



One-Time Transfers of Cash or Capital Have Long-Lasting Effects on Microenterprises in Sri Lanka

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Country	Sri Lanka
Organizing Theme	Economic Opportunities and Access to Assets, voice and agency
Status	Completed
Intervention Category	Cash Transfer
Sector	Finance and Private Sector Development
Abstract	<p>Standard economic theory suggests that one-time business grants can have at most temporary effects, and accordingly, policies to increase incomes of the self-employed in developing countries typically rely on sustained engagement. In contrast, we found long-lasting impacts from one-time grants given in a randomized experiment to subsistence firms. Five years after we gave \$100 or \$200 to 115 of 197 male and 100 of 190 female Sri Lankan microenterprise owners, we found 10-percentage-point-higher enterprise survival rates, and \$8-to-\$12-per-month-higher profits for male-owned businesses that received the grants. Female-owned businesses showed no long-term (or short-term) impacts. Our follow-up investigation interviewed 94% of the original sample and collected survivorship data from the remaining 6%, demonstrating that tracking long-term outcomes is both feasible and worthwhile. The results suggest that one-off grants may have lasting impacts on some types of subsistence firms, challenging the view that sustained engagement is always required.</p>
Gender Connection	Gender Informed Analysis
Gender Outcomes	Productivity, intrahousehold decision making
IE Design	Randomized Control Trial
Intervention	<p>Firms from the survey were randomly selected to receive an influx of capital. There were four possible grants, one of approximately \$100 equipment, \$200 equipment, \$100 cash or \$200 in cash. The \$100 treatment is equivalent to approximately 3 months profit or 55% of the median invested capital. Cash treatments were given without restriction. For the in-kind treatments, research assistants accompanied the owner to the market to purchase business items. Enterprises could supplement the in-kind funds with their own money.</p>
Intervention Period	2005-2007
Sample population	<p>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</p>



	up surveys in June 2010 (348 of 387 firms), and December 2010 (356 out of 387 firms).
Comparison conditions	The comparison group also participated in the survey, but did not receive the cash transfer
Unit of analysis	Firm level
Evaluation Period	2005-2010; the study followed up 5 years after the grants were provided
Results	This paper extends the results of DeMel, McKenzie and Woodruff (2008). The firms were re-surveyed in June and December 2010, 4.5-5.5 years after the grants were given. Two main patterns emerged from this follow up study. 1) The male treated group always had higher profits than the control group, and the gap did not shrink over time. 2) Females in the control have similar profits to females in the treatment group. For females, much of the treatment gets diverted from the business to the household. Also, women are more likely to work in industries with low economies of scale.
Primary study limitations	
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Reference(s)	De Mel, S., McKenzie, D., & Woodruff, C. (2012). One-time transfers of cash or capital have long-lasting effects on microenterprises in Sri Lanka. <i>Science</i> , 335(6071), 962-966.
Link to Studies	http://www.sciencemag.org/content/335/6071/962.short
Microdata	