

Funding Report

Solène Delecourt*

November 2017

Why are women less likely to be successful entrepreneurs than men? Female-owned enterprises are less profitable than their male-owned counterparts, at every experience level (Aterido and Hallward-Driemeier, 2011; Cirera and Qasim, 2014; Brooks et al, 2017). The underperformance of female-owned enterprises is especially problematic due to its pervasiveness: women are underrepresented worldwide in nearly all business sectors.

We study the causes of the gender profit gap for micro-businesses in India. A large literature in economics and policy shows that women entrepreneurs make less profit than men, and tests interventions designed to bridge this gap (Cirera and Qasim, 2014). However, a common problem faced when studying the role of gender in entrepreneurship is that women- and men-led businesses are not comparable: they tend to be of different sizes and in different industries. Do men and women perform differently if given the same business? If so, what channels drive the remaining gender gap?

Thanks to funding from the Center for South Asia Graduate Student Research Fellowship, I spent two months in Jaipur, India this summer. I did preliminary fieldwork with a fellow Stanford PhD student from the Economics Department, Odysia Ng. We visited a number of markets and shops to help us identify a sector that would be suitable to test our idea. We were looking for a sector that would have a decent proportion of female business owners. We talked to roughly 30 female business owners, developing a better understanding of the context. We also met with our research partner, the Institute for Financial Management and Research (IFMR LEAD), with whom we secured a partnership. Based on this initial scoping work, we decided to focus our work on vegetable market vendors. Selling vegetables is a common occupation for the urban poor in India, who typically rely on self-employment. Moreover, vendors in our sample also tend to be from lower castes. We also specifically focus on women micro-entrepreneurs, who are even more marginalized than men in terms of their outside options and opportunities to grow.

With the help of a full-time research assistant, we piloted a survey of existing market vendors. The goal of this representative survey was to establish a baseline for the existing gender gap in profitability between men and women vendors. We launched this survey by hiring a small team of surveyors. An enumerator sat with a vendor for the course of a day, recording every attempted and successful transaction, the price and quantity of each sale, along with basic observable characteristics of the client, such as gender and age. This design feature avoids the problem of self-reports, which are likely not accurate. We surveyed over 100 vendors, confirming that in this context women-led businesses are less profitable than their male counterparts: on average, women make Rs 397 per day, which is 25% less than men's daily profit of Rs 530.

In our observational survey, large differences in inventory but same markup per Rs suggest

*PhD Candidate in Business Administration, Stanford University

that giving men and women the same inventory could close the profit gap. To unpack the effect of gender on business performance, we therefore design an experiment to test whether differential capital input can drive the gender gap. The proposed method is a randomized controlled trial among vegetable market vendors in Jaipur, India. We set up two vegetable stalls in a retail market, recruit one male and one female vendor every day to sell vegetables that we provide, and randomly assign the vendors to the stalls. Every day, we purchase vegetables from the wholesale market and equally divide them among the two stalls. Our experimental design is a form of extreme capital drop intervention: we provide vendors with the exact same businesses. To incentivize vendors to sell, they keep the day's profits and are only charged for sold vegetables. This design enables us to exogenously vary gender, holding the business characteristics constant.

We successfully piloted this experiment with 38 subjects and two market stalls in September 2017. Our preliminary results suggest that giving men and women the same business does not close the gender gap: in our experiment, women make Rs 206 on average, which is 16% less than men's mean daily profit of Rs 245. Although the small sample size limits the statistical significance of our results, the magnitude of the differences observed strongly suggests that women's businesses still underperform compared to men's.

Currently, we are applying to grants to scale up our experiment for Winter 2018. We are also presenting our experiment design at Stanford to gather feedback. We propose to scale up our experiment and augment it to test other mechanisms. We aim to finalize our design and survey instruments by February 2018.

Funding from the Center for South Asia allowed me to jumpstart my dissertation work. Beyond fieldwork, I have also been able to deepen my understanding of Rajasthan's cultural context. I stayed with a host family in Jaipur, with whom I daily had breakfast and dinner. I have learned a lot during these shared meals. I was also invited to take part in family celebrations. I have been able to improve my understanding of Hindi by taking some formal classes.

I would like to thank the Center for South Asia for their generosity in supporting my graduation work. I look forward to further developing my project to enable policymakers to tailor interventions to better suit women's needs in developing countries.