

What are recent global studies
telling us about small business
development for women?

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Outline

- Business practices and business training:
 - Do business practices matter for small firms?
 - Universal best practices vs contingent management views
 - Even when offered for free, hard to get all small firms to attend business training courses
 - on average 65% of those invited show up - does revealed preference suggest not useful?
- Grants and Finance: is money enough?
- Do we need an f(.) change?

Measuring business practices: 26 questions

- **Marketing:**

- In the last 3 months, have:
 - visited one of its competitor's businesses to see what prices they are charging?
 - Visited at least one of its competitor's businesses to see what products they have available for sale
 - Asked existing customers whether there are any other products the customers would like the business to sell or produce
 - Talked with at least one former customer to find out why former customers have stopped buying from this business
 - Asked a supplier about which products are selling well in this business' industry
 - Attracted customers with a special offer
- In the last 6 months, have you done any form of advertising?

- **Buying and Stock Control:**

- How frequently do you run out of stock of inventories or raw materials?
- In the last three months have you attempted to negotiate with a supplier for a lower price on raw materials or goods purchased?
- Compared the prices or quality offered by alternate suppliers or sources of raw materials to the business' current suppliers or sources of raw material

Measuring business practices: 26 questions

- **Record Keeping:**

- Keeps written business records
- Records every purchase and sale made by the business
- Able to use records to see how much cash the business has on hand at any point in time
- Uses records regularly to know whether sales of a particular product are increasing or decreasing from one month to another
- Works out the cost to the business of each main product it sells
- Knows which goods you make the most profit per item selling
- Has a written budget, which states how much is owed each month for rent, electricity, equipment maintenance, transport, advertising, and other indirect costs to business
- Has records documenting that there exists enough money each month after paying business expenses to repay a loan in the hypothetical situation that this business wants a bank loan

- **Financial Planning:**

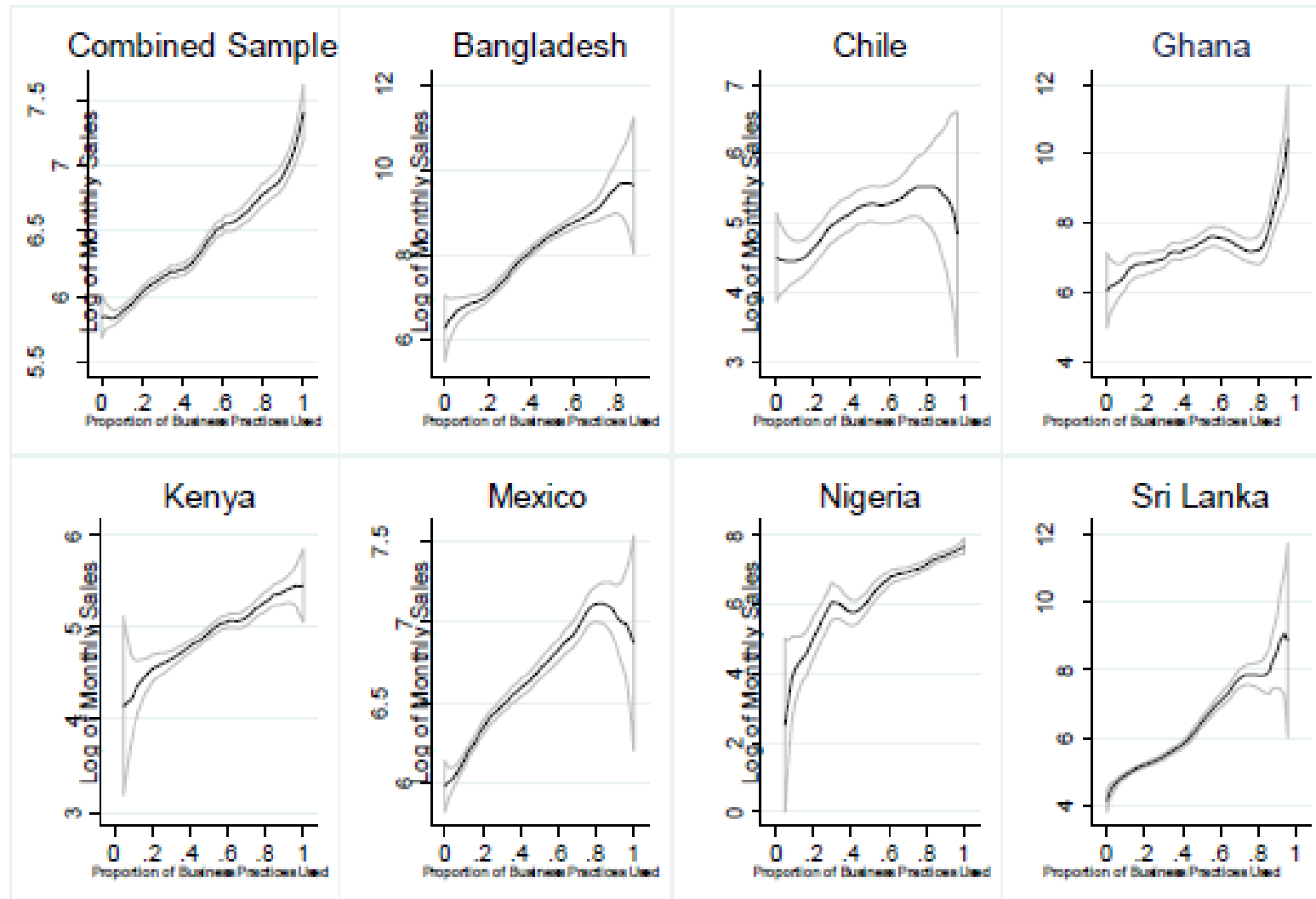
- Review the financial performance of their business and analyze where there are areas for improvement at least monthly
- Do you have a target set for sales over the next year
- Compares their sales achieved to their target at least monthly
- Have you made a budget of what costs facing your business are likely to be over the next year?
- Has an annual profit and loss statement
- Has an annual statement of cash flow
- Has an annual balance sheet
- Has an annual income/expenditure sheet

