Micro and small enterprises are a major source of livelihood in developing countries. Yet, views differ on whether many of these will continue in operation or expand. While at one point a microenterprise was regarded as a potential entrepreneur facing only regulatory issues, the conventional wisdom is now assessing whether these small businesses are merely for survivorship or have the ability to grow. The reality in many developing countries is somewhere in-between these views. Small business ideas arise out of necessity, but it is unlikely that entrepreneurship is missing completely or cannot be nurtured.¹

Recent studies have made an attempt to understand what constraints entrepreneurship. Driven by the observable fact that many of these enterprises lack awareness of standard business practices, recent impact evaluation studies have explored the role of business training in improving entrepreneurial ability and business growth.² Rigorous evidence on this topic is growing though still at a very nascent stage.
The early findings of these studies suggest that while business training improves knowledge and skills of business owners, it has limited effect on business outcomes.\(^3\)

Capital constraints are another area of investigation in unlocking the development of small businesses. While access to capital has received more attention and most studies tend to take an optimistic view on the power of finance, recent research indicates a mixed outlook. Field experiments on impact of business grants have found that critical factors for effectiveness include educational background of business owners, skills, and behavioral aspects.\(^4\) The literature further finds that returns to grants are more prevalent for men than women, though it is not clear why. Some suggestions include social and family constraints that affect decisions on investment and consumption as well as lack of control of own assets. However, a recent study in Northern Uganda found that cash grants had a significant impact on young women who wanted to start a business as there are few options for women to earn income.\(^5\)

Impact Evaluation

An experimental evaluation was planned at the end of 2011 to understand how to facilitate youth businesses’ growth in Uganda. The evaluation and underlying interventions were designed and managed by a consultant from the German Institute for Economic Research with the Youth Employment Network and the International Labour Organization (ILO) office in Uganda as part of their joint “Youth Entrepreneurship Facility” program.

As the evaluation was planned in advance of implementation and the program could serve only a fraction of the eligible population (in this case youth with a business) the conditions were ideal to set up a Randomized Control Trial (RCT) to measure the impact of the four different interventions further described in Table 1, namely: skills training, cash grants, loans, networking. The selected interventions aimed at understanding the prevalence of the above-mentioned constraints – entrepreneurial ability and capital – among young existing entrepreneurs as well as the effectiveness of interventions commonly used to address them.

As depicted in Figure 1, the initial evaluation design entailed six randomly selected groups out of 1,800 young entrepreneurs to receive the following: (i) a cash grant, (ii) a loan, (iii) skills training and a cash grant, (iv) skills training and a loan, (v) a networking intervention and (vi) no intervention (the control group). RCT designs allow for well-matched comparison groups through random allocation of individuals into different comparable groups so the analysis can be done on the differential outcomes between different groups and the control group. While the skills training component is not itself a separate arm of the study, the analysis will be able to identify the marginal impact of the training by comparing the cash grant vs. cash grant plus training arms to the loans vs. loans plus training arms. In this way a more nuanced picture of the effect of training can be achieved.

In order to account for external factors such as market structure and development levels, the evaluation was conducted in two distinct locations: the Central and Northern regions of Uganda.
Table 1. Interventions

Start and Improve Your Business (SIYB)

A 5 day management-training program with a focus on starting and improving small businesses. This is an ILO tool aimed at creating more and better employment in developing economies and economies in transition. Initially developed in the 1980s, it has now been translated into more than 40 languages and introduced in more than 100 countries. The SIYB program involves three categories of training: Entrepreneur level, Trainer level, and Master Trainer level. At the entrepreneur level the program includes different components such as Generate Your Business Idea manual, Start Your Business (SYB) manual, Improve Your Business module, and SIYB Business Game. For the impact evaluation under discussion, the SYB content was delivered, as the selected businesses were at a very nascent stage and the SYB tool helps entrepreneurs better understand their market and develop a bankable business plan. For more information: www.ilo.org/siyb

Cash Grants

The cash grants were valued at $200. These grants were provided as unconditional as there were not going to be consequences of using the money for purposes not related to the business even if the agent delivering the money instructed the recipient that the money should be used for the business.

Loans

Loans were also valued at approximately $200 and were semi-conditional. The conditions entailed that the money had to be paid back to the implementing microfinance organization but there were not going to be consequences of misusing the money (i.e. not for business purposes).

Networking

A total of 20 half-day sessions aimed at linking business owners and offer them an opportunity to discuss challenges they face in running their businesses during the organized sessions and beyond.

The baseline data collection and interventions were completed by the end of 2012. Three follow-up data collection efforts were planned to track business outcomes in March, June and November 2013. The importance of multiple and frequent follow-ups is twofold. First, it ensures reduced attrition, i.e. the loss of individuals from the sample, due to inability to locate them if too much time elapses between surveys (especially when the population is highly mobile). Second, it allows for a tracking of the trajectory of changes happening with the businesses which improves the statistical power of the evaluation to identify the effects of the interventions. The likelihood of detecting an impact of a given size (statistical power) depends on the size of the evaluation sample but can also be influenced by the number of outcome measures. When possible, it is always advisable to collect more follow-up data to decrease the likelihood that effects of the program cannot be statistically identified.

