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Microenterprise Growth and the Flypaper Effect:

Evidence from a Randomized Experiment in Ghana*

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Abstract

Standard models of investment predict that could constrained from should grow rapidly when given additional capital, and that how this capital is provided should not affect decisions to invest in the business or commute the capital. We randomly gove cash and in-kind grants to make and formis-corned microcriterprices in urban Gham. For women running relations: conterprises we find so gain is predict from either treatment. For women with larger business we strongly spirt-equality of the cash and in kind grants; only in kind grants came growth in profile, suggesting a flypaper effect wherely capital coming directly into the business stells: then, but each does not. The results for men also suggest a lower impact of each, but differences between cash and in kind grants are less robust. There is suggestive evidence that the difference is the effects of each and in kind grants in associated more with lack of self-control than with external process. JEI: Color: OI2, OH8, OI3 Key works. Microsoft.coming: Ghama; Conditionality: Asset Integration

¹⁶We are gratchil to the offlior, three aronymous referee, Markus Mohins and confirmes and seminar participants at numerous wavelense for useful comments. The ordiner theorem theory confirmed and more interacting work as project continuous, and humorinians for Powerly Action for their sequent on the ground. Financial support from the World Bank's Conder Action Plan and Boreach Brulgetis gratefully acknowledged. ¹¹Bank's Ordier Action Plan and Boreach Brulgetis gratefully acknowledged. ¹¹Bank's Ordier Action Plan and Boreach Brulgetis gratefully acknowledged. ¹¹Bank's Ordier Bank's Conder Action Plan and Boreach Brulgetis gratefully acknowledged. ¹¹Bank's Ordier Bank's Conder Bank's Conder State and the sequences and a set as the ¹²Bankweight of Ordier Bank's issue, quantefully not not as a cit. ¹²Bankweight of Ordier Bank's Bank's Emoil at comment on set as a cit. ¹³Bank's Ordier Bank's Emoil at a sector of Stateweight on the sector of Stateweight of Warwick. Emoil at a sector of Stateweight of the sector of Stateweight of Warwick. Emoil at a sector of Stateweight of the sector of Stateweight of the sector of Stateweight of the sector of Stateweight of Warwick. Emoil at a sector of Stateweight of the sector of Stateweight of Warwick. Emoil at a sector of Stateweight of the sector of Stateweight of Warwick. Emoil at a sector of Stateweight of the sector of Stateweight of Warwick. Bank at a sector of Stateweight of Stateweight of Warwick. Bank at a sector of Stateweight of Stateweight of Warwick. Bank at a sector of Stateweight of Stateweightof Stateweight of Stateweightof Stateweight of Stateweight

Microenterprise Growth and the Flypaper Effect: 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 a§ect 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. For women running



subsistence enterprises we find no gain in profits from either treatment. For women with larger businesses we strongly reject equality of the cash and in-kind grants; only in-kind grants cause growth in profits, suggesting a flypaper e§ect whereby capital coming directly into the business sticks there, but cash does not. The results for men also suggest a lower impact of cash, but di§erences between cash and in-kind grants are less robust. There is suggestive evidence that the di§erence in the e§ects of cash and in-kind grants is associated more with lack of self-control than with external pressure.

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