Credit, Capital, and Firm Growth[1]

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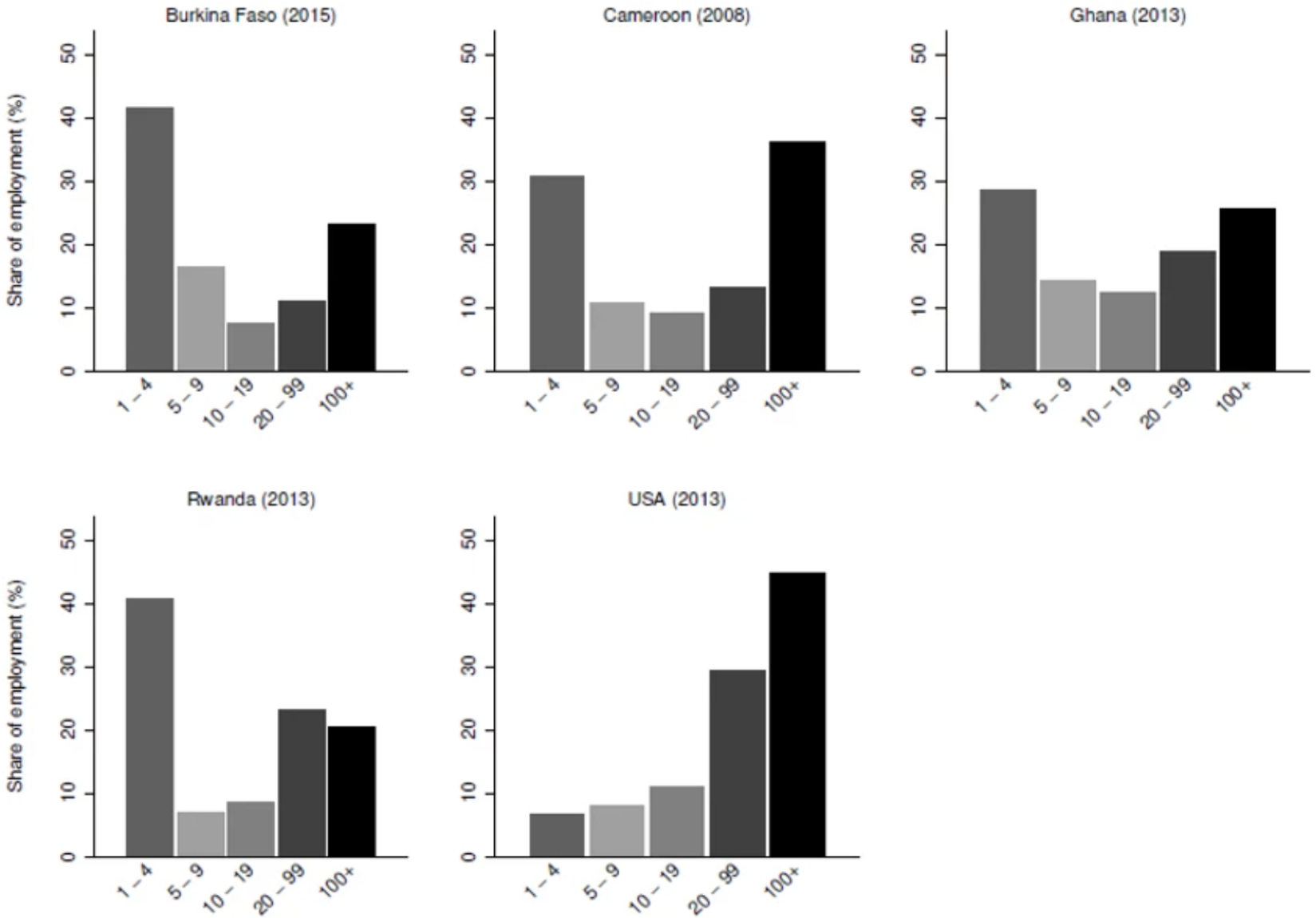
January 2025

[1]Material from this lecture is drawn from Jeremy Magruder's UC Berkeley Microeconomics of Development course, from Emily Breza and Supreet Kaur's AEA Continuing Education Development Economics course, and from the Microfinance VoxDevLit.

