

Authors

Arielle Bernhardt
Evidence for Policy Design

Erica Field
Duke University

Rohini Pande
Yale University

Natalia Rigol
Harvard School of Public Health

Household Matters: Revisiting the Returns to Capital among Female Micro-entrepreneurs*

Arielle Bernhardt (Harvard) Erica Field (Duke) Rohini Pande (Harvard)
Natalia Rigol (Harvard)

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Abstract

Several field experiments find positive returns to grants for male and not female micro-entrepreneurs. But, these analyses largely overlook that male and female micro-entrepreneurs often belong to the same household. Using data from randomized trials in India, Sri Lanka and Ghana, we show that the gender gap in microenterprise performance is not due to a gap in aptitude. Instead, low average returns of female-run enterprises are observed because women's capital is invested into their husbands' enterprises rather than their own. When women are the sole household enterprise operator, capital shocks lead to large increases in profits. Household-level income gains are equivalent regardless of the grant or loan recipient's gender.

*Contact information: abernhardt@harvard.edu; em21@duke.edu; rohini.pande@harvard.edu; nrigol@hsph.harvard.edu. We are grateful to Patrick Agre, Simone Mischke and Swacholani Fajumasi for excellent research assistance, to the staff of VPI for their cooperation and support, Center for Microfinance at IFMR-Lead for hosting this study and to NSF, PRED, and WAPPP at Harvard for financial support. We thank David McKenzie, Ben Roth, Simone Schaner and Chris Woodruff for data assistance and comments.

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