



Business is tough, but family is worse: The role of family constraints on microenterprise development in Uganda

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June 2015

Microenterprises in developing countries

- Vital in countries where there is limited formal employment
 - Provide household economic security for business owners
 - Informal employment
- Cash is useful to start businesses and increase economic returns (Blattman, Fiala and Martinez 2013, Bandiera et al 2012)
- But existing firms don't grow (Berner et al. 2012, Fajnzylber et al. 2006, Fajnzylber et al. 2009 and Mead 1994)
 - Capital appears to be a major constraint
 - However, female owned enterprises don't expand when given capital

Design

- Randomize existing businesses into five arms
 - Cash grants
 - Loans
 - Grants with training
 - Loans with training
 - Control group
- Test for effects of
 - Capital
 - Conditions to capital
 - Skills
 - *HH bargaining - game*
 - *Family pressure - location*

Three main results

- Previous results hold
 - Men in the loan-with-training program show large impacts on total business profits
 - No effect for men from the grants, or for women from any of the programs
- Lack of effect for women is not due to investment in spouse's business
- Spousal “trust” of money matters
 - Married men who don't hide money perform well, those who do hide money show no effects from the programs
 - Women who don't trust their husbands with money obtain business growth, those who do trust their spouses perform poorly
 - HH inefficiency affects business outcomes, but is reduced, for both men and women, when women have more control over money

Family and economic outcomes

- Large, growing literature on the role of family constraints on household money decisions (Townsend, 1994; Kocherlakota, 1996; Jakiela and Ozier, 2013; Grimm et al., 2013)
 - When household and family needs are given preference over business investment, leads to suboptimal investment
 - Extended family can also put pressure on cash in some societies
- HH bargaining (Mani, 2010; Iversen et al., 2006; Kebede et al., 2011, Zou 2015)
 - Unitary model of HH does not explain well actual HH interactions
 - Poor HH interactions lead to inefficiencies

