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**Savings Constraints and Microenterprise Development:
Evidence from a Field Experiment in Kenya**

By PASCALINE DUPAS AND JONATHAN ROBINSON

Does limited access to formal savings services impede business growth in poor countries? To shed light on this question, we randomized access to noninterest-bearing bank accounts among two types of self-employed individuals in rural Kenya: market vendors (who are mostly women) and men working as bicycle taxi drivers. Despite large withdrawal fees, a substantial share of market women used the accounts, were able to save more, and increased their productive investment and private expenditures. We see no impact for bicycle-taxi drivers. These results imply significant barriers to savings and investment for market women in our study context. (JEL D14, G21, J16, J23, O12, O14, O16)

Hundreds of millions of people in developing countries earn their living through small-scale business (World Bank 2004; de Soto 1989). Many of these entrepreneurs do not have access to even the most basic of financial services, such as a simple bank account in which they can save money. Given that many entrepreneurs need to save up daily profits for lumpy investments or set aside some money to use for unexpected shocks, is it possible that not having a place to save securely impedes business success?

In this paper, we test this directly by expanding access to bank accounts for a randomly selected sample of small informal business owners in one town of rural Western Kenya. The sample is composed primarily of market vendors (the great majority of whom are women) and bicycle taxi drivers (all of whom are men).

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[‡]Though there is little evidence for entrepreneurs specifically, several studies show extremely low levels of financial access for the broader population in developing countries (Chen et al. 2009; Karshil, Molyneux, and Pauer 2005). With respect to Africa more specifically, Aggarwal, Klapper, and Singer (2011) use the Gallup World Poll to show that only 13 percent of people in sub-Saharan Africa have a bank account.

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