

## Cash sparks entrepreneurship

100WEEKS provides an innovative cash, training & savings program to women living in extreme poverty. We measure the impact continuously and share our findings through the 100WEEKS Insights, every time with a different focus.

### Alleviating poverty: the secret ingredient

- ▶ Securing an income is the only way to move out of poverty sustainably
- ▶ Formal-sector jobs are scarce in low-income settings
- ▶ Entrepreneurship is an often-overlooked but *crucial* step towards an improved financial situation for people living in poverty

Most people know cash transfers offer an escape route from poverty, but few are aware of the crucial part entrepreneurship plays. Cash transfers can spark business initiative like no other intervention can, particularly when combined with training and coaching. This edition of the 100WEEKS Insights offers hard evidence supporting entrepreneurship's main role in escaping poverty, backed up by exclusive **100WEEKS data** from the field.

### What keeps the poor from starting a business?

The most important theories focus on the following elements:

1. The poor have high returns on investments but are unable to profit from this because of **credit constraints**.<sup>1</sup>
2. The poor have opportunities, but often **lack** the necessary **skills and knowledge** to tap into these opportunities.<sup>2</sup>
3. The poor are forced to be **risk-averse**, as stress keeps them in “survival mode”.<sup>3</sup>



### The global crisis of employment

- Around 470 million people were **unemployed or underemployed** in 2019, which was already precarious.
- This is exacerbated by the global COVID-19 pandemic. The **pandemic-induced shortage** in jobs is expected to amount to 75 million in 2021 and 23 million in 2022.
- 621 million young people, mostly girls, are **not in education, employment, or training**.
- In the next decade, one billion young people will enter the labor market, while almost 90% of all young people live in developing countries where **formal employment is scarce**.<sup>4</sup>

## Credit constraints

Evidence from different randomized controlled trials shows that when credit constraints are lifted by grants, the poor make profitable investments in small businesses:

- ▶ The “YOP program” in Uganda (unconditional grants of \$382 to young adults) led to a 38% rise in incomes while business assets rose 57% and work hours increased 17%.<sup>5</sup>
  - › For women, the effects were bigger and more sustainable. After four years their incomes were still 84% higher than the incomes of women in the control group.<sup>6</sup>
- ▶ Conditional cash transfers combined with productive investment grants in Nicaragua led to an 11% increase in income, protection against shocks, and a 13% increase in non-agricultural self-employment.<sup>7</sup>

## Skills and knowledge

A review of multiple studies shows that business trainings without cash transfers are hardly ever transformative.<sup>8</sup> They do help launching businesses more quickly, but significant impacts on profits are rare. However, for women specifically, life skills and vocational training can have a big impact:

- ▶ A vocational training and sexual education program for adolescent women in Uganda led to a 48% increase in income-generating activities after four years.<sup>9</sup>
- ▶ The EPAG-project in Liberia (livelihood and life skills training for young women), increased employment by 47% and earnings by 80%.<sup>10</sup>

## Allowing for risk-taking

A large part of the success of cash transfers is related to the stability these transfers provide, not just to the direct effect of the money itself:

- ▶ A study on the “Progresa” program in Mexico shows how entrepreneurship was more responsive to expected transfers in the future than to already received transfers.<sup>11</sup>
- ▶ Microcredit loans lead to much more limited effects on profits, since beneficiaries do not dare to take as much risk when they know they must pay back eventually.<sup>12</sup>

## A combined approach works best

Often inspired by the “Graduation Approach” as pioneered by BRAC, some programs now combine cash, training and coaching to address all different constraints on the poor simultaneously.<sup>13</sup> More and more evidence shows the effectiveness of such an approach.