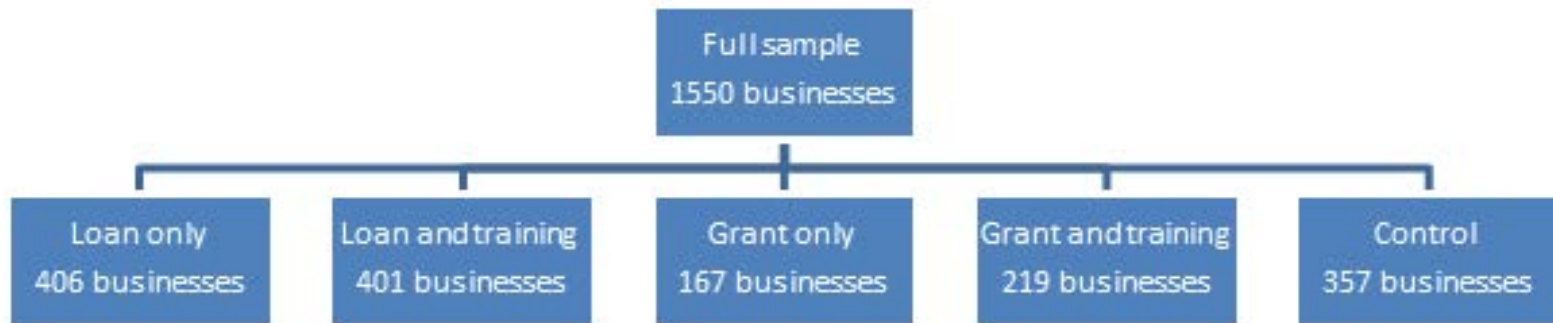
Evidence for training and capital

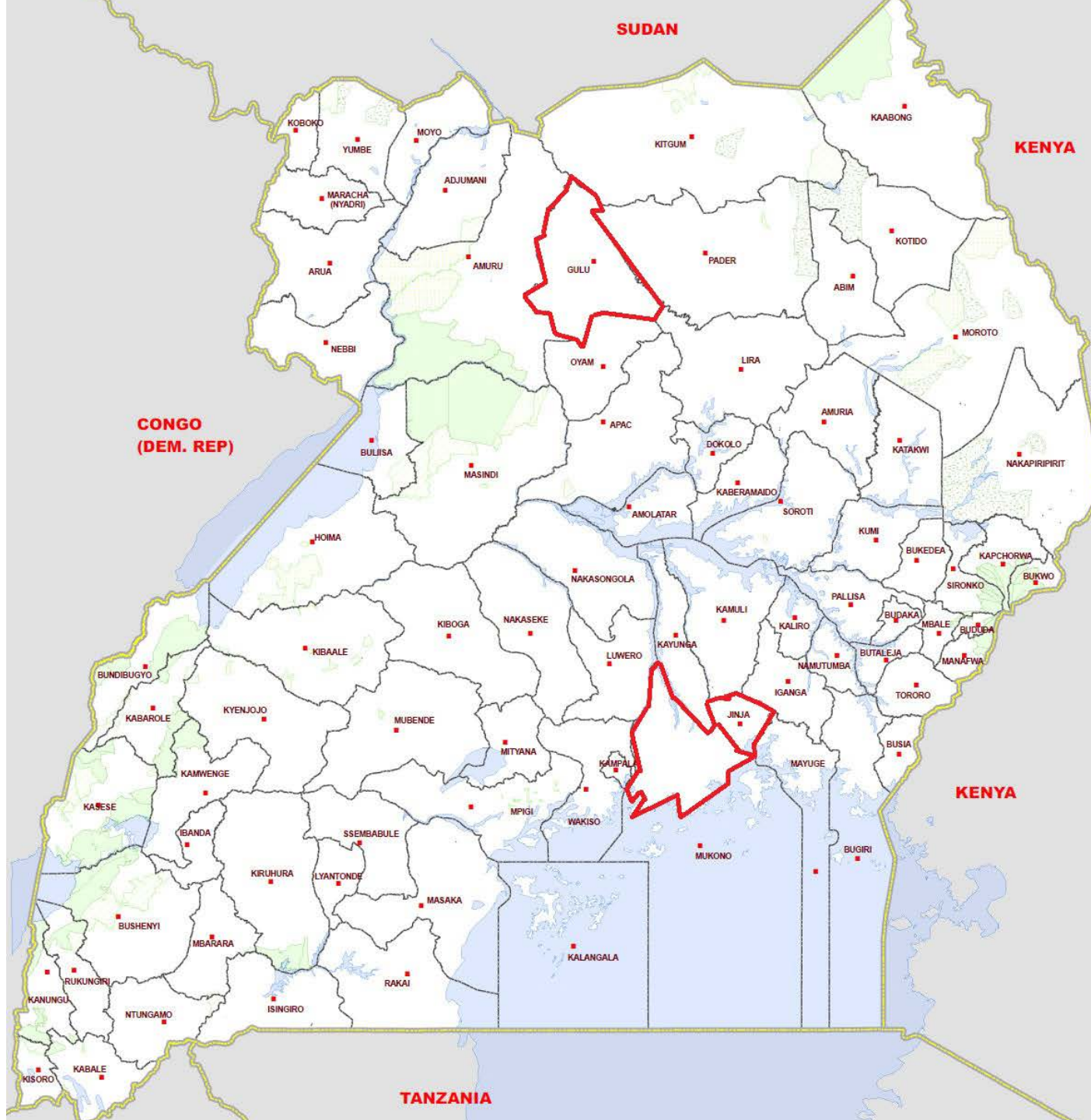
- Microfinance
 - Useful at managing risk and shocks (Collins et al 2009, Karlan & Zinman 2009)
 - No impacts on business returns (Banerjee, et al. 2013, Fischer 2012, Augsburg, et al. 2012, Gine and Karlan 2011)
- Cash
 - Large consumption effects (Haushofer and Shapiro 2013)
 - High rates of return for men to microenterprise grants (de Mel et al. 2008, McKenzie & Woodruff 2008)
- Business skills training
 - Experiments find positive effects of trainings only on knowledge and attitudes, no effect on profits and sales

The interventions

- Loan of \$180 to \$220
 - Delivered by local microfinance organization
 - Reduced annual interested rate of 20%
 - Lower collateral requirement when needed
- Grant of \$200
 - Delivered by ILO through free bank accounts
 - Unconditional
- Start Your Business (SYB) training
 - Delivered by the ILO
 - 40+ countries worldwide

Experimental design





Timeline

March 2012	Listing of businesses in sample districts
May 2012	Second baseline survey to ensure interest
June 2012	Selection of participants
August to Oct 2012	Interventions
March to May 2013	First follow-up survey
July to August 2013	Second follow-up survey
July to September 2014	Third follow-up survey

