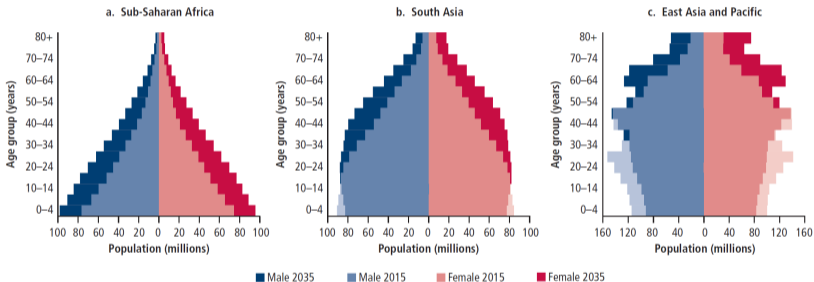


A Firm of One's Own: Experimental Evidence on Credit Constraints and Occupational Choice

Andrew Brudevold-Newman, Maddalena Honorati, Gerald Ipapa, Pamela Jakiela, and Owen Ozier

Motivation: The Lack of a Demographic Transition in Africa



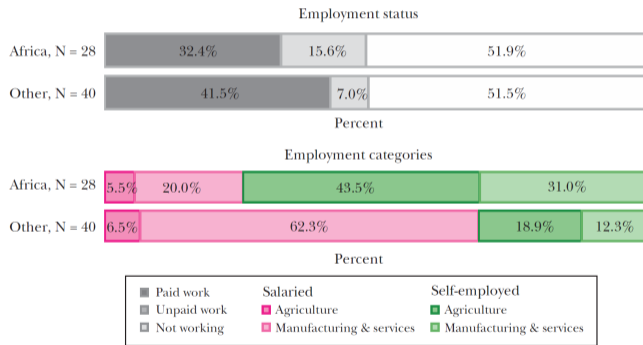
Source: Based on United Nations 2011.

Source: Filmer and Fox (2014)

Motivation: African Youth Are Underemployed, Self-Employed

Figure 2

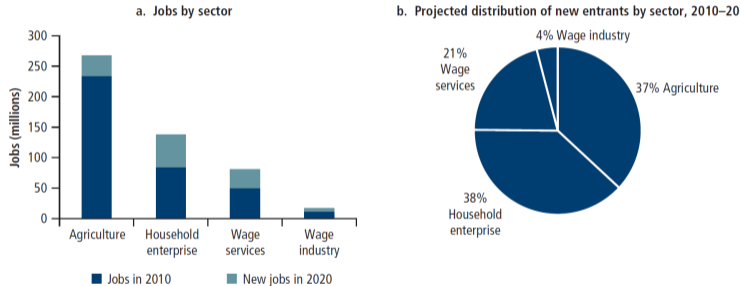
Occupational Structure of the 18–24 Year-Old Population



Source: Demographic and Health Surveys and IPUMS, harmonized via the Jobs of the World Project.

Source: Bandiera et al. (2022)

Motivation: There Are Not Enough Jobs for African Youth



Source: Filmer and Fox (2014)

Study Context: Baba Dogo, Dandora, Lunga Lunga Neighborhoods



The Girls Empowered by Microfranchise Project

The intervention: a microfranchising program designed to reach young women aged 18–19 living in some of Nairobi's poorest neighborhoods (Baba Dogo, Lunga Lunga, and Dandora)

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The key distinction between microfranchising and other multifaceted active labor market programs is the focus on specific branded franchise business models suitable for participants

Multifaceted program includes several distinct components:

- Participants matched with one of several franchise business models
 - ▶ Franchise-specific training
 - ▶ Franchise-specific start-up capital and supply chain linkages
- Business, life skills training
- Ongoing mentoring after microfranchises are launched

Business Models: Hair Salons. . .



Business Models: Hair Salons. . .



