

Authors Lori Beaman Northwestern University

Jeremy Magruder University of California, Berkeley

Jonathan Robinson University of California, Santa Cruz

Minding Small Change among Small Firms in Kenya*

Lori Beaman,[†] Jeremy Magruder[†] and Jonathan Robinson[†]

Jamary 2014

Abstract

Many micro-enterprines in Kenya have low productivity. We facus on one perticular business deviation which may indicate low productivity: hereing encoded business of the second state of the second state of the second state of the second age from loss a papersinated > 5.8% of total periodic because they do not have encoded bangs. We combacted two experiments to shade light one why this happens: surveying firms would about her asks, We find that both hiervenuisms adjustment and explored bands and about her asks. We find that both hiervenuisms adjustment and and explored bands and and reduced lost asks. This largely relies out many planetarial explanation considered with risk of wheth or the cost of bolding charge boing how high. One explanation construct with firms' response to the survey and information on their lost asks in that firms were not pedictly attentive to descent prior the statement prior to the intervention.

Keywords: attention and decision making, small firms, Kenya

"We thank Conner Branners, Elliett Collins and Sarah Brönkvin for excellent research assistance, and Innova tions for Poverty Action. Europe for administrative repport. We thank Rich Akreak, Gali Backey, Jones Cusha, Pascalue Daya, Pied Finas, Sevena Jayachandran, Dons Karlan, Cynthis Kilanas, these anergumous referens and seminar andiences at CEGA, the IREAD parie affiliate pre-conference, the University of Hauston-Rice Enpiced Micro Workshop, NYU, the University of Köhn, Oragon State University and EAA for helpful comments. We generally administrated particular to one the University of Coldonnis, Santa Cusa. Al revers are our

n. ¹Northwestern University. Emnik Ubeaman/inorthwestern.edu ¹University of California, Beckeley. Emnik janaprotectitoriseleyse. ¹University of California, Santa Cross. Emnik jarrtweitingsc.edu

Minding Small Change Among Small Firms in Kenya

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.

January 01, 2014