (McKenzie and Sakho 2010; Pisani and Yoskowitz 2005). To ascertain (in)formal status, we asked, “Do you report any of your earned income from the tiendita to any government authority?” Hence our second research question asked which path, formal or informal, tenderos pursue; 69.7 percent of sampled firms do not report any of their tiendita income; therefore, these firms are informal concerns.

Table 5 lists selected descriptive statistics for formal and informal tienditas. As revealed in table 1, nearly 70 percent of all firms are informal. Variables of convergence include age, education, hours of operation, number of persons in the home, home ownership, and percentage of heads of households. Differences exist for thirteen variables; we describe them on the basis of firm formality. Tienditas more likely to be formal are located in Nicaragua, are male operated and their operators have worked in a tiendita longer but have less other paid work experience, have higher sales, begin with larger inventories, maintain larger current inventories, are located in larger homes, have more workers (paid and unpaid), have fewer

12. Although none of our respondents indicated such, it is possible for tienditas to remain small in order to stay away from government detection. We thank one reviewer for this insight.

Table 5 Characteristics of (in)formal tienditas, by country (in US\$)\*

Variables	El Salvador		Nicaragua	
	Formal	Informal	Formal	Informal
Formal and informal (%)	22.5	77.5	39.2	60.8
<i>Gender (%)</i>				
Male	<b>40.4</b>	<b>59.6</b>	37.4	62.6
Female	<b>19.2</b>	<b>80.8</b>	40.1	59.9
Mean age, years (SD)	42.9 (9.7)	43.9 (6.3)	39.3 (9.7)	39.2 (10.3)
Mean education level, years (SD)	<b>9.7 (4.8)</b>	<b>8.3 (6.3)</b>	6.5 (5.7)	6.7 (6.0)
Average total hours open for business per week (SD)	<b>91.9 (19.9)</b>	<b>98.3 (17.0)</b>	99.0 (12.8)	97.6 (13.7)
Average weekly business sales (SD)	191.67 (173.40)	207.21 (292.60)	<b>234.24 (279.20)</b>	<b>150.50 (178.46)</b>
Initial start-up capital (SD)	<b>1,982.39 (3,393.78)</b>	<b>839.98 (1,783.84)</b>	<b>235.67 (319.82)</b>	<b>185.09 (273.67)</b>
Current inventory value (SD)	<b>2,691.62 (5,716.27)</b>	<b>1,304.13 (2,104.84)</b>	<b>1,650.58 (2,175.85)</b>	<b>750.59 (1,070.78)</b>
<i>Do you have a loan? (%)</i>				
Yes	<b>29.3</b>	<b>55.5</b>	<b>50.5</b>	<b>71.5</b>
No	<b>70.7</b>	<b>44.5</b>	<b>49.5</b>	<b>28.5</b>
Mean years worked in a tiendita, (SD)	9.6 (10.7)	7.8 (8.2)	7.3 (5.9)	7.1 (5.9)
Mean years of paid work experience (SD)	8.6 (11.0)	8.0 (8.6)	4.3 (7.9)	5.5 (8.6)
Average number of paid employees (SD)	<b>1.4 (1.6)</b>	<b>0.6 (0.9)</b>	0.2 (0.4)	0.1 (0.4)
Average number of unpaid employees (SD)	1.7 (1.0)	1.7 (1.0)	<b>1.8 (0.9)</b>	<b>1.3 (1.0)</b>
Average number of neighborhood or competitor tienditas (SD)	<b>6.3 (5.1)</b>	<b>8.4 (9.5)</b>	<b>13.6 (7.7)</b>	<b>8.7 (7.3)</b>
Average number of bedrooms in home (SD)	2.9 (1.5)	2.8 (1.5)	2.9 (1.6)	2.7 (1.3)
Average number of persons in household (SD)	4.5 (1.8)	4.7 (2.1)	<b>5.1 (2.1)</b>	<b>4.7 (1.9)</b>
Household head (%)	58.2	59.6	<b>72.4</b>	<b>80.6</b>
Home ownership (%)	76.9	77.8	94.0	93.0
<i>Does your household receive overseas remittances (%)</i>				
Yes	22.4	22.6	<b>7.9</b>	<b>12.6</b>
No	77.6	77.4	<b>92.1</b>	<b>87.4</b>

Note: Rows in boldface indicate significant differences (comparison of means or cross-tabulation) by country between tienditas in the formal and informal sectors (at the 10 percent level). SD = standard deviation.

business loans, have more local competitors, and receive fewer remittances from abroad than informal tienditas.

