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Minding Small Change among Small Firms in Kenya*

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Abstract

Many micro-enterprises in Kenya have low productivity. We focus on one particular business decision which may indicate low productivity: keeping enough change on hand to break larger bills. This is a surprisingly large problem. Our estimates suggest that the average firm loses approximately 5-8% of total profits because they do not have enough change. We conducted two experiments to shed light on why this happens: surveying firms weekly about lost sales, thereby increasing the salience of change, and explicitly informing firms about lost sales. We find that both interventions significantly altered change management and reduced lost sales. This largely rules out many potential explanations such as the risk of theft or the costs of holding change being too high. One explanation consistent with firms' response to the survey and information on their lost sales is that firms were not perfectly attentive to change management prior to the interventions.

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