

Micro-enterprise saturation: Critical mass or overcrowding?

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July 2026

Funded by Weiss Fund, NSF, Dovetail, Gates Foundation, IPA, and J-PAL. This study was pre-registered (Trial 11789) and approved by Brown University IRB (#98) and Malawi's NCRSH (NCST/RTT/2/6).

How to scale entrepreneurship support?

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- Poverty alleviation w/o private/public sector employment requires entrepreneurship by poor people themselves.
- Bundled entrepreneurship support (Cash+, UPG, ...) is costly but becomes cheaper at scale.
- What happens to treatment effects as we scale? How to scale? Breadth vs depth

Research Questions

- 1 Do entrepreneurship support programs at higher saturation induce critical mass (multiplier effect) or overcrowding (fierce competition)?

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- 2 Can we encourage entrepreneurs-to-be to diversify their business portfolio?

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Experimental design

Cash+ program (1,872 HHs, Malawi): regular cash + training + coaching + savings groups + big push grant targeting mothers of U5 in extreme poverty

- 1 **Saturation RCT**: 72 clusters $\rightarrow$ saturation $\in \{0\%, 50\%, 100\%\}$
- 2 **Coordination intervention**

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High sectoral concentration

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- Most new & existing businesses: **Retail**

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- Most new & existing businesses: **Retail**
- Business choice motivation: **GE neglect?**

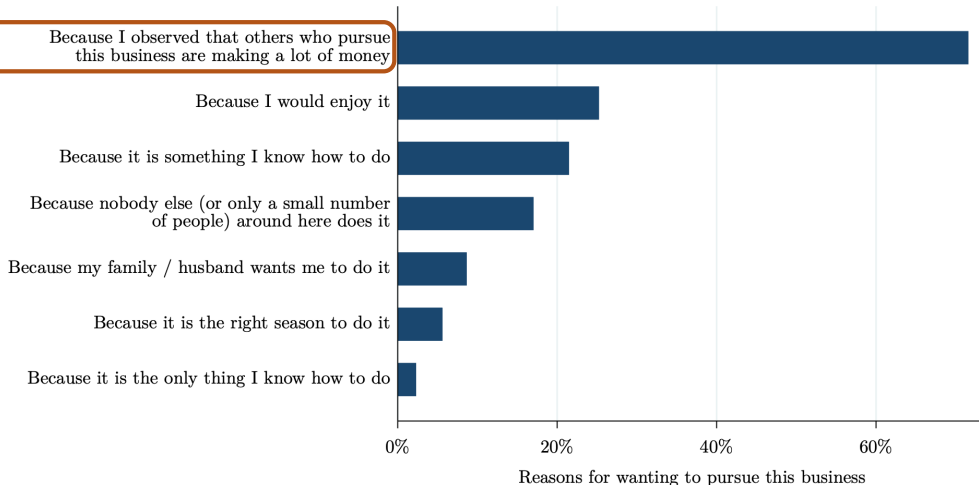
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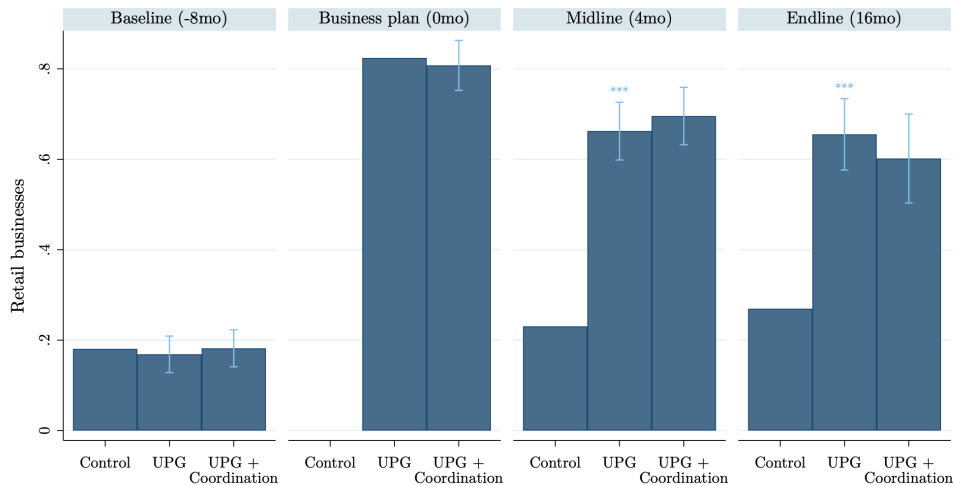
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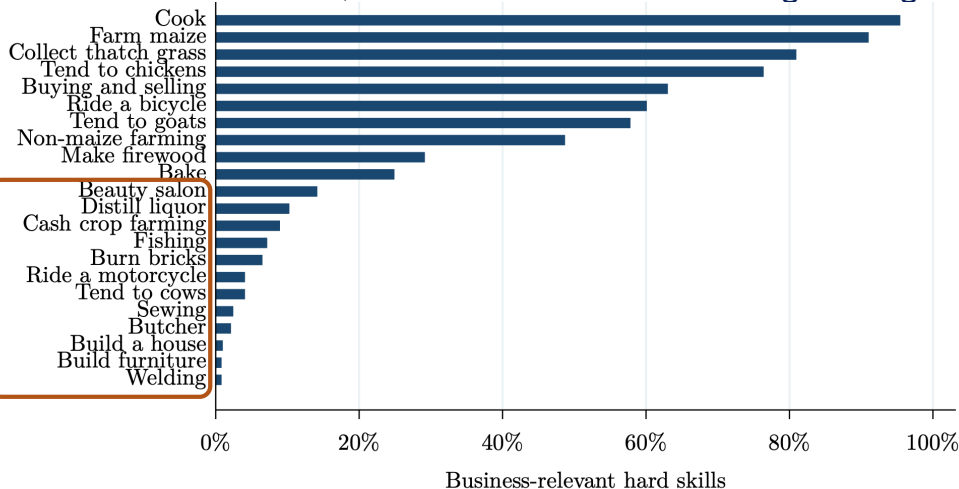
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- Hard skills and childcare, not an information friction: **Scaling challenge**



