Stimulating Microenterprise Growth:
Results from a Loans, Grants and Training Evaluation

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Microenterprises

- Vital in countries where there is limited formal employment
  - Provide informal employment
  - Household economic security for business owners
- Cash is useful to start businesses and increase economic returns
- Only a small number of firms upgrade into larger businesses though
- What’s missing?
  - Skills
  - Capital
  - Control over money

The interventions

- Loan of $180 to $220
  - Delivered by local microfinance organization
  - Reduced interested rate of 20%
  - Lower collateral requirement when needed
- Grant of $200
  - Delivered by ILO through free bank accounts
  - Unconditional
- Start Your Business (SYB) training
  - Delivered by the ILO
  - 40+ countries worldwide
  - Evidence is not good for trainings alone

Evaluation design

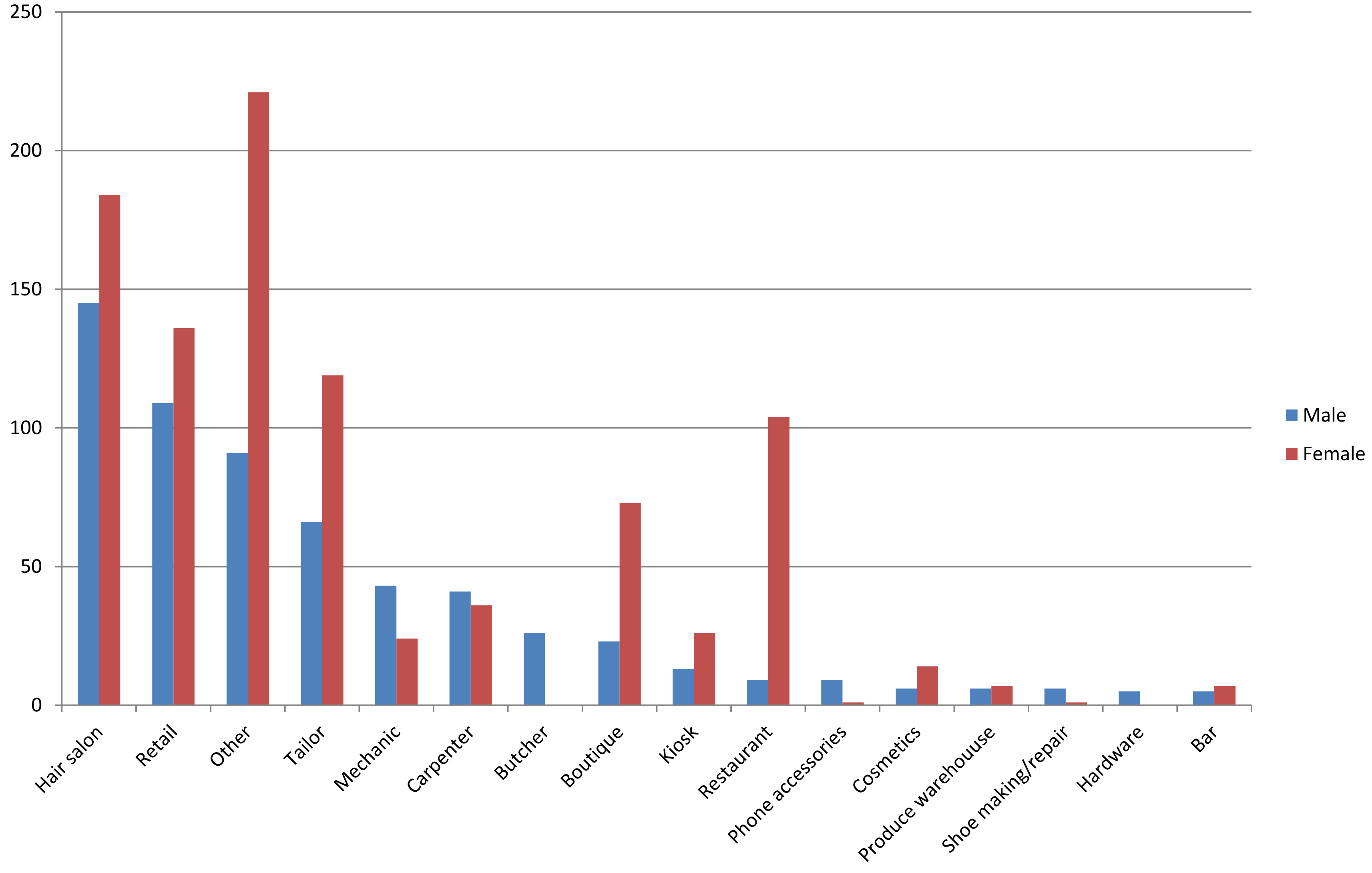
Business characteristics

Baseline Characteristic	Men	Women
Age 18-23	18%	8%
Age 24-29	37%	32%
Age 30-35	26%	32%
Married	65%	72%
Previous training	26%	25%
Number of employees	0.90	0.52
Last month's profit (1000 USh)	388	260
Average month's profit (1000 USh)	544	297
Stock value (1000 USh)	3,663	1,520
Ability Index	29%	-17%
Asset index	29%	-16%
Had a loan previously	38%	53%

Timeline

March 2012	Listing of businesses in sample districts
May 2012	Second baseline survey to ensure interest
June 2012	Randomization of participants
August to Oct 2012	Interventions
March to May 2013	First follow-up survey
July to August 2013	Second follow-up survey