To further discern the determinants of tiendita (in)formality, we employ a logistic regression by country with (in)formality as the dichotomous dependent variable (formal = 1) and an array of independent variables drawn from table 5.<sup>13</sup> For the entire sample, we found that larger tienditas in possession of a loan, with more unpaid family workers, and in a neighborhood with a higher density of tienditas were more likely to be formal tienditas. By country, formal tienditas from Nicaragua are more likely to be larger and to have more unpaid workers and more competitors. Variables reducing the likelihood of tiendita formality in Nicaragua are the employment of paid staff by more experienced tiendita owners. In El Salvador, increased likelihood of tiendita informality derives from possessing a loan and having paid employees. Determining the likelihood of formality are more unpaid workers and a female owner. In summary, inventory or product stock size and number of staff are clearly important elements in determining tiendita formality in the region. These national variations in business formality are likely the result of relative differences in the concentration of tienditas by size, number of neighborhood competitors, and access to loans, as well as relative ownership characteristics (including experience and gender).

### *The Nature of the Competitive Environment of Tienditas*

In this section we examine the competitive environment and market structure of tienditas in Central America. We specifically look at four areas—number of competitors in the marketplace, ease of tiendita entry and exit, ability to influence price, and differentiation—in an attempt to ascertain the nature of the competitive market structure for tienditas.

*The Number of Tiendita Competitors* / In the larger market area of our study sites reside thousands of tienditas. At the micro-level environment of the neighborhood are, on average, eight or more tienditas. Partitioning tienditas by quartiles indicates the number range of tiendita competitors, with the first quartile containing one to three competitors and the last quartile containing more than a dozen competitors. By physical measurement, tienditas are situated about eight homes away from each other (see table 6). In essence, tienditas are omnipresent in Central America.

A multiple regression was performed by country, with number of competing tienditas identified by the firm owner as the dependent variable and an array of firm-level variables as independent variables (nearest tiendita, starting inventory value, number of hours open, weekly sales, have a current business loan, receive overseas remittances, current inventory value, informal or formal status,

13. Although there are a few problems due to missing data for the variables of years of paid work experience, education, and number of paid workers, further statistical testing revealed general robustness in the reported results. The logistic regression results are available from the first author by request.

Table 6 Local tiendita competition in Central America, by quartile and distance

Competition by quartile (%)	All (N)	El Salvador (N)	Nicaragua (N)
Quartile 1 (0–25)	1–3	1–3	1–3
Quartile 2 (25–50)	4–6	4–5	4–9
Quartile 3 (50–75)	7–13	6–9	10–17
Quartile 4 (75–100)	13+	10+	18+
Mean distance of nearest neighborhood competitor (in meters) (SD)	85.1 (184.4)	67.7 (132.1)	97.3 (213.0)
<i>t</i> -test (comparing means)	F = 5.033; <i>p</i> = .025; d.f. = 1		

Note: SD = standard deviation; d.f. = degrees of freedom.

and financial health of the business over the past two to three years).<sup>14</sup> The results appear in table 7.

For El Salvador, the regression results are not significant and do not add much in terms of useful insights. For the two nearly significant terms (nearest tiendita and level of formality), we found decreased competition as competitors are found farther away and for those who engage in business formality, but these results are not significant and perhaps only advisory. The picture is a bit clearer in Matagalpa. Competition intensifies marginally but significantly with larger start-up investments and larger current inventories along with tiendita formality. The increased level of competition linked to inventory levels may also indicate the carrying capacity for tienditas in the neighborhood and may send a signal for entrance (exit) into (out of) the market by competitors. Competition eases as competitors are located farther away and without access to current financing. Also, the need for outside financing declines when the tiendita landscape shrinks.

