

# SGB Evidence Fund Project Update: Impulso Chileno Impact Evaluation

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## Executive Summary

**This report provides an overview of the progress made in the impact evaluation of the "Impulso Chileno" program, which aims to support Chilean entrepreneurs through financial assistance, training, and mentoring.** The evaluation utilizes a Randomized Controlled Trial (RCT) design to assess the program's long-term impact on various business growth indicators. The impact evaluation employs an RCT design, with half of the 500 program finalists randomly assigned to receive financial resources, training, and mentoring, while the other half receive master classes.

Early insights from the baseline survey conducted in December 2022 and January 2023 show no statistically significant differences in response rates between the treatment and control groups. The survey data revealed that **business characteristics, such as sector, age, and number of employees, were similar between genders.** However, **statistically significant differences were observed in business sales and costs, with men reporting higher levels in both aspects.** The impact of these differences will be further explored in subsequent surveys.

**The next steps of the evaluation include analyzing the video recordings submitted by participants to identify key factors associated with program acceptance and venture success.** AI tools will be utilized to extract textual, visual, and auditory information from the videos. A follow-up survey will also be conducted to examine the treatment effect of participating in Impulso Chileno on business development and assess various growth indicators.

The final results of this project are expected by December 2024. The research team aims to share the final results with practitioners, policymakers, and the academic community, contributing to the understanding of effective entrepreneurship support programs.

# Introduction

This brief highlights the progress made to date in the impact evaluation of the Impulso Chileno program, a collaborative initiative dedicated to assisting Chilean entrepreneurs through financial assistance, training, and mentoring. The primary objective of this evaluation is to assess the program's long-term impact on various business growth indicators, including monthly sales, profits, business practices, and the number of employees, leveraging a Randomized Controlled Trial (RCT) design. Furthermore, this project aims to identify the key variables that influenced entrepreneurs' acceptance into the program and predict the success of their ventures by analyzing entrepreneurs' application video recordings to effectively support entrepreneurs.

The research study on the Impulso Chileno program holds great significance as it seeks to explore the impact of the program's unique design and components on business success. While there are limited globally evaluated programs similar to Impulso Chileno, one comparable program that underwent a rigorous evaluation is YouWiN in Nigeria. Like Impulso Chileno, YouWiN is structured as a contest and provides financial and pedagogical support. The evaluation of YouWiN showed that winning businesses were more likely to remain operational and employ a significant number of workers three years after the intervention. Additionally, there was evidence of increased monthly profits for these winning businesses, depending on specific model specifications (McKenzie, 2017).

Furthermore, there is evidence regarding the individual components of Impulso Chileno, which can provide insights into the potential impact of the program. Isolated evidence suggests that the direct resource allocation component of Impulso Chileno, similar to other programs, has the potential to contribute significantly to business growth (Karlán, Knight, and Udry, 2012; De Mel, McKenzie & Woodruff, 2008). However, evaluations of entrepreneur training interventions have yielded inconclusive and contradictory results. Some programs have shown positive effects on business profits, while others have had non-significant or negative impacts (Karlán et al., 2012; Woodruff and McKenzie, 2012). Similarly, mentorship programs have demonstrated positive effects on business performance, although the sustainability of these impacts may be limited (Brooks, Donovan & Pena, 2018; Bruhn, Karlán & Schoar, 2018). Therefore, this evaluation of Impulso Chileno holds promise in understanding the combined impact of its components, shedding light on the determinants of business success, and driving program improvements.

## Research Design

### Project Description

The Impulso Chileno contest is an entrepreneur support program jointly established by the Luksic Foundation, the Simon de Cirene Corporation, and the Pontificia Universidad Católica de Chile (PUC). Spanning six months, this program is designed to foster the long-term growth of formal businesses and contribute to the economic growth of Chile by providing financial resources, training, and mentoring to local entrepreneurs.

Since its launch in 2018, the program has experienced steady growth. The number of winners of the program expanded from 60 in 2018 to 250 in 2023, in its fifth edition. Throughout the six-month program, participating entrepreneurs undertake a comprehensive 30-hour online entrepreneurship course offered by the School of Management at the PUC of Chile. Simultaneously, the entrepreneurs have access to eight individual mentoring sessions with business experts from the Simon de Cirene mentoring network.

