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Consulting and Capital Experiments with Micro and Small Tailoring Enterprises in Ghana¹

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Abstract

We conduct a randomized evaluation in urban Ghana in which micro and small tailoring enterprises receive advice from an international consulting firm, cash, both, or neither. We find that all three treatments lead to their immediate intended effects: changed business practices and higher investment. However, both treatments lead to lower profits on average in the short term. Then, in the long run, the micro-entrepreneurs in the treatment group disinvest relative to those in the control group, and revert back to their prior scale of operations and business practices.

JEL Codes: D23, D24, D53, D92, L30, M13, O12

Keywords: entrepreneurship; credit constraints; business training; consulting; managerial capital

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