Business Models: Hair Salons and Mobile Food Carts



Cash Grant Treatment

Women assigned to **grant treatment** received unrestricted \$230 (20,000 KSH) transfer

- No encouragement to put toward particular use (e.g. business)

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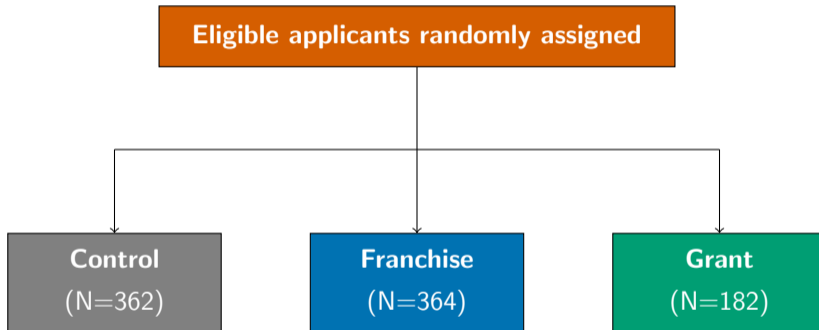
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Cash grant treatment is low cost, easy to administer

- Take-up rates are extremely high (about 95 percent)
- Implementation costs are minimal

Stratified Random Assignment to Treatment



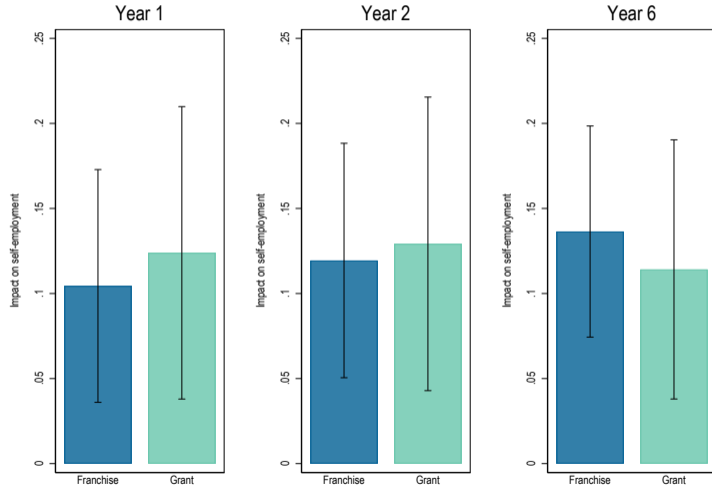
Compliance with Treatment

	Control	Treatment	
		Franchise	Grant
Completed baseline survey	1.00	1.00	1.00
Attended business training	0.00	0.61	0.01
Helped to start a microfranchise	0.01	0.39	0.01
Received a cash grant	0.00	0.00	0.95
Observations	362	364	182

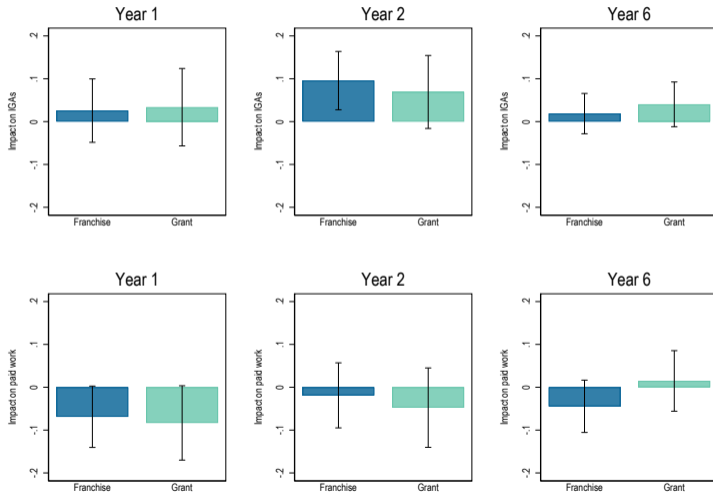
Compliance rates for the franchise treatment are calculated using administrative records (attendance sign-in sheets) from the implementing organization and its local partners. Compliance rates for the cash grant treatment are calculated from the disbursement records of the research organization. Estimates of compliance based on self-reports of program participation (recorded during the first Midline Survey) generate very similar figures.