Winning entrepreneurs receive financial assistance ranging from three to five million Chilean pesos to invest in their businesses. This financial support is disbursed in three installments, with the first installment provided at the commencement of the training program, equivalent to 40% of the total assistance. The second and third installments are distributed halfway through and upon completion of the training program, with each installment amounting to 30% of the total amount of support.

## Evaluation Methodology

To assess the program's impact on participating entrepreneurs and their businesses, an impact evaluation is conducted employing an RCT. Out of the 500 finalists in the program, half were randomly assigned to receive all three components, including financial support, training, and mentoring, of the program. Conversely, the other half received three master classes in topics related to their businesses. This RCT design allows us to examine the causal effect of Impulso Chileno on business development.

**Figure 1: Selection process summary**



The program's selection process consisted of six stages defined by the Luksic Foundation, with the guidance of the research team. The process started with a call for proposals, inviting entrepreneurs from across Chile to submit their business proposals. Participants had to meet a series of criteria, which included:

- Being Chilean or foreign residents in Chile with valid permanent residency.
- Being over 18 years of age.
- Having initiated business activities in the first category with the Internal Revenue Service (SII), either as an individual or a legal entity, prior to April 1, 2022.
- Being the owner or majority shareholder of the business.
- Having annual net sales (or proportional sales for businesses operating for less than a year) between 200 Chilean Units of Account (UF) and 10,000 UF in the last calendar year (September 2021 to September 2022).
- Having no outstanding labor or social security debts.
- Not being listed in the Registry of Ineligibility for Convicted Sex Offenders against Minors.
- Ensuring that the projects comply with current Chilean regulations.
- Committing to using the entire prize amount for the implementation and development of the winning project, as well as attending the mentioned training and mentoring sessions.
- Agreeing to be available for communication and notifications from the program's organization, which may be done through email, phone calls, WhatsApp, or other means of communication.
- Each person could submit only one project. Each submission would be associated with a natural person's tax identification number (RUT) and email address, and that individual would participate in the program. However, no more than one project could be submitted per entrepreneurial endeavor.

Eligible applicants were then required to complete a form providing detailed information about themselves and their businesses. In the second stage, a preselection process identified 2,500 businesses based on the entrepreneurs' profiles and the characteristics of their businesses and proposed projects, aiming to identify businesses that would benefit the most from the program. Shortlisted applicants were subsequently invited to submit a video showcasing their projects, and a total of 1,568 applicants handed in a video. These videos had a maximum duration of 3 minutes, addressing specific questions regarding their product's uniqueness, expected changes in their business if selected, and opportunities to showcase their products or stores. Based on the video submissions, shortlisted applicants were evaluated based on several criteria. These included whether the market segment was defined, whether the business contributes to improving the quality of life for the business owner and whether the idea is clearly delivered. The top 700 applications from this process were then invited to personal interviews, where their proposals and motivations were further explored. As a result, 500 finalists were selected to progress to the next stage of the selection process.

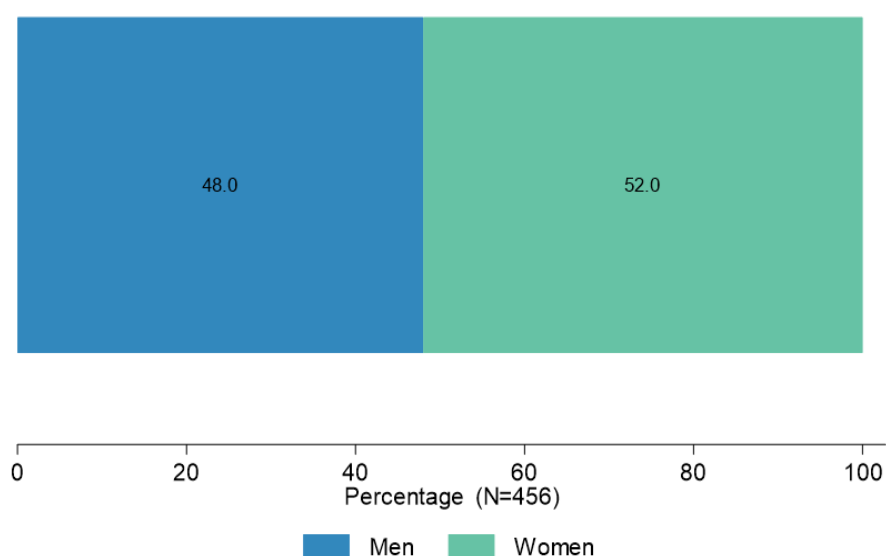
The fourth stage of the selection process involved a stratified raffle based on gender and region. This process led to the formation of two groups: a group of 250 winners in the treatment group and the remaining participants assigned to the control group. The 500 finalists were invited to participate in a baseline survey prior to the fourth stage of the selection process. One year later, in December of this year, a follow-up survey will be conducted to assess the program's long-term impact on key business growth indicators, such as monthly sales, costs, profits, business practices, and number of employees.

