From informal entrepreneur to MSME owner

Making enterprise acceleration work for under-served women

What we’ve learned so far

Five years after launching Hand in Hand's first enterprise acceleration scheme for women business owners living on or slightly above the poverty line, our acceleration projects have reached over 9,000 people (80% women), increasing incomes by an average of 140%.

9,000
Business owners trained (80% women)

X2.5
increase in business owners accessing credit

48
Percentage point increase in online sales

140%
Average income uplift

HAND IN HAND INTERNATIONAL

The problem

Even though one in four African women is an entrepreneur, these women are more likely to be 'entrepreneurs by necessity' earning a subsistence income in areas where there are little to no opportunities for formal employment. Larger businesses typically generate higher profits, employ more people and are better able to withstand financial shocks. So, what's stopping these informal entrepreneurs from turning their businesses into thriving MSMEs?

- Women entrepreneurs globally remain deeply under-financed. The gender finance gap in Africa alone is estimated to be $42 billion (AfDB);
- Although it is now much easier for informal entrepreneurs to access finance via community savings groups, it is still difficult for individual women to secure the larger loans they need to scale their businesses, either through banks or microfinance institutions (MFIs);
- Typical enterprise accelerators in Kenya and Tanzania only accept businesses with 10x the turnover of the women we work with. To put it simply, there's training and support for informal entrepreneurs at the bottom of the ladder, and for larger businesses or high-tech start-ups, and huge gap in provision between the two;
- Despite high levels of rural poverty, typical business accelerator programmes focus solely on urban businesses.

Our solution

Our enterprise acceleration programme is designed for informal entrepreneurs living on or just above the poverty line with the potential to become the owners of thriving MSMEs. With the 7.4m MSMEs in Kenya alone responsible for 40% of the country's GDP (UNDP), we believe enterprise acceleration programmes targeting this neglected group will be critical in building prosperity in under-served areas.

Typically, initiatives that address poverty by incubating or accelerating existing businesses focus on tech start-ups or large employers, anticipating that as they grow there will be 'trickle-down effect' of local jobs creation.

By contrast, our 'grassroots acceleration' model targets women entrepreneurs with the potential to scale living on or just above the poverty line (USD 2.15 PPP) – including those in rural areas.

Over the last five years, Hand in Hand has run 'grassroots' enterprise acceleration projects in both urban and rural settings, across a range of industries and value chains, with current participants increasing their incomes by an average of 140%[i] (from USD 187 to USD 341 PPP per month).

Our enterprise acceleration programmes provide one-to-one coaching, advanced business, digital and financial training, value-chain-specific skills and support to access higher value loans (averaging USD 600-1,000) – so women entrepreneurs can rapidly expand their enterprises.

As we develop our approach to enterprise acceleration, we will continue to share what we've learned. If you'd like to find out more, please contact our Monitoring Evaluation and Learning (MEL) team on gcloutier@hihinternational.org.

> ***"With the 7.4m MSMEs in Kenya alone responsible for 40% of the country's GDP, we believe enterprise acceleration programmes targeting this neglected group will be critical in building prosperity in under-served communities."***

It pays to close the gap in provision for informal entrepreneurs with the potential to take their businesses further

We launched our acceleration programme after identifying a critical gap: although poor women do well in graduation programmes – often doubling their incomes – they struggle to advance beyond that point, getting stuck on or just above the poverty line.

Traditional accelerators or incubators aren't an option for women in this group. These schemes, even those with the goal of poverty alleviation, focus on tech start-ups or larger businesses, with the expectation that business growth will create a 'trickle down' effect, boosting job creation and incomes in deprived communities.

We saw that 'grassroots' acceleration can generate high income jobs from the outset, with participants on our Kenyan accelerators increasing their incomes from USD 187 PPP to USD 341 PPP. To put this in context, in Kenya 50% of people live below the poverty line of USD 87 PPP a month – the majority of these are informal entrepreneurs. Our aim is, at the programmes conclusion, for participants of our accelerator projects to be in the top 10% of the country's earners – with less vulnerability to financial shocks and the potential to create jobs and contribute to local economies.