Selection of Evaluation Sample and Changes in the Evaluation Design

As a result of delays in moving from the baseline phase to the implementation phase, an initial follow-up of business owners who expressed interest during the baseline had to be carried out to avoid losing track of them. This was conducted three months after the baseline also with the purpose of ensuring continued interest of business owners in the program before selecting the final evaluation sample. Only those that belonged to the younger age cohorts and expressed
interest in receiving both training and/or a loan were included (i.e. 2,383 businesses) at this stage yet only 1,919 were found. There was a significant difficulty in finding participants after the baseline in large part due to the time constraints in tracking people. Difficult respondents take time to find, but that time was not available due to the coming start of the interventions.

Out of the 1,919 businesses found, only 86% (i.e. 1,658) were still interested in the offered interventions. According to some business owners, this decrease in interest owes not only to some businesses moving on or closing already but also to distrust that either training or loans would actually occur due to the long time period between the baseline and the actual interventions.

A final selection of the sample had to be done to comply with the eligibility criteria negotiated with the microfinance institution offering the loans. A business owner was considered “likely to repay the loan” and thus eligible if he/she had never defaulted on a previous loan, had conducted the business in the same location for six or more months, had revenues of at least 30,000 USH (approximately 12 USD) in the previous month, and the physical condition of their business was considered to be either smart or average. Following this criteria, there were 1,595 businesses eligible for the program.

Due to the declining sample, the evaluation design had to be changed in the following ways: i) the networking intervention was dropped, and ii) the sample sizes for each of the study arms were changed slightly. Table 3 depicts the revised sample size for the evaluation.

**Program take-up**

Complete data is not available yet, but according to monitoring data from the implementation partners and very initial findings from the follow-up data, there was not a 100% take up for any of the interventions offered to the treatment group (consisting only of individuals who had initially expressed interest). The most surprising was the case of the cash grants where individuals did not accept the offer. Individuals randomly selected to receive a grant were not convinced about the authenticity of the offer and were not willing to take the time to collect the cash. This result relates back to the issue of trust and the high levels of crime in the areas where the program was implemented.

With respect to the loans, some individuals thought the loan amount was too big or too small or that they would have benefited from it at a later time. The fact that the loans were offered at better conditions than what was available in the market (in terms of interest rate and collateral) did not represent a big enough incentive for them. In other words, not only training, but even receiving loans and grants had an opportunity cost for business owners that might have many responsibilities involving business and family or even multiple income generating activities and very little time to invest in anything they do not trust or perceive as an immediate benefit. This is a very important consideration for any program design in this context and has strong implications for the power of an evaluation to detect program impact.

**Survey Implementation**

Extensive training of the data collection team as well as careful analysis of the context and planning to conduct the surveys (census and
A baseline census survey was conducted on small youth-owned businesses in Mukono, Jinja, Buikwe and Gulu towns. A total of 4,637 business owners were interviewed. The questionnaire included sections on individual and household demographics, information about the business, and also simple intelligence questions often used in the microenterprise literature. Interest to receive one of the interventions was also asked at this stage. Given the lack of information on small business owners in Uganda, the census was important to compile a snapshot relevant to these specific areas. However, it should be noted that the sample is not representative of all businesses in Uganda.

Baseline Survey

The majority of the small business owners interviewed were female (60%) countering the stereotype of businesses being dominated by men. Most of these business owners were also married (68%). Average revenue in the last four weeks was 1.6 million USH (approximately 640 USD), though this includes a significant amount of variation. Profits were significantly lower than revenues at 445,000 USH (approximately 178 USD). For both profit and revenue, business owners reported that the average rates in a normal month were about 25% higher compared to the figure reported for the last four weeks.

Individuals were also asked a number of basic intelligence and ability questions. In one question, enumerators read off a list of eight numbers and asked owners to repeat the numbers back to them from memory. On average the business owners were able to repeat four numbers back. Four math questions were also asked and most business owners were able to respond correctly. These questions are common in the microenterprise literature and will be combined to gauge general intelligence and ability at baseline to see if the program has a different effect on people with distinct abilities.

Findings

A simple analysis has been done to determine who was interested in the interventions offered. While a causal argument cannot be made here, it appears that there are some patterns about interest in different interventions.

Table 2. On Interest and Potential Take-up

A simple analysis has been done to determine who was interested in the interventions offered. While a causal argument cannot be made here, it appears that there are some patterns about interest in different interventions.

