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TEACHING ENTREPRENEURSHIP: IMPACT OF BUSINESS TRAINING ON MICROFINANCE CLIENTS AND INSTITUTIONS

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Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions

Most academic and development policy discussions about microentrepreneurs focus on credit constraints and assume that subject to those constraints, the entrepreneurs manage their business optimally. Yet the self-employed poor rarely have any formal training in business skills. A growing number of microfinance organizations are attempting to build the human capital of microentrepreneurs in order to improve the livelihood of their clients and help further their mission of poverty alleviation. Using a randomized control trial, we measure the marginal impact of adding business training to a Peruvian group lending program for female

microentrepreneurs. Treatment groups received thirty- to sixty-minute entrepreneurship training sessions during their normal weekly or monthly banking meeting over a period of one to two years. Control groups remained as they were before, meeting at the same frequency but solely for making loan and savings payments. We find little or no evidence of changes in key outcomes such as business revenue, profits, or employment. We nevertheless observed business knowledge improvements and increased client retention rates for the microfinance institution.

May 01, 2011