> *"Our aim is for participants of our accelerator projects to be in the top 10% of the country's earners."*

What we've learned
We are expanding our evidence base on effective 'grassroots' acceleration, using quantitative analysis to gain deeper insights into what works best for women entrepreneurs and evaluating longer-term outcomes for the women who take part.

Low-income women struggle to obtain credit in their own right - a major barrier to growth

Access to credit is fundamental to acceleration. Securing formal finance through microfinance institutions, banks, government loans, and credit unions or SAACOS is crucial if businesses are to expand.

The women entrepreneurs we work with can easily access group loans, but business owners with the potential to scale face significant barriers to obtaining the larger sums (averaging USD 600-1,000) they require as individuals. Most lack both a credit history and collateral, because they are more likely to be unbanked and rarely own assets. Additionally, some banks require spousal consent for larger loans, a reasonable requirement given the sums involved, but a substantial hurdle in communities where men typically control financial decisions.

We have increased loan access by 254%, however, so far only half of the women in our accelerator programs have been able to access formal finance.

Thanks to comprehensive training in record-keeping (which is a critical factor in loan acceptance rates) and our efforts in partnering with banks and microfinance institutions to guarantee loans, we have increased loan access by 254%[ii]. However, so far only half of the women in our accelerator programs have been able to access formal finance.

What we've learned
We now involve the husbands of women business owners in training on credit. By helping them understand the long-term benefits of credit, we aim to increase the likelihood of them providing spousal consent for loans or serving as guarantors when necessary.

Additionally, while the barriers to credit access for women and smallholder farmers are well understood, we have found that these barriers are also highly context specific, varying by financial institution, region and value chain. We are tackling those barriers with tailored partnerships with a range of financial institutions, across different regions. These include: financial sector partnerships with non-profit facilities such as BRAC, Vision Fund, FINCA and Kiva; private sector partnerships including Visa and Equity Bank; various government credit facilities focused on women, youth or informal entrepreneurs; as well as piloting our own microfinance facility for acceleration participants.

Accelerator candidates must be ready to scale

There is a widespread assumption that poor women will only ever be subsistence level entrepreneurs but our acceleration programmes aims to reach those women with both the ambition and the potential to grow their businesses.

The more acceleration projects we undertook, the clearer it became how crucial it was to select the right candidates. Participants require a strong grasp of business principles, excellent financial record-keeping skills, good literacy, and, where possible, access to a smartphone and the internet. Since access to formal finance is a key component of acceleration, it's essential that participants can meet loan eligibility requirements, including age restrictions and being debt-free.

"In some projects, we discovered that some candidates were not yet ready to advance to the 'next stage' and required additional 'catch-up' training."

We encountered an initial challenge with recruiting candidates to our programmes. Staff were accustomed to the 'whole community' approach used in Hand in Hand's standard graduation model training and found it difficult to adapt to the more rigorous selection criteria needed for enterprise acceleration. In some projects, we discovered that some candidates were not yet ready to advance to the 'next stage' and required additional 'catch-up' training.

What we've changed
We've strengthened our recruitment criteria to include a good understanding of business principles, excellent financial record keeping, good literacy and being able to meet lenders' eligibility requirements.

With more money at stake, women business owner's decision-making can be at risk

We knew that Hand in Hand's accelerator programmes would need to address the specific barriers faced by women entrepreneurs – but initially assumed this would largely apply to practical barriers, such as credit access.

What we didn't anticipate was the speed at which women could scale their businesses – increasing their incomes dramatically. In communities with strict gender norms, this rapid income uplift presents a real risk – disrupting accepted power dynamics within the household.