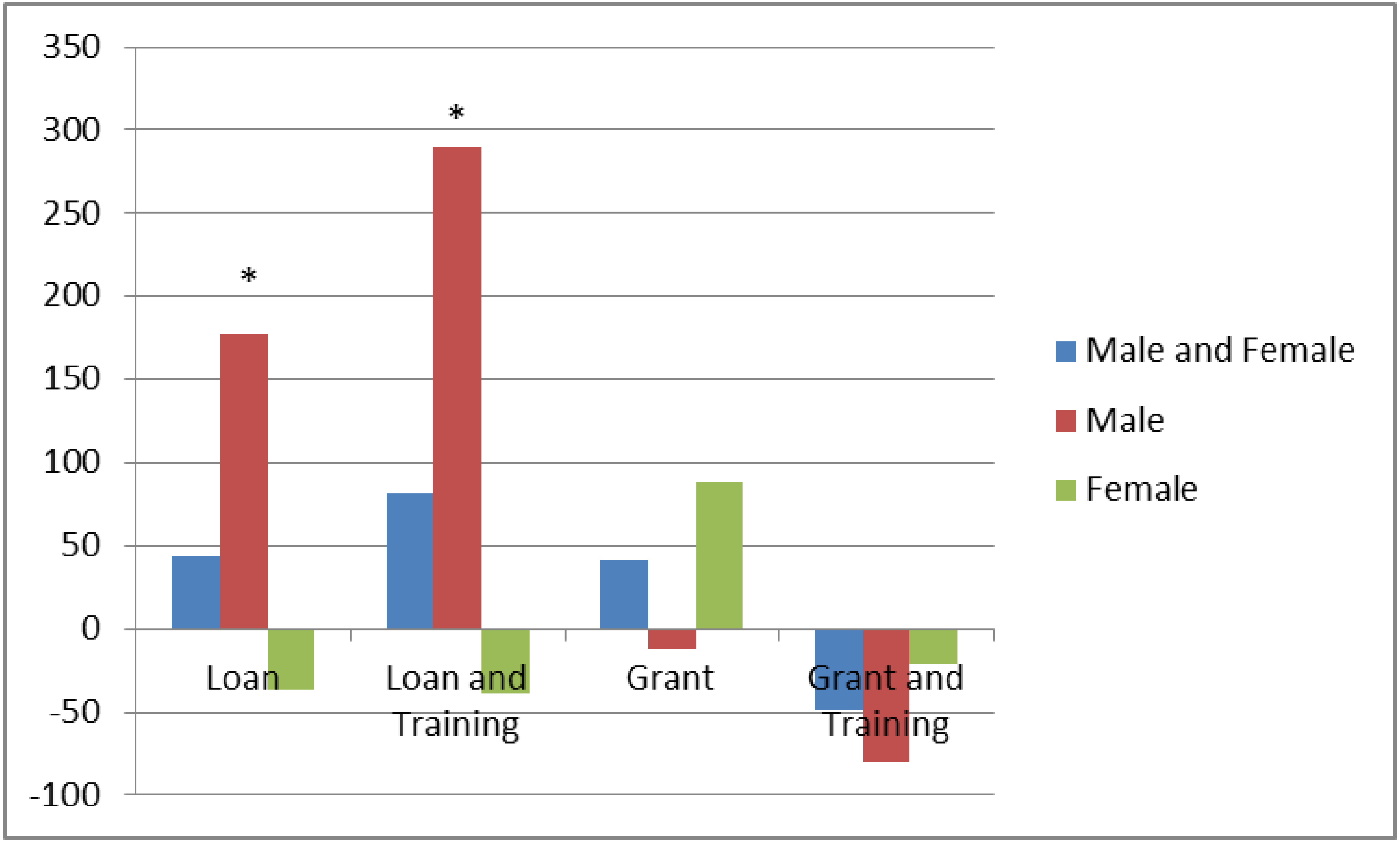
Businesses in the sample