Outline

Stylized fact: few large firms



Source

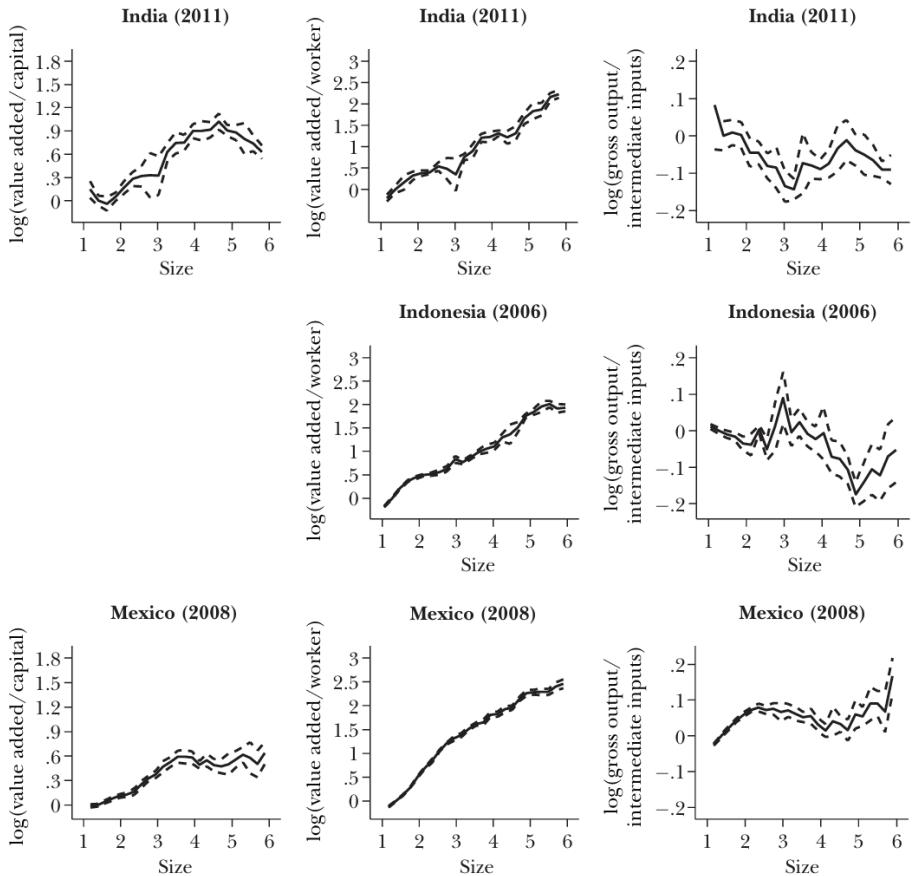
Stylized fact: few large firms

Firm Size (Employment)	*India 2011*	*Indonesia 2006*	*Mexico 2008*
Panel A: Distribution of Firm Size			
1–9	97.88	96.78	91.74
10–49	1.85	2.83	5.85
50+	0.28	0.39	2.41
Panel B: Distribution of Employment Share by Firm Size			
1–9	64.77	53.95	22.45
10–49	12.10	12.04	10.55
50+	23.13	34.01	66.99

Source: Hsieh & Olken 2014

Problem? Firm size and productivity

Figure 3
Average Product and Firm Size
(size measured as log(employment))



Source: Hsieh & Olken 2014

Note: Some disagreements in empirical literature

Financing firm growth

- How can firms grow (produce more?)
- A very simple stylized model

$$Q = \varepsilon F(L; K; A)$$

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$$\begin{aligned} \pi_t &= P\varepsilon F(L_t; K_t; A_t) - wL_t - rK_t - I_t \\ \text{s.t. } I_t &= P_K(K_t - K_{t-1}) + P_L(L_t - L_{t-1}) + P_A(A_t - A_{t-1}) \\ \text{and } I_t &\leq \pi_{t-1} + rB \end{aligned}$$

- How to finance investment I?

