The Impact of Entrepreneurship Training Programmes

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Question

What is the evidence of the impact of entrepreneurship training programmes in India and internationally? What are the mechanisms which enhance the success of these programmes?

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1. Overview

Entrepreneurship training programmes generally have a positive impact on existing and aspiring entrepreneurs, especially in terms of promoting better business practices. Programmes which provide training for entrepreneurs often include other interventions such as micro-finance, grants, internships or mentorship (McKenzie & Woodruff, 2013). The varied content of the programmes as well as differences in length and intensity undermines the extent to which such interventions can be compared. Consequently, it is difficult to reach a consensus regarding how effective entrepreneurship training programmes are. Entrepreneurship training programmes that combine training with finance have more impact on raising self-employment through start-ups as well as enhancing business performance and practices (Cho & Honorati, 2014; De Mel et al., 2014; Patel, 2014). Entrepreneurs are more likely to remain self-employed if they have access to a second capital grant (Martinez et al., 2016).

The following findings emerge from the review of impact assessments:

- Entrepreneurship training programmes are designed to promote self-employment through business creation. However, the impact of these programmes on start-up activity is modest. Evidence from such programmes in Chile and Sri Lanka found that self-employment declined in the long-term, that is about two years after the intervention (De Mel et al., 2014; Martinez et al., 2016).

- The impact of entrepreneurship training programmes on other aspects of business performance such as income, sales, profits and inventory is modest. A meta-analysis of 37 programmes found that there was no effect on income (Cho & Honorati, 2014). However, other impact assessments noted small improvements in sales, income, capital stock and loan activity (De Mel et al., 2014; Field, Jayachandran, & Pande, 2010; Karlan & Valdivia, 2011; Martinez et al., 2016).

- Entrepreneurship training programmes are more effective with regard to boosting business knowledge and good business practices (De Mel, McKenzie, & Woodruff, 2014; Patel, 2014). There was a positive effect on business practices in the meta-analysis of 37 programmes, especially among existing small businesses (Cho & Honorati, 2014). Other studies observed improvements in terms of record keeping, the separation of business and household finances and asset management (Giné & Mansuri, 2014; Martinez et al., 2016). Moreover, these improvements were sustainable over the long-term (De Mel et al., 2014).

- Business training enhances the confidence and sense of empowerment among entrepreneurs.

Entrepreneurship training generally helps female entrepreneurs to improve their business practices. Women found that knowledge of business planning helped them to set goals and targets for their enterprises (Bauer, 2011; Patel, 2014). In addition, entrepreneurship training is beneficial for female entrepreneurs because it enhances their confidence and sense of self-empowerment (Patel, 2014). However, such training cannot fully counter the constraining effects of structural barriers to women’s participation in the labour force, such as discrimination based on religion, caste or gender norms (Field et al., 2010; Giné & Mansuri, 2014). The impact of entrepreneurship training programmes in India and Pakistan was undermined by structural barriers to women’s social mobility. However, there is mounting evidence of the positive benefits that women’s social networks and peer support can offer to female entrepreneurs (Patel, 2014).
The impact of entrepreneurship training programmes can be magnified by combining training with finance, as such programmes are more effective in terms of fostering self-employment and as well as helping entrepreneurs to improve business performance and operations (Cho & Honorati, 2014; De Mel et al., 2014). A study in Chile finds that programmes which incorporate a second capital grant are more effective in terms of promoting self-employment in the long-term (Martinez et al., 2016). There is no consensus on the ideal length of training programmes, but training tends to be more effective if it is provided by the private sector (Cho & Honorati, 2014).

2. Impact of entrepreneurship training programmes

Entrepreneurship training programmes are implemented in developed and developing countries to enable individuals to become self-employed by running their own businesses (Field, Jayachandran, & Pande, 2010; Bauer, 2011). These programmes tend to combine training with other interventions such as micro-finance, grants, internships or mentorship (McKenzie & Woodruff, 2013). Consequently, it is generally difficult to obtain a consensus on the effectiveness of these programmes because they differ significantly in terms of length, content and target group (Fox & Kaul, 2017). For example, Cho & Honorati (2014) classify the 37 entrepreneurship programmes in their meta-analysis study by interventions as in Table 1. Cho & Honorati (2014) include studies which only provide microfinance interventions in their analysis however, they do compare programmes which have a training component with those which do not. The results of micro-finance only programmes are not reported in this review.