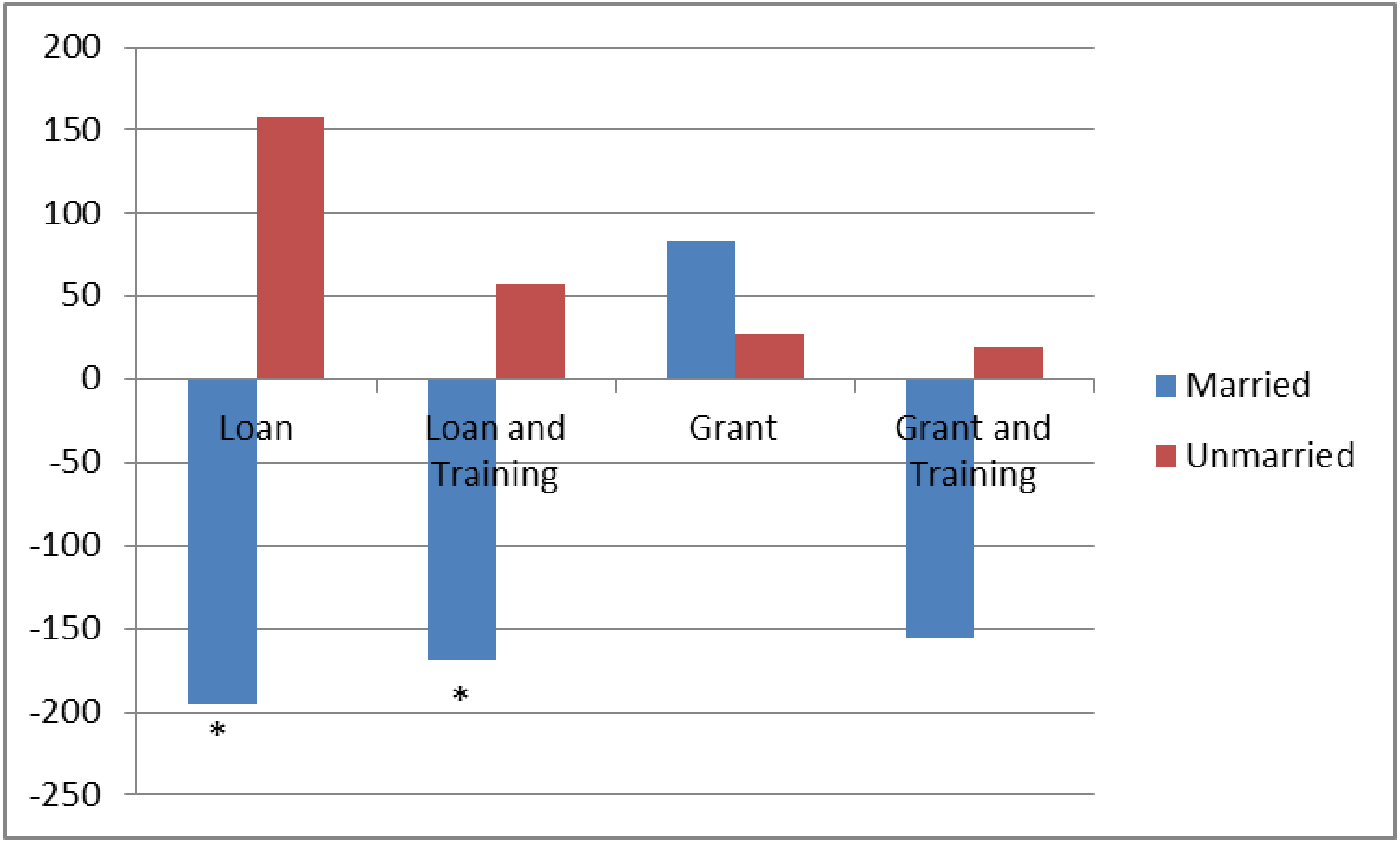
Who are the businesses?