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Business earnings by saturation after 4 months

Micro-
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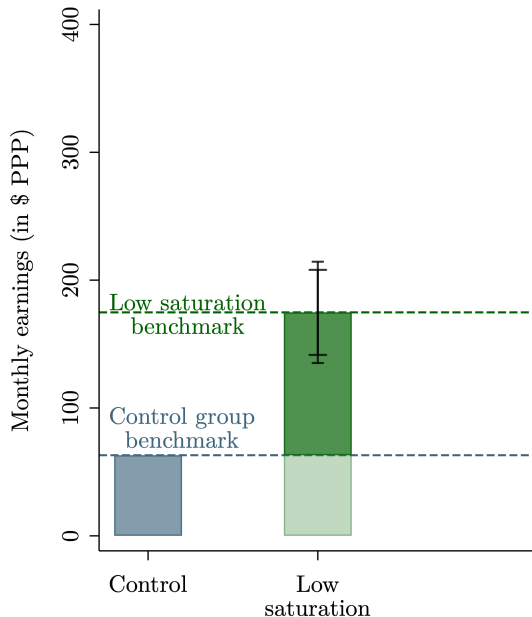
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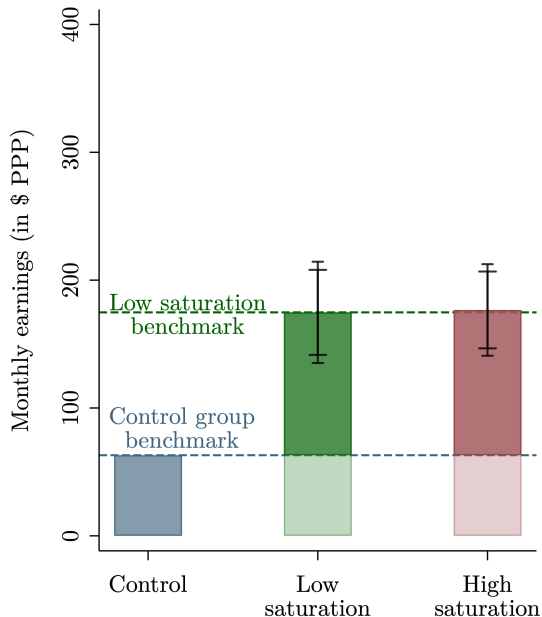
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Business earnings by saturation after 16 months

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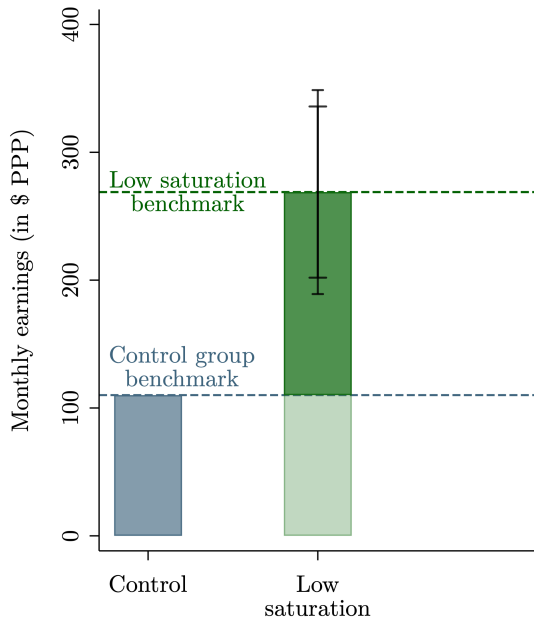
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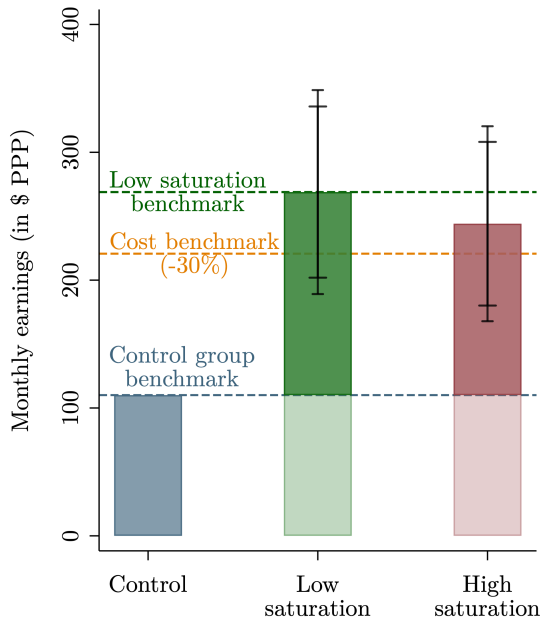
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Saturation causes businesses to exit (16 months)