Financing firm growth

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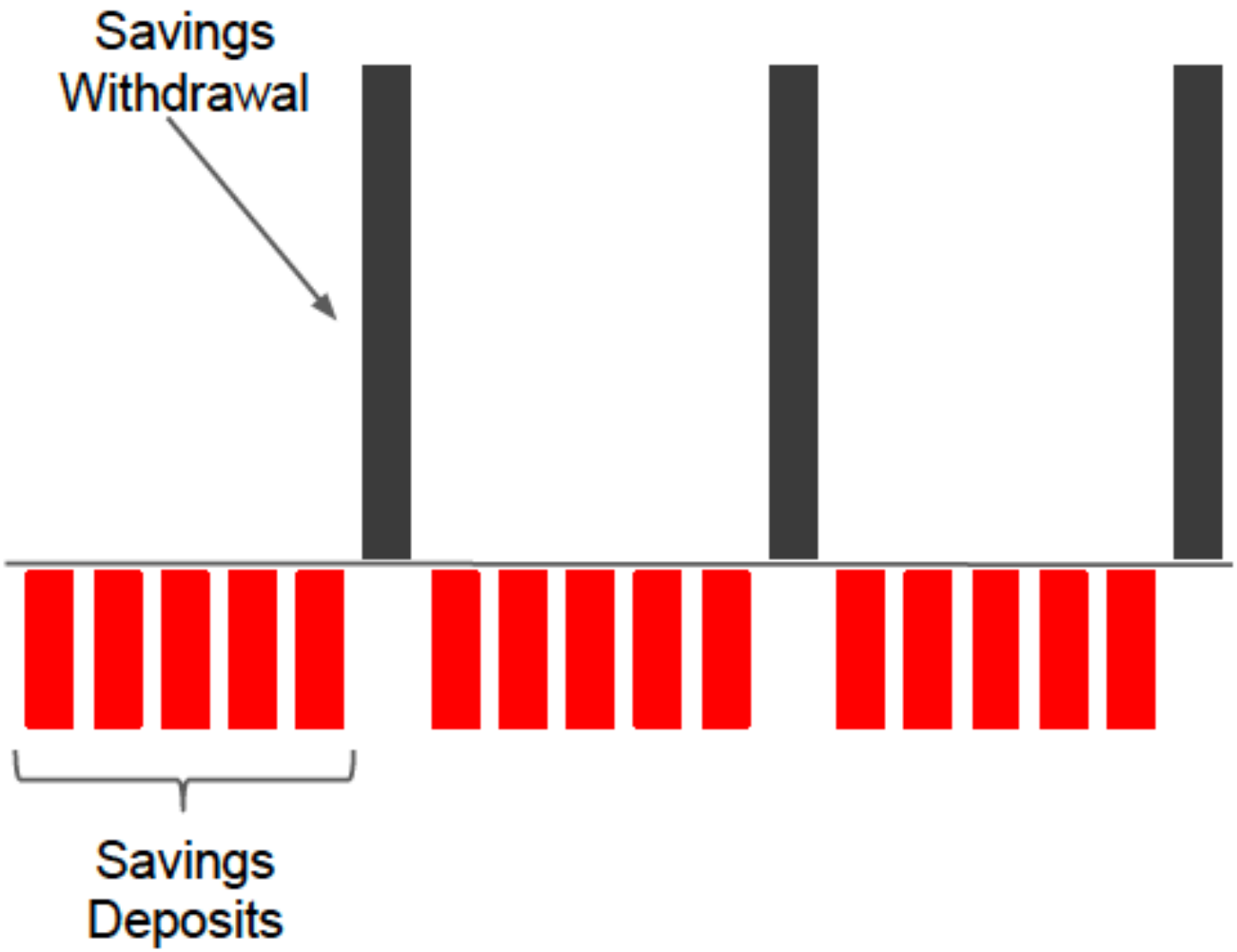
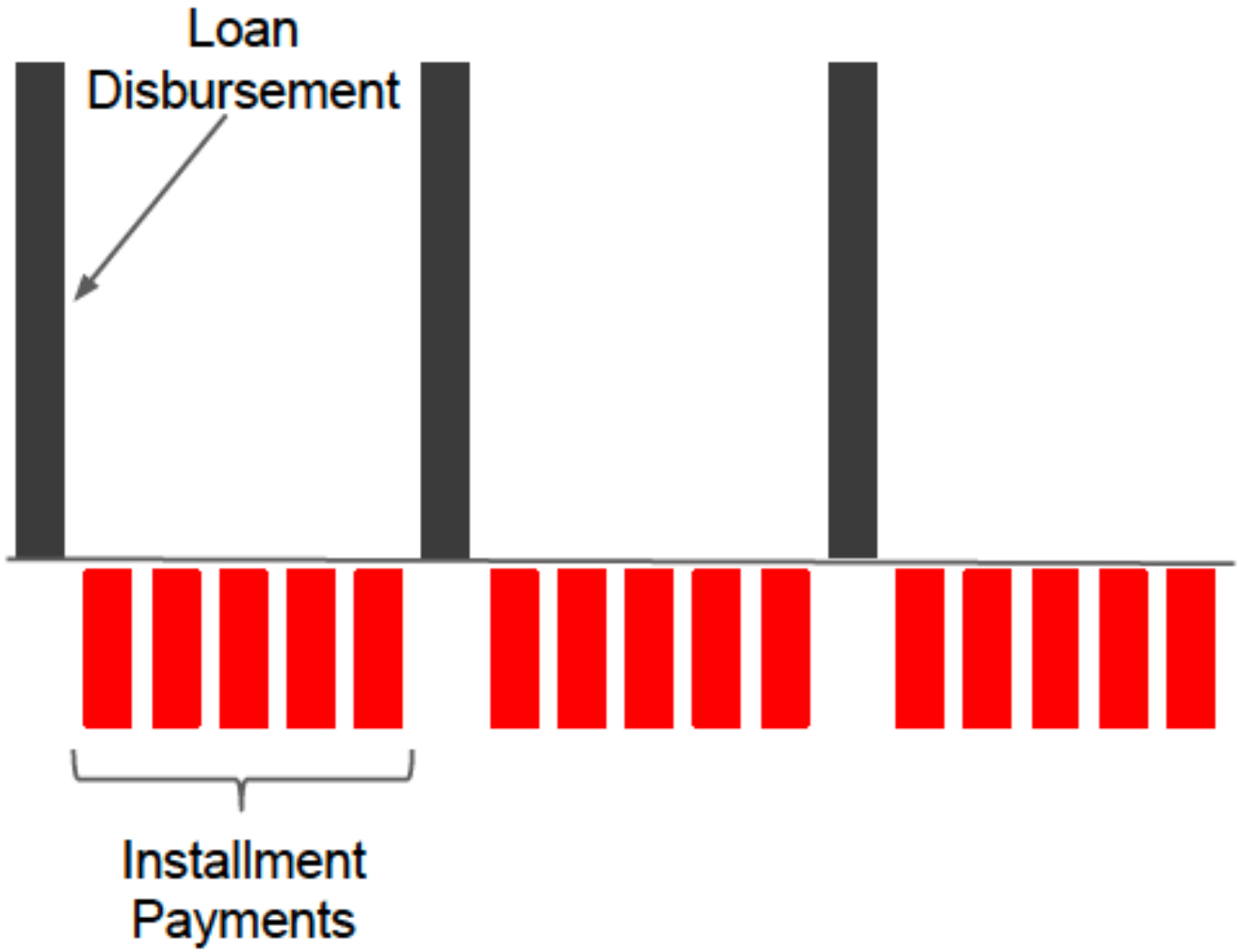
- How to finance investment I?
- Either *save and reinvest* or *borrow*
- What are the tradeoffs?

