

# Training and Grants for Female Entrepreneurs in Sri Lanka



Entrepreneurship accounts for a large share of female employment in most developing countries. However, the majority of female-owned enterprises are small in scale with low earning levels. In Sri Lanka, researchers tested whether business training, by itself or combined with a grant, can raise the income of women entrepreneurs. Among current entrepreneurs, the training improved business practices but did not have an impact on performance. The addition of the grant led to short-run increases in revenues and profits, although most of these improvements dissipated two years after the intervention. Among aspiring entrepreneurs, the training and grant combination helped speed up market entry but had no lasting effect on firm survival. Among those that opened a new business, the training program led to an increase of 43 percent in profits and a 40 percent increase in sales.

## Policy Issue

Entrepreneurship accounts for a large share of female employment in most developing countries, and it is considered an important avenue for women's economic empowerment. However, the majority of female-owned enterprises are small in scale with low earning levels. Moreover, in much of South Asia and the Middle East, the majority of women remain out of the labor force.

Previous work in Sri Lanka has found very low returns to capital for female-owned microenterprises, which appears to be in part due to women operating businesses in low-returns industries with low efficient scale and little scope for growth. This project aims to evaluate the role of business training and capital in getting women who are thinking about starting a business in industries with greater scope for growth, and getting women in these low return industries to switch to more profitable sectors.

## Evaluation Context

This study was conducted in Kandy and Colombo, Sri Lanka's two largest urban areas. Study participants included women who were out of the labor force but who were interested in opening a business (prospective entrepreneurs), as well as current female entrepreneurs operating in low-revenue sectors. These sectors included tea (snack) shops, beauty shops, bag and mat manufacturing, tailoring and sewing, selling fruit and vegetables or groceries, making and selling lunch packets and string hoppers, baking cakes, and flower shops

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### COUNTRY

Sri Lanka

### PARTNER

### PROGRAM AREA

Small and Medium Enterprises

### TOPICS

Access to Finance, Cash Transfers, Human Capital & Skills, Microenterprise, Training & Mentoring, Women & Girls

### TIMELINE

2008-2011

## Details of the Intervention

In partnership with the Sri Lankan Business Development Centre (SLBDC), researchers tested whether a standard business training, by itself or combined with a grant, can raise the income of women entrepreneurs. They evaluated the impact of the most commonly used training course in developing countries, the Start and Improve Your Business (SIYB) program. For this evaluation, researchers customized some of the subcomponents of the program. The program targeting prospective entrepreneurs trained participants to select feasible business ideas, and how to operationalize these. This program lasted nine full days. The program targeting current entrepreneurs lasted seven full days and went over marketing, record-keeping, accounting, and other firm-level skills. All trainings were conducted by instructors at the SLBDC in central locations that were convenient for the participants.

Researchers randomly selected 400 prospective and 400 current entrepreneurs and offered them the SIYB training. Half of them were pre-selected to receive a cash grant of US\$130 upon completion of the course—participants were not informed of the grant until they completed the courses. The remaining participants were a part of the control group and did not receive either the training or the cash grant.

## Results and Policy Lessons

Among current entrepreneurs, the training improved business practices, but did not have an impact on performance. The addition of the grant led to short-run increases in revenues and profits, but most of these improvements dissipated two years after the intervention. These results highlight the challenge in getting subsistence-level female-owned microenterprises to grow, and suggest that the binding constraints may lie outside the realm of capital and skills.

Among aspiring entrepreneurs, the training and grant combination helped speed up market entry but had no lasting effect on firm survival. Among those that opened a new business, the training program led to an increase of 43 percent in profits and a 40 percent increase in sales.

Taken together, these results suggest that providing grants and training to women outside the labor force may lead to new businesses, but facilitating growth among existing businesses continues to be a more enduring challenge.

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