

## Authors

Pascaline Dupas  
Princeton University

Jonathan Robinson  
University of California, Santa Cruz

*American Economic Journal: Applied Economics* 2013, 5(1): 163-192  
<http://dx.doi.org/10.1257/app.5.1.163>

## 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).

<sup>1</sup>Dupas: Economics Department, Stanford University, 379 Serra Mall, Stanford, CA 94305 (e-mail: [pdupas@stanford.edu](mailto:pdupas@stanford.edu)); Robinson: Economics Department, University of California at Santa Cruz, 457 Engineering II, Santa Cruz, CA 95064 (e-mail: [jrobinso@ucsc.edu](mailto:jrobinso@ucsc.edu)). For helpful discussions and suggestions, we are grateful to Gracis Alencastro, Juan-Maria Roldan, Lutz Fahn, Fred Hens, Sarah Green, Steven Josephides, Brian Kaplan, Ellen Ligon, Guang Minsheng, David McKenzie, John Strauss, Brian Yang, Chris Woodruff, anonymous referees, and participants at numerous seminars and conferences. We thank Jack Adria and Anthony Chan for their dedication and care in supervising the data collection, and Nathaniel Wanjaya for outstanding data entry. We thank Eva Kaplan, Katherine Cross, Sofia Fudloff, and Witta Friedman for excellent field research assistance, and we thank Innovations for Poverty Action for administrative support. We are grateful to Abile Oduro of the U.S. Rep. Development Agency for hosting this project in Kenya, and to Gerald Abale for his help in the early stages of the project. Dupas gratefully acknowledges the support of a Rockefeller Center faculty research grant from Dartmouth College and Robinson gratefully acknowledges the support of an NSF dissertation improvement grant (SES-1012170), a dissertation grant from the Federal Reserve Bank of Boston, and support from the Princeton University Industrial Relations Section. We also gratefully acknowledge the support of the World Bank. All errors are our own.

<sup>2</sup>For comment on this article in the online discussion forum, or to view additional materials, visit the article page at <http://dx.doi.org/10.1257/app.5.1.163>.

<sup>3</sup>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. 2000; Rendell, Molyneux, and Posner 2010). 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.

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

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 bicycletaxi drivers. These results imply significant barriers to savings and investment for

market women in our study context.

January 01, 2013