Possible to accumulate resources through savings cycles



Credit changes timing of payouts



But once cycle starts, savings and credit look the same - assuming no constraints to saving or borrowing

Saving vs. borrowing for household producers

In models with complete markets and no frictions, typically think of households as being either savers or borrowers, not both

- Consumption smoothing
  - Borrow when $u'(c)$ high, save when $u'(c)$ low
  - Never want to both save and borrow in a given period
- Profitable investments for household-producers
  - Have great investment opportunity: borrow to invest
  - Don't have an opportunity: save rather than invest
- Note that the two goals could be in conflict (as we have seen)
- What does credit/borrowing allow?
  - Consumption: overcome need for savings buffer, especially if there are savings constraints or shocks
  - Production: allow optimal investment right away rather than waiting to accumulate savings

Outline

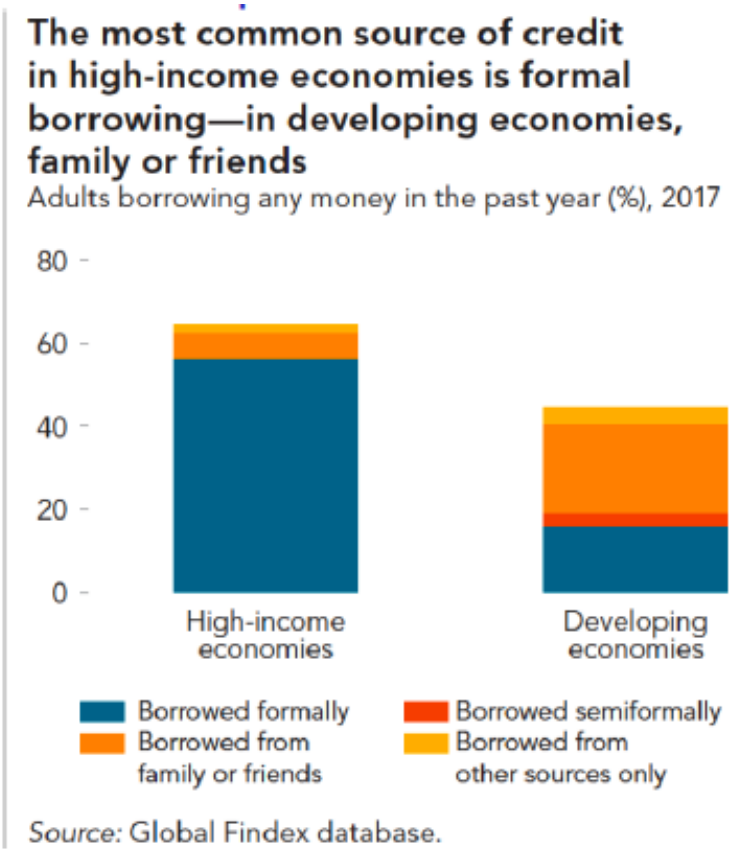
Information barriers and market failures

- Classic information asymmetries plague credit markets
  - Adverse selection (hidden type)
  - Moral hazard (hidden action): e.g., effort under-provision, strategic default
- Typical solutions
  - Screening: due diligence, review financial statements, look up credit history
  - Monitoring: pay to monitor effort
  - Enforcement: claim collateral, garnish income
- Problem: all solutions are traditionally harder for formal banking sector in developing country contexts
- Result: many poor populations don't live in places with perfect financial markets
  - Limited access, social taxation, social norms

Selected studies on these constraints

- Karlan & Ziman (2008 AER): strong evidence of moral hazard in borrowing
- Blouin & Macchiavello (2019 QJE): 50% of coffee mill defaults are strategic (break contract when world price $>$ contract price)
- Rao (2022 WP): court inefficiencies in India suppress lending
- Ponticelli & Alancar (2016 QJE): bankruptcy reforms in Brazil increase supply of collateralized loans

Implications for credit supply



- Formal (+ others): financial institution/credit card
- Semiformal (+ others but not formal): e.g., savings club
- Other only: e.g., moneylenders

Non-personal loan sources in developing countries

- Banks: wealthier clients, larger loans, lower interest
  - Costs of monitoring and enforcement too high/uncertain with small/poor clients
- Saving and lending groups
  - Clearly prescribed rules and limitations on when can access loan, often limited amounts
- Moneylenders
  - Typically no collateral, very high interest, high monitoring
- Microfinance: a formal product reaching the unbanked
  - Typically small loans, collateral-free, basic screening, historically in a group structure, dynamic incentives
- Digital credit: leverage access to mobile money accounts and information about users
  - Adverse selection: operators observe call data and financial transactions to inform credit decisions
  - Moral hazard: can block account after default
  - Mainly small, short loans

Selected studies on impacts of credit access

- Formal banking
  - Branch expansion $\Downarrow$ poverty (Burgess & Pande 2005), improved health (Cramer 2023)
- Microcredit
  - No significant average effects of early microcredit interventions on business or household outcomes (Meager 2019), but heterogeneity
  - Helps smooth consumption and finance large lumpy purchases (Fink et al 2020, Burke et al 2019)
  - Aggregate welfare gains from access to microcredit are large (Loeser 2022, Kaboski & Townsend 2012)
  - Welfare losses from credit disruption (Breza & Kinnan 2021)
- Digital credit
  - Supports consumption smoothing (Bharadwaj et al 2019), but can accumulate high fees (Brailovskaya et al 2021)
  - Increases investment but limited downstream effects for farmers (Karlan et al 2024)

Question: Would small firms benefit from receiving more credit or investment?

