



Aspen Network of  
Development Entrepreneurs

# ANDE Research Initiative: Does SGB growth reduce poverty?



Innovations for Poverty Action  
SME Working Group Session  
September 16, 2011

# Agenda

- ANDE's Role in the SGB Sector
  - What is ANDE?
  - Small and Growing Businesses and their Potential Impacts
  - ANDE Members
- ANDE's Research Initiative
  - Small and Growing Businesses and Poverty Alleviation
  - Research Question and Potential Hypotheses
- Reviewing the Literature
  - The Role of Small Businesses in the Economy
  - Measuring the Impact of Small Business Support
  - Filling in the Gaps
- What next?





# What is ANDE?





The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. Our members provide critical financing and business support services to small and growing businesses that create significant economic, environmental, and social impacts in developing countries.

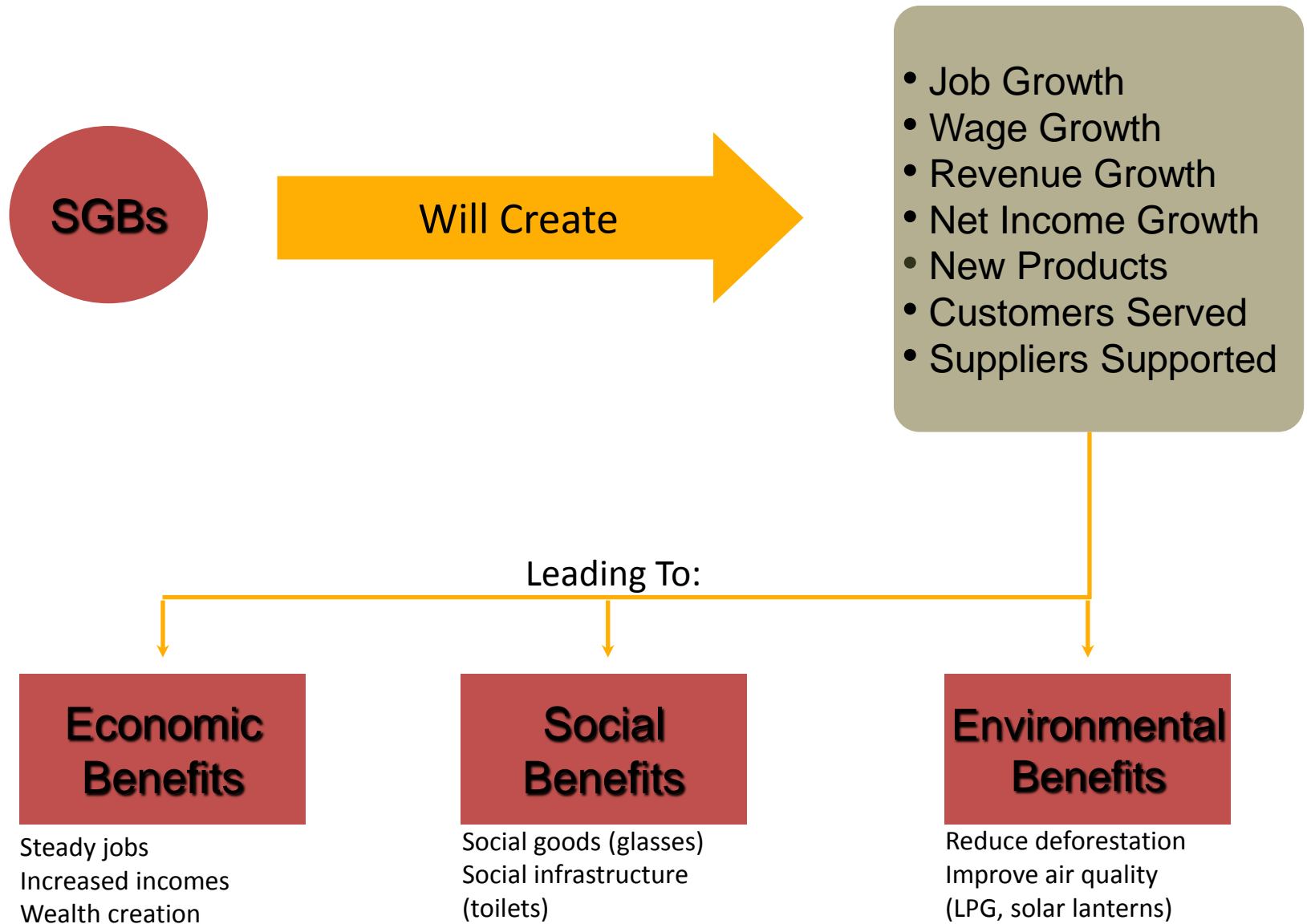


# What are Small and Growing Businesses (SGBs)?

- Commercially viable businesses
- 5 – 250 employees
- High **growth** potential
- Likely to create economic, social, and environmental benefits