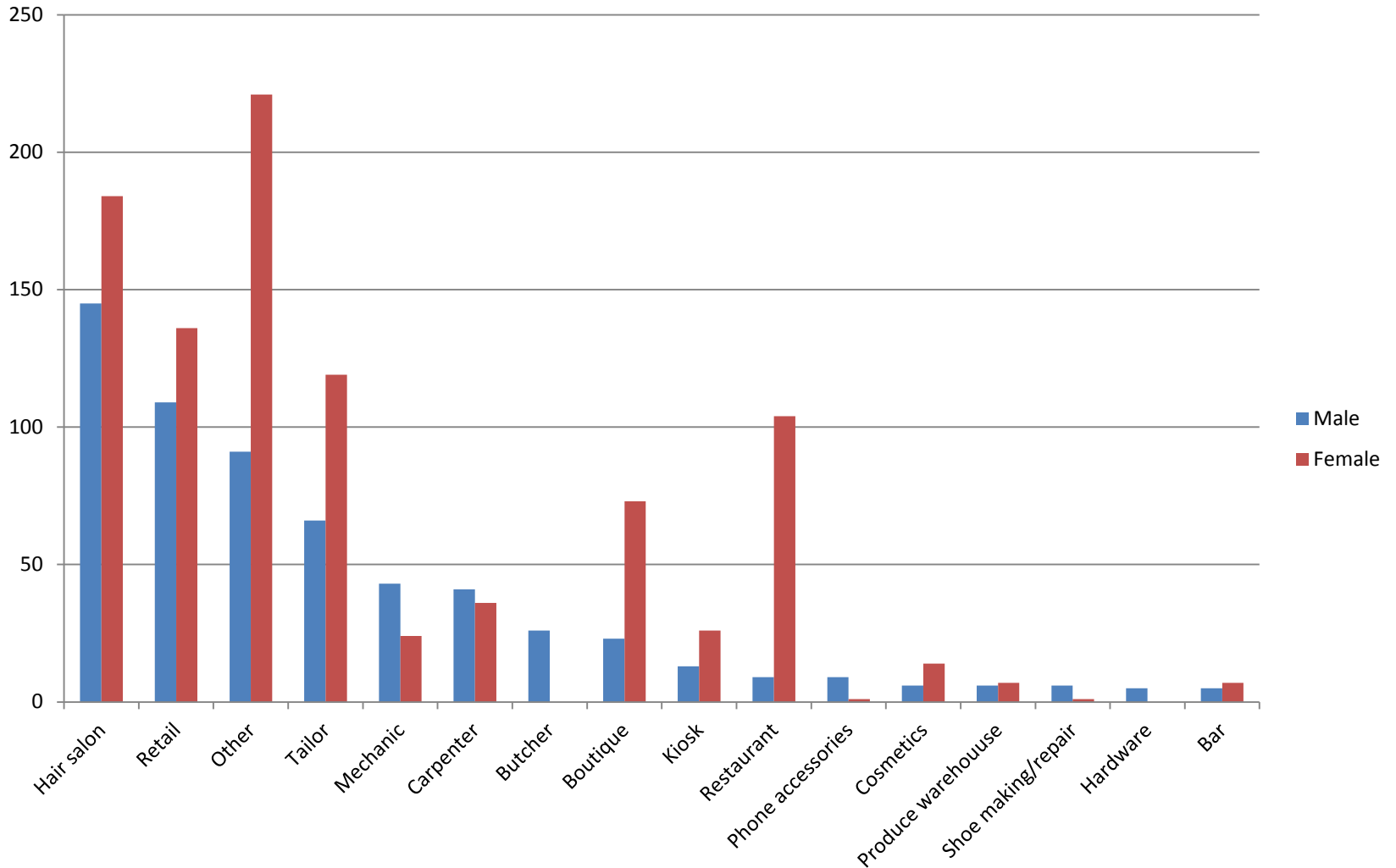
Data and attrition

- Baseline surveys
 - Interviewed 3,216 businesses in central and 1,421 businesses in north
 - Selected based on interest in loans and training
- Program take-up
 - Only whether received training was predictive for grant and loan
 - Non-compliance in all treatments
- Follow-up surveys
 - Tracked 1550 business owners
 - 86% found in final follow-up
 - No significant attrition selection
 - 96% of respondents let us talk to their spouse

Behavioral game

- Done at end of survey, when given permission to talk to spouse
- Inspired by Mani (2010)
 - Participants in India were willing to accept a low return option so as to have greater personal control of money over their spouse
 - Here: offered 2,000 USH (\$0.80) they can “invest”
 - Money is either doubled to 4,000 USH, paid immediately
 - Or tripled to 6,000 USH, but paid to spouse
- Idea: determine how much the individual trusts their spouses with money
 - May be capturing own desire to use money (I am not trustworthy and s/he won't let me use it as I want) or lack of trust in spouse (s/he won't be responsible with it, I will be)
 - 67% chose to hide the money from their spouses

