

Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition

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Three key questions

- 1) How successful are business plan competitions at identifying which individuals will start firms that will grow rapidly?
- 2) Does winning lead to more growth and innovation, or merely just subsidize individuals whose firms would grow anyway?
- 3) Which types of individuals should such programs target?



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What is YouWiN!

The Youth Enterprise with Innovation in Nigeria (*You WiN!*) Programme is a collaboration of the Ministry of Finance, the Ministry of Communication Technology (CT), and the Ministry of Youth Development that will launch an annual Business Plan Competition (BPC) for aspiring young entrepreneurs in Nigeria, in line with the Federal Government's drive to create more jobs for Nigerians. The programme will be implemented in partnership with Nigeria's private sector, who will be requested to provide funding support.



The competition

- stated objective of encouraging innovation and **job creation** through the creation of new businesses and expansion of existing businesses
- Had to be 40 or younger and Nigerian citizen to be eligible
- Launched in late 2011, launch ceremony on national TV; advertised through media, roadshows.
- 1200 national winners to be chosen, eligible for up to US\$64,000 in funding each.

50
million
youth

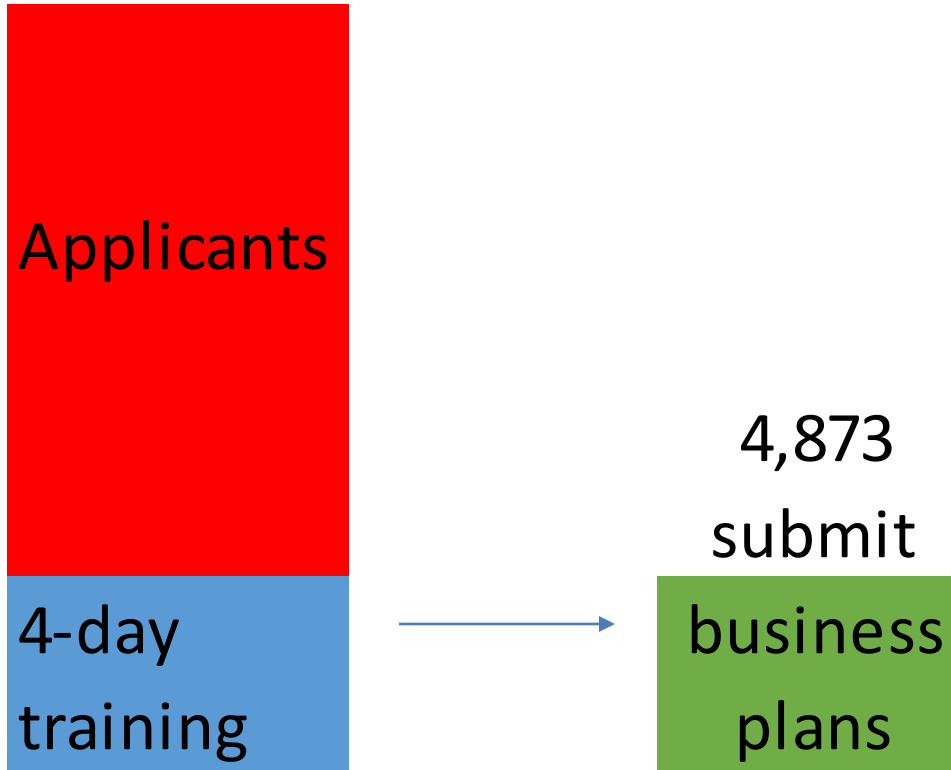
Online application



24,000 apply



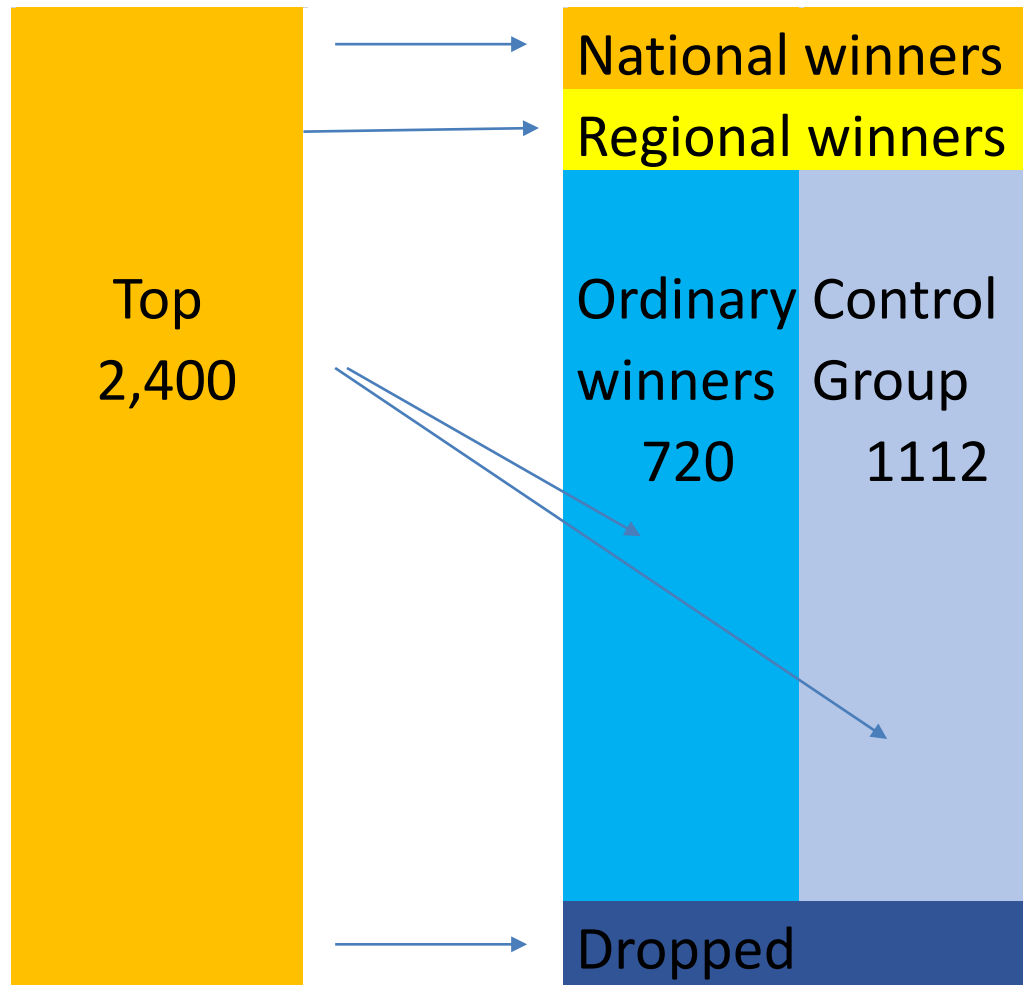
18.5% of new applicants and
14.9% existing applicants FEMALE