	(1) Control mean (SD)	(2) Treatment Effect	(3) High Satu- ration	(4) N (BL)
Casual labor	0.784 (0.412)	−0.364*** (0.047)	0.075** (0.021)	565 ✓
Farming, fishing, forestry	0.688 (0.464)	−0.084* (0.042)	0.015 (0.052)	565 ✓
Manufacturing	0.167 (0.373)	−0.062 (0.044)	0.066 (0.051)	565 ✓
Non-retail services	0.238 (0.426)	0.081* (0.035)	0.032 (0.040)	565 ✓
Retail	0.270 (0.444)	0.486*** (0.048)	−0.177** (0.056)	565 ✓

Notes: The last column indicates the number of observations. All regressions are implemented as an ANCOVA specification, controlling for strata fixed effects. A ✓ indicates that the outcome variable is available for all observations at baseline. If it was not collected at baseline, a × is shown, and if it is partially available, missing observations are set to zero and dummied out (✓). Where available, regressions control for baseline levels of the outcome. Standard errors are clustered at the strata level. Significance is denoted by * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Overcrowding causes outmigration

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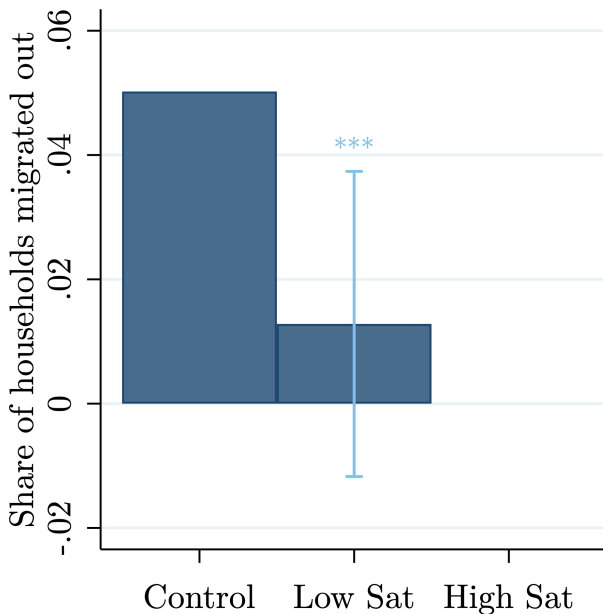
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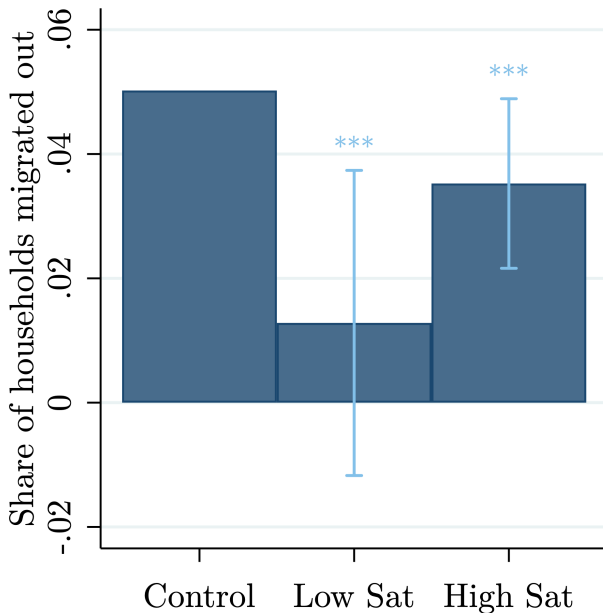
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- × Earnings & business survival *fall with saturation*
- ⇒ **Driven by high investment rate** compared to Egger et al. (2022)
- ⇒ **Offset by cost savings**

- ? **Generalizability** depends on business directionality & sector entry barriers

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References I

Egger, Dennis, Johannes Haushofer, Edward Miguel, Paul Niehaus, and Michael Walker,
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Econometrica, 2022, 90 (6), 2603–2643.