

Entrepreneurship for the poor in developing countries

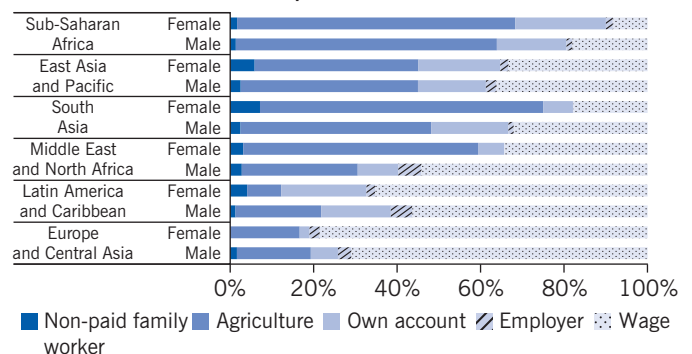
Well-designed entrepreneurship programs show promise for improving earnings and livelihoods of poor workers

Keywords: small-scale entrepreneurship, self-employment, livelihoods

ELEVATOR PITCH

Can entrepreneurship programs be successful labor market policies for the poor? A large share of workers in developing countries are self-employed in low-paying work or engage in low-return entrepreneurial activities that keep these workers in poverty. Entrepreneurship programs provide business training and access to finance, advisory, and networking services with the aim of boosting workers' earnings and reducing poverty. Programs vary in design, which can affect their impact on outcomes. Recent studies have identified some promising approaches that are yielding positive results, such as combining training and financial support.

Many workers in developing countries are self-employed or in entrepreneurial activities



Source: Calculations based on [1].

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KEY FINDINGS

Pros

- + Combining training and financing seems more effective than standalone programs in promoting labor market activities among poor self-employed workers.
- + Business training can facilitate business setup and improve business knowledge and practices.
- + Providing support customized to the needs of participants and including follow-up services improve program effectiveness.
- + Entrepreneurship programs for youth tend to yield better results.
- + Involving the private sector in the delivery of programs is associated with better results.

Cons

- Entrepreneurship programs for the poor often show impacts that are small and not statistically significant, and the programs' longer-term sustainability is unclear.
- Improved business practice or knowledge does not automatically lead to business growth or job creation.
- Little information is available on the cost of intervention, making comparing programs difficult.
- There are many approaches to entrepreneurship programs whose effectiveness has not yet been analyzed.

AUTHOR'S MAIN MESSAGE

Some features of small-scale entrepreneurship programs are associated with successful program impacts. Among them are accommodating the design to the needs of the target group and involving the private sector and social enterprises in organizing program interventions. A comprehensive approach combining skills training with access to finance is more effective in helping small-scale entrepreneurs succeed in the labor market than either service alone. Business training can help small-scale entrepreneurs set up businesses and improve business practices, while customized support and follow-up services can improve overall program effectiveness.