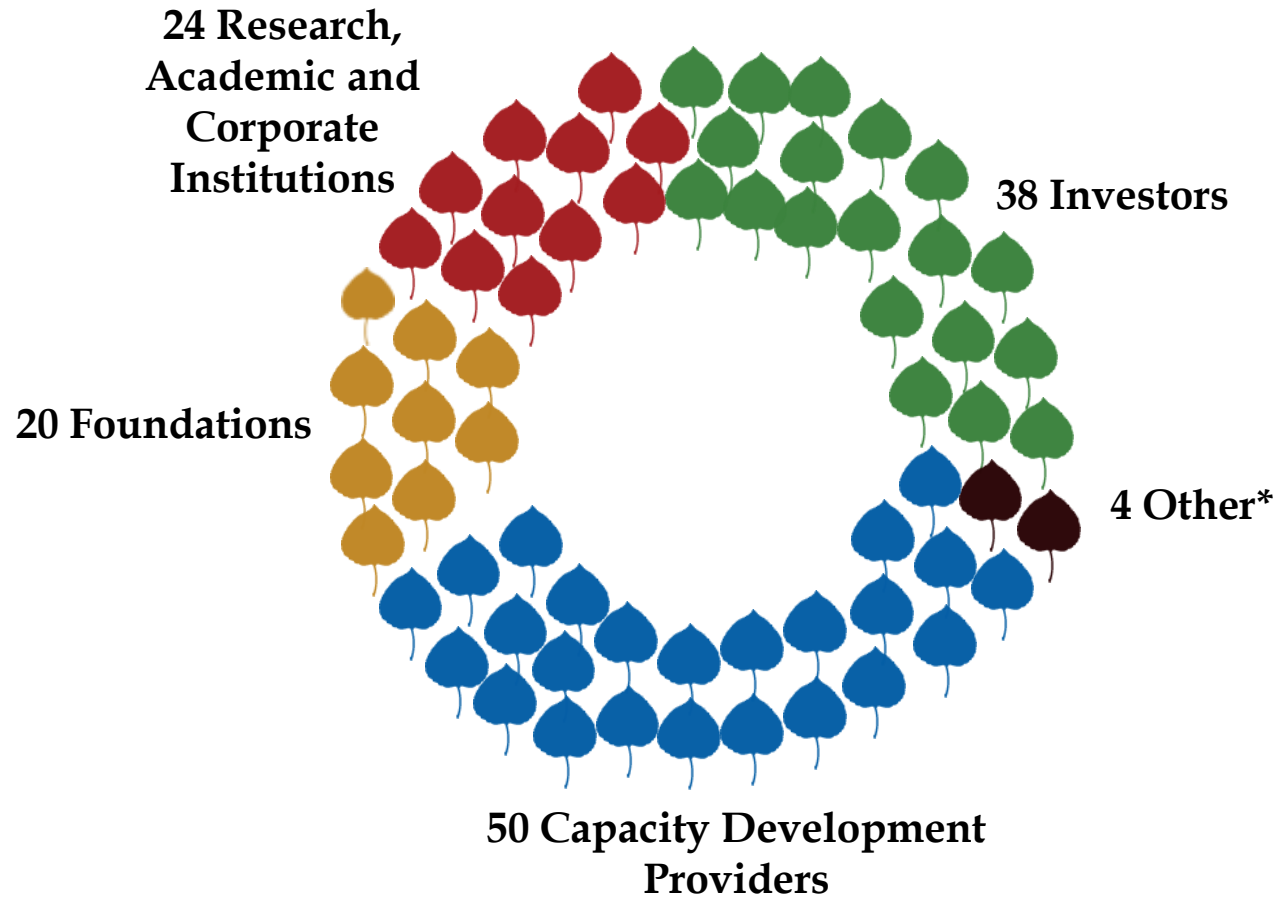


# The Promise of SGBs



# 136 ANDE Members

as of August 23<sup>rd</sup>, 2011



\*Includes individual and strategic partner members







# ANDE's Research Initiative



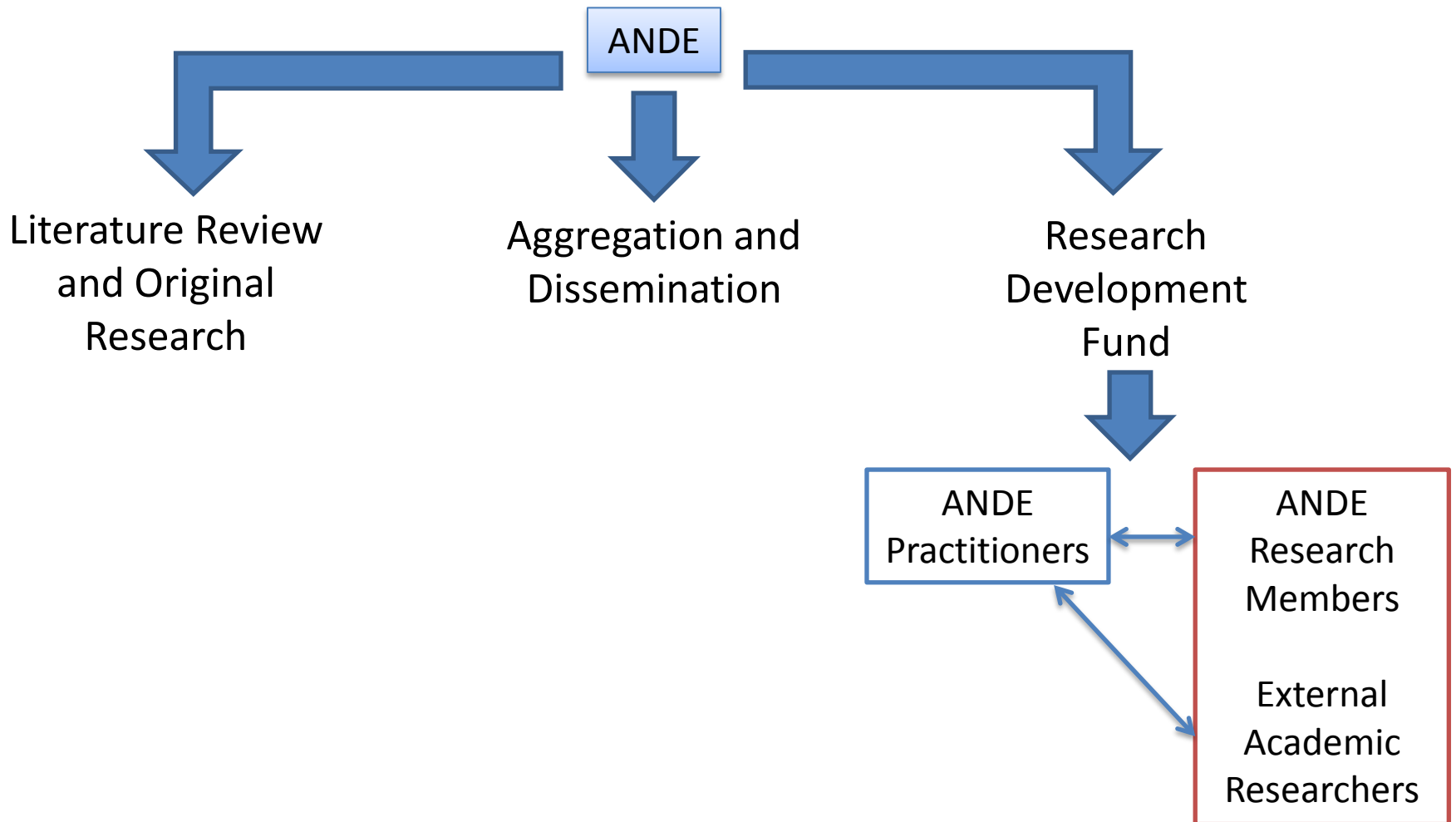


# Who is interested in the development impact of SGBs?

- Impact Investors
- Foundations
- Capacity Development Providers
- Government Agencies
- Development Finance Institutions
- Broader International Development Community



# Research Strategy



# ANDE's Core Research Question

Does growth in Small and Growing Businesses (SGBs) lead to growth of prosperity for poor people in emerging market countries?

SGBs can lead to prosperity for the poor in two ways:

- Prosperity for their **employees and suppliers** - through direct and indirect job creation, income stability and income growth.
- Prosperity for their **customers** - through effective provision of essential services like energy and water.



# Potential Hypotheses

- H1: **Jobs provided by SGBs** lead to **improved incomes and quality of life**, compared to **other occupations** such as small-holder agriculture, larger enterprises and government
- H2: **SGBs provide jobs and services** where **other sources** (large enterprises, governments) are **not present or less active**, leading to **improved incomes and quality of life**
- H3: **Essential products or services** (energy, water, health care, etc.) **provided by SGBs** lead to **improved quality of life and/or income**, compared to **similar products or services** provided by other sources (government, large enterprises, etc.)