- Possibility for large returns if firms are small because of constraints to growth
- But possibility they are small because not productive
- Motivates research: what are the returns to capital/investment for small enterprises?
  - Goes beyond just credit 'access'
- Associated question: whose returns should we measure?
  - All small firms at time t?
  - All small firms who demand credit at time t?
  - All new (potential) small firms at time t?
  - All long-tenured small firms at time t?
- Different likely returns for each population $\Rightarrow$ affects interpretation of studies on different groups

Credit/capital and firm growth

- Broad policy interest in potential for credit to promote business growth
  - Particular interest in helping firms hire more workers
- Major motivation of microfinance movement
- Evidence that some firms have high returns to credit/capital: existence of moneylenders, effects of credit among those that apply and receive
- Question: are returns high among broader populations of firms?
- Today: two papers studying this in Indonesia and Nigeria
  - Look at grants rather than loans, so "best-case" scenario for returns
- Look at two different populations of businesses:
  1. All existing (very) small firms
  2. A selection of young and 'potential' firms with potentially high returns

Outline

De Mel, McKenzie, & Woodruff (2008 QJE) sample

- Sample selection:
  1. Self-employed workers in Sri Lanka
  2. No paid employees $\Rightarrow$ micro-enterprises; more or less hiring/growth potential?
  3. Did not work in agriculture, fishing, or professional services
  4. Under \$1000 in assets other than land or buildings; more or less hiring/growth potential?
- Baseline survey in April 2005; 8 additional quarterly waves through April 2007

DMW sample: undynamic micro-enterprises

TABLE I

DESCRIPTIVE STATISTICS AND VERIFICATION OF RANDOMIZA

Baseline characteristic	Total number of observations in R1	Full sample	
		Mean	SD
Profits March 2005	391	3,851	3,289
Revenues March 2005	408	12,193	14,933
Total invested capital March 2005	408	146,441	224,512
Total invested capital excluding land and buildings March 2005	408	26,530	25,259
Own hours worked March 2005	408	52.6	22.3
Hours worked, unpaid family, March 2005	405	18.1	28.8
Age of entrepreneur	408	41.8	11.4
Age of firm in years	403	10.3	10.5
Proportion female	387	0.491	0.5
Years of schooling of entrepreneur	408	9.0	3.1
Proportion whose father was an entrepreneur	408	0.385	0.49
Proportion of firms that are registered	408	0.235	0.45
Number of household members working in wage jobs	408	0.7	0.83
Household asset index	408	0.276	1.610
Number of digits recalled in Digit Span Recall Test	370	5.9	1.23
Implied coefficient of relative risk aversion from lottery game	403	0.143	1.57

DMW experiment

- 408 firms: 205 manufacturing, 203 retail
- Experiment: random allocation of firms to receive $100 or $200 in cash or in kind (business equipment/inventory)
  - 124 firms treated after wave 1
  - Additional 104 firms after wave 2
  - Business chooses how in-kind grant used as long as a business purpose
  - No restrictions on how cash used (including non-business purpose)
- Outcomes: firm profits, assets, and investments

McKenzie (2017 AER) sample

- Nigerian "firms"
  1. Young (< 40) citizens with internet access
  2. Filed a plan to create or expand a business that would employ Nigerians (YouWIN! competition)
  3. Primarily potential firms which do not yet exist
- Top 6000 (out of 24000) applicants invited to business training course
  - Refined business proposal, final ranking
- Data collection at baseline and 1, 2, and 3 years after application

M2017 sample: dynamic potential firm founders

TABLE 1—BASELINE CHARACTERISTICS AND BALANCE OF EXPERIMENTAL SAMPLE

	Existing firms			New firms		
	Non-experimental winners	Treatment group	Control group	Non-experimental winners	Treatment group	Control group
Applicant characteristics						
Female	0.17	0.18	0.17	0.19	0.17	0.18
Age	32.5	32.0	31.8	30.1	29.3	29.6
Married	0.60	0.50	0.56	0.42	0.34	0.36
High school or lower	0.10	0.13	0.12	0.06	0.11	0.10
University education	0.71	0.63	0.67	0.79	0.69	0.71
Postgraduate education	0.12	0.08	0.12	0.13	0.05	0.06
Lived abroad	0.14	0.10	0.11	0.18	0.06	0.09
Choose risky option	0.59	0.56	0.52	0.63	0.57	0.55
Have internet access at home	0.68	0.57	0.61	0.60	0.47	0.48
Own a computer	0.94	0.87	0.88	0.92	0.84	0.86
Satellite dish at home	0.74	0.67	0.71	0.64	0.68	0.64
Freezer at home	0.64	0.57	0.61	0.63	0.51	0.55