- ▶ In Northern Uganda, a \$150 cash grant, five days of business training and ongoing supervision (“WINGS program”) led to a 100% increase in microenterprise ownership and income and a 40% increase in non-farm self-employment.<sup>14</sup>
- ▶ In Bangladesh, a transfer of assets & skills enabled the poorest women to move from agricultural labor into running small businesses. This effect persisted until long after the project had ended.<sup>15</sup>
- ▶ In Nairobi, a combination of vocational and life skills training, business mentoring and start-up capital increased weekly income by 30%, while treated women were 10 percentage points more likely to be self-employed.<sup>16</sup>



*Salomé in her bakery (Rwanda)*

Furthermore, research shows that programs focusing on “job creation” in the formal sector are often ineffective in low-income settings. However, programs that **stimulate income diversification** by enabling investments are effective and easily scalable.<sup>17</sup>



## 100WEEKS as a business incubator and accelerator

Cash, training and VSLA self-help groups **lift credit constraints while providing necessary skills and stability.**

- **Cash:** Unconditional cash transfers of €8 per week for 100 weeks. This amount is big enough to raise consumption while leaving room for saving and investing. The duration and predictability allow for risk-taking and taking micro-credits.
- **Training:** 100 weekly training sessions on financial literacy, business skills and life-skills. The standardized curriculum is based on peer-to-peer, action-based and participatory learning.
- **VSLA self-help groups:** weekly guided gatherings in groups of 20 lead to community building, female empowerment, and collective saving in Village Saving and Loan Associations (VSLA).

**From micro giving to microcredit:** 100WEEKS started a pilot to facilitate access to microcredit at half the going interest-rate for the most successful 100WEEKS graduates. This will further accelerate their businesses.



Running a restaurant  
Repairing clothes  
Producing sorghum beer  
Renting out a house  
Rabbit farming  
Keeping chicken  
Providing childcare  
Making/selling peanut sauce  
Running beauty salon  
Rearing fish  
Knitting sweaters  
Selling household products  
Running hair salon  
Growing wheat  
Growing potatoes  
Running mushroom farm  
Running neighborhood shop  
Building houses  
Keeping pigs & goats  
Renting out party tents  
Producing soap  
Running piglet farm  
Rearing rabbits  
Selling homemade fruit juices  
Running a bar  
Buying/selling bananas  
Running first aid clinic  
Mobile money agent  
Running a bakery  
Selling fish  
Running a food stand  
Running tomato farm

## It works! 100WEEKS sparks entrepreneurship

Women in the 100WEEKS program set up and/or expand a wide variety of businesses (see right column). After basic needs are met, participants use the cash transfers and their savings to boost income by **investing in capital goods** (land, tools, machinery, livestock) and **other assets** (seeds, fertilizer, stock for resale or restaurants). We see that within 8 months:

- 86% have expanded an existing income generating activity
- 88% of the women have started a new income-generating activity

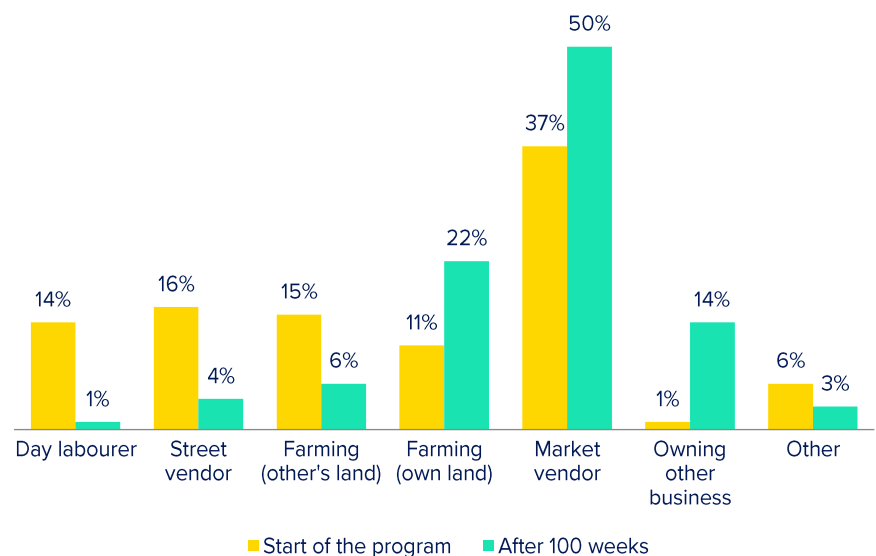
At the start of the program women typically have only one occupation, while at the end of the program, we see most women have more than two occupations. Figure 1. shows that almost all the new activities are forms of **self-employment**.