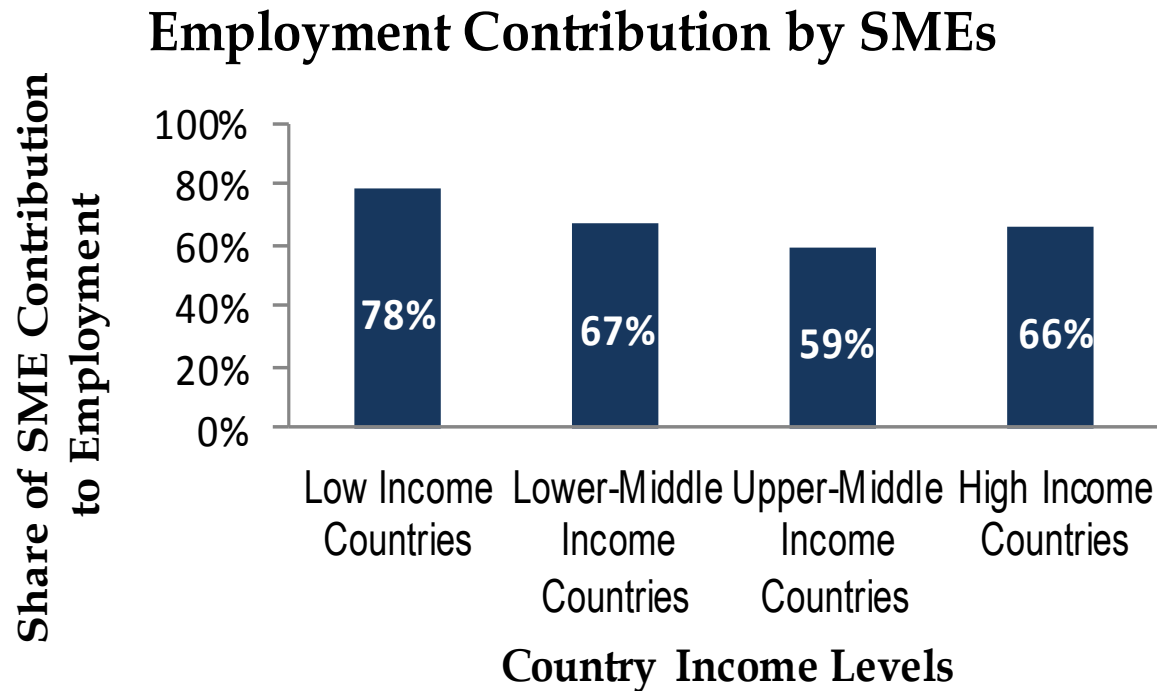




# Reviewing the Literature



# The Role of SMEs in the Economy



- **66%** of Employment (median across income groups)
- **86%** of New Jobs Created (median across income groups)
- Small (<250 employees) and Mature (>6 years old) Firms Contribute the most



# Several Countries support SMEs programs – but measure results at the enterprise level

Country	Program(s)	Findings
United Kingdom <sup>1</sup>	'Business Link' (2003-2005) - <b>Advisory Services</b> to SMEs	4.4 – 7.6% increase in employment growth, no impact on sales growth
Bangladesh <sup>2</sup>	'SME Support Services' (1993) – <b>financial, technical and marketing assistance</b> to SMEs (< 50 employees)	5-16% increase in employment, productivity and sales
Mexico <sup>3</sup>	Range of SME programs (1995 – 2001) providing <b>subsidized training, technology upgrades, market development and export promotion</b>	9-14% improvement in training, 9% improvement in technology adoption, no significant impacts on employment and productivity growth
Chile <sup>4</sup>	Various SME programs – <b>Business Advisory Services, Technology Development, Credit, Supplier Development</b> (1992-2002)	8% increase in wages, 9% increase in labor productivity.
Colombia <sup>5</sup>	FOMIPYME – <b>Technology development and adoption</b> by SMEs (1995-2005)	Positive effect on wages in first 2 years, negative afterwards.

Sources: 1. Mole, et al. (2008), "Differential Gains from Business Link Support and Advise: A Treatment Effects Approach"