Impacts on Labor Outcomes

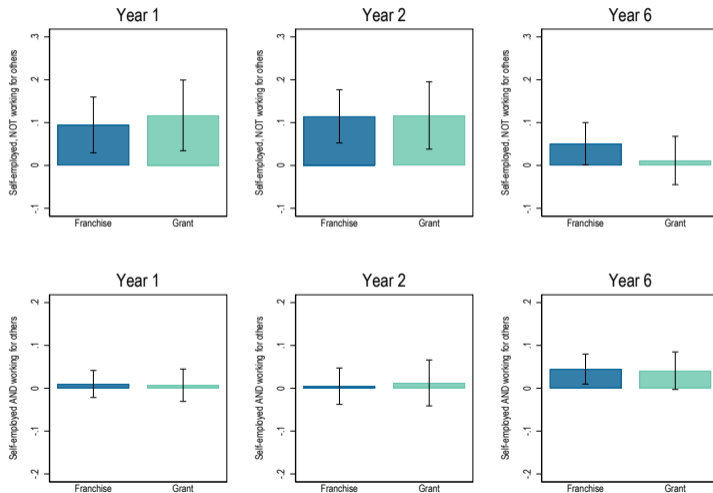
Impacts on Self-Employment



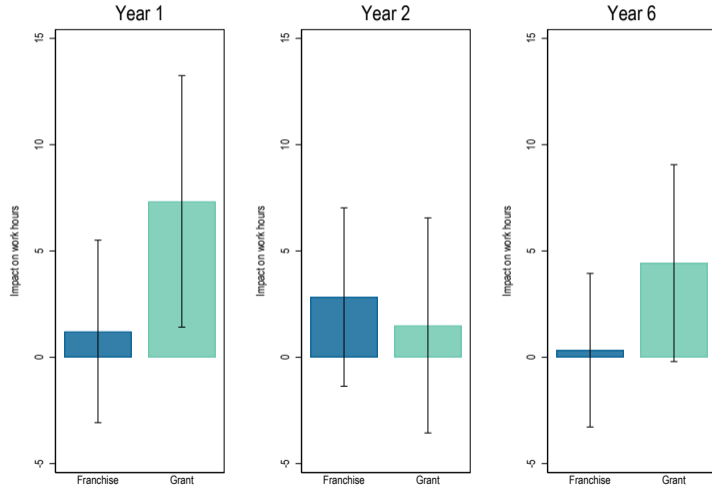
Impacts on Income-Generating Activities (IGAs)



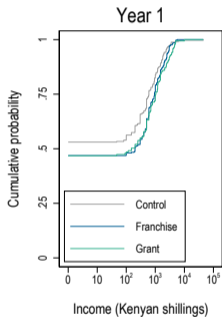
Impacts on Specialization and Diversification



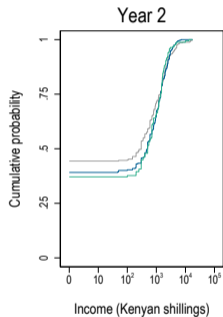
Impacts on Work Hours



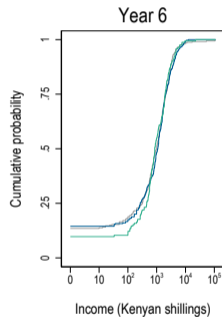
Impacts on Income



Kolmogorov-Smirnov tests:
Franchise = Control: 0.021
Grant = Control: 0.115
Franchise = Grant: 0.917



Kolmogorov-Smirnov tests:
Franchise = Control: 0.137
Grant = Control: 0.235
Franchise = Grant: 0.925



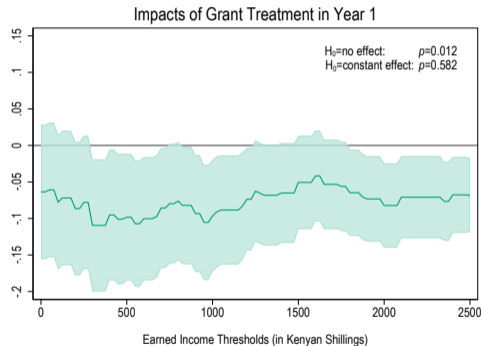
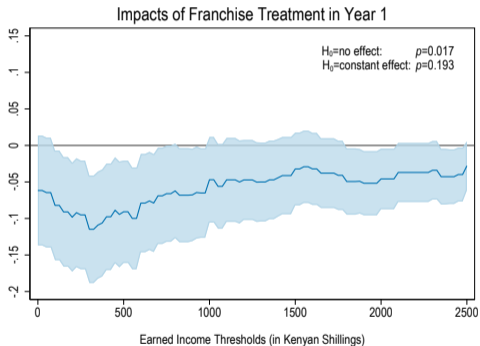
Kolmogorov-Smirnov tests:
Franchise = Control: 0.626
Grant = Control: 0.541
Franchise = Grant: 0.437