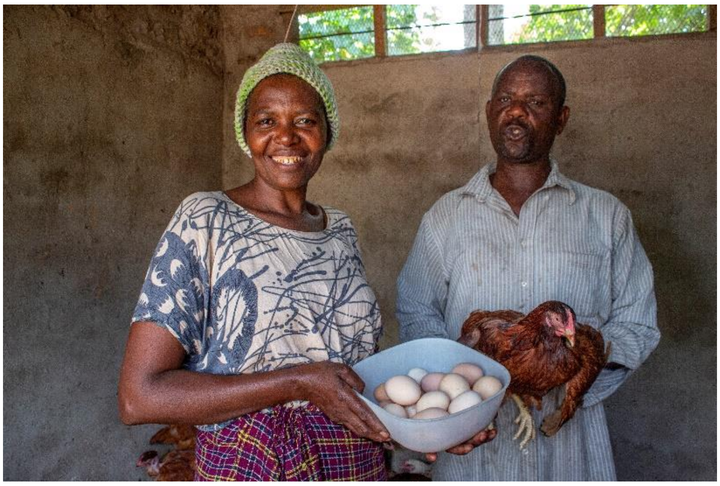
Anecdotally, we heard of business income being deemed 'family money', limiting women's ability to reinvest their earnings back into their enterprise. The situation is a complicated one. Typically, men have better negotiating power with wholesalers, so a husband's involvement in a business might benefit the family financially, while at the same time undermining his wife's decision-making power.

What we've changed

We are implementing gender equity training across all acceleration projects in Kenya and Tanzania – working with men, women and communities to shift the restrictive norms and attitudes that hold women back.

Our aim is for men and women to work together as a team to improve the family's income – at the same time as ensuring women have the power to make decisions about their own businesses.

"In communities with strict gender norms, this rapid income uplift presents a real risk – disrupting accepted power dynamics within the household."



Support must be targeted to context and value chain

Although poverty levels are significantly higher in rural communities, most accelerators typically focus only on urban areas. When Hand in Hand first launched its accelerator programmes, we applied similar acceleration strategies to participants in both rural and urban settings. However, it quickly became evident that while rural agri-entrepreneurs did benefit from acceleration, the effectiveness of these strategies varied significantly depending on the value chain.

For poultry farmers, for example, access to credit led to a boost in profits of over 50%. However, for land dependent crops like banana or potato, credit access made less of a difference to farmers' profits, particularly in places where land is scarce.

For these entrepreneurs, value chain-specific training proved to be more beneficial. For example, in one project with potato farmers, eight out of ten of farming best-practices increased potato production. On the other hand, poultry farmers who implemented advanced agricultural techniques increased their costs but saw no corresponding rise in production or revenue.

For both rural and urban entrepreneurs, market access is essential. Rural entrepreneurs saw an average 69 percentage point increase in sales via producer groups and cooperatives, and urban sellers reported an average 49 percentage point increase in online sales.[iii]

What we've changed
Based on our learning so far, we'll tailor our acceleration curriculum and coaching in rural areas even more specifically to individual value chains, putting our effort and resources into the interventions that are proven to have the greatest impact.