Most women now **add (more) value** to the products they sell, which means they can sell with a higher profit, fuelling incomes.

We also see women **joining forces** and start businesses together. We've seen collective rearing of pigs, wheat growing and soap making.

Figure 1. Main occupation of participants

N = 367



Investing how, when and in what?

Liquid assets are a good indicator of the financial situation of beneficiaries. While income is difficult to measure, liquid assets include cash, savings, stock, and money lent to others minus debts, giving a good indication of the women’s purchasing power. Average liquid assets rise steadily before dropping steeply around week 75-80 (fig.2). After saving for some time all participants make a big investment (often in land). Soon liquid assets start rising again, which is the result of the return on investments. This ensures the effects of the program are durable.

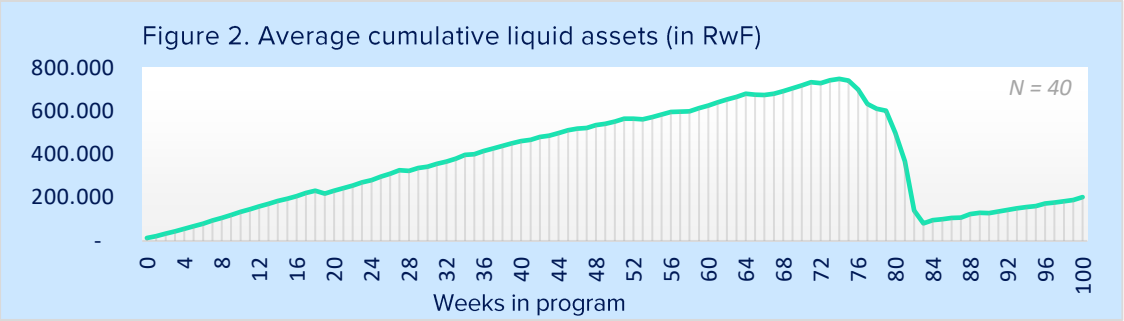
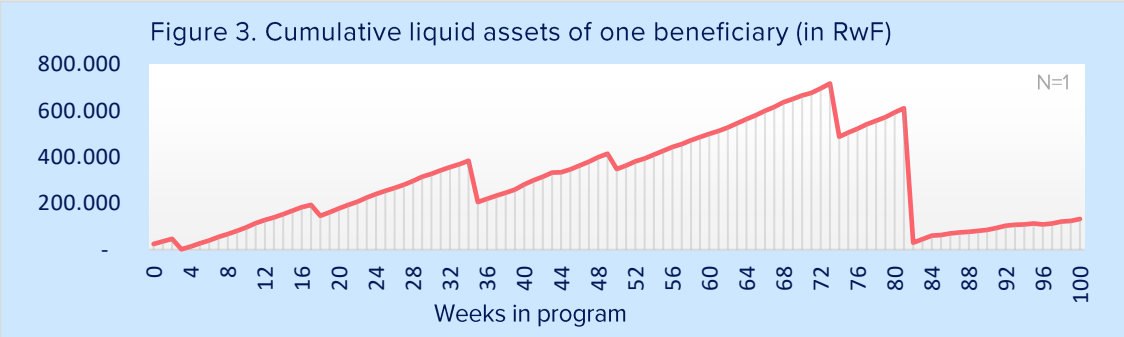
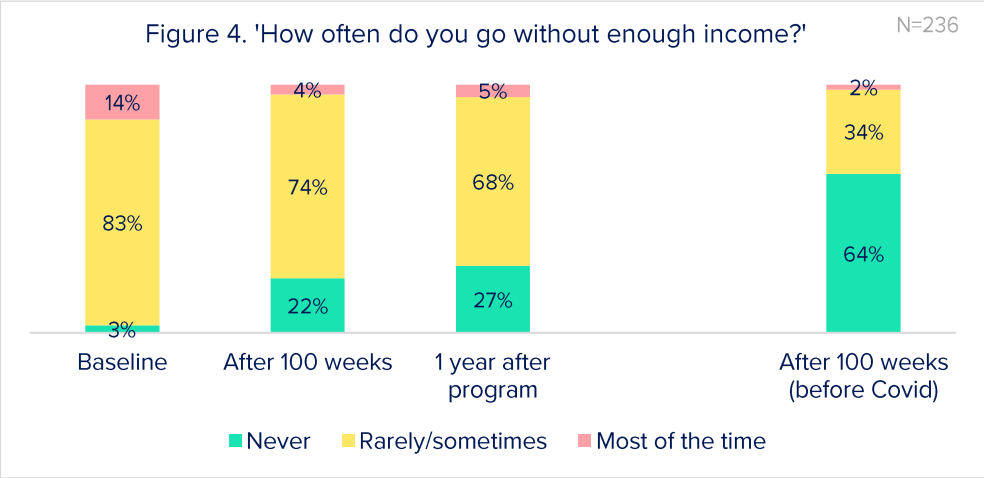


