Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns

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<th>EnGender Impact: The World Bank’s Gender Impact Evaluation Database</th>
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**Country**
Sri Lanka

**Organizing Theme**
Economic Opportunities and Access to Assets

**Status**
Completed

**Intervention Category**
Cash Transfer

**Sector**
Finance and Private Sector Development

**Abstract**
We report on a field experiment providing random grants to microenterprise owners. The grants generated large profit increases for male owners but not for female owners. We show that the gender gap does not simply mask differences in ability, risk aversion, entrepreneurial attitudes, or differences in reporting behavior, but there is some evidence that the gender gap is larger in female-dominated industries. The data are not consistent with a unitary household model, and imply an inefficiency of resource allocation within households. We show evidence that this inefficiency is reduced in more cooperative households.

**Gender Connection**
Gender Informed Analysis

**Gender Outcomes**
Women's labor force participation, productivity, access to credit

**IE Design**
Randomized Control Trial

**Intervention Period**
The investments were provided once during the time period 2005-2007

**Sample population**
To identify microenterprises, a door-to-door screening survey was conducted in 3 districts in South and Southwest Sri Lanka. The survey went door-to-door and collected information on 3361 households. Through the survey, 408 individuals were identified that were self-employed workers outside of agriculture, transportation, fishing and professional services, between the age of 20-65, and had no paid employees. 203 firms were in retail sector while 205 firms were in manufacturing and services. There were 2 additional follow up surveys in June 2010 (348 of 387 firms), and December 2010 (356 out of 387 firms). The sample was not stratified by gender but the sample size is large enough to separate out the analysis by gender.

**Comparison conditions**
The comparison group also participated in the survey, but did not receive the cash transfer

**Unit of analysis**
Firm level

**Evaluation Period**
Participants were interviewed quarterly for the first 2 years and semi-annually for a third year
This paper investigates the gender differences in positive capital shocks to microenterprises extending De Mel, McKenzie and Woodruff (2008). Treated males work an additional 1.8 hours a week while females work an additional .3 hours. For both treatments, males experience a large positive increase in profits (i.e. 8% per month for smaller treatment) while females do not experience any increase in profit. For the smaller treatment, males invested 138% of the capital shock while females invested approximately nothing. For the larger capital shock, males invested 60% while females invested 85% of the treatment. Women do not divert their capital to household or family consumption. Additionally, entrepreneurial ability do not explain low returns to investment for females. The authors posit that low returns to investment for females may be the result of inefficient intra-household bargaining and spouse transfer. There is some weak evidence that measures of female empowerment are positively correlated with female profits.

Primary study limitations

Gender Action Plan, NSF Grant SES-0523167, and SES-0617424

Funding Source


Reference(s)


Link to Studies Microdata