

# Policy Brief

## Girls Empowered by Microfranchising: Estimating the Impacts of Microfranchising on Young Women in Nairobi

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### Abstract

We directly compare two promising approaches to increasing sustainable entrepreneurship among young women: a multifaceted entrepreneurship promotion program and a comparably valued unconditional cash grant. Both interventions increased entrepreneurship in the long-term and increased income in the medium-term, but impacts on income do not persist in the long-term. The higher cost of the multifaceted program arm and the similarity of impacts across the two treatments indicates that the cash grants are a more cost effective way of increasing entrepreneurship in this context. The lack of sustained impacts on income suggests that self-employment may not be the solution to high youth underemployment.

### Policy Issue

In many low-income countries, high youth underemployment represents a major policy challenge. While growing, the formal labor market remains small in many African countries; as a result, some policymakers have advocated entrepreneurship programs intended to help unemployed youth generate an income through self-employment. Recent studies have identified two particularly promising interventions to increase self-employment: multifaceted entrepreneurship programs and cash grants. Multifaceted entrepreneurship programs attempt to ease multiple constraints to

self-employment by combining vocational and life skills training with start-up capital. This contrasts with cash grants which are designed to ease only a credit or savings constraint. In this study, conducted in Kenya, we directly compare these two interventions to evaluate the relative efficacy of the approaches at spurring entrepreneurship.

Researchers partnered with the International Rescue Committee (IRC) and Innovations for Poverty Action (IPA) to evaluate and compare the impact of the IRC's Girls Empowered by Microfranchising (GEM) program in Kenya with an unconditional cash grant intended to be of approximately comparable value.

### Franchise Treatment (GEM Program):

The GEM program is a microfranchising program that was implemented in 2013 by the IRC in partnership with two community-based organizations (CBOs). Microfranchising is an example of a multifaceted entrepreneurship program that connects unemployed participants with local franchisor businesses, providing interested individuals with an established business model and both the physical and human capital needed to make their business operational. The GEM program aimed to help out-of-school young women launch branded franchise businesses connected to two well-known Kenyan brands. The intervention combined a number of distinct elements: business and life skills training, franchise-specific training, start-up capital (in the form of the specific physical capital/business inputs required to start the franchise), and ongoing business mentoring.

### Cash Grant Treatment:

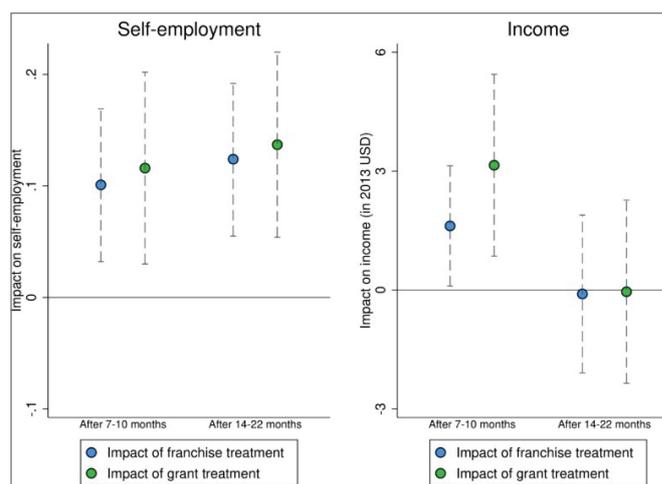
The cash grant program, implemented by IPA, provided unconditional cash grants of 20,000 Kenyan shillings (approximately 230 US dollars in 2013). The program included an initial meeting, where women assigned to the cash arm learned about the program, and a follow-up meeting within one week where the grant was distributed. Participants were given the option of receiving the grants in cash or through mobile money transfers. Women were not encouraged to use their grant in any particular way.

The study recruited 905 young women (aged 18-19) living in three of Nairobi's informal settlement neighborhoods who were randomly assigned to either the franchise treatment, the cash grant treatment, or a control group.

### Key findings

We administered multiple post-intervention survey rounds to track how program impacts evolved over time.

In the medium-term (7-10 months after treatment), both the franchise and cash grant treatments had significant positive impacts on young women's lives. Both treatments increased women's



income substantially. Women in both treatment arms were also more likely than control group women to be self-employed. While the impacts were largely comparable across the two treatments, the cash grant treatment increased the number of hours women worked while the franchise treatment did not.

The positive impacts on income observed in the medium term were not sustained over the longer term. In fact, at endline (14-22 months after treatment), coefficient estimates suggest that neither treatment had any impact on income. The main lasting impacts are on self-employment - women in both the franchise and cash grant treatments are more likely to be self-employed than control group women (and perhaps somewhat less likely to be working for others, though the effect is not statistically significant). In addition, there are no significant impacts on living conditions, food security, empowerment, personal expenditure, or household composition.

Administrative data on implementation costs indicate that the microfranchise arm cost between US\$376-494 per individual assigned to the program while the cash grant cost roughly US\$286 per intended recipient. Approximating the income benefits that accrue to program participants using the medium and long term estimated impacts on income requires assumptions over how the impacts on income changed between the survey rounds. Upper and lower bounds on these assumptions suggest that the microfranchise arm had total income benefits of US\$60-116, while the cash grant yielded total benefits of US\$128-247. While nei-

ther intervention yielded benefits that exceeded costs, the minimal overhead costs of disbursing grants combined with the similar impacts across both treatment arms (with slightly larger point estimates for the grant recipients) suggests that cash grants are a more cost effective way of increasing entrepreneurship. Recent research highlights that, contrary to concerns, this increased effectiveness does not come at the expense of unconditional cash grant recipients spending more on temptation goods (*Evans and Popova, 2017*).

### Policy Implications

Multifaceted entrepreneurship programs and cash grants have both been promoted as policy interventions that could help underemployed youth in developing countries generate an income through self-employment. We demonstrate that both interventions have large, sustained, and comparable impacts on self-employment. The higher cost of the multifaceted program arm and the comparability of impacts on self-employment suggest that the cash grants are a more cost effective way of increasing entrepreneurship. However, entrepreneurship on its own is rarely the policy goal; while both programs also increase incomes in the medium-term, impacts on income disappear in the second year after treatment. The fact that neither program increases long-run income may suggest that entrepreneurship is not a long-term

solution to youth unemployment in this context. Policymakers and researchers seeking to increase youth employment outcomes for women in urban areas might consider whether greater impact could come from trying to expand formal-sector employment opportunities, or through programs that directly target the most likely entrepreneurs.



Figure 1: Results Dissemination Conference in Nairobi, February 2016



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