Baseline Characteristic	Male	Female
Age 18-23	18%	8%
Age 24-29	37%	32%
Age 30-35	26%	32%
Age 36-41	10%	16%
Age 41-50	9%	12%
Married	65%	72%
Literate	87%	70%
Previous training	26%	25%
Has any employees	90%	52%
Last month's profit (1000 USh)	387.66	259.89
Stock value (1000 USh)	3662.82	1519.77
Had a loan previously	38%	53%
Asset index	0.29	-0.16

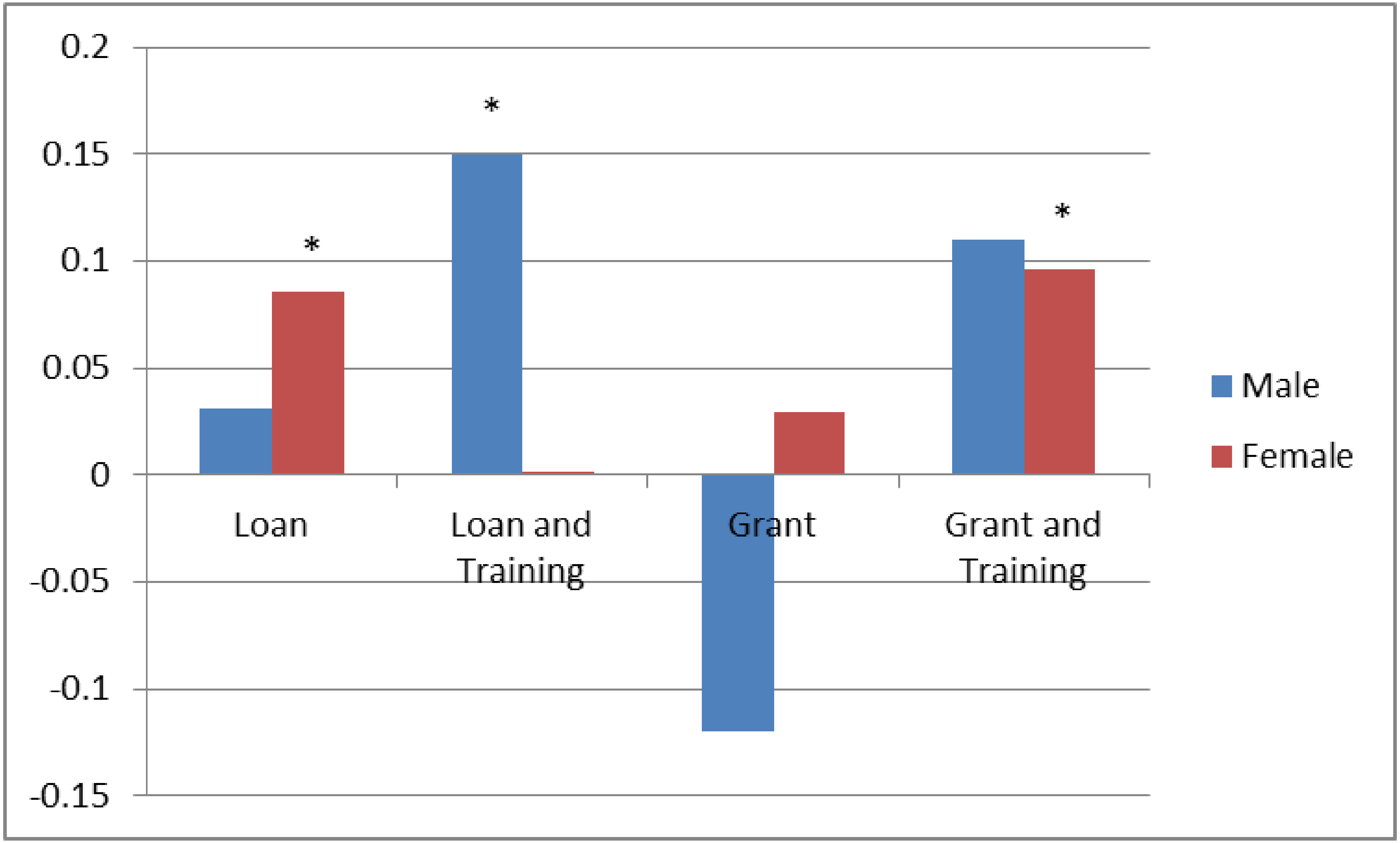
Main Impacts on profits (USH)