## Early Insights

During December 2022 and January 2023, the baseline survey was conducted with the contest finalists. The survey was implemented through video calls, with a response rate of 91.8%, and a self-administered form, with a response rate of 91.2%. There were no statistically significant differences between the response rates of the treatment and control groups. Below are the main results of this survey, disaggregated by gender.

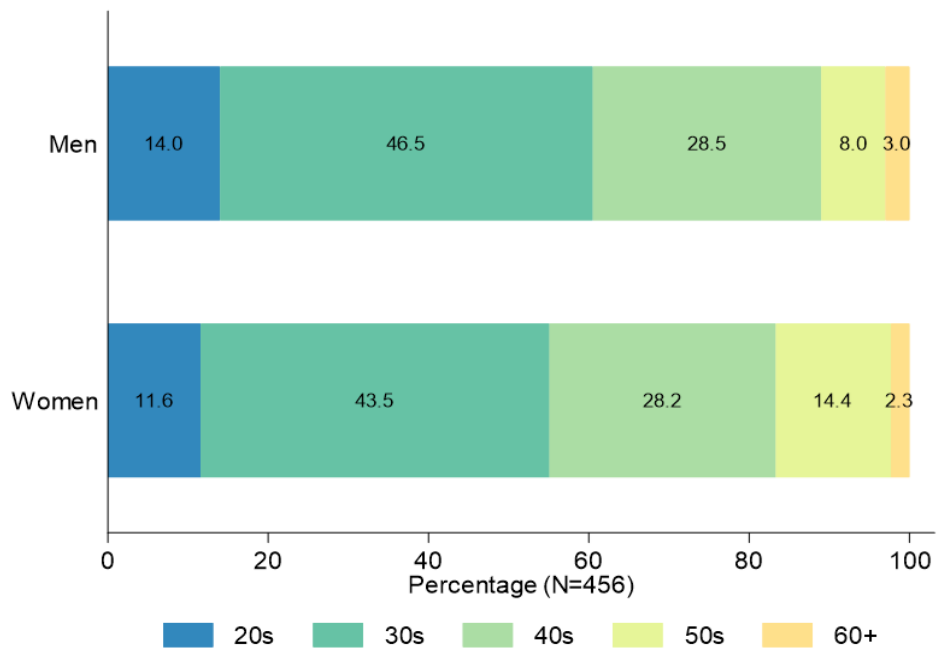
Of the total participants in the survey, 52% were women, and the remaining 48% were men, which is distributed in the same way as the total number of program finalists.