*Market Entry and Exit* / The relative ease of entry and exit is a hallmark of the tiendita sector. Tienditas may “spring up” endogenously given the low start-up costs. In our cross-sectional sample, 2.7 percent of firms had just begun operations, and 9.8 percent of all firms had been operating for a year or less. When asked why these new firms had opened their business, 42.9 percent indicated that they saw a business opportunity. Another 12.5 percent were able to earn money

14. Although tiendita owners do not have consummate authority over the number of tienditas in their competitive arena (i.e., the dependent variable), we argue that tiendita owners have some market control (e.g., selection and inventory size, price, credit offering, hours of operation, exact location, customer care) and hence some influence on the nature and number of nearby competitors. Nevertheless, one reviewer suggested that the level of competition may endogenously influence or be influenced by some of our independent variables (e.g., inventory, hours, formality) in this regression. Though possible, we argue that tiendita owners self-determine all the independent variables used but nearest tiendita and sales, thus mitigating the threat of endogeneity or double causality. Multicollinearity was not a problem in this analysis.



Table 7 Multiple regression analysis of number of tiendita competitors, by country

El Salvador				
Variables	$\beta$	SE	t-Statistic	Sig.
Constant	7.061	4.822	1.464	.145
Nearest tiendita (in meters)	-.006	.004	-1.348	.179
Starting inventory (US\$)	.000	.000	-.336	.738
Number of hours open per week	.028	.049	.577	.565
Weekly sales (US\$)	-.002	.003	-.595	.552
Have a business loan? (Yes = 1)	.144	1.638	.088	.930
Receive foreign remittances? (Yes = 1)	.224	1.860	.121	.904
Current inventory value (US\$)	.000	.000	.899	.370
Informality and formality (formal = 1)	-2.711	1.964	-1.380	.169
With the tiendita, are you better off financially over the past 2–3 years? (Yes = 1)	-.421	1.539	-.273	.785

Regression equation characteristics: Adjusted  $R^2 = -.023$ ; Durbin Watson = 1.806;  $F = .506$ ,  $p = .869$

Nicaragua				
Variables	$\beta$	SE	t-Statistic	Sig.
Constant	12.024	2.690	4.469	.000
Nearest tiendita (in meters)	-.008	.002	-4.822	.000
Starting inventory (US\$)	.004	.001	2.775	.006
Number of hours open per week	-.016	.026	-.062	.548
Weekly sales (US\$)	-.003	.002	-1.468	.143
Have a business loan? (Yes = 1)	-3.343	.746	-4.479	.000
Receive foreign remittances? (Yes = 1)	-.427	1.120	-.381	.703
Current inventory value (US\$)	.001	.000	2.930	.004
Informality or formality (Formal = 1)	2.549	.790	3.229	.001
With the tiendita, are you better off financially over the past 2–3 years? (Yes = 1)	1.404	.870	1.614	.107

Regression equation characteristics: Adjusted  $R^2 = .219$ ; Durbin Watson = 1.526;  $F = 14.096$ ,  $p = .000$

Note: SE = standard error.

by staying at home, and 10.7 percent augmented household income with their tiendita. Clearly more than two-thirds of the new entrants saw tiendita ownership as a viable option to engage the market in order to enhance household earnings. Yet about one-third (32.1 percent) of the new entrants were resigned to open a tiendita because they felt they had little else to fall back on. Either way, by choice or resignation, tiendita ownership serves as an expedient path to business ownership and stable income.

Firm exit in the tiendita sector may also be accomplished relatively quickly. This process is facilitated by the easy conversion of store space back into living

Table 8 Central American tiendita product margins (%), select product staples

Product	All	El Salvador	Nicaragua
Soap (SD)	.33 (.83)	.54 (.71)	.22 (.87)
<i>t</i> -test (comparing means)		F = 22.567; <i>p</i> = .000; d.f. = 1	
Sugar	.18 (.58)	.17 (.25)	.18 (.70)
<i>t</i> -test (comparing means)		F = .109; <i>p</i> = .741; d.f. = 1	
Rice	.23 (.79)	.27 (.49)	.20 (.90)
<i>t</i> -test (comparing means)		F = 1.142; <i>p</i> = .286; d.f. = 1	
Oil	.31 (1.11)	.29 (.75)	.32 (1.25)
<i>t</i> -test (comparing means)		F = .081; <i>p</i> = .776; d.f. = 1	
Coca-Cola	.31 (.35)	.23 (.34)	.35 (.34)
<i>t</i> -test (comparing means)		F = 16.205; <i>p</i> = .000; d.f. = 1	