Businesses in the sample



Baseline summary statistics and tests of balance

Baseline Characteristic	Male sample			Female Sample			Means by Treatment Group: Full Sample		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	Control	Treatment	p-value
Female	604	0.00	0.00	942	1.00	0.00	0.630	0.595	0.25
Age 18-23	604	0.18	0.39	942	0.08	0.27	0.140	0.117	0.25
Age 24-29	604	0.37	0.48	942	0.32	0.47	0.350	0.366	0.58
Age 30-35	604	0.26	0.44	942	0.32	0.47	0.310	0.305	0.87
Age 36-41	604	0.10	0.30	942	0.16	0.37	0.150	0.127	0.26
Age 41-50	604	0.09	0.28	942	0.12	0.33	0.060	0.095	0.06
Married	604	0.65	0.48	942	0.72	0.45	0.650	0.638	0.68
Previous training	604	0.26	0.44	942	0.25	0.43	0.260	0.254	0.83
Literate	604	0.87	0.33	942	0.70	0.46	0.810	0.807	0.90
Number of employees	604	0.90	1.51	942	0.52	1.20	0.340	0.369	0.51
Last month's profit (1000 US\$)	604	388	1032	942	260	533	342	320	0.64
Average month's profit (1000 US\$)	583	544	2392	907	297	470	600	450	0.12
Stock value (1000 US\$)	568	3663	10811	879	1520	3172	3337	2859	0.30
Ability Index	604	0.29	0.88	942	-0.17	1.02	-0.005	0.009	0.82
Asset index	604	0.29	1.80	942	-0.16	1.45	-0.150	-0.061	0.37
Had a loan previously	599	0.38	0.49	934	0.53	0.50	0.440	0.478	0.21

Main impacts

	(1)	(2)	(3)	(4)	(5)	(6)
	Main	Total	Spouse total	Spouse report	HH total	HH assets
Loan	63.3 (109.11)	46.1 (191.50)	2.12 (53.10)	257.9 (901.49)	-2.77 (235.12)	0.42* (0.25)
Loan and Training	102.6 (112.24)	325.0* (196.81)	8.51 (53.84)	-128.3 (957.72)	375.9* (238.49)	0.098 (0.26)
Grant	-135.3 (141.80)	-296.5 (247.33)	-19.8 (67.84)	-589.0 (1222.47)	-338.1 (301.02)	0.068 (0.33)
Grant and Training	68.8 (128.24)	101.7 (224.96)	-0.51 (61.50)	-463.7 (1085.69)	118.6 (272.31)	0.017 (0.30)
Female x loan	-141.5 (135.88)	-126.8 (237.39)	-35.8 (65.52)	-50.4 (1249.37)	-133.8 (289.17)	-0.55* (0.31)
Female x loan with training	-179.3 (139.35)	-417.9* (243.40)	1.20 (66.24)	2231.3* (1325.69)	-463.4* (292.35)	-0.10 (0.32)
Female x grant	48.5 (173.59)	285.5 (301.60)	17.5 (82.49)	17.6 (1591.34)	357.5 (364.66)	0.0011 (0.40)
Female x grant with training	-157.1 (160.56)	-129.6 (280.45)	14.0 (76.78)	-14.0 (1599.12)	-132.3 (339.39)	-0.49 (0.37)
Female	-49.7 (102.42)	-93.2 (179.72)	70.9 (49.39)	315.9 (941.09)	-37.1 (218.82)	-0.12 (0.24)
Control Mean	372.1	439.4	61.6	220.0	508.2	0.062
N	1186	1175	1009	552	1001	1174

Impacts by trust in spouse

	Own	Spouse		Own	Spouse
Loan	-308.2 (239.82)	30.8 (102.29)	Loan x trust	744.4* (391.47)	-77.6 (166.60)
Loan and Training	-283.2 (248.29)	22.5 (102.69)	Loan with training x trust	501.0 (410.29)	-46.5 (173.83)
Grant	-607.1* (338.28)	-10.8 (150.74)	Grant x trust	695.0 (497.60)	-44.8 (213.60)
Grant and Training	-294.9 (288.11)	-9.94 (121.82)	Grant with training x trust	601.3 (441.21)	-6.22 (185.70)
Female x loan	262.2 (305.53)	-155.0 (131.22)	Female x loan x trust	-864.7 (569.93)	401.9* (241.41)
Female x loan with training	249.0 (316.61)	-138.2 (131.26)	Female x loan with training x trust	-929.2 (588.70)	643.1** (250.40)
Female x grant	736.2* (399.97)	-79.6 (176.10)	Female x grant x trust	-773.3 (727.24)	400.3 (305.73)
Female x grant with training	986.9** (394.59)	-122.4 (172.31)	Female x grant with training x trust	-2042.3*** (676.95)	80.5 (290.81)

Summary

- Loans-with-training have a very large effect for men
 - This stays over time and may even grow
- Results are consistent with a commitment and skills problem
 - Commitment is to repay
- None of the interventions helped the general female-owned enterprise
- Why do I find results for microfinance? Why is this so different to what has been found in the literature on microfinance?
 - Men!

Summary – HH bargaining

- Quality of household interaction matters substantially for business outcomes
 - Married men who have a good interaction with their wives perform much better than those who don't have a good interaction
 - Opposite for women
- Why?
 - Positive effects from the programs come through when women are empowered
 - When unencumbered, it appears that women have a positive role to play in business investment decisions
 - Future work is needed