2. Sarder, et al. (1997), "The Importance of Support Services to Small Enterprises in Bangladesh"

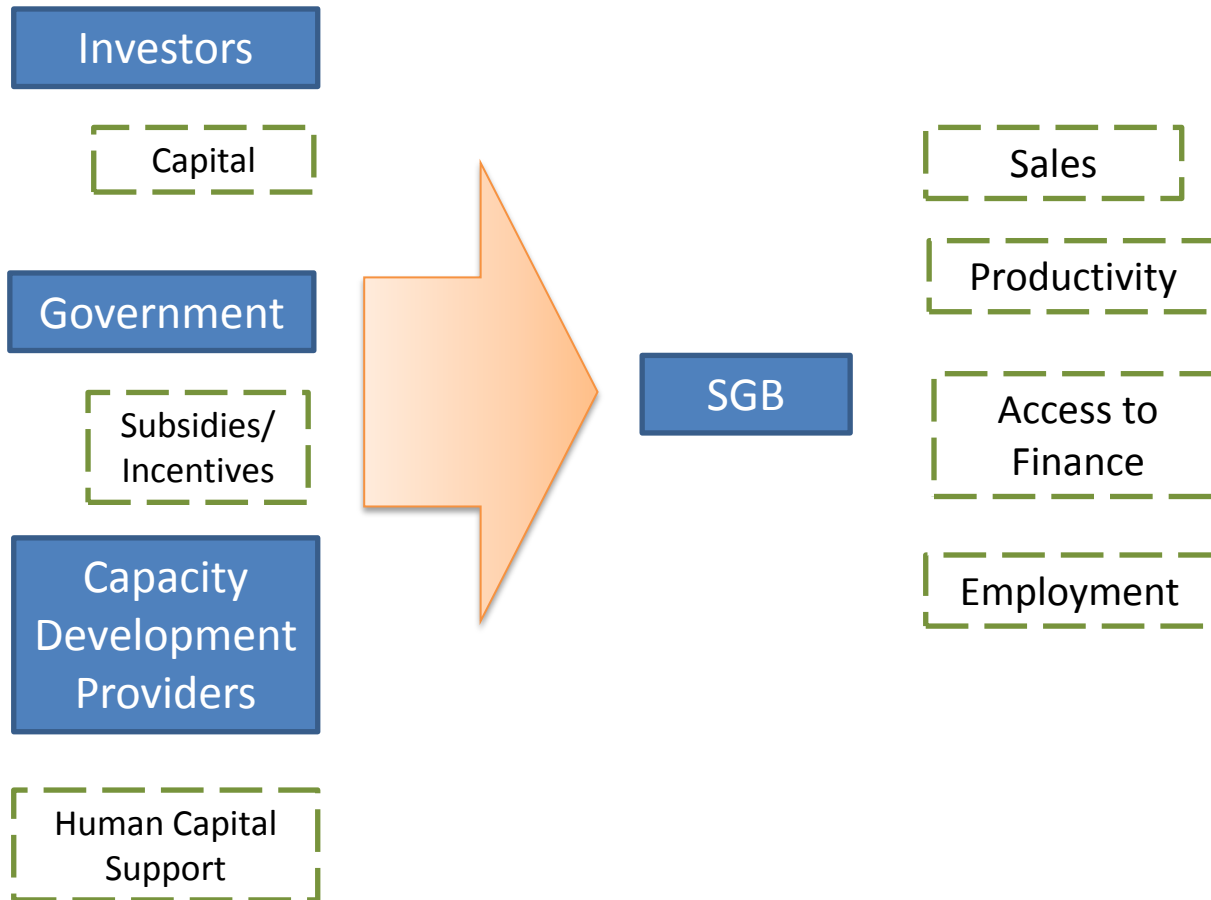
3. Tan & Lopez-Acevedo (2007), "How Well Do Small and Medium Enterprise Programs Work? Evaluating Mexico's SME Programs Using Panel Firm Data"

