

The Impacts of Microfranchising on Young Women in Nairobi

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This project piloted the first ever randomized evaluation of ‘microfranchising,’ measuring the impact of a program intended to help young women in Nairobi launch small-scale franchise businesses. Preliminary findings show that young women involved in microfranchising are more likely to become self-employed entrepreneurs as a result of the intervention. This, in turn, suggests that the burden of devising a business plan significantly contributes to hindering entrepreneurship in developing countries. The experiment is currently being scaled up to a larger multi-arm impact evaluation that will assess the impact of the microfranchising program compared to both a pure control and an unrestricted cash grant treatment

Integrating young adults into the labour market is a major challenge facing low-income countries. Unemployment and underemployment rates among youth are typically two to three times higher than rates for older adults; and much of the evidence suggests that young women have the most difficulty generating an income (Fares, Montenegro, and Orazem 2006; UNDP 2013). Impact evaluations of job training programs and other interventions intended to increase young women’s physical and human capital have generated mixed results. However, there is mounting evidence that multifaceted economic empowerment programs that combine job skills or vocational training with more holistic life skills education can have substantial impacts on the entrepreneurial activities of young women (cf. Bandiera et al. 2014, Adoho et al. 2014).

Microfranchising is a recent policy innovation which combines several distinct elements of job skills and credit market interventions. Microfranchising programs connect unemployed participants with businesses via small scale, multi-person franchises, providing motivated individuals with an established business model and the specific capital and business linkages (for example, with wholesale suppliers) needed to make the business model operational. Conceptually, a microfranchise has features in common with both a formal sector job and self-employment: while microfranchisees do not need to devise business models of their own, they work with very little managerial supervision and considerable latitude for creativity.

Context of the study

In late 2011, we learned of a new microfranchising program being offered to young women living in several of Nairobi’s poorer neighbourhoods. The program, Girls Empowered by Microfranchise (GEM), was designed and implemented by the International Rescue Committee (IRC). In its first year, the GEM program aimed to offer a package of training, capital, and ongoing support to up to 300 young women. The program helped small groups of out-of-school teens from three Nairobi neighbourhoods launch branded franchise businesses – either salons or mobile food carts.

The intervention combined a number of distinct elements: business skills training, franchise-specific training, start-up capital (in the form of the specific physical capital required to start the franchise), and ongoing business mentoring. Several of the intervention’s components are common to many enterprise promotion and job skills



Figure 1. Mobile Food Carts



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Figure 2. Hair Salons



programs; what distinguishes microfranchise programs from other interventions is the focus on a small number of specific franchise business models that are tailored to the skills and constraints of program participants (i.e. poor young women in urban Nairobi) and to local market conditions. In this case, the implementing NGO partnered with two Kenyan businesses looking to expand their presence in

Nairobi's poorer neighbourhoods. The first was a poultry producer that operates a chain of chicken-themed fast-food restaurants and also sells prepared foods and uncooked chicken products in grocery stores; the firm was looking to establish a presence in the program neighbourhoods by launching mobile franchise food carts selling smoked chicken sausages and other snacks (e.g. fried chicken necks and livers). The second franchise partner was a maker of hair additions (e.g. braids and extensions) looking to launch small, branded salons. The franchise partners were both relatively well-known firms (within Kenya), and their reputations added value to the franchise package that program participants received.

Evaluation methodology

We estimate the impacts of the microfranchising program on participants through a randomized control trial. Because the IRC anticipated receiving more applications than there were spaces in the GEM program, orientation meetings included a public lottery which assigned 60 percent of applicants to the treatment group (and the rest to the control group). 244 eligible applicants were randomly assigned to either the microfranchising treatment group or a control group. Women randomly assigned to the treatment group were then contacted and invited to begin the program.

To measure the impacts of the GEM program on applicants assigned to the treatment group, we conducted an endline survey in 2013. As expected, young women in Nairobi's poorer neighbourhoods were a challenging population to locate at endline, and we successfully interviewed only 72 percent of baseline respondents. Fortunately, there is no evidence of differential attrition by treatment status, allowing us to attribute differences between the treatment and control groups to the impact of the program.

Pilot results on the impact of microfranchising

In spite of high noncompliance among the treatment group, with only half of the women assigned to treatment attending the first component of the program (Table 1), we find that the microfranchising program had large and significant impacts on the likelihood that young women are engaged in any income-generating activity (IGA). These effects are driven by a doubling of the likelihood of being self-employed. Encouragingly, we do not find any evidence that self-employment displaces wage labour. Viewing these impacts in terms of young women's allocation of time, both self-employment hours and total IGA hours increase substantially.

Table 1 - Compliance with Treatment

	Baseline Sample	
	Treatment	Control
Attended basic business training	0.50	0.02
Launched a microfranchise	0.35	0.02
Observations	144	100

Lessons on impact evaluation 'best practices'

The evaluation of the first year of the program serves as a proof of concept: it demonstrates the feasibility of conducting a rigorous impact evaluation of the GEM intervention in spite of the challenging



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urban setting and the highly mobile participant population. However, this pilot evaluation also highlighted a number of the challenges inherent in any evaluation of a microfranchising program, particularly one targeting such a vulnerable but mobile group of participants.

In the first year, we accepted all applications at the beginning of the program for two reasons: first, because there was oversubscription even before the program started; and second, to prevent women in the comparison group from reapplying. While baseline surveys were conducted within a matter of weeks, in the program's first year, the implementing partners lacked the capacity to rapidly phase in all participants. This led to a considerable delay (ranging from 2 to 11 months) between baseline and the invitation to join the GEM program. For a young woman in a Nairobi slum, a great deal could change during the lag between the baseline survey and the first business training. Some migrated, some found other work, and some simply changed their phone numbers – but half of the young women originally assigned to treatment had either lost interest in participating (for example, because they had found a better work or schooling opportunity) or were unreachable by the time they were invited to begin the program. The same factors also contributed to a high attrition rate: though endline surveys were conducted less than 18 months after the baseline, we were only able to reach 72 percent of baseline respondents. Low compliance, combined with a small sample size and difficulties tracking such a mobile population, made it difficult to detect program impacts.

Moving Forward...

Given the promising (though imprecise) results from the first year, we are now conducting a larger evaluation of the second year of the GEM program that builds on the lessons of the pilot. To improve compliance with treatment, the implementation and evaluation teams revised the program design to minimize the time lag between baseline and phase-in, moving to a rolling application model. To improve our tracking rate, we introduced a phone monitoring survey – we now collect updated contact information from individuals in all three treatment arms on a regular basis, and incentivize regular contact with the research team through the provision of small airtime bonuses. These design modifications, combined with a substantially increased sample size, should ensure that the current evaluation provides clearer evidence on the impact of microfranchising on young women's propensity to become entrepreneurs.

Our ongoing evaluation also includes an additional arm in the second year: an unconditional cash grant treatment. Thus, our evaluation will compare the GEM microfranchising intervention with both the “no entrepreneurial support” counterfactual (the pure control group) and a simple alternative intervention which provides capital (a cash grant approximately equal in value to the microfranchising package) but no entrepreneurial guidance or business plan. This additional treatment arm is intended to specifically test the relative impact of the microfranchising “business in a box” package as compared to a “vanilla” capital transfer which provides young women with the financial resources to launch an income-generating activity – but without the field-tested business plan, sector-specific training, and supplier linkages.