Impacts by family location for women



Number of family members employed



Other outcomes

- Initial increase in paid employees
- Very large returns to all employees
- Some capital investment
- Some initial effect for men on children missing school
- No additional spending for health or household consumption by men

Summary

- Loans have a very large effect for men
  - Training sustains these effects
- Results are consistent with a commitment and skills problem
  - Men seemed to respond to the need to repay money
- None of the interventions helped women
  - Family presence is driving some negative returns
- Large employee effects

Policy implications

- The current microfinance model
  - Does not work to expand female businesses
  - Works for male run businesses
- Is there a better model for women?
- Employment effects are large. Can we specifically target employment?
- Cash works to start businesses, but expansion is more complicated

Main impacts

	(1) Pooled	(2) Pooled	(3) Male	(4) Male	(5) Female	(6) Female
Loan	43.6	78.7	185.5*	267.3**	-45.0	-47.6
	(47.12)	(55.38)	(94.48)	(110.62)	(51.30)	(59.23)
Loan and Training	74.6	67.7	278.4*	224.7*	-49.8	-26.2
	(65.48)	(57.80)	(146.35)	(117.39)	(55.62)	(61.21)
Grant	18.2	126.2	16.2	88.8	22.4	151.8
	(61.49)	(82.10)	(95.36)	(111.28)	(80.67)	(113.14)
Grant and Training	-69.8	-90.0	-38.9	-98.1	-82.2	-74.3
	(66.54)	(89.06)	(144.12)	(191.75)	(59.03)	(78.49)
Loan * W4		-72.6		-169.2		4.35
		(58.15)		(114.87)		(61.83)
Loan and Training * W4		12.7		108.8		-49.4
		(74.05)		(164.52)		(65.11)
Grant * W4		-220.3***		-147.5		-264.9***
		(78.39)		(128.47)		(99.28)
Grant and Training * W4		36.4		113.9		-19.1
		(83.40)		(173.18)		(79.94)
Control Mean	371.9	371.9	439.1	439.1	337.2	337.2

Impacts by family location

	(1) Far Family - Male	(2) Close Family - Male	(3) Far Family - Female	(4) Close Family - Female
Loan	153.0	328.4**	146.0**	-190.3**
	(159.72)	(156.04)	(64.24)	(94.64)
Loan and Training	131.8	285.1*	112.2	-115.5*
	(193.34)	(154.37)	(110.06)	(68.31)
Grant	-79.4	186.4	289.2**	63.8
	(160.83)	(145.12)	(139.36)	(193.31)
Grant and Training	-438.1	233.4	116.5	-233.0***
	(336.12)	(154.70)	(122.96)	(72.78)
Loan * W4	-124.7	-205.8	-109.5	116.4
	(203.42)	(149.19)	(71.76)	(93.02)
Loan and Training * W4	300.9	23.0	-48.9	-45.2
	(366.87)	(173.59)	(99.35)	(86.16)
Grant * W4	-9.74	-317.4	-292.9**	-193.2
	(202.07)	(212.47)	(131.48)	(138.38)
Grant and Training * W4	75.6	240.3	-70.7	60.5
	(280.89)	(217.30)	(102.24)	(115.76)
Control Mean	430.0	447.4	224.4	412.7

