



# Building Markets

## Improving Access to Markets for Small to Medium-Sized Enterprises

*Key lessons from experimental research*

For small and medium-sized enterprises (SMEs), which make up 90 percent of businesses worldwide, accessing domestic and global markets is critical to growing their businesses, creating new jobs, and fostering inclusive growth. Yet, entering these markets is often highly challenging in low to middle-income countries. Among the many barriers, potential SME suppliers lack information about market opportunities, while potential buyers often don't know how to find the businesses that are best suited to meet their needs. Compared to their peers in high-income countries, they often have difficulty building trusting relationships with buyers and face various financial, legal, and regulatory challenges, ranging from red tape to weak enforcement of contracts.

In these settings, how can entrepreneurs access the markets that are critical for their growth? What actually works? A small but growing body of literature points to effective approaches for improving access to markets and promoting growth. These approaches include strengthening links between buyers and sellers (as well as between SMEs themselves), providing targeted training to SMEs on how to bid for contracts, government procurement, and facilitating domestic and international contracting opportunities, as well as expanding credit access so that SMEs can take advantage of the export market. We include training and consulting interventions as they relate to increasing firms' abilities in marketing and engaging in export opportunities, but not more general training or consulting approaches that are geared towards improving management or productivity as these are covered extensively [elsewhere](#).

This review, while not exhaustive, provides a simple overview of existing causal evidence on interventions designed to improve access to markets in low to middle-income settings. Further research is needed in many areas, including to understand better the types of firms that benefit most from proven interventions.

## Key Lessons

### **Strengthening links between buyers and sellers, as well as between SMEs themselves, can promote growth.**

- **Improving coordination between small and medium-sized firms and their large customers led to higher sales, employment, and other positive outcomes.**

In Chile, Irani Arraiz, Francisca Henríquez, and Rodolfo Stucchi measured the impact of a development program aimed at improving and making more consistent the commercial links between small and medium-sized suppliers and their large customers. The study found that the program, conducted between 2003-2008, increased sales, employment, and the sustainability of small and medium-sized suppliers. It also increased large firms' sales and raised their ability to become exporters. The effect on SME suppliers appeared one year after the firms enrolled in the program, while the impact on large firms took two years to appear. [Link to the paper.](#)

- **Networking between SMEs led to better learning and growth for SMEs in China.**

In China, Adam Szeidl and Jing Cai evaluated the effects of business networks on firm performance. They invited managers from newly formed SMEs to participate in monthly meetings with peers from other local firms. They also randomly distributed business-relevant information to managers and organized one-time meetings between the groups. They found that participating in monthly business association meetings increased firm sales, profits, employment, and management score. The benefits for firms persisted one year after the conclusion of the meetings. [Link to the paper.](#)

### **Information helps: Learning how to submit bids for tenders can help firms win contracts, and providing communities with basic business information can improve some outcomes.**

- **Learning how to market goods and services to large firms and organizations enabled SMEs to win contracts from more buyers.**

In Liberia, researchers Jonas Hjort, Vinayak Iyer, and Golvine de Rochambeau conducted a randomized controlled trial of a Building Markets' Winning Contracts training program that taught firms how to sell their goods and services to corporations, governments, and other large buyers. The study found that receiving the seven-day training tripled the number of formal contracts firms won each year. Three years after the training, top-quartile firms employed more workers and were more likely to still be in business. [Link to the paper.](#)

- **Sharing basic business information by providing a “Yellow Pages” phone book to the general public led to positive firm impacts over one season.**

In Tanzania, researchers Jenny C. Aker, Joshua E. Blumenstock, and Brian Dillon examined the impact of the production and distribution of a “Yellow Pages” phone directory with contact information for local enterprises. Enterprises randomly assigned to be listed in the directory received more business calls, made greater use of mobile money, and were more likely to employ workers. Researchers didn't find significant differences between treatment and control enterprises for other enterprise outcomes, including outgoing communication, sales, and revenue. The single-season intervention may have been too short to detect impacts in these domains. [Link to the paper.](#)

### **Investment readiness programs can help firms access financing, if well-targeted.**

- **Small start-up firms were more likely to win outside financing if they participated in an investment-readiness program and there were positive impacts on firms that would otherwise have a low likelihood of getting financing.**