Fig. 3 shows the same data for one of the beneficiaries, giving insight into the 100WEEKS trajectory. The regular smaller investments in buying goods for resale are not visible in this figure, but the larger investments are. The beneficiary paid for school fees in week 3 and invested in some farm inputs in week 18. In week 35, she did her first large investment in livestock followed by paying for school fees again in week 50. In the meantime, her liquid assets kept growing and growing. After a larger investment in farm inputs in week 74, she used her savings to buy a piece of land in week 80. The other women show a similar trajectory (strong increase of liquid assets, major investment, steady recovery) with only some differences in the timing and size of the investments.

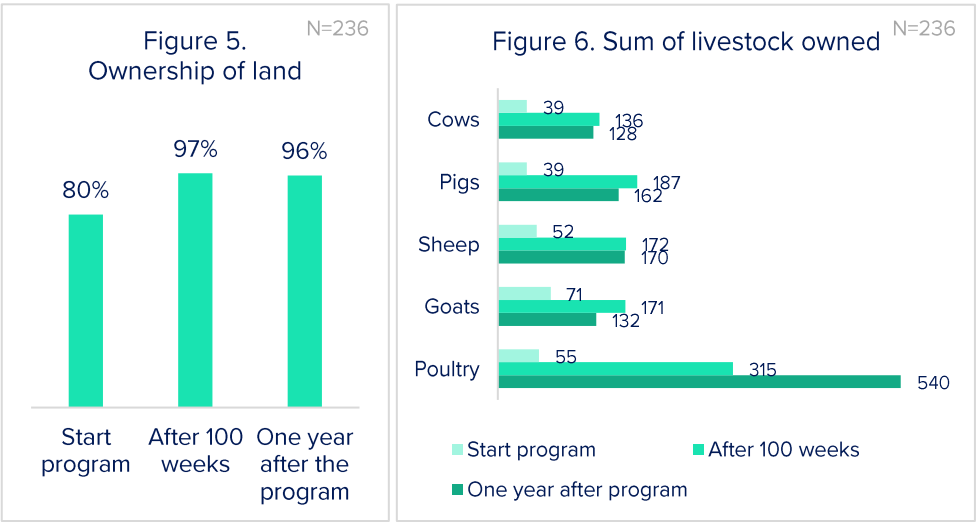


Investing in income generating activities has significantly increased the share of women that never go without enough income (fig.4). However, the impact of Covid measures has been substantial. Among the women that ended their 100WEEKS before the pandemic, 64% never faced income problems.