Samples

- Data from seven countries, with distinct samples:
 - **Sri Lanka:** 3 samples: 1,562 microenterprises, <2 employees; 628 female enterprises, < USD 50 per month in profits; 471 SMEs, 5-50 employees
 - **Bangladesh:** 1,725 mostly male enterprises
 - **Kenya:** 3,537 female enterprises earning < USD 50 per week
 - **Nigeria:** 1,757 enterprises from business plan competition
 - **Ghana:** 335 enterprises from business plan competition
 - **Chile:** 158 mostly female enterprises from microenterprise program
 - **Mexico:** representative sample of 10,000+ female entrepreneurs
- Clearly not representative of small enterprises in each country, but on the whole sample of 20,000+, perhaps reflecting small firms reasonably well.

Are practices correlated with performance in the cross-section?

Figure 4: Local linear regressions of log sales on business practices



Moving towards causality

- Association continues to hold after controlling for measures of entrepreneur ability and background
- In the time series, firms with better business practices today have faster growth over the next year and next 5 years

Causality? Reconciling our results with the business training literature

- strong positive association between our measure of business practices and business performance and growth
- in McKenzie and Woodruff (2014) we critically review business training experimental literature – this has struggled to find impacts on business performance?
- Why?
 - Practices are important, but business training struggles to change them very much
 - Typical 5-day course leads to only 0.04-0.06 change in our practice measure – which we would predict would lead to only 3-4% increase in sales and profits.
 - A couple of more intensive recent training experiments generate more of a change in practices.

