

# Moving to Profitability?

An Experiment to Evaluate Constraints on  
Microentrepreneur Location Decisions

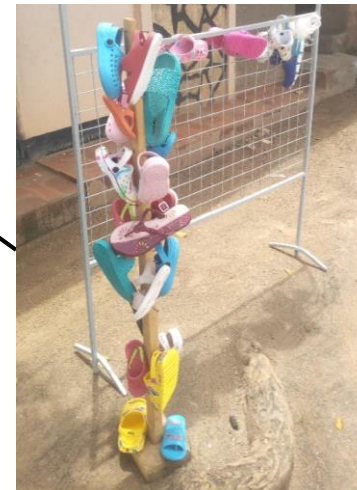
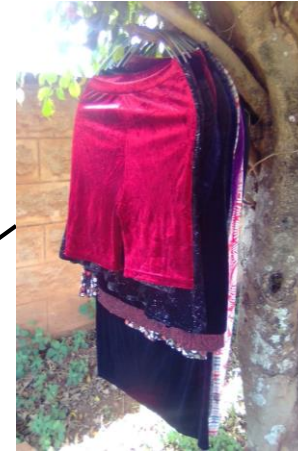
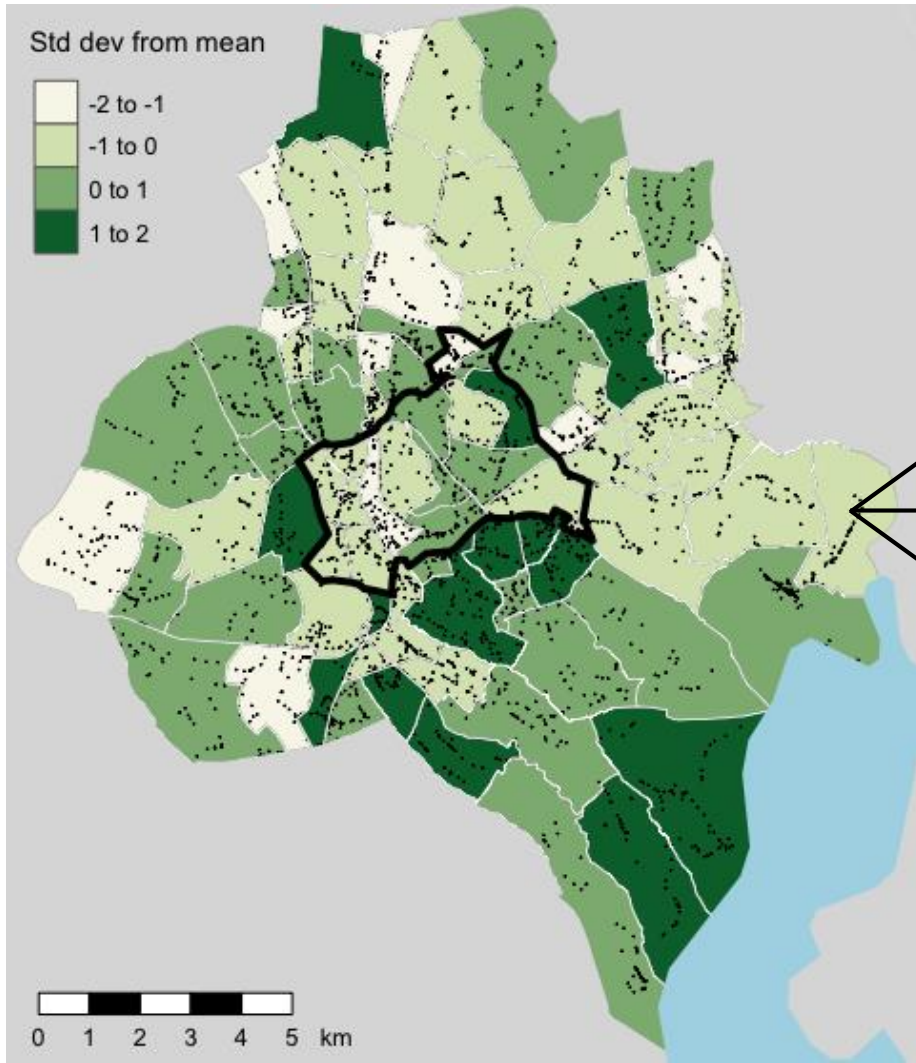
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# Why do firm profits vary so much across the city?

- Microentrepreneurs in Kampala, Uganda earn drastically different amounts depending on where they locate in the city
- Many possible explanations for profit variation across the city
  - Constraints (financial, information) prevent entrepreneurs from accessing high-profit locations
  - Entrepreneurs have already self-selected into their best locations
  - Entrepreneurs do not want to locate in high-profit locations