Impacts on Income

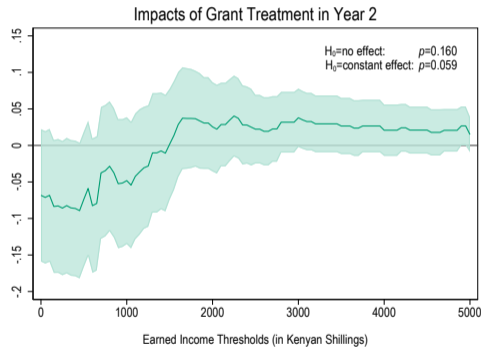
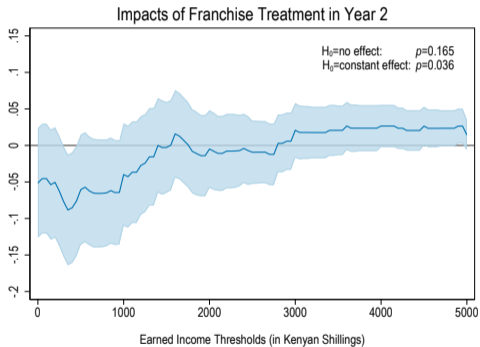
	Control Mean	Treatment Effects		p-value: F = G
		Franchise	Grant	
<i>Panel A. Impacts after 1 Year</i>				
Labor income	490.549	165.913 (73.815) [0.030]	296.633 (105.775) [0.005]	0.248
<i>Panel B. Impacts after 2 Years</i>				
Labor income	875.467	18.198 (98.762) [0.854]	-22.099 (115.013) [0.848]	0.714
<i>Panel C. Impacts after 5 Years</i>				
Income (winsorized)	1488.074	83.069 (139.427) [0.551]	-9.471 (163.972) [0.954]	0.574

OLS regressions reported. Robust standard errors in parentheses; p-values in brackets. Top 0.5 percent of incomes winsorized.

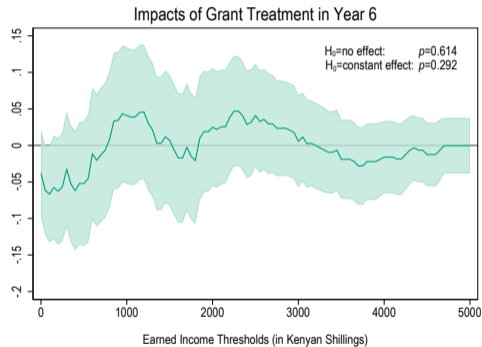
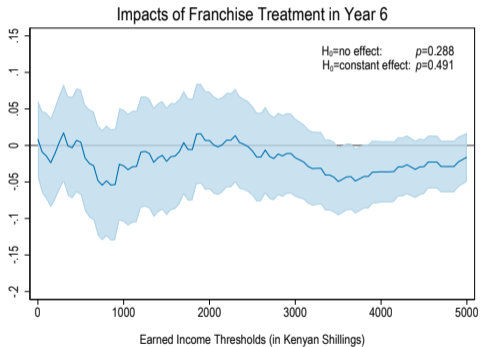
Beyond ATEs: Distribution Regression



Beyond ATEs: Distribution Regression



Beyond ATEs: Distribution Regression



Impacts on Labor Market Outcomes: Summary

Franchise, grant treatments both shift women into self-employment seemingly permanently

- No clear evidence of an overall increase in involvement in IGAs or decrease in paid work

Short-term impacts on income do not persist over time – why?

- Women launch unsuccessful business that shrink over time? (No.)
- Women prefer self-employment, better off because of treatment?
- Nudging (young, inexperienced) women into (low-skill) self-employment slows job search, accumulation of types of skills and experience that could land them higher-paying jobs?