In the Western Balkans, researchers Ana Paula Cusolito, Ernest Dautović, and David McKenzie tested the effectiveness of an investment-readiness program on innovative start-ups and SMEs. The study found positive, but statistically insignificant, impacts on firm survival, three categories of investment readiness, and on steps toward receiving external financing. But heterogeneity analysis shows that for firms below the median size at baseline, the program led to a statistically significant 15 percentage point increase in their likelihood of getting outside funding. Similarly, the program had a positive and significant 12 to 14 percentage point impact on the likelihood of getting external financing for firms that would otherwise have low likelihood of getting such financing. [Link to the paper.](#)

### **Expanding credit access can make it easier for SMEs to take advantage of the export market and raise revenues.**

- **Expanded credit access to more firms increased their export revenue.**

In India, researchers Mudit Kapoor, Priya Ranjan, and Jibonayan Raychaudhuri used a unique policy change to evaluate the effects of expanded credit access on exporting firms. Between 1998 and 2000, the Indian government raised the investment cutoff for subsidized credit available to small firms, making larger ones eligible. Among firms affected by the policy change, the rate of short-term credit increased by 18 percent and total bank borrowing increased by 20 percent. More credit also led to a 22 percent increase in export revenues among these businesses. [Link to the paper.](#)

### **Going digital helps: equipping firms with skills in online business operations can help them take advantage of e-commerce opportunities.**

- **Firms that participated in digital training grew their customer base and increased revenues.**

In China, researchers Yizhou Jin and Zhengyun Sun tested whether a large-scale training program would help firms overcome barriers to growth on an e-commerce platform. New SME sellers who access the training earn 6.6 percent higher revenues than the control group. The revenue gains occur mostly because the new sellers attract more customers to their site through improved marketing. In addition, the trained new sellers improve their customer service quality since they have shorter response times and higher purchase probabilities when consumers make inquiries to their customer service agents. [Link to the paper.](#)

### **Government procurement can lead to greater growth and employment, even after the contract ends.**

- **Firms that won government contract bids experienced more growth and hired more workers.**

In Brazil, researchers Claudio Ferraz, Frederico Finan, and Dimitri Szerman tested whether firms that win government procurement contracts grow more than firms that compete for these contracts but do not win in a close auction. The study found that winning at least one contract in a given quarter increases firm growth by 2.2 percentage points over that quarter, with 93 percent of the new hires coming from either unemployment or the informal sector. These effects also persist well beyond the length of the contracts. This persistence comes from firms participating, winning more future auctions, and reaching other markets. [Link to the paper.](#)

### **Facilitating contractual relationships between SMEs (and smallholder farmers) and international buyers – or others who demand high-quality products – can improve quality of products and increase profits.**

- **Increasing SME access to international buyers improved the quality of products and increased profits.**

In Egypt, researchers David Atkin, Amit K. Khandelwal, and Adam Osman partnered with the international NGO Aid to Artisans and a local intermediary, Hamis Carpets, to evaluate the impact of exporting on the productivity and profits of small businesses producing handmade rugs in Fowa, Egypt. The partners worked for two years to develop relationships with buyers in high-income countries. Researchers then randomly assigned initial export orders to rug producers in the study. To mimic a real buyer-seller relationship, Hamis Carpets then allocated further orders to these producers based on their reliability and the quality of their rugs. Rug producers who began selling their rugs to foreign buyers earned 15 to 25 percent higher profits and exhibited significant improvements in quality compared to those who did not export. [Link to the paper.](#)

- **Contractual arrangements with a multinational buyer and intermediaries improved quality, increased quantity, and smallholder farmer income, and ultimately improved the welfare of farmers.**

In Colombia, researchers Rocco Macchiavello and Miquel-Florensa evaluated the impact of a quality upgrading program. The Sustainable Quality Program in Colombia was a bundle of contractual arrangements involving farmers, intermediaries, exporters, and a multinational buyer. The study found that eligible farmers upgraded their plantations, expanded land under coffee cultivation, increased quality, and received higher prices. In regions where the program was rolled out, surplus along the chain increased by about 30 percent. Eligible farmers kept at least half of the gains, and their welfare increased by about 20 percent. Further, the program achieved a better transmission of the export gate price premium for quality to the farm gate and curbed market failures that stifled quality upgrading. Contractual arrangements at the export gate significantly improved farmer welfare in rural areas. [Link to the paper.](#)

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