M2017 experiment

- Business plans sorted into top echelon (received grant); (small) bottom echelon (ineligible); (large) middle echelon (randomized into grant receipt)
  - Marking focused on market, management skills, business experience, risks and financing needs, and job creation and cash flow prospects
- Stratification on gender, region, existing business ownership
- Around 2/3 new firms, 1/3 existing
- Grants up to **$64000** paid out in 4 tranche payments
  - Conditionalities on employment and sales for tranche 3 and 4
  - Average total payment around $50,000 (conditions designed to be achievable)
- Outcomes: survival, hours, profits, employment

Profit measurement

- Big issue in firm studies: profits are hard to measure
- DeMel, McKenzie, Woodruff (JDE, 2009): ask directly
  - "What was the total income the business earned during XXX after paying all expenses including the wages of employees, but not including any income you paid yourself. That is, what were the profits of your business in XXX?"
- Find that self-reported profits track externally-measured profits more closely than profits based on estimates of revenues and expenses
- Profit data are very noisy: how to treat outliers?
  - DMW: omit top, bottom 0.5% of outliers
  - M: omit top, bottom 1%
- Difficult to reconcile measurement error with important and large fluctuations
  - 0 (or negative) profits may be a mistake
  - But if real, that impacts estimates of returns to capital

Outline

Empirical specifications

DMW (2008)

$$Y_{it} = \alpha + \sum_{g=1}^{4} \beta_g Treatment_{git} + \sum_{t=2}^{9} \delta_t + \lambda_i + \epsilon_{it}$$

$$Y_{it} = \alpha + \beta LKR_{it} + \sum_{t=2}^{9} \delta_t + \lambda_i + \epsilon_{it}$$

M (2017)

$$Y_i = \alpha + \beta Treatment_i + \gamma Region_i \times Gender_i + \epsilon_i$$

DMW impacts

TABLE II

EFFECT OF TREATMENTS ON OUTCOMES

Impact of treatment amount on:	Capital stock (1)	Log capital stock (2)	Real profits (3)	Log real profits (4)	Owner hours worked (5)
10,000 LKR in-kind	4,793*	0.40***	186	0.10	6.06**
	(2,714)	(0.077)	(387)	(0.089)	(2.86)
20,000 LKR in-kind	13,167***	0.71***	1,022*	0.21*	−0.57
	(3,773)	(0.169)	(592)	(0.115)	(3.41)
10,000 LKR cash	10,781**	0.23**	1,421***	0.15*	4.52*
	(5,139)	(0.103)	(493)	(0.080)	(2.54)
20,000 LKR cash	23,431***	0.53***	775*	0.21*	2.37
	(6,686)	(0.111)	(643)	(0.109)	(3.26)
Number of enterprises	385	385	385	385	385
Number of observations	3,155	3,155	3,248	3,248	3,378

DMW impacts: Profits

Summary stats

TABLE III
POOLING OF TREATMENT EFFECTS (DEPENDENT VARIABLE: REAL PROFITS)

	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE
Treatment amount	5.68***	5.41***				
	(2.18)	(2.09)				
Treatment amount × being 1–4 quarters posttreatment			5.47**			
			(2.08)			
Treatment amount × being 5–8 quarters posttreatment			4.88*			
			(2.85)			
In-kind treatment amount				4.17		
				(2.58)		
Cash treatment amount				6.70**		
				(2.81)		
Treated amount 10,000 LKR					7.65**	
					(3.31)	
Treated amount 20,000 LKR					8.95*	
					(4.53)	
Treatment amount × coastal zone (tsunami affected)						9.08**
						(4.36)
Treatment amount × near-coastal zone						5.10**
						(2.38)
Treatment amount × inland zone						5.34
						(3.33)

DMW returns to capital

Instrument capital stock with grant amount: estimates average returns to capital weighed by business investment

TABLE IV
INSTRUMENTAL VARIABLE REGRESSIONS MEASURING RETURN TO CAPITAL FROM EXPERIMENT

	Real profits IV-FE (1)	Log real profits IV-FE (2)	Real profits 4 instruments (3)	Real profits adjusted (1) IV-FE (4)	Real profits adjusted (2) IV-FE (5)
Capital stock/log capital stock (excluding land & buildings)	5.85** (2.34)	0.379*** (0.121)	5.16** (2.26)	5.29** (2.28)	4.59** (2.29)
First-stage					
Coefficient on treatment amount	0.91***	0.33***		0.91***	0.91***
F statistic	27.81	49.26	6.79	27.81	27.81
Observations	3,101	3,101	3,101	3,101	3,101
Number of enterprises	384	384	384	384	384

McKenzie 2017 impacts: survival

TABLE 2—IMPACT ON START-UP AND SURVIVAL

	Operates a firm at time of survey			Weekly hours worked in self-employment		
	Round 1	Round 2	Round 3	Round 1	Round 2	Round 3
Panel A. New firms						
Experimental treatment effect	0.215	0.359	0.373	13.538	21.699	19.526
	(0.029)	(0.023)	(0.024)	(1.961)	(1.704)	(1.748)
Sample size	1,021	1,181	1,085	993	1,071	927
Control mean	0.550	0.569	0.540	24.9	23.9	19.4
Panel B. Existing firms						
Experimental treatment effect	0.083	0.130	0.195	9.058	8.643	11.687
	(0.027)	(0.025)	(0.031)	(2.653)	(2.552)	(2.492)
Sample size	432	505	477	423	458	409
Control mean	0.871	0.844	0.759	43.3	40.9	31.6

Notes: Robust standard errors in parentheses. Existing and new refers to firm status at time of application. Rounds 1, 2, and 3 are 1, 2, and 3 years after application. Regressions control for randomization strata.