Impacts on Well-Being

Impacts on Wellbeing

In Year 2, we found no statistically significant impacts on living conditions, household structure, food security, fertility, subjective wellbeing, empowerment, self-esteem, etc.

In Year 6, we measured a small set of indicators of welfare/wellbeing:

- **Living conditions:** index of indicators for having (grid) electricity, piped water, a private toilet or latrine in the home or compound, TV, (respondent's own) phone, computer
- **Food security:** adapted Food Insecurity Access Scale
- **Subjective wellbeing and happiness:** Ladder of Life scale (Cantril 1965) measures subjective perceptions of well-being (measured for now and, separately, in the future)

Impacts on Wellbeing

	Year 2			Year 6		
	Franchise	Grant	F=G	Franchise	Grant	F=G
Wellbeing index	0.07 (0.07) [0.370]	-0.07 (0.09) [0.401]	[0.105]	0.15 (0.07) [0.040]	-0.10 (0.08) [0.211]	[0.001]
Living conditions	-0.06 (0.07) [0.440]	-0.04 (0.09) [0.660]	[0.850]	-0.09 (0.07) [0.180]	-0.20 (0.09) [0.022]	[0.194]
Food security	0.03 (0.08) [0.650]	-0.17 (0.09) [0.063]	[0.025]	0.20 (0.08) [0.013]	-0.07 (0.09) [0.474]	[0.003]
Current wellbeing	0.05 (0.08) [0.506]	-0.03 (0.09) [0.727]	[0.363]	0.15 (0.07) [0.041]	-0.07 (0.09) [0.384]	[0.006]
Future wellbeing	0.15 (0.07) [0.042]	0.05 (0.09) [0.556]	[0.288]	0.20 (0.07) [0.006]	0.00 (0.09) [0.961]	[0.016]

Robust standard errors in parentheses; p-values in brackets. All outcomes are normalized z-scores.

Impacts on Wellbeing

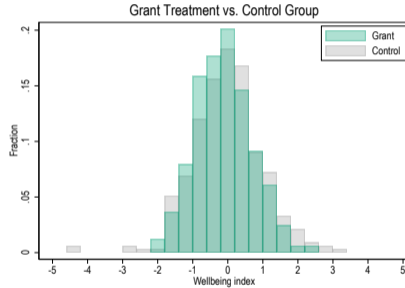
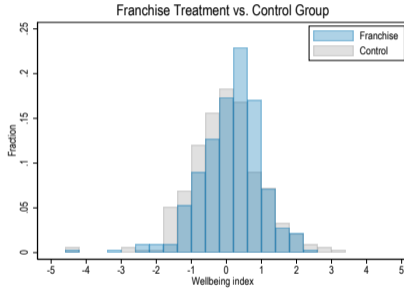
Active labor market programs with (seemingly) similar impacts on occupational choice have very different impacts on overall wellbeing that seem to emerge slowly over several years

- Several measures are at least somewhat subjective (e.g. ladder of life, food security), possibly reflecting treatment effects on wellbeing not mediated by labor income
- Not purely a story about subjective measures: women assigned to grant treatment significantly less likely to have water ($p = 0.039$) or power ($p = 0.064$) than controls

Negative impacts on durables consistent with struggle to sustain/expand micro-enterprise (Banerjee et al. 2015, Haushofer and Shapiro 2016)

- Franchise treatment provides participants w/ appropriate capital
- Life skills, business training may have increased women's identity as entrepreneurs
- Franchise treatment might strengthen social networks by providing mentors

Impacts on Wellbeing



Conclusion

Conclusions

Entrepreneurship-promotion interventions in Nairobi had substantial long-term impacts on women, shifting them into self-employment; impacts last for more than 5 years

- Interventions had short-term impacts on income that did not persist
- After 5 years, women assigned to multifaceted franchise treatment are significantly better off than those who received cash grants as well as those assigned to the control group
 - ▶ Franchise treatment improved subjective measures of wellbeing
 - ▶ Grants reduced living standards relative to control, franchise arm

Women appear to prefer self-employment (welfare \neq income)

- Franchise treatment increased preference for self-employment, may have strengthened entrepreneurial identity (hindsight bias); training, mentoring, etc. appear important
- Women believe self-employment leads to higher future incomes

Thank you!