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Training only</td>
<td>22.3%</td>
</tr>
<tr>
<td>Training and consulting</td>
<td>11.2%</td>
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<tr>
<td>Finance only</td>
<td>50.1%</td>
</tr>
<tr>
<td>Finance and consulting</td>
<td>8.9%</td>
</tr>
<tr>
<td>Training and finance</td>
<td>6.3%</td>
</tr>
</tbody>
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Table 1: Classification of programmes by intervention (Cho & Honorati)

The impact of entrepreneurship training programmes is assessed using a variety of indicators which can be broadly classified into three categories: indicators of business practices, indicators of business performance and psychological indicators (Ismail, 2018). The evidence of the impact of entrepreneurship training programmes is obtained from one meta-analysis study, which reviews the impact of 37 studies and aims to assess the overall impact of the interventions (Cho & Honorati, 2014) as well as rigorous evaluations of specific programmes (in India, Sri Lanka, Pakistan, Chile and Peru) which utilise randomised control trials.

Impact on business performance

Entrepreneurship training programmes often target existing and aspiring entrepreneurs, therefore the rate of business start-up after the intervention is an indicator of success (Patel, 2014). Overall, start-up rates are modest in the short-term and generally dissipate over the long-run. Two studies find that the control group eventually catches up with the treatment group in terms of setting up a new business (De Mel, McKenzie, & Woodruff, 2014; Giné & Mansuri, 2014).
In Chile the Micro-Enterprise Support Programme (MESP) is administered by the Department of Social Development. The programme provides start-up capital in kind to the value of US$600 and 60 hours of entrepreneurship training over one month (Martinez, Puentes, & Ruiz-Tagle, 2016, p. 4). A randomised control trial of the programme was undertaken which entailed a baseline assessment, a post assessment after nine months and a second post assessment after 33 months to test the long-term impact of the programme. The assessment after nine months found that self-employment increased by 15% as a result of the programme (Martinez et al., 2016, p. 11). One year after the programme there was an increase in self-employment which stemmed from decreases in both unemployment and wage employment. However, over the long-term the increase in employment was much lower at 6.8%, as measured after 33 months. Three years after the intervention it was observed that wage employment contributed more to income than self-employment. It appears that the training equipped the participants with skills that enabled them to engage in either self-employment or wage employment.

An experimental study was conducted among rural micro-finance clients in Pakistan. The experiment was conducted in partnership with the National Rural Support Programme (NRSP) which provides uncollateralised micro-finance loans to individuals who are required to join a Community Organisation (CO). The CO consists of 5 to 30 members who meet regularly in order to contribute to individual or joint savings. A random selection of micro-finance clients were offered eight days of training and the opportunity to participate in a loan lottery, so that they could apply for a loan of up to US$1,700 (Giné & Mansuri, 2014). The training covered business planning, finance and marketing. A random sample of 747 COs participated in the study of which 60% were male, 34% were female and 6% were mixed (Giné & Mansuri, 2014). The evaluation found that the programme had no effect on the rate of business creation (Giné & Mansuri, 2014, p. 19).

An evaluation of the International Labour Organisation’s Start Your Own Business Programme (SYOB) in Sri Lanka found that aspiring entrepreneurs in the treatment group (which participated in the programme) were significantly more likely than the control group to start a business in the short term (De Mel et al., 2014, p. 205). However, this effect withered away in the long-run and the start-up rates were the same across treatment and control groups by the end of the study.

Business performance is assessed further through indicators such as earnings, profit, sales or inventory (McKenzie & Woodruff, 2013; Patel, 2014). Overall, the evidence indicates that entrepreneurship training programmes have a limited impact in terms of improving income, sales or profits.

Cho & Honorati (2014) conducted a meta-analysis of 37 impact assessments of entrepreneurship programmes and found that the majority of the studies assessed the impact of the programmes in terms of changes in business performance, especially income. Overall, entrepreneurship programmes (which provide training only or a combination or training and micro-finance) do not have a statistically significant effect on income (including earnings or

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1 The baseline study found that 66% of the study participants were employed and 50% were self-employed. The average monthly income was US$95-116.
2 There were 689 participants in the control group and 689 in the treatment group who received training and in-kind asset transfers valued at US$600.
3 The final sample was 2,144 men and 2,017 women. Over 90% of those who signed up for the training attended. The baseline survey indicated that there were significant individual and business differences between the male and female participants. The follow-up survey was conducted two years after the intervention and the attrition rate was modest at 16% (Giné & Mansuri, 2014, p. 14).
However, there was a statistically significant, positive effect for entrepreneurship training only programmes on income among those entrepreneurs with higher education (0.269). Similarly, entrepreneurship programmes do not have a statistically significant effect on other indicators of business performance such as sales, inventories and the number of paid employees (Cho & Honorati, 2014, p. 30).

