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WHEN IS CAPITAL ENOUGH TO GET FEMALE MICROENTERPRISES GROWING?
EVIDENCE FROM A RANDOMIZED EXPERIMENT IN GHANA

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When is capital enough to get female microenterprises growing? Evidence from a randomized experiment in Ghana

Standard models of investment predict that credit-constrained firms should grow rapidly when given additional capital, and that how this capital is provided should not affect decisions to invest in the business or consume the capital. We randomly gave cash and in kind grants to male- and female-owned microenterprises in urban Ghana. Our findings cast

doubt on the ability of capital alone to stimulate the growth of female microenterprises. First, while the average treatment effects of the in-kind grants are large and positive for both males and females, the gain in profits is almost zero for women with initial profits below the median, suggesting that capital alone is not enough to grow subsistence enterprises owned by women. Second, for women we strongly reject equality of the cash and in-kind grants; only in-kind grants lead to growth in business profits. The results for men also suggest a lower impact of cash, but differences between cash and in-kind grants are less robust. The difference in the effects of cash and in-kind grants is associated more with a lack of self-control than with external pressure. As a result, the manner in which funding is provided affects microenterprise growth.

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