Private Enterprise Development in Low-Income Countries

Growing markets through business training for female entrepreneurs: A market-level randomized experiment in Kenya

David McKenzie and Susana Puerto

This study measures the impact of a business training program for women in Kenya, finding that training increases the profits, sales, mental health, and subjective well-being of women. Moreover, this growth comes without significant negative spillovers on other women operating in the same markets, so that overall market size grows.

Introduction

Business training is one of the most common support services offered by governments to small firms around the world. However, a number of evaluations of such training programs have struggled to identify impacts, and an additional concern has been that any growth of trained firms might come at the expense of their competitors. In contrast, supporters of training programs argue that there might be positive benefits to other firms in the economy, if better business practices are like a technology that others can observe and copy, or if training encourages collective action. We designed an experiment to measure both the direct and spillover impacts of training.

The Get-Ahead program

The International Labour Organization's Gender and Enterprise Together (Get-Ahead) training program is a 5-day business training program for low-income female business owners. It has been used now in at least 21 countries, training over 400,000 women. It aims to teach both traditional business skills such as marketing and accounting, as well as helping women to overcome gender-specific barriers to business growth (such as dealing with gender attitudes and separating household and business tasks), and to network and work together. The training cost approximately $250 per woman trained, and was offered for free in our study. 77.7 percent of those offered training participated.

Data and Study Design

We worked with a sample of 3,537 women working in 157 markets in four counties of Kenya: Kakamega and Kisii in the Western region, and Embu and Kitui in the Eastern region. These regions are largely rural, with an average population for each county of approximately 1 million, and the majority of the population below the poverty line. In each of the four counties, field staff from Innovations for Poverty Action, Kenya, mapped out all market centres deemed as "medium" or "large" outside of the main cities and conducted a market census of all female-owned businesses. These markets are typically small and remote, largely consisting of women operating a limited variety of businesses such as selling fruits, vegetables, grains, and dried fish products from tables; and offering services like hairdressing, dressmaking and small food kiosks. The typical business owner in the study was 36 years old, and was earning approximately $13 per week at the start of the study.

An example of one of the businesses in the study, run by Electina Khavuku

We used a two-stage randomized experiment to allow estimation of the causal impact of participating in training. First, we allocated markets to treatment (93 markets) or control (64 markets). Then within the treatment market we randomly selected 1,172 women to invite to training. Comparing the women invited to training in the treatment markets to women in the control markets enables us to estimate the impact of training. Comparing the women in treatment markets who were not invited to training to women in the control markets enables measurement of any spillover impacts of operating in a market where others are trained.

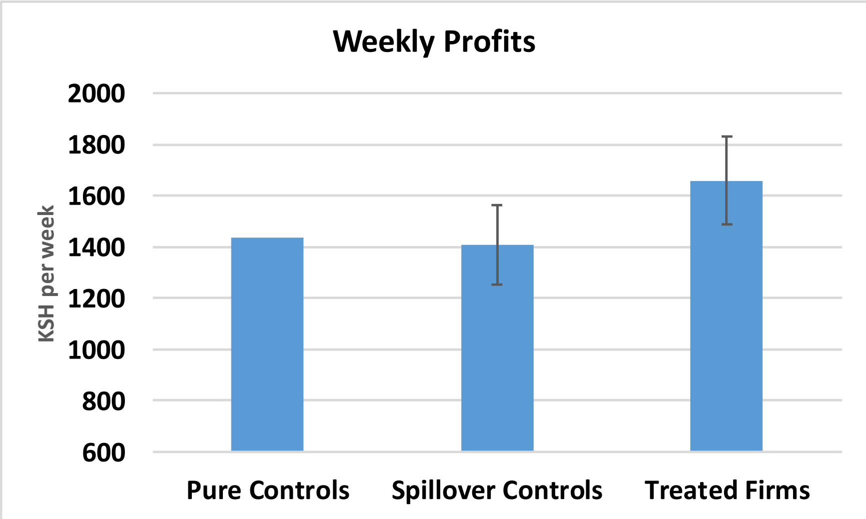
We conducted four rounds of follow-up surveys, two after one year, and two after three years, in order to measure impacts. We were able to interview 95 percent of women after one year, and 92 percent after three years.

Results

After three years, treated women are earning 15 percent higher profits (about $2.60 per week) than the pure control group, with no spillover impact on other women in their markets (see figure 1). They also are 3 percentage points more likely to have had their businesses survive, and have 13 percent higher weekly sales.

This increase in business income is accompanied by improvements in mental health and subjective well-being.

Figure 1. Profits Increase for the Treated with No Spillover Impact



Notes: 95 percent confidence interval around means shows impact relative to pure control group.

Examining impacts at the level of the market, rather than individual firm, shows that the treated markets have 17 percent more customers each week, and 14 percent higher sales. There is no change in the rate of new business entry into these markets.

Treated firms have a 0.05 to 0.07 increase in the proportion of good business practices used.

A main mechanism for this market growth appears to be that training led business owners to be more reliable in their opening hours, and to diversify the range of products they sell. Both factors make the market more attractive for customers, and allow overall sales to grow rather than just reallocating sales from one business to another.

> *"I used to not care much about my business, I could open late, and sometimes the shop would remain closed if I don't feel like opening. Now I know that it is important to put effort into my business" (Qualitative interview)*

The treatment impacts are stronger after three years than after one year. Few firms receive finance, and training does not increase the use of credit. As a result, it seems firm owners had to slowly build their inventories by reinvesting profits over time.

We also tried a mentoring intervention for half of those trained. This was costlier ($553 per woman), and did not have a significantly different impact than training alone.

Policy Implications

Many evaluations of business training programs have struggled to find significant impacts. A key reason has been that they have used relatively small samples with heterogeneous firms. This lack of statistical significance has been interpreted by some as evidence that training seldom works, rather than the correct interpretation of a lack of evidence of whether it works or not. The treatment impacts here are not larger than found in prior studies, but are much more precise, and show that training can have a positive impact.

The impact of $2.60 per week is not transformative, but represents an important increase in income for poor women. Moreover, importantly this benefit to the women trained does not come at the expense of other women operating in their same markets. It appears the training passes a cost-benefit test, since gains would need to last 1.5 years to offset the costs, and we find higher profitability and sales are occurring three years after training took place.

The results also highlight the role of policy in building markets in developing countries, since many markets are full of poorly managed firms selling a limited variety of products.

Moving Forward…

The authors have recently returned to collect a market census four years after the intervention, and find that the treated markets continue to generate more sales. These findings will be incorporated into the research paper, which will then continue to be refined as it moves through the peer-reviewed publication process.

From a broader research perspective, a key question is how to scale-up these findings to be able to serve the huge number of microenterprises operating in developing countries. One approach will involve attempting to charge firm owners to receive training, and see if a market for these services can be developed. An alternative is to attempt to lower the costs of offering these types of training programs through using technology to personalize and deliver training content.

For further reading see: David McKenzie and Susana Puerto (2017) "Growing Markets through Business Training for Female Entrepreneurs: A Market-Level Randomized Experiment in Kenya." World Bank Policy Research Working Paper no. 7993.