Table 1: Who are the participants in business training evaluations?

| Study | Country | Existing Businesses? | All microfinance/ bank clients? | Rural or Urban | Business Sector | Selected on interest in training? | Mean Age | % Female | Education Level |
|------------------------------|-----------------------------------|-----------------------------|--|---------------------------|----------------------------|--|---------------------|-----------------|--|
| Berge et al. (2012) | Tanzania | Existing | Yes | Urban | Many | No | 38 | 65 | 7.9 (7.7 males, 8.0 females) |
| Bruhn and Zia (2012) | Bosnia-Herzegovina | 67% existing | Yes | Urban | Many | Yes | 28 | 35 | 85% completed secondary |
| Calderon et al. (2012) | Mexico | Existing | No | Rural | Many | No | 46 | 100 | 6 years |
| De Mel et al. (2012) | Sri Lanka | 50% existing | No | Urban | Many | No | 34-36 | 100 | 10.5 years |
| Drexler et al. (2012) | Dominican Republic | Existing (a) | Yes | Urban | Many | No | 40 | 90 | 35% have high school or more |
| Field et al. (2010) | India | 24% existing | Yes | Urban | Many | No | 32.4 | 100 | 5.7 years |
| Giné and Mansuri (2011) | Pakistan | 61% existing | Yes | Rural | Many | No | 37.6 | 49 | 3.9 (males 5.2, females 2.5) |
| Glaub et al. (2012) | Uganda | Existing | No | Urban | Many | Yes | 39 | 49 | 13.9 years |
| Karlan and Valdivia (2011) | Peru | Existing | Yes | Both | Many | No | n.r. | 96 | n.r. |
| Klinger and Schündeln (2011) | El Salvador, Guatemala, Nicaragua | 39% existing | No | n.r. | Many | Yes | 36 | 28 | n.r. |
| Mano et al. (2012) | Ghana | Existing | No | Urban | Metalwork | No | 45 | 0 | 10.4 years |
| Premand et al. (2012) | Tunisia | No | No | Urban | Many | Yes | 23 | 67 | University |
| Sonobe et al. (2011) | Tanzania | Existing | No | Urban | Garments | No | 45 | 85 | 10.7 years |
| | Ethiopia | Existing | No | Urban | Metalwork | No | 44 | 4 | 14 years |
| | Vietnam | Existing | No | Urban | Rolled Steel | No | 40 | 55 | 7 years |
| | Vietnam | Existing | No | Urban | Knitwear | No | 41 | 66 | 8 years |
| Valdivia (2012) | Peru | Existing | No | Urban | Many | Yes | 43 | 100 | 23% have post-secondary, 58% secondary |

Table 9: Impacts on Business Profits and Sales

| Study | Gender | Profits | | Revenues | |
|---------------------------------|---------------|--------------|--------------------|------------------|------------------|
| | | % increase | 95% CI | % increase | 95% CI |
| Berge et al. (2012) | | | | | |
| | Male | 5.4% | (-20%, +38%) | 31.0% | (-4%, +79%) |
| | Female | -3.0% | (-23%, +22%) | 4.4% | (-23%, +22%) |
| Bruhn and Zia (2012) | Mixed | -15% | (-62%, + 32%) | n.r. | n.r. |
| Calderon et al. (2012) | Female | 24.4% | (-1%, 56%) | 20.0% | (-2%, +47%) |
| De Mel et al. (2012) | | | | | |
| Current Enterprises | Female | -5.4% | (-44%, +33%) | -14.1% | (-68%, +40%) |
| Potential Enterprises | Female | 43% | (+6%, +80%) | 40.9% | (-6%, +87%) |
| Drexler et al. (2012) | | | | | |
| "Standard" | Mostly Female | n.r. | n.r. | -6.7% | (-24.5%, +11.2%) |
| "Rule-of-thumb" | Mostly Female | n.r. | n.r. | 6.5% | (-11.4%, +24.4%) |
| Giné and Mansuri (2011) | | | | | |
| | Mixed | -12.1% | (-40%, +16%) | -2.0% | (-23%, +23%) |
| | Male | -6.1% | (-44%, +32%) | 4.8% | (-25%, +34%) |
| | Female | -20.6% | (-62%, +20%) | -7.00% | (-41%, +27%) |
| Glaub et al. (2012) | Mixed | n.r. | n.r. | 57.4% (b) | n.r. |
| Karlan and Valdivia (2011) | Mostly Female | 17% (a) | (-25%, +59%) | 1.9% | (-9.8%, +15.1%) |
| Mano et al. (2012) | Male | 54% | (-47%, +82%) | 22.7% | (-31%, +76%) |
| Valdivia (2012) | | | | | |
| General training | Female | n.r. | n.r. | 9% | (-8%, +29%) |
| Training + technical assistance | Female | n.r. | n.r. | 20.4% | (+6%, 37%) |