- In Chile the MESP programme resulted in an increase in total income of US$70 as well as an increase of six hours work per week after nine months (Martinez et al., 2016, p. 11). However, the long-term impact on income was smaller and after 33 months income had increased by only US$34. Martinez et al. (2016, p. 13) emphasize that they find that the MESP programme increased income in the long-term, unlike other studies which report that the positive trends disappear in the long-run.

- An evaluation of a programme in Peru which provided basic business training to microfinance clients found that the training did not lead to higher profits, but did have a small positive impact on sales (Karlan & Valdivia, 2011, p. 523).

- An evaluation of the SYOB programme in Sri Lanka found that existing business owners did not find that sales or profits increased after the programme, although there was an improvement with regard to capital stock and this improvement was maintained over the long-run (De Mel et al., 2014). In addition, the new entrepreneurs in the treatment groups did not experience improvements in earnings and profits (De Mel et al., 2014, p. 206).

- An evaluation of a two-day training programme provided to a sample of clients of SEWA bank in India found that upper caste women were more likely to apply for loans after the training (Field et al., 2010). Moreover, there was some indication that the income of upper cast women improved, but this finding is tentative.

There are a two exceptions to the above trends:

- Cho and Honorati (2014, p. 30) found statistically significant and positive effects for entrepreneurship training only programmes on firm performance among the youth (0.155) and those with higher education (0.049).

- An experimental study in Pakistan found that entrepreneurship training resulted in a reduction in business failure among men of 6.1% compared with the control group. However, there was no effect among women (Giné & Mansuri, 2014, p. 19). The authors postulate that men derive more benefits from training interventions than women, because women spend less time on business activities as they have household chores. Furthermore, social norms which restrict women’s mobility and social interaction constrains their ability to run businesses effectively (Giné & Mansuri, 2014, p. 22).

**Business knowledge and practices**

Overall, entrepreneurship training programmes are effective in terms of improving business knowledge and practices.

- The meta-analysis of 37 entrepreneurship programmes revealed that positive changes in business knowledge or practices were detectible in the short term (Cho & Honorati, 2014, p. 30).

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4 In survey research a significance test is needed to make sure that the findings did not occur by chance. The researchers set a confidence level of 95%. When they are 95% sure that the difference between two groups (usually a treatment group and a control group) are not due to chance then the difference is deemed to be statistically significant.

5 A random selection of 636 female clients of SEWA Bank aged 18-50 comprised the sample.
Entrepreneurship training only programmes have an overall statistically significant and positive impact on business practices (0.075). Existing business owners (0.084) derive greater benefits from the training than potential entrepreneurs.

- Patel (2015) finds that entrepreneurship training improves business knowledge of female entrepreneurs.
- A qualitative assessment of two training programmes in Vermont, USA (Women’s Small Business Programme and the Microbusiness Development Programme) for women entrepreneurs found that learning how to build a business plan was regarded as a key benefit of the programme by the participants (Bauer, 2011). Even if businesses plans were not developed, familiarity with the process helped entrepreneurs to clarify their goals. Participants claimed that they benefited from the marketing and advertising skills which they learned. Other useful skills were managing finances and bookkeeping (Bauer, 2011).
- In Peru the entrepreneurship training did not have any impact on the level of business formalisation, record-keeping or number of sales locations (Karlan & Valdivia, 2011, p. 519).
- Giné & Mansuri (2014, p. 18) found that business training increased business knowledge for all of the CO members who were interviewed. Business training led to improved business practices such as the recording of sales and the separation of business and household finances. There were also some improvements in business operations especially for those who won the lottery (Giné & Mansuri, 2014, p. 19).\(^6\)
- The MESp programme in Chile had a favourable impact on business practices after the intervention (Martinez et al., 2016, p. 14). In addition there was a short term gain in asset management (measured in terms of cash holdings) after one year, but this dissipated after 33 months.
- An evaluation of the ILO SYOB programme among existing women entrepreneurs in Sri Lanka found that there was a favourable improvement in businesses practices three to four months after the intervention and that the improvements persisted and were detectible in the final assessment which occurred 24 months after the programme (De Mel et al., 2014, p. 203). New entrepreneurs also experienced improvements in the business practices in the long-run, two years after the intervention (De Mel et al., 2014, p. 207).
- An experimental design evaluation of a programme that provided consultancy services to textile companies in India found that the companies were able to implement the new management practices that they learned from the consultant within the first year (Bloom, Eifert, Mahajan, McKenzie, & Roberts, 2013, p. 43). Productivity increased by 17% after the first year as a result of the programme. The benefits of the programme were sustainable in the long-run.

