# Business Training and Female Enterprise Start-up, Growth, and Dynamics Experimental Evidence from Sri Lanka

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## Abstract

The authors conduct a randomized experiment among women in urban Sri Lanka to measure the impact of the most commonly used business training course in developing countries, the Start-and-Improve Your Business program. They work with two representative groups of women: a random sample of women operating subsistence enterprises and a random sample of women who are out of the labor force but interested in starting a business. They track the impacts of two treatments — training only and training plus a cash grant—over two years with four follow-up surveys and find that the short and medium-term impacts differ. For women already in business, training alone leads to some changes in business practices but has no impact on business profits, sales or capital stock. In contrast, the combination of training and a grant leads to large and significant improvements in business profitability in the first eight months, but this impact dissipates in the second year. For women interested in starting enterprises, business training speeds up entry but leads to no increase in net business ownership by the final survey round. Both profitability and business practices of the new entrants are increased by training, suggesting training may be more effective for new owners than for existing businesses. The study also finds that the two treatments have selection effects, leading to entrants being less analytically skilled and poorer.

## Gender Connection

Gender Focused Intervention

Women's vocational knowledge and skills, job performance, property, access to credit, earnings

## IE Design

Randomized Control Trial

400 current business owners and 400 potential business owners were randomly selected for business training. Out of the training recipients, half were pre-selected to receive a grant of $129 conditional on finishing training. The training was the International Labor Organizations "Start Your Own Business" program. The program includes a 3 day training course that helps potential entrepreneurs decide if they should start a business, a 5 day training that covers the main aspects of starting a business, and a 5 day course which trains existing business owners how to develop their business. The cost of training was about $130.

## Intervention Period

April and May 2009

The study attempted to identify self-employed women who worked more than 20 hours per week in self-employment and had profits below the median. Also, the study wanted to capture women who were out of the labor force but were likely to re-enter the labor force within the next year. 1256 individuals were selected, 628 potential business owners and 628 current business owners. The women were identified through door-to-door screening. The typical owner in our sample is 36, married, with ten years of schooling, and has been running the business for just over six years. Also, only 18% of the current business owners have ever had any formal business training.
## Comparison conditions

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<thead>
<tr>
<th>Unit of analysis</th>
<th>Control (standard treatment)</th>
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<tbody>
<tr>
<td></td>
<td>Individual</td>
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## Evaluation Period

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<th>There are 4 follow up studies over 2 years</th>
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## Results

The use of proper business practices increased in the short term (3-4 months) and medium term (15-25 months). The magnitude of the increase is large, considering that baseline levels of business practices were low, but firms are still a long way away from implementing all of the practices taught in the course. 83% of firms remained in business through 5 rounds of the survey. Survival does not depend on treatment status. The results show that business training alone does not improve profits, sales, or capital stock of current firm owners, or change the number of hours the owners spend working in their businesses. The combination of training and cash does have a positive increase on capital stock through all survey rounds. There is a temporary increase in profits that dies down by the 4th and 5th survey round (about a year later). Approximately 2/3 of the increase in profits comes from the grant itself. The treatment group is more likely to start a business compared to the control after 3 rounds of surveys. However, this effect dissipates as the control group catches up by the 5th round. Therefore, the training may act as a way to speed up a trend of starting businesses that is otherwise naturally occurring. Even given the short term effects of self-employment, there is no significant effect on total earnings due to the lower likelihood of wage employment amongst the treated. Also, the treatment led to women with lower cognitive ability and wealth to start a business.

## Primary study limitations

Gender Action Plan

## Funding Source


## Reference(s)


## Link to Studies


## Microdata