McKenzie 2017 impacts: profits

TABLE 4—IMPACTS ON BUSINESS SALES AND PROFITS

	New firms				Existing firms			
	Truncated sales	Truncated profits	Inverse hyperbolic sine profits	Aggregate index of sales and profits	Truncated sales	Truncated profits	Inverse hyperbolic sine profits	Aggregate index of sales and profits
Experimental impacts								
First follow-up	36.160	−24.512	2.156	0.016	50.805	0.074	0.972	0.080
	(49.884)	(26.330)	(0.369)	(0.047)	(85.662)	(49.416)	(0.373)	(0.070)
Second follow-up	297.783	69.061	4.154	0.298	346.304	69.234	2.183	0.237
	(56.494)	(15.150)	(0.326)	(0.036)	(134.728)	(35.420)	(0.401)	(0.060)
Third follow-up	64.541	20.137	3.962	0.167	349.228	32.035	2.580	0.211
	(92.338)	(21.635)	(0.346)	(0.042)	(143.729)	(40.956)	(0.464)	(0.070)
Control mean: first follow-up	271.467	167.705	6.583	−0.005	509.699	257.025	10.772	−0.045
Control mean: second follow-up	278.177	91.061	6.161	−0.096	660.535	206.305	9.646	−0.117
Control mean: third follow-up	438.490	114.099	5.775	−0.050	509.975	192.151	8.565	−0.108
Sample size: first follow-up	995	995	995	995	423	423	423	423
Sample size: second follow-up	1,151	1,150	1,150	1,152	497	497	497	497
Sample size: third follow-up	1,063	1,063	1,063	1,063	468	469	469	470

Concern given non-survival: is counterfactual 'profit' a wage salary?

McKenzie 2017 impacts: employment

TABLE 3—IMPACT ON EMPLOYMENT AND INNOVATION

	Own employment	Total employment	Firm of 10+ workers	Firm of 25+ workers	Innovation index
Panel A. New firms					
First follow-up	0.074	1.426	0.024	0.007	0.099
	(0.025)	(0.732)	(0.020)	(0.008)	(0.019)
Second follow-up	0.128	6.012	0.288	0.022	0.270
	(0.017)	(0.412)	(0.026)	(0.009)	(0.018)
Third follow-up	0.119	5.227	0.229	0.025	0.219
	(0.018)	(0.469)	(0.028)	(0.011)	(0.019)
Control mean: first follow-up	0.787	3.618	0.083	0.010	0.225
Control mean: second follow-up	0.841	3.305	0.088	0.009	0.214
Control mean: third follow-up	0.831	3.773	0.114	0.014	0.181
Sample size: first follow-up	1,021	987	987	987	995
Sample size: second follow-up	1,181	1,159	1,159	1,159	1,071
Sample size: third follow-up	1,085	1,044	1,044	1,044	927
Panel B. Existing firms					
First follow-up	0.047	1.512	0.057	0.007	0.105
	(0.019)	(0.795)	(0.041)	(0.019)	(0.029)
Second follow-up	0.066	2.556	0.215	0.009	0.126
	(0.018)	(1.388)	(0.041)	(0.018)	(0.028)
Third follow-up	0.070	4.425	0.208	0.028	0.141
	(0.022)	(0.673)	(0.040)	(0.015)	(0.029)
Control mean: first follow-up	0.938	6.852	0.212	0.032	0.390
Control mean: second follow-up	0.922	8.134	0.231	0.038	0.407
Control mean: third follow-up	0.906	5.571	0.170	0.014	0.341
Sample size: first follow-up	432	422	422	422	423
Sample size: second follow-up	505	500	500	500	458
Sample size: third follow-up	477	461	461	461	409

$\sim$50% of employment effects driven by firm survival

McKenzie 2017 returns to capital

Instrument capital stock with treatment assignment: assumptions?

TABLE 6—ESTIMATED MONTHLY REAL RETURN ON CAPITAL

	New firms		Existing firms	
	Round 2	Round 3	Round 2	Round 3
Panel A. Levels specification: real monthly profits (truncated at 99th percentile)				
Capital stock (truncated at 99th percentile)	0.017	0.013	0.023	0.004
	(0.003)	(0.005)	(0.010)	(0.010)
Panel B. logs *specification:* log (*real monthly profits* + 1)				
log (capital stock + 1)	0.410	0.423	0.446	0.411
	(0.026)	(0.030)	(0.057)	(0.052)
Implied monthly real return (percent)	3.03	3.38	3.34	2.45
Sample size	956	806	381	331

Notes: Robust standard errors in parentheses. Capital stock is instrumented by assignment to treatment. Implied monthly return for log specification estimated at median profit to capital ratio.

Outline

Why is the return to capital so high?

- Returns of 5-6% per month in Indonesia and 1-3% per month in Nigeria
- Must there be a constraint? Why?

Why is the return to capital so high?