4,873
Business
plans
scored



Top
2,400



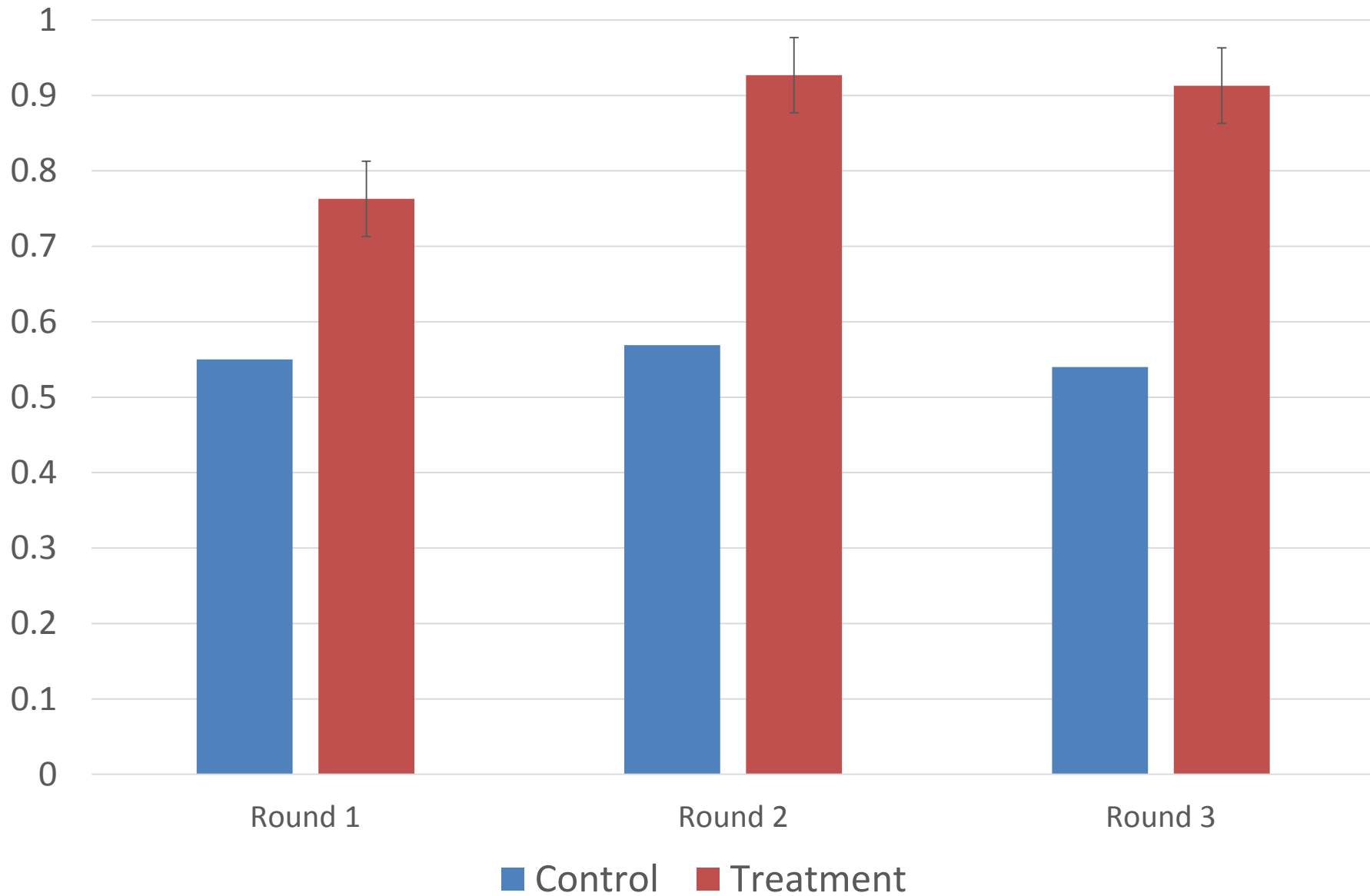
17% of winners are FEMALE

Data Collection

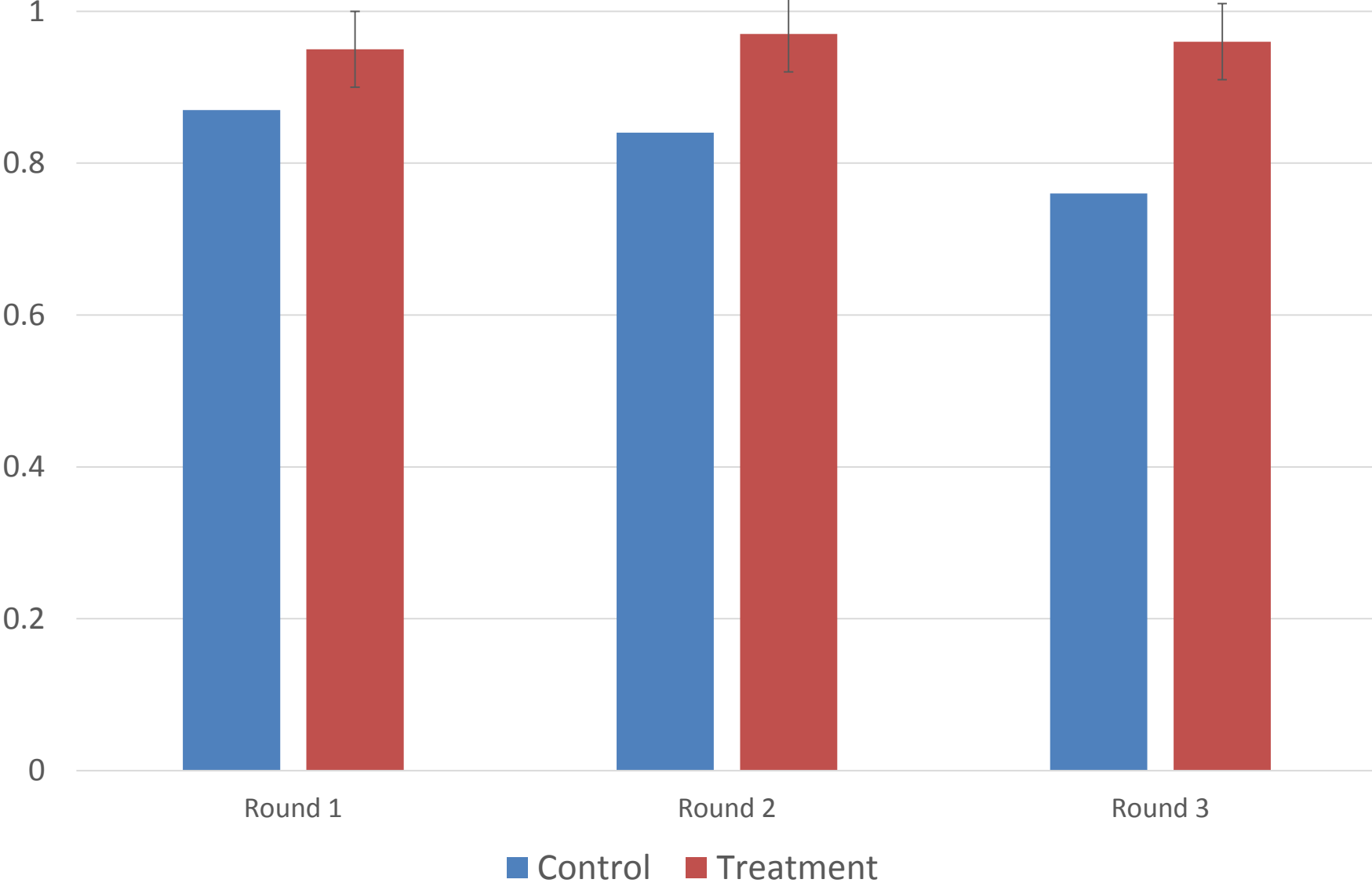
- survey targeted a total of 3,139 individuals comprised of four groups who had applied to the competition:
 - National and regional winners - 475
 - Other winners (Treatment group) - 729
 - Control group - 1112
 - RD group – 823 – within 5 points of cutoff
- Three rounds of follow-up surveys:
 - Round 1: 79% of experimental firms completed
 - Round 2: 92% of experimental firms completed
 - Round 3: 85% of experimental firms completed