**Psychological factors**

Glaub & Frese (2011, p. 348) state that the six entrepreneurship training programmes, which employed rigorous impact assessments in their review study, found that training had positive effects on psychological factors, business success and business management skills. In addition, training on psychological factors has a favourable impact on business growth (Glaub & Frese, 2011).

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\(^6\) For example, lottery winners were more likely to operate all year round.
Female entrepreneurs benefit from business training which includes life-skills or other psychological aspects which helps them to improve their confidence or sense of empowerment. For example, female entrepreneurs in Vermont claimed that financial training boosted their confidence and they were consequently better prepared for loan application processes (Bauer, 2011). A survey of female business owners in India found that education and training boosts the confidence of women entrepreneurs (Rauth Bhardwaj, 2014, p. 45). More specifically, education helps them to locate sources of finance, while training provides them with the skills needed to undertake research on their industry and obtain information on customers and competitors (Rauth Bhardwaj, 2014).

**Household outcomes**

Two studies assess the impact of the entrepreneurship training programme on household level indicators.

- Karlan & Valdivia (2011, p. 520) found that there was no improvement in terms of household decision making after the training. There was no shift in terms of tracking household expenses and female participants did not separate their finances from that of their husband or partner. Furthermore, it was anticipated that the training would encourage mothers to value education and consequently discourage child labour. However, although there was a drop in reported child labour after the intervention, the reduction was not statistically significant (Karlan & Valdivia, 2011, p. 520).

- Giné & Mansuri (2014, p. 22) find that males reported increases in household expenditure and assets after the training. Women did not report such changes since they have less control over their businesses and therefore derive fewer benefits from the intervention (Giné & Mansuri, 2014).

**Gender effects**

Cho & Honotari (2014, p. 27) find that entrepreneurship training programmes improve female empowerment, but these interventions are not sufficient to address the social barriers that women face. For example, an evaluation of an entrepreneurship training programme in India found that it did not alleviate the effects of structural barriers such as caste, since upper-caste women benefited more from the training intervention than their lower-caste counterparts (Field et al., 2010). Furthermore, the study found that Muslim women, who typically face the most restrictions, did not respond favourably to the training, providing further evidence that business training cannot overcome discrimination (Field et al., 2010, p. 128).

Karlan & Valdivia (2011, p. 520) did not detect an improvement in empowerment among the Peruvian women in their evaluation of entrepreneurship training. Karlan and Valdivia (2011) reason that since the women in the study were already running their own businesses they were sufficiently empowered and therefore the training should not be expected to raise empowerment further. Giné & Mansuri (2014, p. 19) found that women in Pakistan who were members of community savings groups reported that businesses were created without their involvement.

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7 The study was conducted in Ahmedabad which has a history of religious tension (Field, Jayachandran, & Pande, 2010).
Women in Pakistan have only partial decision-making power over the loans that they take out and have to consult their husbands with regard to business decisions (Giné & Mansuri, 2014).

3. Mechanisms that enhance entrepreneurship training

Programme elements

As stated previously, entrepreneurship training is often combined with other interventions such as micro-finance or grants. The nature of the package of interventions in the programme influences the success of the programme. The evidence indicates that a package of training and finance is more effective for improving the overall participation in labour market activities than training alone (Cho & Honorati, 2014, p. 6). A random-effects probit regression model found that the effect size for programmes which combine training and finance was greater (0.184) than for programmes which provide training only (-0.050). The combination of training and finance yielded positive labour market outcomes for the youth and social assistance beneficiaries, but not for women (Cho & Honorati, 2014, p. 26).

The evaluation of the SYOB programme in Sri Lanka compared the control group with two treatment groups, one of which received training only while the other received training and a cash grant. De Mel et al. (2014, p. 204) find that the rate of new business start-up was lower for the training only group (12%) compared to the training and grant group (29%). Moreover, De Mel et al. (2014) observe 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. However, the combination of training with cash grants had a positive effect on capital stock management (De Mel et al., 2014).