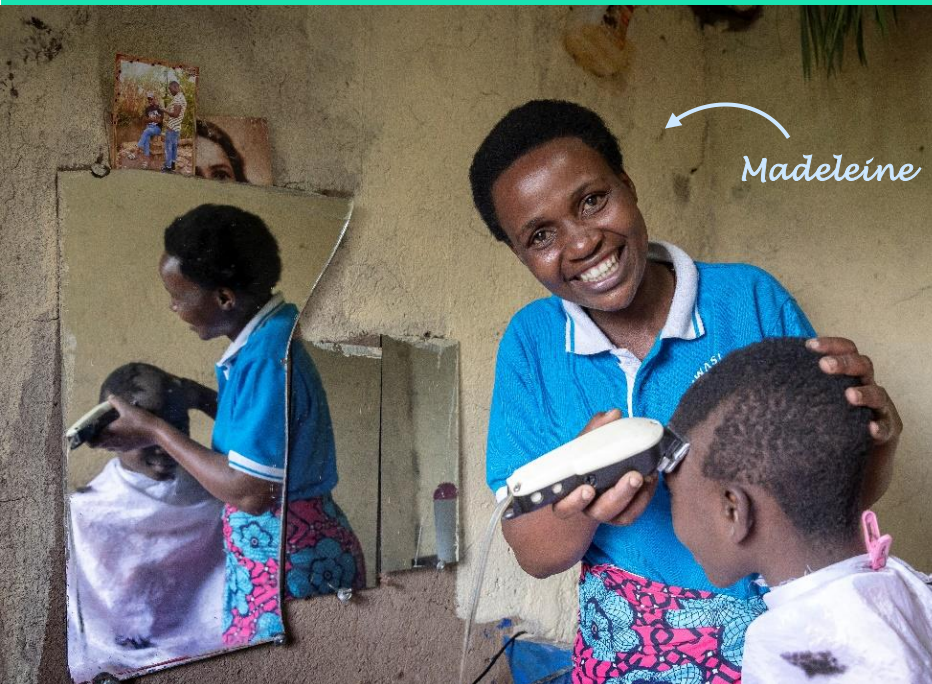
Increased ownership of livestock & land

Land and livestock are the most important investments women make during the 100WEEKS program. Ownership of both grew strongly (fig.5 & 6).





# Making cash work



*Madeleine*

## Trying, failing, and trying again

When the school bell marks the start of the break, Madeleine (29) knows her rush hour has started. Her hair salon and shop for school materials are both a great success, but they were not Madeleine's first attempt at starting a business.

After joining the 100WEEKS program, she started renting land to harvest vegetables. Some days she made a profit, but on other days she made a loss. The stability from the weekly transfers gave her room to breathe, while the weekly meetings gave her inspiration to reconsider her activities.

**“When you live in poverty, you usually don’t have the luxury to learn from mistakes,”** she explains.

Taking some time to think, it suddenly struck her. She points to the group of children running in the direction of her house: **“It took some time before I realized I am living next to a gold-mine”**, she laughs.

## Stronger together

Claudine and Jean from Musanze in Rwanda form a real entrepreneurial power-couple. They run their own bar together while working as professional photographers simultaneously. On top of that, the two established a small pig farm in a barn next to their house.

Before Claudine joined the 100WEEKS program, she used to walk back-and-forth to Uganda to buy and sell products, a dangerous and barely profitable activity. The 100WEEKS money helped her buy the house they now use as a bar. The rest of the money she invested in a professional camera for the photo-business of Jean. He taught Claudine how the camera works, and now they share both jobs, while taking care of their two children in the meantime.