Note: SD = standard deviation; d.f. = degrees of freedom.

space in the home. Liquidation may be just as uncomplicated, as once the stock of goods are sold, the business ceases to exist. When asked about their future plans for their current tiendita, 6.0 percent of respondents indicated a willingness and intent to exit the tiendita sector. Those tienditas considering exiting the marketplace were generally confined to those (34.6 percent) indicating no financial progress over the previous two to three years. For these self-reported poorly performing firms, 17.9 percent had plans to close or quit their tiendita, and another 10.6 percent did not have any future plans for the tiendita.

*Price* / Some price control, within narrow limits, aptly describes the pricing power of tienditas. In table 8 we display product margins for five product staples across the region.<sup>15</sup> These staples include a bar of soap, a pound of sugar, a pound of rice, a liter of cooking oil, and a regular-sized soft drink (specifically Coca-Cola). The margins for these items range from 18 percent to 33 percent, with substantial price dispersion (dispelling collusive tactics), as reflected in the range of standard deviation scores from 35 percent to 111 percent. Only soap and soda were significantly different in price cross-nationally. We also undertook a series of regressions to determine whether the number of competitor tienditas has a dampening impact on prices.<sup>16</sup> As expected, increased competition narrows profit margins for all products except cooking oil.

As price dispersion exists in our sample, we asked tiendita owners how they determined prices. Overwhelmingly, microentrepreneurs indicated a cost-plus framework in which they established a set margin (see table 9). For those respondents indicating a cost-plus markup strategy, the average markup was 14 percent. Nevertheless, maintaining a price regime in lockstep with competitor tienditas was practiced in more than 10 percent of tienditas. Last, price dictates from suppliers determined price about one-fifth of the time. Although this condition reflects some price collusion from the customer's perspective, it is instead a form of price

15. We calculated these margins on the basis of product cost and product sale price.

16. These results are available from the first author upon request.

Table 9 Central American tiendita price determination

	All		El Salvador		Nicaragua	
	%	N	%	N	%	N
<i>How do you set the price for the goods you sell?</i>						
Cost-plus fixed-markup percentage	67.4	555	50.3	174	79.9	381
Based on competitors' prices	13.4	110	11.3	39	14.9	71
By supplier mandate	19.2	158	38.4	133	5.2	25
Total	100.0	823	100.0	346	100.0	477
Cross-tabulation between countries	$\chi^2 = 143.111, p = .000, d.f. = 2$					

Note: d.f. = degrees of freedom.

fixing (discrimination) from the supplier side based on price mandates. The composition of these three price determinants was significantly different between El Salvador and Nicaragua; Nicaraguan tiendita owners mostly employ a cost-plus strategy, perhaps an easy calculation to make, and Salvadoran tiendita owners used supplier lists and/or mandated price levels, perhaps by supplier mandate, a far greater percentage of the time.

*Differentiation* / Tienditas primarily differentiate themselves on the basis of location, credit, and product stock (as well as product availability). We focus here on credit offered to tiendita customers as a fundamental wedge or differentiator for tiendita operators. In our entire sample, just over half of all tienditas offer credit (see table 10). This credit is reserved for the "best" customers—those who are best known and most likely to pay off their tab. In less densely populated Matagalpa, where life is somewhat slower and neighborhoods are more connected, the average number of customers with credit and tienditas that offer credit are about two and a half times that found in more urban and less personal San Salvador. Credit does tie a household's purchases to a single tiendita. For example in Matagalpa, tienditas offering credit receive more than 40 percent of their sales volume from 13 customers (or households).

On the consumer side, we undertook a small random sample of 125 consumers in the summer of 2004 in downtown Matagalpa and San Salvador.<sup>17</sup> We found that eight in ten households purchased household items at tienditas. These purchases comprised about one-quarter to one-half of household expenditures. For those shopping at tienditas, price is an important information input, as more than 80 percent compare prices at tienditas. Credit is a big consumer draw and key differentiator in the sample, where more than one-third of the entire sample purchases goods from tienditas on credit.