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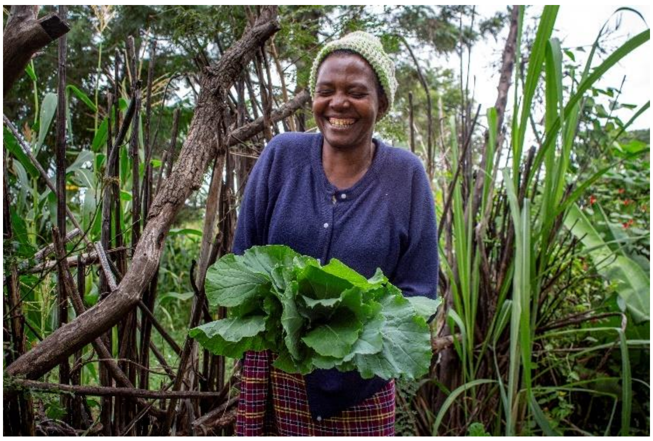
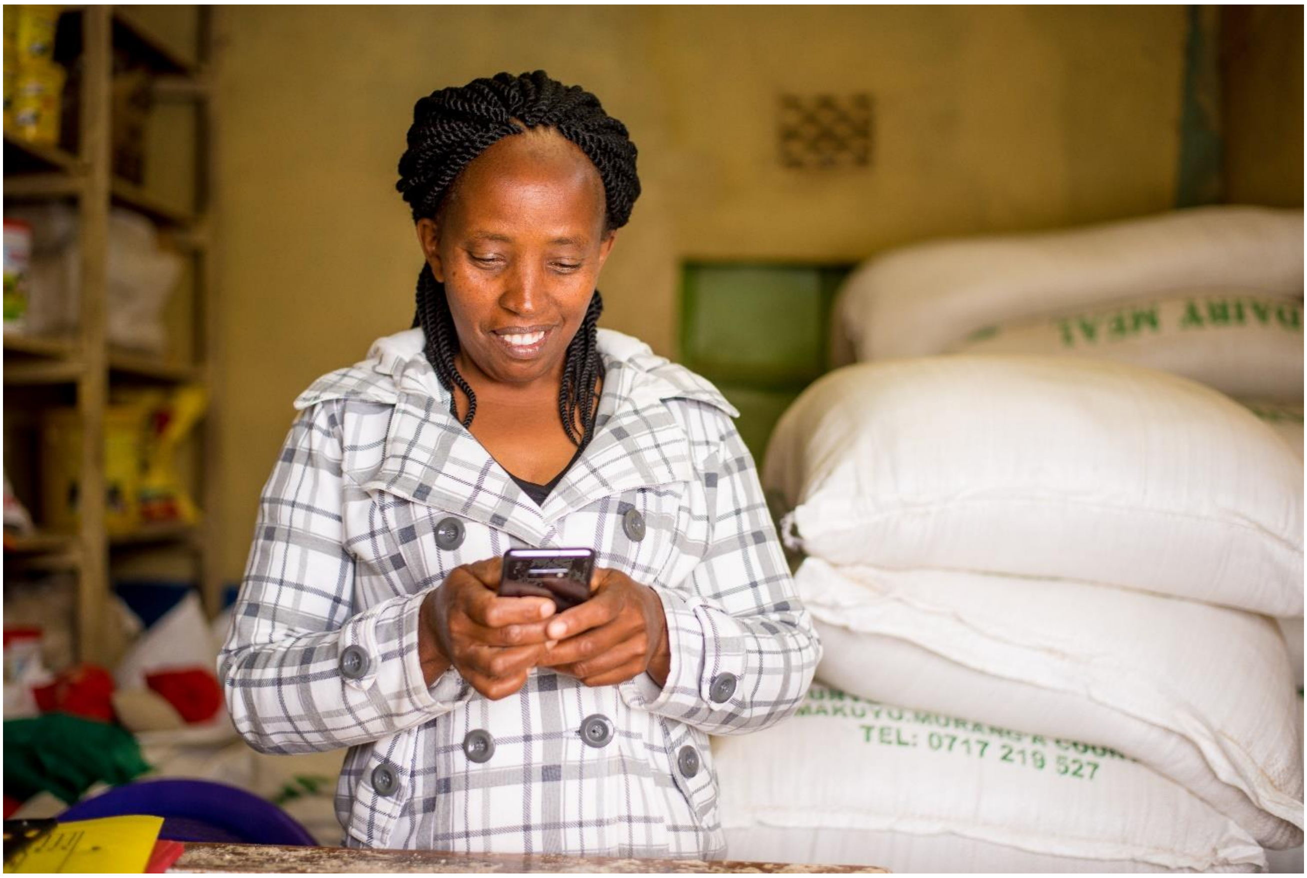


Effective acceleration coaching relies good-quality data

For our individualised approach to be effective, business coaches needed real-time data about participants' operations. However, most of the business owners we work with still maintain paper records. As a result, coaches spent much of their initial one-to-one sessions catching up on the details of participants' businesses, leaving less time to focus on strategy development and problem-solving.

What we've changed

Since many accelerator participants already have smartphones and internet access, we are encouraging them to transition to digital record-keeping. We're also exploring a new CRM system that will allow business coaches to access these digital records, optimizing the time they have with participants.



About Hand in Hand

Hand in Hand equips under-served women with skills and resources to earn more money and ignite local economies, lifting nations out of poverty. So far, the Hand in Hand network has empowered 5.6 million women and created over 10 million jobs using its proven model.

We avoid costly asset transfers and focus on skills acquisition and credit access, meaning our approach is both highly cost-effective and scalable. Our ROI is 475%.

Further information

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[i] *From two projects, reaching 3,600 participants*
[ii] *From two projects, reaching 2,750 participants in Kenya and Tanzania.*
[iii] *From four projects, reaching 8,000 participants*