# Motivation: Could entrepreneurs increase profits by moving?

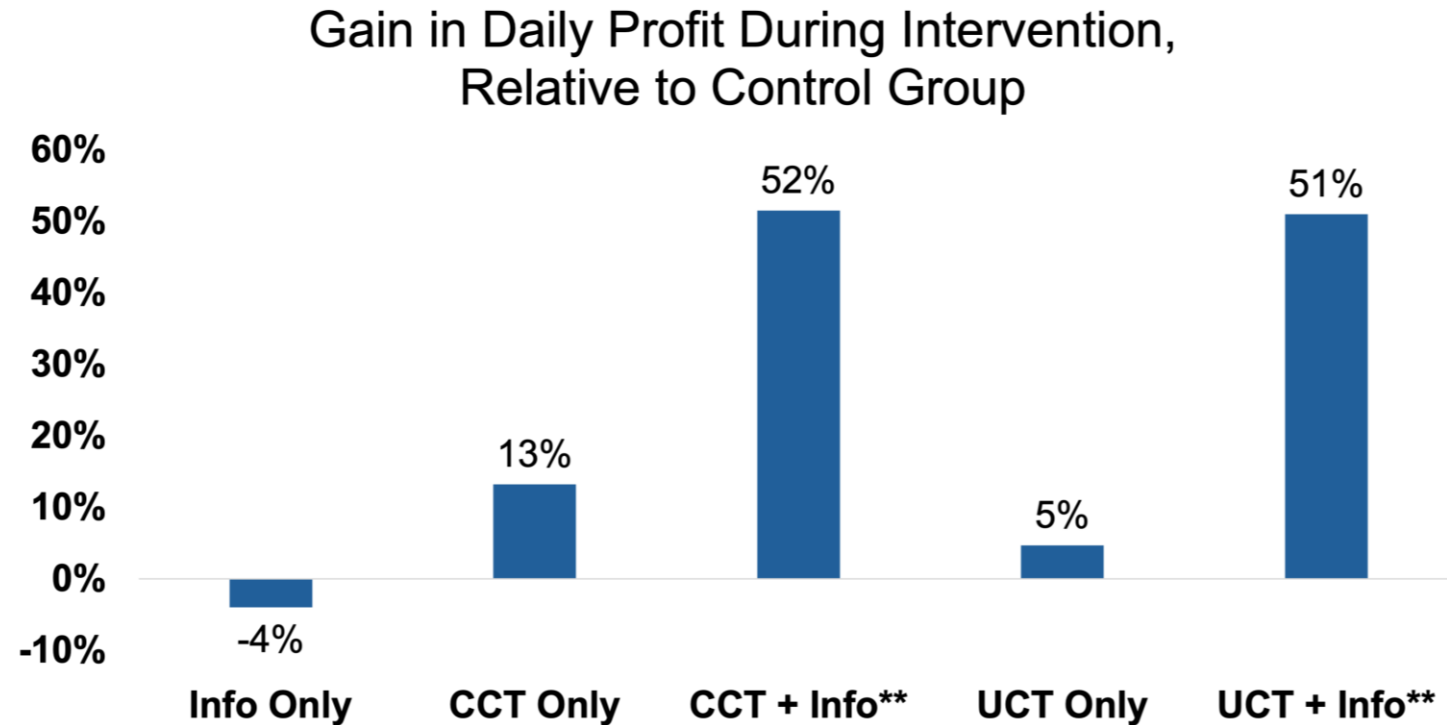


# Method: An RCT to Measure Impact of Moving

|                                                                                                 | No information                                     | Information                                           |             |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|-------------|
| <b>No grant</b>                                                                                 | <b>Pure control</b><br><br>n=499                   | <b>Treatment A*</b><br><i>Info only</i><br><br>n=498  | 997         |
| <b>Conditional cash grant</b><br><i>\$2/day for 8 days to those who relocate their business</i> | <b>Treatment B</b><br><i>CCT only</i><br><br>n=585 | <b>Treatment B*</b><br><i>CCT + Info</i><br><br>n=586 | 1171        |
| <b>Unconditional cash grant</b><br><i>\$2/day for 8 days for any purpose</i>                    | <b>Treatment C</b><br><i>UCT only</i><br><br>n=354 | <b>Treatment C*</b><br><i>UCT + Info</i><br><br>n=361 | 715         |
|                                                                                                 | 1438                                               | 1445                                                  | <b>2883</b> |

# Results

- Entrepreneurs can increase profit by moving, but require both information and cash
  - Gains exceed costs, by 25%
- Entrepreneurs want to move: Response to conditional and unconditional cash is same
- Impacts are not sustained after intervention ends: Entrepreneurs move back and no longer earn more





# Information Intervention



Information card personalized for: \_\_\_\_\_

FID: \_\_\_\_\_

**Businesses like yours report higher profits in other places. For example:**

- Businesses locating in LUNGUJJA parish (the area around Uganda Youth Football Association) typically earn 2,200 UGX more than businesses in your parish.
- Businesses locating in KAMWOKYA I parish (the area around City oil) typically earn 9,300 UGX more than businesses in your parish.
- Businesses locating in BWAISE III parish (the area around Babu plaza) typically earn 6,900 UGX more than businesses in your parish.
- Businesses locating in BUGOLOBI parish (the area around Bugolobi flats) typically earn 5,900 UGX more than businesses in your parish.

# Policy Implications

- Financial interventions can be pivotal for entrepreneurs when paired with information
- Information may work by drawing attention to important investment decisions
- Lack of insurance and risk may be an important constraint for entrepreneurs living cost to subsistence

# Thank you!

