The Role of Technology and Business Skills in Microenterprise Development: the Case of Mozambique

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Maputo, 8 de Julho, 2015
Motivation

Over 50% of the urban poor are currently engaged in some form of microbusiness.

A key determinant of low survival rates of microenterprises and limited growth is lack of access to credit.

Sustaining an optimal level of savings can play a critical role in overcoming credit constraints and helping the poor optimize cash flows.
Motivation

Recent experiences with mobile banking suggest that low-cost technologies such as cell phones could be an effective vehicle for the poor to access financial products that can enhance their savings capabilities.

Recent setbacks with microcredit in Southeast Asia also highlight the importance of ensuring that microentrepreneurs have the required business skills to effectively mobilize and apply these savings for business growth.
Research Questions

1. What is the impact of access to interest-accruing savings through mobile money on microentreprise savings, investment and growth?

2. What is the role of business management skills on microenterprise development and growth?

3. What is the combined effect of increased access to savings products and increased business management skills on microenterprise growth?
Research Design

Sample: 1,200 microentrepreneurs randomly selected from 23 formal and informal urban markets located in Maputo and Matola.

Sample restricted to vendors operating in proper stores and stalls, for which vendors have paid an operating fee to stay in the market throughout the year.

These vendors are often engaged in retail businesses (textiles, electronics, clothing, groceries) or manufacturing (shoemakers, seamstresses, tailors, hairdressers, etc).
Research Design

Random assignment to

Group 1 ("mKesh intervention"): open savings account through mobile banking

Group 2 ("business training intervention"): receive “business training” on how to best manage savings and investments with a goal to maximize the growth of the business

Group 3 ("combined interventions"): open savings account plus “business training”

Group 4 ("control"): does not receive either intervention
Business Training Intervention

1\textsuperscript{st} visit: baseline survey and first module of business training program (concepts of revenue, profit, savings, investment and valid expenses for the business).

2\textsuperscript{nd} visit: second module of business training program (creating balance sheets and budgets for the business) and distribution of logbooks to encourage vendors to track their expenses, credit sales and revenue on a regular basis.

3\textsuperscript{rd} visit: Q&A and check how/whether financial logbooks are being used.

4\textsuperscript{th} visit: implement outcome questionnaire and test if training had impact on knowledge of business skills.
Business Training: Materials

- Business Training Manual
- Comic Strip
- Logbooks
MANUAL DE FORMAÇÃO DOS MICRO-EMPRESÁRIOS NOS MERCADOS URBANOS DA CIDADE DE MAPUTO
# Tabela de Conteúdos

1. Introdução
2. Receitas e despesas – como calcular o lucro do negócio?
4. Poupança: o que fazer com o dinheiro?
5. Poupança: evitar voltar para trás
6. Investimento: o que é? Como conseguir dinheiro para investir?
7. Investimento: quando pedir emprestado (txenevar) dinheiro?
8. Investimento: a que taxa de juro peço emprestado?
9. Orçamento: o que é e como se deve fazer?
Exemplo:

- No dia 30 de Março de 2012, o Senhor Ezequiel quer preencher a Folha 3 (folha de registo diário).
- Sabendo as compras, vendas e clientes a crédito do dia 30 de Março, registados na folha 1 e 2, e sabendo que o Senhor Ezequiel pôs 400 MTn no xitique, depositou 50 MTn na sua conta mKesh, e pagou as despesas de eletricidade em 700 MTn.
- Ainda mais, o Senhor Ezequiel emprestou 300 meticais ao amigo Joaquim, para este puder pagar as despesas da escola do filho.

Como é que o Senhor Ezequiel faz o registo ao final do dia?

<table>
<thead>
<tr>
<th>Data</th>
<th>Compras Valor Total – Custos Directos</th>
<th>Vendas Valor Total – Receitas – Não Pago (a crédito)</th>
<th>Despesas com a loja (eletricidade, taxa de mercado,...)</th>
<th>Transferências/Empréstimos</th>
<th>Poupança</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/03/2012</td>
<td>10200 MTn</td>
<td>7000 MTn</td>
<td>500 MTn</td>
<td>700 MTn Electricidade</td>
<td>300 MTn Joaquim – escola do filho</td>
</tr>
</tbody>
</table>
Uma semana depois

Dona Joana: sabes, usei todo dinheiro de ontem para guevar e para o matabicho que tomamos na barraca da cunhada. Podes pagar o gay gay para mim? Nem sei o que vamos comer em casa se eu não vender hoje.

Comadre, aprendemos que não se usa o dinheiro do negócio para coisas de casa. Não devias ter usado o dinheiro de ontem para o matabicho. Se separares bem o dinheiro do negócio e dos gastos pessoais dificilmente terás falta de dinheiro para guevar ou mesmo para comprar comida.
Eu heim... para mim dinheiro é para se gastar e quanto mais rápido gastar mais rápido vem.

Comadre, ti aconselho a separar os lucros e poupar porque quando guardas lá o dinheiro cresce Também e só gastas mesmo no que for preciso. Assim posso realizar os meus sonhos; posso comprar uma nova capulina ajudar um familiar que precise... mas e preciso primeiro poupar e só depois emprestar!!
mKesh Intervention

**Participation incentive:** vendors were given 76MTN in order to test usage of the mKesh service

**Saving incentive:** payment of bonus corresponding to 5% of the average mKesh value kept in their account each month, over a three-month period with a top limit of 25MTN per month (corresponding to 5% of an average monthly mKesh value of 500MTN)
BÓNUS POUPLANÇA

Pôr dinheiro no mKesh agora dá mais dinheiro!

Como funciona isso?!

Recebe 5 meticais por cada 100 meticais que conseguir MANTER na sua CONTA MKESH durante 1 mês!

Vamos dar-lhe este BÓNUS durante 3 meses!

*Aos bónus são pagos em cada mês, mas pode existir um desfasamento de dias entre o final do mês e o pagamento do bónus.

APOIO:

[Logos de Nova Africa Center, USAID, IGC, mcel, carteira móvel]
Business Training: Incentives

**Participation incentive:** 20MTN purchase for microentrepreneur to fill in logbook at the time of our team’s visit (goal: clarify any questions on logbook usage)

**Commitment incentive:** incentive to fill in logbooks after the research team’s visit. When logbooks were distributed, all targeted individuals were told they would receive 130MTN (equivalent to 5USD) if they filled in their logbooks correctly.

[Note that our revisits were randomly scheduled to ensure that vendors were not strategically responding to these incentives, and that the payment was only made during our final visit.]
Baseline Data

71% of sample is micro enterprise with no employees
25% use a logbook to track sales, purchases or credit transactions
1% has a cash register
60% own a Bank account, 95% of them are current accounts
60% understand what “savings” mean
95% of them report the desire to save more
71% report the desire to save to invest in more products and paint the store
51% believe sales will grow next year
Preliminary Results

Business Training was well received and it increased understanding of basic accounting.

![Knowledge Score (1-5)](chart.png)
Preliminary Results

Impact Evaluation

Business Training decreased transfers to relatives (14%) and increased total sales (64%)

Strongest result for combined treatment

Unclear impact on savings and expenditures

Process Evaluation

– Main challenge was securing agents in markets
– Microentrepreneurs were interested in the training and kept their manual throughout the experiment
Concluding Remarks

Preliminary Results:
suggest mkesh and business training have significant impact on sales but no evidence yet of impact on investment or savings

Next steps:
Endline Survey to be conducted July-October 2015