Impacts by ability and patience

	Low Ability		High Ability		Low Patience		High Patience	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Male	Female	Male	Female	Male	Female	Male	Female
Loan	160.2	20.7	356.1*	-158.5	305.0**	-113.2	248.0	20.7
	(113.17)	(49.93)	(185.41)	(137.07)	(124.75)	(105.11)	(191.23)	(58.67)
Loan + Train	77.6	54.7	346.8*	-131.4	218.3*	-93.7	264.5	64.7
	(101.55)	(80.13)	(201.63)	(101.32)	(117.09)	(103.22)	(216.11)	(67.92)
Grant	-81.1	175.4	220.9	126.1	83.2	268.3	111.1	42.1
	(110.27)	(136.74)	(188.70)	(200.68)	(92.40)	(212.38)	(221.28)	(93.25)
Grant + Train	-529.4	-34.4	153.8	-138.9	74.1	-80.1	-266.6	-80.2
	(455.69)	(88.14)	(176.24)	(160.23)	(105.31)	(109.64)	(392.67)	(133.88)
Loan x W4	7.38	-37.9	-305.7	62.1	-204.8	28.0	-158.6	-25.3
	(142.03)	(69.48)	(187.80)	(130.44)	(151.45)	(114.23)	(193.72)	(70.64)
Loan + Train x W4	53.9	-95.3	150.0	-4.67	148.4	-97.1	39.4	-6.31
	(181.19)	(93.03)	(288.51)	(111.88)	(255.86)	(113.86)	(237.83)	(93.29)
Grant x W4	137.5	-267.3**	-403.8**	-291.3	-255.1	-416.9**	-66.3	-149.5
	(167.33)	(106.34)	(203.56)	(192.82)	(162.18)	(182.94)	(221.16)	(107.29)
Grant + Train x W4	447.4	-54.1	-62.1	4.06	-171.8	-4.33	490.3	-97.5
	(378.77)	(87.11)	(192.27)	(147.73)	(141.57)	(123.22)	(342.63)	(98.18)
Control Mean	393.0	304.2	524.7	429.3	361.7	364.1	560.0	347.3

Impacts by baseline profits

	(1) Male - Low Profits	(2) Male - High Profits	(3) Female - Low Profits	(4) Female - High Profits
Loan	188.6	312.2*	17.9	-146.9
	(137.49)	(159.71)	(44.48)	(124.21)
Loan and Training	85.7	316.0*	101.6*	-171.6
	(157.31)	(163.76)	(59.86)	(108.50)
Grant	-98.5	221.0	282.5*	-8.09
	(109.12)	(179.97)	(163.00)	(148.46)
Grant and Training	92.3	-315.3	69.1	-201.8*
	(134.13)	(336.17)	(97.18)	(121.38)
Loan * W4	-201.5	-145.9	-30.3	39.1
	(158.33)	(160.06)	(72.62)	(105.56)
Loan and Training * W4	440.2	-141.8	-129.7	42.8
	(302.74)	(171.72)	(85.20)	(99.31)
Grant * W4	11.9	-295.9	-378.6***	-128.3
	(138.83)	(210.94)	(132.18)	(144.29)
Grant and Training * W4	-95.6	314.4	-27.6	-5.39
	(173.46)	(283.72)	(101.89)	(122.53)
Control Mean	301.5	529.9	222.2	252.9

Employment and capital outcomes

	Total Employees		Hired Employees		Family Employees		Capital	
	(1) Male	(2) Female	(3) Male	(4) Female	(5) Male	(6) Female	(7) Male	(8) Female
Loan	0.28	-0.17	0.10	-0.19	0.086	0.069	1609.6	-291.1
	(0.23)	(0.20)	(0.15)	(0.12)	(0.08)	(0.06)	(1955.84)	(733.53)
Loan + Train	0.68**	-0.042	0.49**	-0.13	0.21**	0.018	1626.9	-330.0
	(0.27)	(0.16)	(0.19)	(0.12)	(0.09)	(0.06)	(1879.24)	(368.14)
Grant	0.29	-0.28	-0.016	-0.26*	0.0023	-0.046	1742.3	230.3
	(0.25)	(0.19)	(0.19)	(0.14)	(0.10)	(0.07)	(1828.70)	(553.98)
Grant + Train	0.42	-0.014	0.10	-0.27**	0.11	0.095	1545.8	26.7
	(0.31)	(0.18)	(0.19)	(0.13)	(0.09)	(0.07)	(1754.76)	(472.53)
Loan x W4	-0.57	0.0030	-0.43	0.079	-0.13	-0.0073	-394.0	-195.9
	(0.37)	(0.16)	(0.33)	(0.17)	(0.12)	(0.08)	(1053.00)	(687.26)
Loan + Train x W4	-0.71*	-0.14	-0.62*	-0.027	-0.12	-0.044	-260.5	27.6
	(0.42)	(0.18)	(0.37)	(0.18)	(0.15)	(0.08)	(1068.98)	(360.36)
Grant x W4	-0.67*	0.37*	-0.49	0.21	-0.21	0.14	-226.2	-695.8
	(0.41)	(0.20)	(0.36)	(0.19)	(0.14)	(0.10)	(1180.27)	(472.16)
Grant + Train x W4	-0.24	0.15	-0.24	0.24	-0.024	0.0033	-306.5	4.37
	(0.42)	(0.18)	(0.36)	(0.18)	(0.15)	(0.09)	(963.05)	(444.77)
Control Mean	0.29	0.20	1.08	0.81	0.32	0.20	4921.3	2197.6

