

Our latest note discusses one of a number of recent impact evaluations of business training programs. See further reading for a link to a critical overview of this new literature

Business Training for New and Existing Female-Owned Firms in Sri Lanka

Suresh de Mel, David McKenzie, and Christopher Woodruff

Self-employment is often seen as an important avenue for women's economic empowerment. However, most enterprises run by women are subsistence in nature, with low earnings levels. Moreover, in many parts of South Asia and the Middle East, the majority of women remain out of the labor force.

Business training is often seen as one solution, helping women to start new businesses and to make their existing businesses more productive. But despite widespread usage, to date the evidence on the effectiveness of these programs has been slight.

The Experiment

We evaluate the impact of the most commonly used training program worldwide, the ILO's Start and Improve Your Business (SIYB) training program. These are 5-6 day courses designed to help potential entrepreneurs set up a new business (e.g. selection of products, pricing, organization of staff, purchasing of equipment, and other inputs) and to help existing businesses grow (e.g. marketing, buying, costing, stock control, record-keeping, financial planning).

Our experimental sample consists of two groups of women in urban Sri Lanka:

- 628 current business owners: a random sample of women working full-time in businesses earning below the median profit level (5000 Rs, or about \$40/month).
- 628 potential business owners: a random sample of women aged 25-45 who were out of the labor force and said they were

planning on starting a business in the next year.

An important distinction from many other business experiments is that these business owners are not all microfinance clients, but instead are more representative of the average business or potential business owner.

Each of the two samples was randomly allocated into three groups:

- Training only: 200 individuals invited to training
- Training plus grant: 200 individuals invited to training, who received a grant of 15,000 Rs (US\$130) conditional on finishing training
- Control group of 228 individuals.

Follow-up Surveys

Four follow-up surveys were conducted, at time intervals corresponding to 4, 8, 16 and 25 months after training. Attrition rates were relatively low, ranging from 6-12%, with information on business ownership available for 97% of firms.

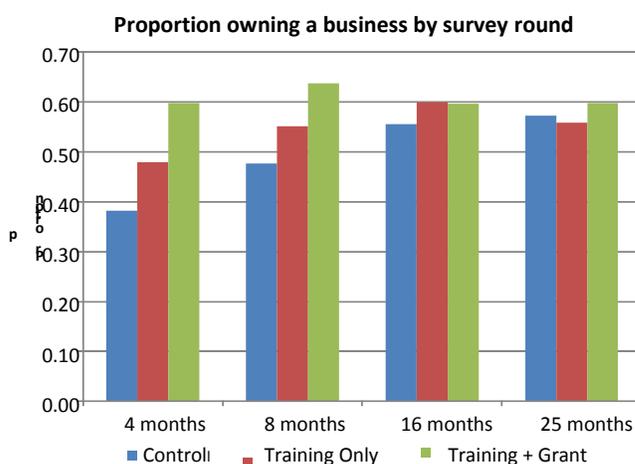
Results

- **Training led to improvements in business practices for existing firms, although the magnitude is relatively small:** Treated firms implement 2 or 3 more business practices, improving marketing, stock keeping, record keeping, and planning, but are still a long way from implementing all the practices the SIYB recommends.

Do you have a project you want evaluated? DECRG-FP researchers are always looking for opportunities to work with colleagues in the Bank and IFC. If you would like to ask our experts for advice or to collaborate on an evaluation, contact us care of the Impact editor, David McKenzie (dmckenzie@worldbank.org)

- **Training (with or without grants) has no impact on survival of existing firms**
- **Training alone has no significant impact on profits or sales of existing firms;** training plus a grant does increase profits in the short-term, but this effect dissipates over time. However, like the rest of the literature, we cannot rule out somewhat sizeable increases or decreases in profits ($\pm 30\%$).
- **Training speeds up the creation of new businesses.** Figure 1 shows the proportion owning a business by survey round. Within the first year this is much higher for those receiving training, especially those with the training and a grant. However, by 16 and 25 months the impacts have disappeared.

Figure 1: Impact of Training on Business Ownership among Potential Owners



- **Training changes who operates a business:** it draws in people with lower analytical ability (as measured by a

Raven test), and when coupled with a grant, induces poorer individuals to open a business. However, in our case it also dissuades more skilled women from opening businesses.

- **Businesses started by trained firms are more profitable up to 2 years later:** we estimate profits and sales are up to 40 percent higher.

Implications

1. Training alone does not appear to be enough to get subsistence businesses run by women to grow. The binding constraints to growth may lay outside the areas of capital and skills (e.g. constraints to participation in wage markets).
2. The results are more encouraging for using business training to help women out of the labor force start businesses more quickly, and for improving the profitability and management of these firms.
3. The results show the importance of following the trajectory of outcomes – we would have inferred quite different results if we had just done a single one-year follow-up survey.

For further reading see: Suresh de Mel, David McKenzie and Christopher Woodruff (2012) “Business training and female enterprise start-up, growth, and dynamics : experimental evidence from Sri Lanka” World Bank [Policy Research Working Paper no. 6145](#)

David McKenzie and Christopher Woodruff (2012) “What are we learning from business training and entrepreneurship evaluations around the developing world?” World Bank [Policy Research Working Paper no. 6202](#).

Recent impact notes are available on our website: <http://econ.worldbank.org/programs/finance/impact>