Likewise, Patel (2014, p. 7) finds that business training only programmes have little impact on business performance for female entrepreneurs. Women derive more benefit from finance than training because they are more credit constrained than men (Cho & Honorati, 2014). Patel (2014) claims that programmes that combine finance and training had larger effect sizes among women, mainly because they addressed the financial constraints that women experience. Moreover, programmes that provide finance over a longer period (for example in the form of grants) have stronger effects and enable women to implement the improved business practices which they learn of during the training phase (Patel, 2014). However, programmes that combine training and finance tend to be more expensive than stand-alone training programmes (Patel, 2014). Moreover, even though the benefits of the combined initiative are greater than the training only programme the former may not be more cost effective (Patel, 2014, p. 11).

A study of the MESP programme in Chile tested the effect of providing a second capital injection of US$240, seven to eight months after the first disbursement in kind valued at US$600 (Martinez et al., 2016). The impact of providing the second capital injection on self-employment is notably greater:

- Self-employment was higher after nine months (a gain 28% compared to 18% for those who only received capital at the start) (Martinez et al., 2016).
- The increase in total employment was higher (19% compared with 12% for those who only received capital at the start) (Martinez et al., 2016).
In the long-term the growth in self-employment exceeded the gains in wage employment for those who received the second disbursement (Martinez et al., 2016, p. 17). Martinez et al. (2016) conclude that while the traditional MESP combination of the training and one in-kind capital injection (valued at US$ 600) increases employment by stimulating wage employment, the provision of the additional US$ 240 increases employment through promoting self-employment.

Duration and nature of training

In general, Cho & Honorati (2014, p. 26) find a u-shaped relationship between the duration of training and the likelihood of success of the programme. This finding suggests that training is most effective if it is short and intense or extended over a long period. However, time intensive programmes can lead to higher dropout rates among women (Patel, 2014).

According to Patel's (2014) review of entrepreneurship training programmes, business training is more likely to lead to improved business practices among women if it is of medium to high intensity, the content is simplified for low skilled entrepreneurs and the training focusses on practical applications or skills. Follow-up training or technical assistance is useful for female entrepreneurs, especially if it is personalised (Patel, 2014).

Private sector programme delivery enhances the effectiveness of entrepreneurship training programmes (Cho & Honorati, 2014, p. 32).

Social networks

There is a growing body of evidence which suggests that women’s networks can assist with peer learning and mentoring (Patel, 2014). In India there are several self-help groups for entrepreneurs. These groups consist of 15 to 20 registered or unregistered entrepreneurs who pool savings to provide loans for members (Goel & Rishi, 2012). Such groups could be a source of peer support for entrepreneurs.

A study in India examined the effect of peer support on business activity and entrepreneurship potential. A sample of women from India’s largest women’s bank, SEWA Bank, were offered two and half days of training which covered financial literacy and business skills (Field, Jayachandran, Pande, & Rigol, 2014). The women also worked with a trainer to set a six month goal and to break the goal down into actionable steps. Financial discipline and savings were emphasised during the training as a critical conditions for achieving the target or goal. The aim of the study was to compare the financial behaviour of the women who attended the training with a friend or relative with those who attended on their own as well as with the control group (Field et al., 2014). The training was conducted over an eight month period by one training provider. A baseline survey was conducted before the training and a follow-up survey was done four months after the participants were first invited to attend the training sessions.

Both treatment groups increased the number of hours that they worked by around four hours on average (Field et al., 2014). Those women who attended the training with a peer were more likely to indicate plans to increase their revenue as well as to give examples of concrete actions.

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8 The take-up rate was 70% and women randomly assigned to attend training alone (217 women), attend with a friend or relative (207 women) or to the control group (212 women).
taken towards achieving their goals compared with those who attended the training sessions alone or the control group. The study found that women who attended the training with a friend or relative were 7% more likely to take out a loan than those who came alone (Field et al., 2014). In addition, the reported household income and expenditure was significantly higher among those who came with a friend or relative. The study concludes that training with a peer was more effective in fostering entrepreneurship than training without peers. Field et al. (2014) observe that peers provide a supportive environment and can help female entrepreneurs to set goals and discuss their aspirations. Field et al. (2014) conclude that the observed peer effects provide evidence of the importance of women’s social networks for entrepreneurship. Further research is needed to better understand the role of peers and social networks in entrepreneurship (Patel, 2014).

4. References


**Suggested citation**


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