- Returns of 5-6% per month in Indonesia and 1-3% per month in Nigeria
- Must there be a constraint? Why?
  - If the returns are so high, investments should already have been made by optimizing firms
  - McKenzie: "The impacts are not consistent with a model of no market failures in which the grants would be predicted to increase the incomes of the business owners without changing their production decisions."
- We have seen that many different constraints can lead to reduced business investment
- How can we understand what constraints are important here?
- DMW propose a model to motivate heterogeneity tests that would suggest different explanations
  - Run tests by interacting treatment amount and time FE with given characteristics

A simple model

$$\max_{c} \quad E[U(c)] \text{ s.t.}$$

$$c = \varepsilon f(K, \theta) - rK + r(A - A_k) + nw - I_k$$

$$K \leq A_k + I_k + B \quad (\lambda)$$

$$B \leq \bar{B} \quad (\mu_B)$$

$$A_k \leq A \quad (\mu_A)$$

$$I_k \leq nw \quad (\mu_I)$$

FOC w.r.t. K

$$
\begin{aligned}
E[U'(c)(\epsilon f'(K;\theta) - r)] &= \lambda \\
f'(K;\theta)E[U'(c)\epsilon] &= \lambda + rE[U'(c)] \\
f'(K;\theta) &= \frac{[r + \frac{\lambda}{E[U'(c)]}]E[U'(c)]}{cov(U'(c),\epsilon) + E[U'(c)]E[\epsilon]} \\
f'(K;\theta) &= \left[r + \frac{\lambda}{E[U'(c)]}\right] \frac{1}{1 + \frac{cov(U'(c),\epsilon)}{E[U'(c)]}}
\end{aligned}
$$

With perfect credit and insurance markets, collapses to $f'(K;\theta) = r$

- In this case: same returns to capital for all firms (controlling for θ and industry) $\Rightarrow$ no heterogeneity

Perfect insurance but credit constraints

- With perfect insurance, can smooth consumption across states
- $\Rightarrow$ don't have to worry about ε, base decisions just on $E[\varepsilon] = 1$
- FOCs:

$$U'(c)[f'(K,\theta) - r] = \lambda$$
$$\lambda = \mu_B = \mu_A + r = \mu_I + 1$$

- Who is more likely to be constrained by the various multipliers? Look for heterogeneity on these dimensions
  - $B \leq \bar{B} \quad (\mu_B)$, $A_k \leq A \quad (\mu_A)$: poorer households
  - $I_k \leq nw \quad (\mu_I)$: smaller households
  - If θ and K are complements: more able households

What if there are only risk constraints?

How does the original FOC change?

$$f'(K;\theta) = \left[r + \frac{\lambda}{E[U'(c)]}\right] \frac{1}{1 + \frac{cov(U'(c),\epsilon)}{E[U'(c)]}}$$

$$f'(K;\theta) = \frac{r}{1 + \frac{cov(U'(c),\epsilon)}{E[U'(c)]}}$$

- $cov(U'(c), \epsilon) < 0 \Rightarrow f'(K;\theta) > r$
- Implication: underinvest when income is riskier (ε)
- Suggests tests of heterogeneity in returns to capital by entrepreneur risk aversion, (perceived) riskiness of income

Heterogeneity tests

TABLE V

TREATMENT EFFECT HETEROGENEITY (DEPENDENT VARIABLE: REAL PROFITS)

					Females	Males
	(1) FE	(2) FE	(3) FE	(4) FE	(5) FE	(6) FE
Treatment amount	5.41***	7.35**	5.29***	4.96**	2.83	6.74**
	(2.09)	(2.86)	(2.15)	(2.19)	(2.39)	(3.09)
Interaction of treatment amount with:						
Female owner		−7.51*				
		(4.02)				
Number of wage workers			−3.69			
			(2.38)			
Household asset index			−2.43**		−2.88**	−3.05
			(1.14)		(1.35)	(2.06)
Years of education			1.56***		0.24	2.03**
			(0.59)		(0.78)	(0.82)
Digit Span Recall			3.80**		7.34***	1.84
			(1.88)		(2.32)	(2.80)
Risk aversion				0.54		
				(1.25)		
Uncertainty				−7.82		
				(7.31)		
Constant	3,824***	3,777***	3,823***	3,840***	2,860***	4,700
	(174)	(179)	(175)	(174)	(211)	(283)
Firm-period observations	3,248	3,084	3,149	3,218	1,484	1,510
Number of enterprises	385	365	369	381	174	176

Interpreting heterogeneity tests

- Do we believe these tests?
- Different business types likely correlated with these characteristics
- Characteristics may also be correlated with different constraints
  - E.g., bigger households have more insurance constraints
  - E.g., more able entrepreneurs have lower insurance constraints
- Concerns about measurement of ability, risk aversion, uncertainty
- But suggestive of importance of credit constraints in this context
- Heterogeneity may also explain lack of formal lending: high variance in returns and many with negative returns
  - Results suggests screening for ability may be helpful

Conclusions

- Returns to capital are quite large
  - For poor, long-run micro-entrepreneurs in Sri Lanka receiving small(er) grants
  - For well-off, prospective entrepreneurs in Nigeria receiving very large grants
- Concerns
  - Why no compounding of effects? Similar effects over time in both samples
    - Entrepreneurs could save profits to reinvest
  - What drives the gender differences?
  - Spillovers? Evidence of negative spillovers in DMW