The Small and Medium Enterprise (SME) Program at IPA discovers and promotes effective solutions to the constraints faced by entrepreneurs and SMEs in developing countries.

SMEs are the largest generators of employment in the developing world, creating nearly 60% of new jobs. They also generate a myriad of opportunities across sectors and geographic areas, and employ broad and diverse segments of the labor force. SMEs in developing countries, however, face constraints that are disproportionately large compared to those faced by larger firms and by SMEs in developed countries. Limited access to finance, low levels of human capital, and difficulty accessing markets stand out as some of the most challenging barriers to business growth.


Key Findings

IPA has worked with researchers to build evidence from more than 85 studies on SMEs and entrepreneurship in over 32 countries. Explore a few of our key findings below and find our complete portfolio of research projects at www.poverty-action.org/sme

Researchers used a nationwide business plan competition in Nigeria to test if the contest could identify the entrepreneurs with the most potential, and if a large cash grant could spur growth. **Results showed that the cash investment (US$50,000) resulted in large increases in profitability and number of employees, as well as increased likelihood of being in business three years later.**

In Mexico, researchers partnered with Instituto Poblano para la Productividad Competitiva to provide subsidized consulting and mentoring services to a randomly selected set of firms. **The study found that, after one year, access to management consulting had positive effects on productivity and returns-on-assets. In the long run, they found a 57 percent increase in the number of employees, and a 72 percent increase in total wage bill.**

In China, researchers examined the effects of business networks on firm performance by inviting managers from newly formed SMEs to participate in monthly meetings with peers from other local firms. **The study found that the monthly meetings increased sales by 7.8 percent and significantly raised profits, employment and a management score.**

In partnership with ICICI Bank in India, researchers evaluated whether closer ties between the bank and the client can affect their loyalty and repayment behavior. **The study found that building a relationship between bank officers and clients via biweekly calls reduced late loan payments and in particular the likelihood of repeated late payments.**

In the Dominican Republic, researchers partnered with ADOPEM to evaluate two methods of financial literacy training: one based on traditional accounting principles and another one focused on simple rules of thumb. **“Rules of thumb” trainees were 6 to 12 percentage points more likely to separate business and personal cash and accounts, keep accounting records, and formally calculate revenues.**

Researchers partnered with Aid to Artisans and Hamis Carpets to develop relationships with buyers in high-income countries. Researchers then randomly assigned initial export orders to rug producers in Fowa, Egypt. **Rug producers who were offered the opportunity to export earned 16 to 26 percent higher profits and exhibited large improvements in quality compared to those who were not.**

Sources