**“We are partners. Whatever we do, we do it together.”**



*Claudine & Jean*

## Methodology

100WEEKS regularly collects data on how our beneficiaries are developing on a variety of indicators. We always start with a face-to-face baseline survey, followed by five mobile surveys conducted from our local call center, a face-to-face end line survey and two surveys after the program has ended to measure sustainability. To obtain quality data we use validated World Bank questionnaires and customize them to fit the specific context we are working in. Nonetheless, we measure a lot of different outcomes (available through a Tableau dashboard on demand) of which several indicators have been proven to be relevant for the development of children according to the literature reviewed in this report.

This report shares insights of the data we collected between July 2016 and October 2021 in Rwanda (and Uganda to lesser extent). The table on the right shows which data was available for each indicator. The latter three include data of less groups, as no other post-program data was available yet.

Indicator	Groups included
Starting new income generating activities	RWA37-44 & UGA003-004, N=160
Main occupation of participants	RWA3-22, N=367
A portfolio of work	RWA3-22, N=399
Average cumulative liquid assets	RWA11-12, N=40
Cumulative liquid asset one beneficiary	RWA12, N=1
Enough income	RWA6-16 & 18, N=236
Land ownership	RWA6-16 & 18, N=236
Sum of livestock owned	RWA6-16 & 18, N=236

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<sup>2</sup> David McKenzie and Woodruff, C. “What are we learning from business training and entrepreneurship evaluations around the developing world?” *The World Bank Research Observer*, 29, 1 (2014): 48–82.

<sup>3</sup> See for the effects of stress: Esther Duflo and Abhijit Banerjee. *Poor Economics*. London: Penguin Books Ltd, 2012: 141. For the effects of stability/security see: Milo Bianchi and Bobba, M. “Liquidity, Risk, and Occupational Choices.” *Review of Economic Studies*, 80, 2 (2013): 491–511.

<sup>4</sup> On global unemployment, see: ILO. “World Employment and Social Outlook – Trends 2020” and “World Employment and Social Outlook – Trends 2021”. On youth: Plan International. “Youth Unemployment: The Facts”. 2015.

<sup>5</sup> Christopher Blattman, Fiala, N., and Sebastian Martinez. “Generating Skilled Self-Employment in Developing Countries: Experimental Evidence from Uganda.” *The Quarterly Journal of Economics*, 129, 2 (2014): 697-752.

<sup>6</sup> Ibid.

<sup>7</sup> Karen Macours, Premand, P. and Renos Vakis. “Transfers, Diversification and Household Risk Strategies: Experimental Evidence with Lessons for Climate Change Adaptation.” *World Bank Policy Research Working Paper* 6053 (2012).

<sup>8</sup> David McKenzie and Christopher Woodruff. “What are we learning from business training and entrepreneurship evaluations around the developing world?” *The World Bank Research Observer*, 29 1 (2014):48–82.



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- <sup>10</sup> Franck Adoho, S. Chakravarty, D. T. Korkoyah Jr., M. Lundberg, and Afia Tasneem. "The Impact of an Adolescent Girls Employment Program: The EPAG Project in Liberia," *World Bank Policy Research Working Paper* 6832, 2014.
- <sup>11</sup> Milo Bianchi and Matteo Bobba. "Liquidity, Risk, and Occupational Choices," *Review of Economic Studies* 80 (2013): 491–511.
- <sup>12</sup> Abhijit Banerjee, D. Karlan and Jonathan Zinman. "Six Randomized Evaluations of Microcredit: Introduction and Further Steps." *American Economic Journal: Applied Economics* 7, 1 (2015): 1–21. <http://dx.doi.org/10.1257/app.20140287>
- <sup>13</sup> BRAC, "Graduation", <http://www.brac.net/program/ultra-poor-graduation/>.
- <sup>14</sup> Christopher Blattman, Green E.P., Jamison, J., Lehmann, C., and Jeannie Annan. "The Returns to Microenterprise Support among the Ultrapoor: A Field Experiment in Postwar Uganda." *American Economic Journal: Applied Economics* 8, 2 (2016): 35-64.
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