4. Lopez-Acevedo & Tan (2010), "Impact Evaluation of SME Programs in Latin America and Caribbean"

5. Ibid.

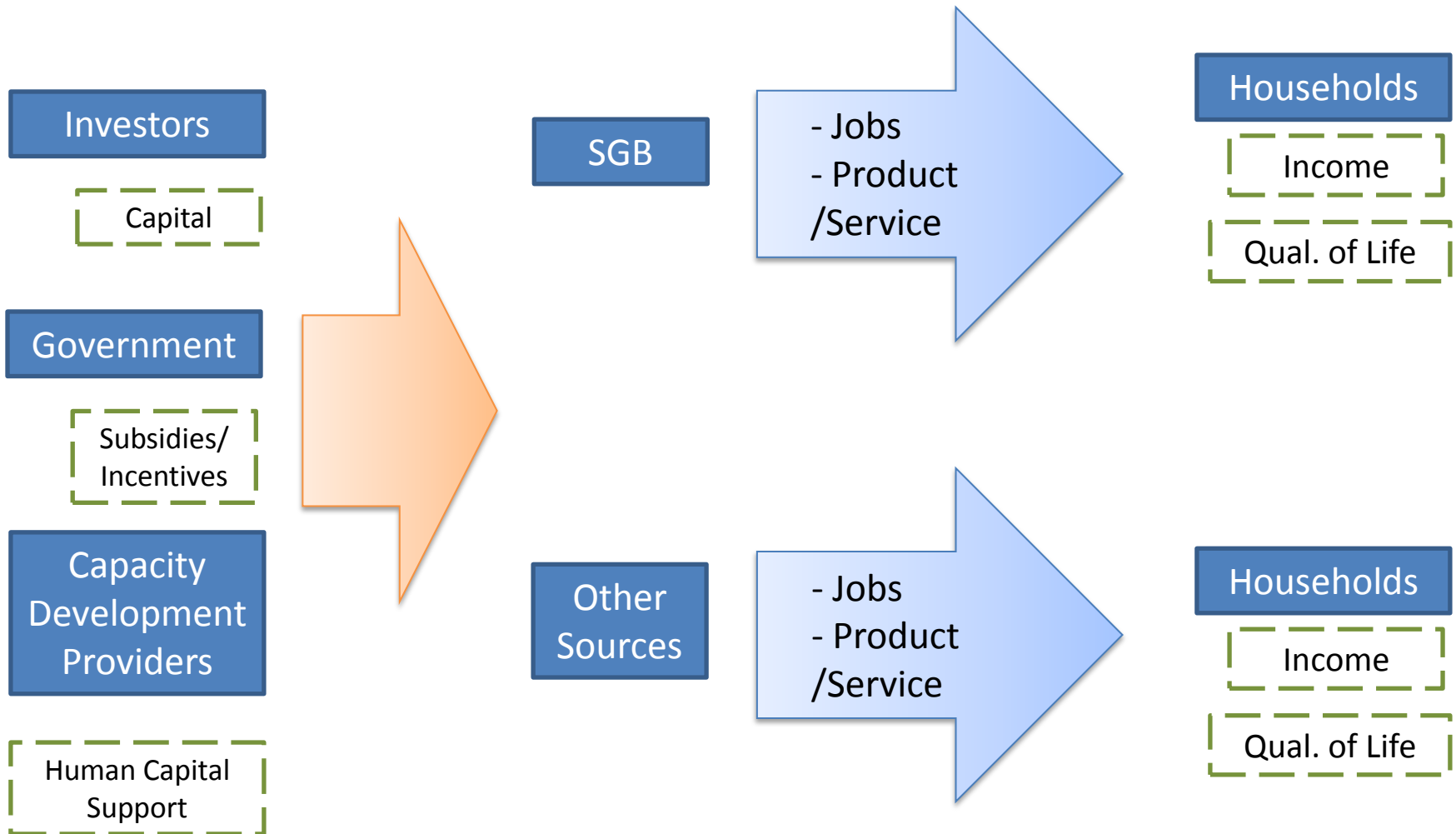


# Impacts currently measured at the enterprise level





# The Data Gap: Impacts at the Household Level, in comparison to the alternatives?



# Challenges for Research Design

- **Creating the counterfactual and generalizing**
  - What is the intervention and where do we make it – at the investor level, or the enterprise level?
  - How do you create a meaningful counterfactual?
  - Experimental vs. Quasi-experimental designs
  - What is the population we are generalizing to?
- **Measuring Enterprise AND Household level impacts**
  - Enterprise level surveys do not capture impact on employees or customers
  - Household level surveys do not track intervention at enterprise level
- **Multi-dimensional Approach to Measuring Poverty**
  - Indicators beyond Income
  - Longitudinal datasets needed



# What Next?

- **Aggregation and Dissemination:** Conduit for researchers to influence policy and thought in the SGB sector
- **Matchmaking and Facilitating Collaboration:** ANDE members are interested in collaborating with researchers to better understand their impact
- **Funding New Research:** Support for studies that focus on ANDE's core research question





**Thank You**

[randall.kempner@aspeninst.org](mailto:randall.kempner@aspeninst.org)  
[www.aspeninstitute.org/ande](http://www.aspeninstitute.org/ande)





# Additional Research Questions

- What interventions lead to greater SGB success?
- Which types of financial structures are best suited to SGBs?
- What enabling environment issues are most important in supporting SGBs in emerging markets?