An individual’s interest in loans doesn’t seem to be linked with gender, marriage status, literacy or revenue. It is positively correlated with: i) broad age categories (suggesting that older business owners are more likely to want a loan), ii) whether the person received training in the past (which suggests that experience with the loan process may be important) and iii) the number of individuals the business employs. Also, individuals in the North (Gulu), appear much more likely to be interested in loans, perhaps due to the newness of the markets, opportunities for expansion, and/or the lack of alternatives in terms of business loans in the region.

An individual’s interest in training presents a contrasting story. Age, marital status, number of employees and revenue are not significantly related to interest. Yet, being female and literacy levels are both positively significant, while previous training and being from the North are both negatively associated. These correlations do not paint an especially clear picture of those interested in training, but women and more educated people seem definitely more interested in acquiring the offered skills.
Before informing them of the intent of the survey, business owners were asked if they had ever taken loans (38% said yes), the average amount of the loan (2.2 million USH, approximately 880 USD), and whether they had yet to repay the loan (40% said yes). A range of assets questions were also asked with the intent of developing an asset index using principal component analysis. As hoped for, there is significant variation in the number of items people own.

Finally, the business owners were questioned about their interest to receive one of the interventions. Out of the 4,637 businesses found in total in the census, 93% expressed interest in the ILO training and 71% in the loans. This distribution was reproduced by the random assignment.

Initial Tracking Findings

As part of this quick tracking survey, revenue and profits for the last four weeks were asked again. This allowed for an increase in the study’s statistical power as there will be two baseline and three follow-up measures of profit. The reported values were: 1.2 million USH (approximately 480 USD) in revenues in the last month and 350,000 USH (approximately 140 USD) in profits. These values were significantly lower than the baseline results as the sample included here is those that were selected for the tracking due to interest and motivation to participate. Lower reported revenue and profits in the tracking survey sample vis-à-vis the baseline suggests certain self-selection of business owners needing additional support through the program. The tracking survey sample is reflective of the final program sample.

Recommendations

The baseline and initial tracking exercises encountered a number of challenges which led to a revised evaluation design and useful lessons learned.

Avoid having too much time elapse between baseline and program implementation and track your evaluation sample as often as possible

After conducting a baseline survey the usual next step is to carry out the interventions. However, if there are delays in moving from baseline to implementation, it is advisable to conduct an initial tracking. In the current evaluation, after learning that there will be a delay in moving to the implementation stage from the baseline, an initial tracking survey was conducted. This helped to gain a more accurate picture of the take up levels and of the feasibility of the evaluation design. It also allowed for updated location and contact information of survey respondents to be collected, which will be very helpful for future follow-up data collection efforts. Depending on the mobility of the business owners, tracking surveys may even be a strategy to save money since they reduce the time it takes to find respondents for a follow-up conducted a while after the baseline (which may be extremely time-consuming). Finally, tracking surveys increase the statistical power of an evaluation by providing additional measures of the outcomes of interest.
Be realistic on program take up levels as they will influence the evaluation design

An evaluation planned on an assumed sample size faces the need for adjustments when estimated program take up cannot be achieved. In this case there was an overestimation of selected business owners’ interest and ability to benefit from the interventions notwithstanding the efforts to estimate it through the census and baseline. Owing to numerous field work issues as well as delays in moving onto the implementation stage, the level of interest observed was lower than expected. It is important to make efforts at estimating realistic program take up levels. If the number of people actually participating in the program are not large enough for the envisioned evaluation design, they can lead to results that cannot be considered definitive as they may lack statistical significance (i.e. even if the impact is discernable we cannot say if it’s a pattern that can be replicated or something that just happened by chance).

Plan for extensive contextual analysis and enumerators training especially when working on a survey with business owners

Business owners are very busy and might be sensitive about answering detailed questions on their businesses. Through training, interviewers will develop the mindset and skills to assist respondents and minimize disruption of their daily lives while also building trust and reducing the cases of nonresponsive or reluctant interviewees. An understanding of the local context will also ease survey data collection processes. Awareness about local issues such as the presence of conmen and high crime rates makes it a priority to gain local buy-in and build the credibility of the field team before entering a community and reaching out to interviewees.

Notes:

7 Individuals were not asked about their interest in grants assuming the take up would have been 100%.

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Additional Readings & Resources:

☞ Groupsite for YEN’s Fund for Evaluation in Youth Employment http://yenclinic.groupsite.com
☞ Youth Employment Network Marketplace www.yenmarketplace.org
☞ Youth Employment Inventory www.youth-employment-inventory.org

Youth Employment Network:

International Labour Office 4 Route des Morillons CH-1211 Geneva 22, Switzerland Email: yenetwork@ilo.org Web: http://ilo.org/yen

For more information, please contact Silvia Paruzzolo at paruzzolo@ilo.org

Next Steps

By the end of 2012, the three interventions in all five design arms had been delivered. The final results which will look at the impact of the different interventions are expected to be available at the end of 2013 based on three follow-up data collection efforts. By the beginning of 2014, a final report and policy note on findings will be available.

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