Returns to employment and capital

	Family Employees			Hired Employees		
	(1)	(2)	(3)	(4)	(5)	(6)
Capital		0.043***	0.063		0.037***	0.035
		(0.01)	(0.05)		(0.01)	(0.05)
Family Employees	699.4*	700.2*	705.8*			
	(413.12)	(400.65)	(407.82)			
Hired Employees				282.5*	236.3	238.1
				(168.02)	(158.47)	(156.87)
Control Mean	470.9	473.8	473.8	470.9	473.8	473.8
Labour Instrumented	Yes	Yes	Yes	Yes	Yes	Yes
Capital Instrumented	No	No	Yes	No	No	Yes

Household outcomes

	Missed School		Child Health		HH Consumption		Savings	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Male	Female	Male	Female	Male	Female	Male	Female
Loan	0.032	0.041	-3.56	-22.1**	-116.1	-211.0**	-8.62	60.5
	(0.06)	(0.05)	(16.06)	(11.03)	(183.45)	(96.36)	(84.69)	(40.93)
Loan + Train	0.12*	0.0099	-3.31	-12.0	181.7	-256.0***	64.4	44.8
	(0.06)	(0.05)	(16.88)	(12.98)	(356.29)	(92.30)	(107.24)	(30.78)
Grant	0.066	-0.10**	108.6	-12.6	-117.2	-248.7***	-64.7	54.6
	(0.08)	(0.05)	(82.21)	(19.72)	(180.35)	(82.66)	(127.19)	(35.64)
Grant + Train	-0.0043	0.0095	-7.17	-23.4	-191.7	-250.5***	-27.6	-0.0081
	(0.07)	(0.06)	(13.79)	(15.63)	(169.02)	(87.96)	(89.59)	(23.40)
Loan x W4	-0.011	-0.044	-2.18	22.8*	27.0	186.3*	-38.4	-35.6
	(0.09)	(0.07)	(16.79)	(13.38)	(202.97)	(108.71)	(136.35)	(53.98)
Loan + Train x W4	-0.093	0.0086	15.5	13.5	-328.9	218.3**	-82.9	-15.0
	(0.09)	(0.07)	(25.23)	(15.39)	(375.92)	(100.66)	(151.44)	(43.71)
Grant x W4	0.073	0.17**	-97.2	20.0	91.9	379.7***	-3.43	-46.4
	(0.11)	(0.08)	(81.54)	(22.74)	(213.87)	(115.88)	(164.01)	(43.96)
Grant + Train x W4	-0.090	0.061	74.9	16.4	302.4	311.0***	-4.64	15.6
	(0.11)	(0.08)	(66.29)	(15.77)	(194.20)	(106.04)	(127.59)	(31.22)
Control Mean	0.91	0.93	29.8	36.4	717.9	636.6	302.0	157.9

Spillovers

	(1) Male Firms	(2) Female Firms	(3) Male Firms	(4) Female Firms	(5) Treatment Firms	(6) Control Firms
Close Firms	-3.00***	-0.26	0.041	0.44	1.27	-1.88
	-1.08	-0.59	-3.29	-2.05	-4	-4.27
Close Firms * W4	0.091	0.18	-0.88	0.75	-0.91	0.7
	-1.17	-0.64	-3.37	-1.88	-3.9	-6.03
Close firms * Density			-0.011	-0.0025	-0.014	-0.016
			-0.01	-0.01	-0.01	-0.02
Close firms * Density * W4			0.0036	-0.002	0.0023	0.0053
			-0.01	-0.01	-0.01	-0.02