In summary, the nature of tiendita competition is fierce and independent; is

17. We used the mall-intercept method of sample acquisition.

Table 10 Central American tienditas and credit

Variable	All		El Salvador		Nicaragua	
	No.	%	No.	%	No.	%
<i>Do you offer credit? (%)</i>						
Yes (%)	480	57.7	138	27.6	362	72.4
No (%)	352	42.3	214	64.5	118	35.6
Cross-tabulation $\chi^2 = 111.047; p = .000$						
For those who offer credit, amount of credit sales as percentage of total sales	476	35.7	111	17.0	375	41.3
<i>t</i> -test (comparing means)	F = 157.610; <i>p</i> = .000; d.f. = 1					
	Mean	SD	Mean	SD	Mean	SD
For those who offer credit, number of customers receiving credit	11.1	11.4	5.5	6.0	13.2	12.2
<i>t</i> -test (comparing means)	F = 48.306; <i>p</i> = .000; d.f. = 1					

Note: SD = standard deviation; d.f. = degrees of freedom.

based on many competitors; and features ease of market entry and exit, as well as differentiation based on product selection, store location, and availability of consumer credit. Tienditas exert some control over price within a narrow band. A majority of consumers actively compare and shop at tienditas and use credit as a tie to a single tiendita. In all, we believe that the monopolistically competitive market model aptly describes the nature of tiendita competition.

## CONCLUSION

The study of microenterprises and microentrepreneurs in Central America is in its infancy, especially from business and economic perspectives. Our study of tiendas has sought, in part, to begin to address this research vacuum. In this article, we have described Central American tienditas and benchmarked the tiendita sector. Using a large sample of 850 tienditas from Nicaragua and El Salvador analyzed both by national and by regional context, we have explored and answered our three research questions concerning tienditas as potential centers of economic dynamism, as entrepôts of firm-level informality, and as competitors within a monopolistically competitive framework. For the most part, tienditas are vibrant microenterprises considered as sources of business opportunities for some and sources of economic survival for others. Either way, tienditas serve as a robust income-earning microenterprise given the lack of readily available employment alternatives, especially for female entrepreneurship.

Although not all tiendas are informal, the vast majority are informal, particularly those tiendas located at the economic margins of San Salvador and Matagalpa and those that have yet to reach sufficient size, scope, and scale. Tiendas

are positioned within a highly competitive marketplace with many rivals and where price, product assortment, and consumer credit often differentiate successful tiendas.

As we have shown the tiendita sector to be a viable and secure source of income, it behooves policy makers to facilitate the creation and maintenance of tienditas or tiendita-like enterprises as an active strategy in the fight against poverty. Tienditas not only serve as a source of income, income growth, and employment but also function as a distributor of goods to enhance consumer welfare when tiendita competition flourishes. At present, start-up capital for those wishing to open a tiendita may be beyond the financial capacity of most households, particularly those at the extreme economic margins. Hence, we suggest that governments at all levels foster microenterprise finance options, such as that offered by world-class microfinance institutions (MFIs), either through direct (i.e., capital infusions) or indirect (i.e., regulatory concessions) support mechanisms.

Direct support might come in the form of capital stock infusions into vetted MFIs. Indirect support may be constructed to permit MFIs to operate without the burden of the reporting requirements of the regular banking community in order to lower MFI costs and extend their reach into nontraditional markets. In addition, governments may facilitate microenterprise training, especially in the area of bookkeeping. Together, inadequate finance and insufficient microenterprise training are the leading impediments to long-term business success. Other assistance may come in the form of regulatory concessions to enterprises, such as tax exemptions for firms employing two or fewer employees (in other words, making informal firms formal through registration but not taxation), accomplished through a simple regulatory change that alters the legal status of the firm. Nonetheless, as supermarkets continue their penetration into the contemporary Central American grocery landscape, tienda owners need to be wary of encroachment and smartly select locations on the basis of consumer demand (rather than just home location) and perhaps position their small retail outlets more for convenience and ready product and credit availability.

Further research might emphasize the household impact of microenterprise ownership, study the effect of geographical proximity of enforcement mechanisms on formality, delve into product-sourcing options for tienditas, expand the sector of interest beyond tienditas, and include more study sites within the region.

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