The impact of winning

Proportion of New Applicants Operating a Business



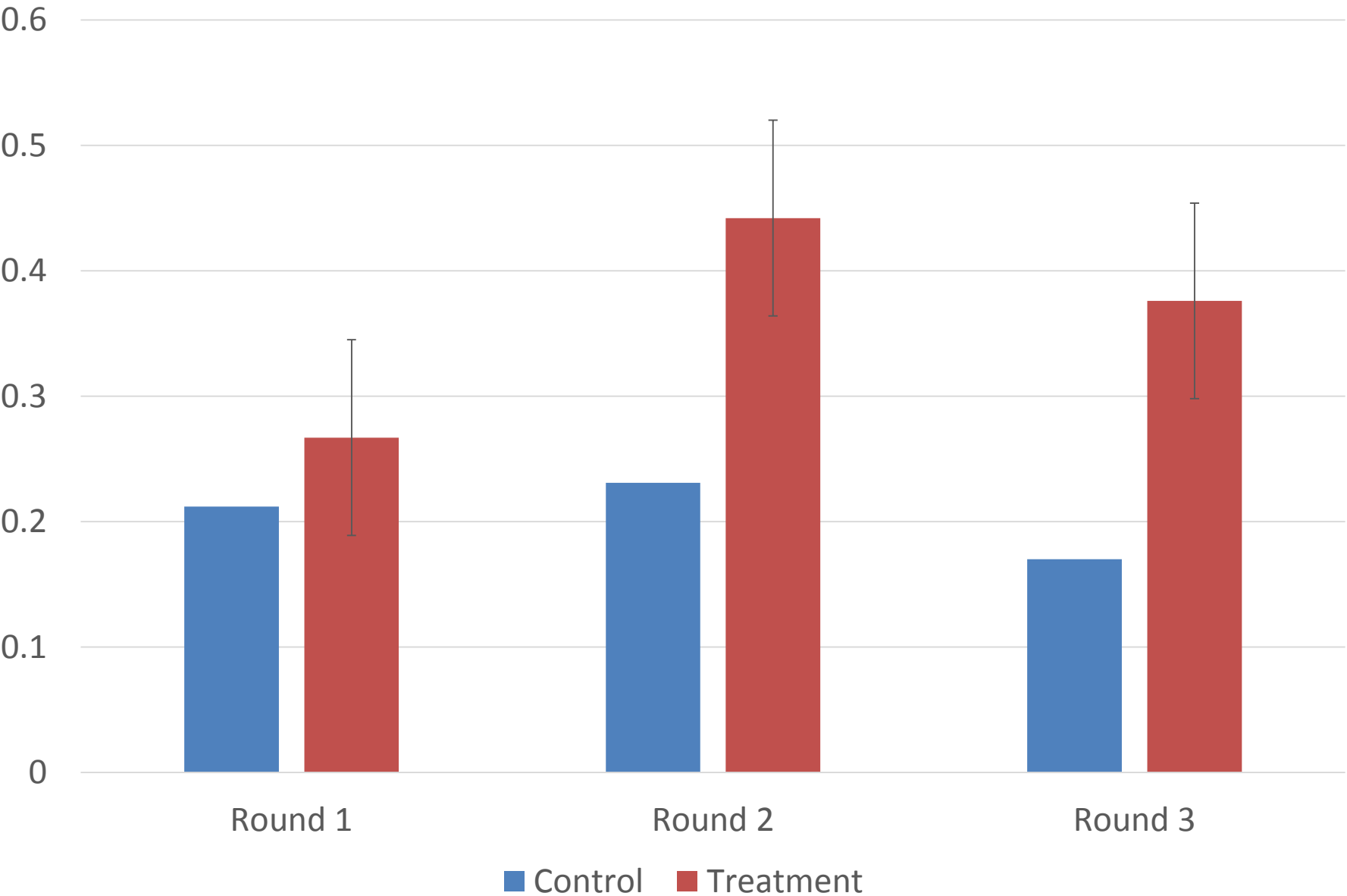
Impact on Survival of Existing Firms



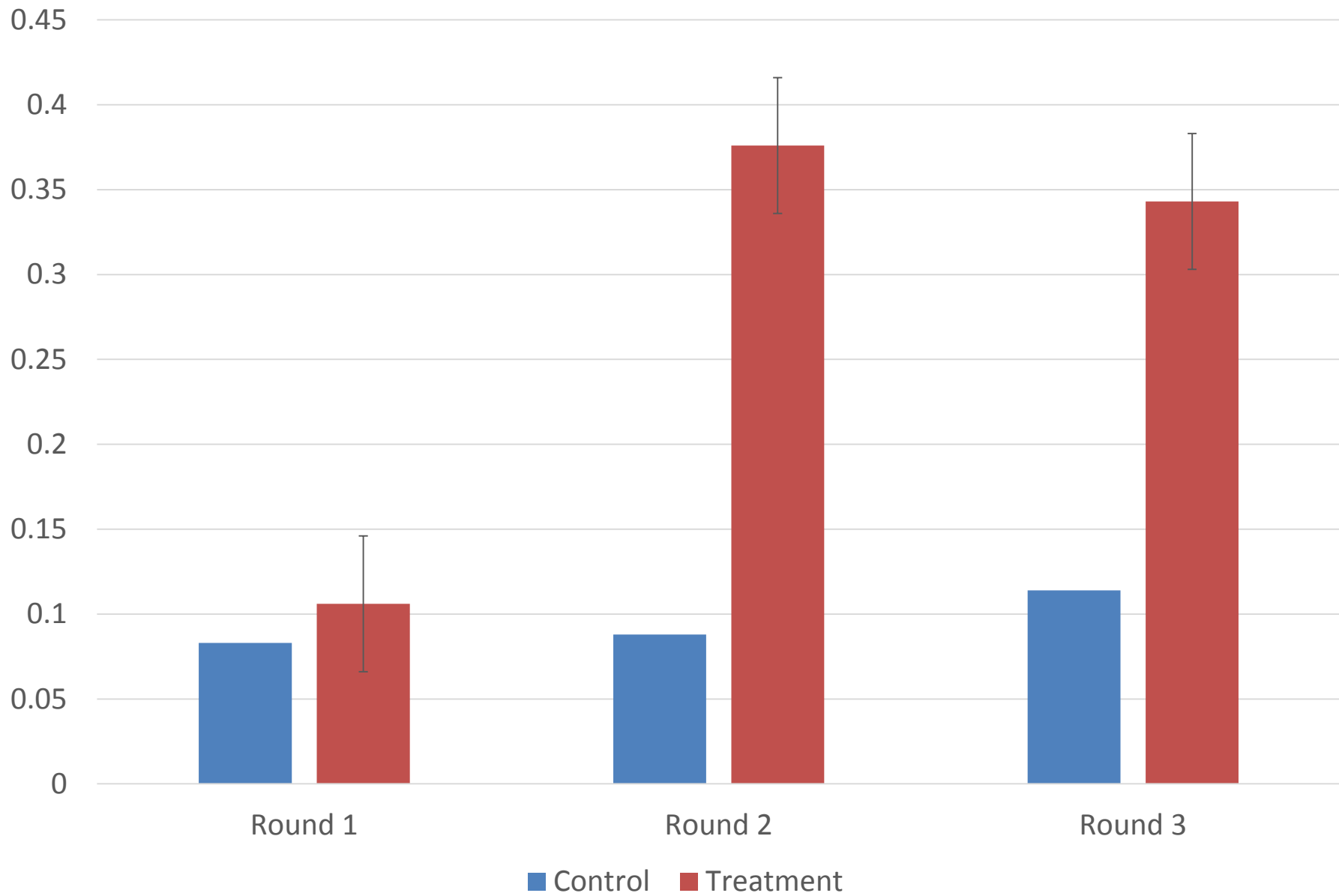
Impact on Employment



Impact on the Likelihood of an Existing Firm having 10+ Employees



Impact on the Likelihood of a New Applicant having 10+ workers



Appendix Table 19a: Heterogeneity in Treatment Impacts for New Firm Applicants

	Operates a Firm			Total Employment		
	Round 1	Round 2	Round 3	Round 1	Round 2	Round 3
Panel A: Heterogeneity by Gender						
Assigned to Treatment	0.185*** (0.032)	0.341*** (0.025)	0.354*** (0.026)	1.411 (0.860)	6.119*** (0.471)	4.976*** (0.508)
Assigned to Treat*Female	0.189** (0.078)	0.104* (0.063)	0.120* (0.067)	0.100 (1.021)	-0.638 (0.895)	1.557 (1.321)
Sample Size	1021	1181	1085	987	1159	1044
Control Mean Females	0.420	0.481	0.422	1.674	2.165	2.883
Control Mean Males	0.574	0.586	0.562	3.964	3.539	3.937

Appendix Table 19b: Heterogeneity in Key Outcomes for Existing Firms

	Operates a Firm			Total Employment		
	Round 1	Round 2	Round 3	Round 1	Round 2	Round 3
Panel A: Heterogeneity by Gender						
Assigned to Treatment	0.092*** (0.032)	0.139*** (0.029)	0.185*** (0.035)	1.553* (0.864)	2.176 (1.628)	4.348*** (0.685)
Assigned to Treat*Female	-0.060 (0.045)	-0.051 (0.059)	0.061 (0.083)	-0.267 (2.211)	2.182 (2.571)	0.477 (2.293)
Sample Size	432	505	477	422	500	461
Control Mean Females	0.967	0.886	0.722	7.862	7.364	6.091
Control Mean Males	0.854	0.834	0.766	6.669	8.309	5.475

Impacts on Intermediate Channels

- Winners engaging in more innovation
 - Increase in business practices, but result mostly through survival and start-up
 - No changes in entrepreneurial self-efficacy, use of mentors, networking => suggests E not changing
 - Firms have become more formal
- => View winning as mostly about a cash infusion to the business

Heterogeneity/Targeting:

- To the extent there is heterogeneity, program impacts for new firms are biggest for females and individuals with lower business plan scores among the winners -> boosting firms less likely to grow on their own.
- No heterogeneity of impact for existing firms
- Impact on job creation much higher for supporting new firms rather than existing firms over first two years, but more similar in second year.

Conclusions

- To date program has created 7000 jobs (first round of program)
- New firms:
 - 37 p.p. increase in start-up; 23 p.p. increase in likelihood of having 10+ workers; profits 18-75% higher
- Existing firms:
 - 20 p.p. increase in survival rate, 21 p.p. increase in likelihood of 10+ workers, 15-55% increase in profits
- First experimental evidence on creation of such firms with 10+ workers
- Examination of the intermediate channels suggests that the main effect of the program is enabling firms to buy more capital and hire more workers, with little impact on business practices, mentoring or networking.