Notes:

95% CI denotes 95 percent confidence interval. Impacts significant at the 10% level or more reported in **bold**.

n.r. denotes not reported.

(a) Impact on profit from main product.

(b) Calculated as difference-in-difference calculation. Study reports difference in log sales is significant at the 1% level.

The Associations Line up with the Experimental Treatment Effects

Table 5: Reconciling our results with experimental estimates

| Sample | Training Program | Treatment Effect (Business Practices) | 95% confidence interval for treatment effect on | | Implied Effect from Association | |
|------------------------|--|---------------------------------------|---|----------------|---------------------------------|--------------|
| | | | Log(Sales) | Log(Profits) | Log(Sales) | Log(Profits) |
| Sri Lankan women | ILO SIYB five day course | 0.058*** (0.016) | [-0.23, +0.15] | [-0.12, +0.17] | 0.054 | 0.039 |
| Sri Lankan men | ILO SIYB five day course | 0.056*** (0.010) | [-0.06, +0.17] | [+0.01, +0.18] | 0.052 | 0.038 |
| Kenyan women | ILO GET Ahead five day course | 0.042*** (0.007) | [+0.00, +0.18] | [-0.01, +0.16] | 0.039 | 0.028 |
| <i>Related studies</i> | | | | | | |
| Chilean unemployed | MESP: three weeks intensive training + 3 months mentoring (+ grant) | 0.180*** | | [+0.08, +0.79] | | 0.121 |
| South African firms | (Business Bridge: 80 hours over 2 months) | 0.260*** | [+0.18, +1.39] | [-0.00, +1.36] | 0.24 | 0.17 |

Grants and Finance: is this the constraint?

- Sri Lanka (de Mel et al, 2009): grants of \$100 and \$200 to women had no impact on their business growth (but large impacts for men)
- Ghana (Fafchamps et al, 2014): grants of \$150 had no impact on women running subsistence level businesses; impact on women with larger businesses but only if given in-kind, not cash.
- Uganda (Fiala, 2014): no impact of grants of \$200 or loans of \$180-220 on women, whether or not combined with training. Some impact for men of combination.
- Pakistan (Gine and Mansuri, 2014): no impact of business training combined with \$1,700 loan on businesses run by women – whereas positive impacts for men.
- Microfinance: AEJ-Applied symposium – very limited effects
- Ultra-poor programs: combined grants, training, asset transfers – seem to have positive impact for poor men and women.

Meta-analysis

- Grimm and Paffhausen (2014) – meta-analysis of impacts of 53 studies aiming to boost micro, small and medium enterprise in developing countries.
- They focus on employment impacts
- “Those interventions in our sample that targeted women specifically apparently had a lower chance of success”

Do we need an $f(.)$ change?

- $Y = f(A, K, L)$
 - Grants change K
 - Business training aims to change A
 - But the problem might be $f(.)$
- Many women seem to be working in industries where efficient scale is very low – can reach this low scale very quickly, and then more capital or training doesn't help much.
- Do we need programs that do a better job trying to get women to change **what** they do, not just **how** they do it?
 - But not clear whether it works to e.g. train women as mechanics
 - Difficult to know who right target group is...

Is the goal for many of these women not to work?

- urban labor force participation rate for women aged 20 to 40 in Sri Lanka was 38 percent in 2009, compared to rates over 90 percent for prime-aged men
- While a lack of wealth may prevent the poorest women from working, as they get more wealth, in this social context women may want to get out of work.
- Similar issues in India, Pakistan, Mena,...