**Figure 2: Gender distribution**



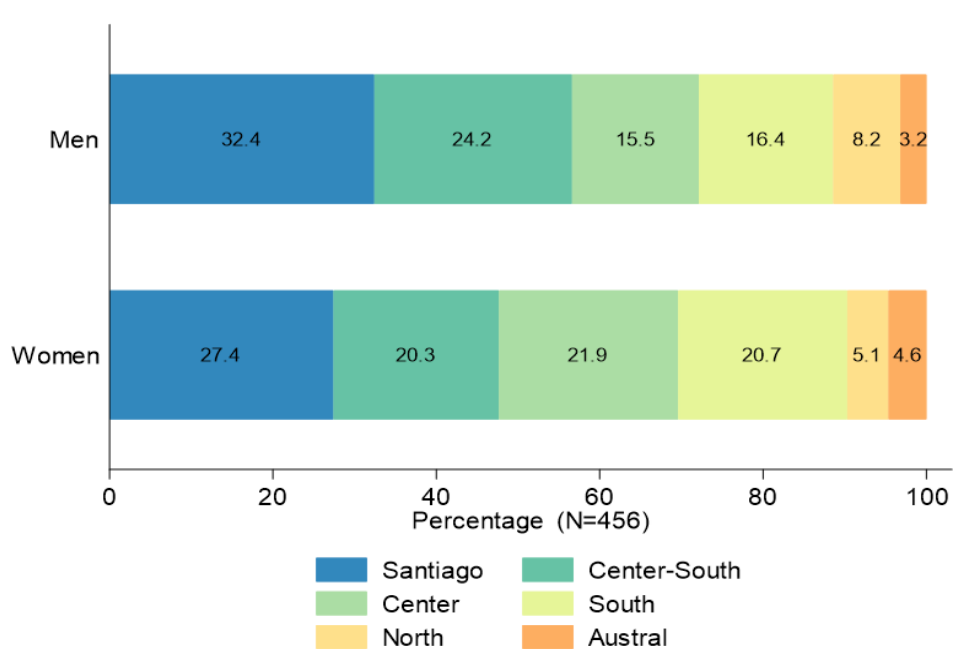
Concerning the age of the participants, 46.5% of male respondents were in their thirties, and 43.5% of female respondents were in their thirties. This was followed by 28.5% of men and 28.2% of women in their forties.

**Figure 3: Age by gender**



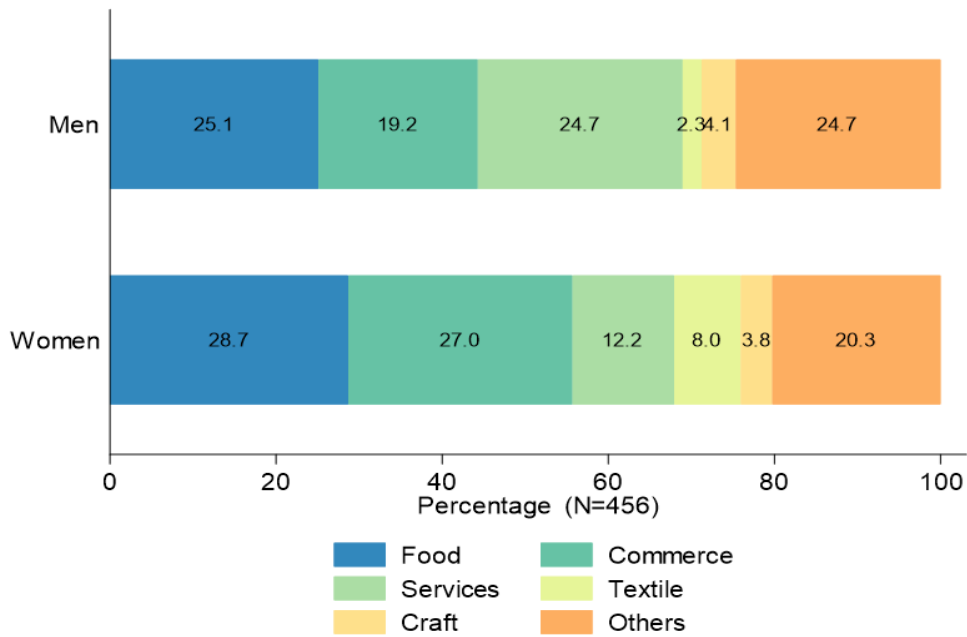
Among male participants, 32.4% were from the Metropolitan Region of Santiago, while among female participants, a relatively smaller proportion (27.4%) resided in the Metropolitan Region of Santiago. Following this, 24.2% of men resided in the Central-South region, and 20.3% of women were from the Central region.

**Figure 4: Region by gender**



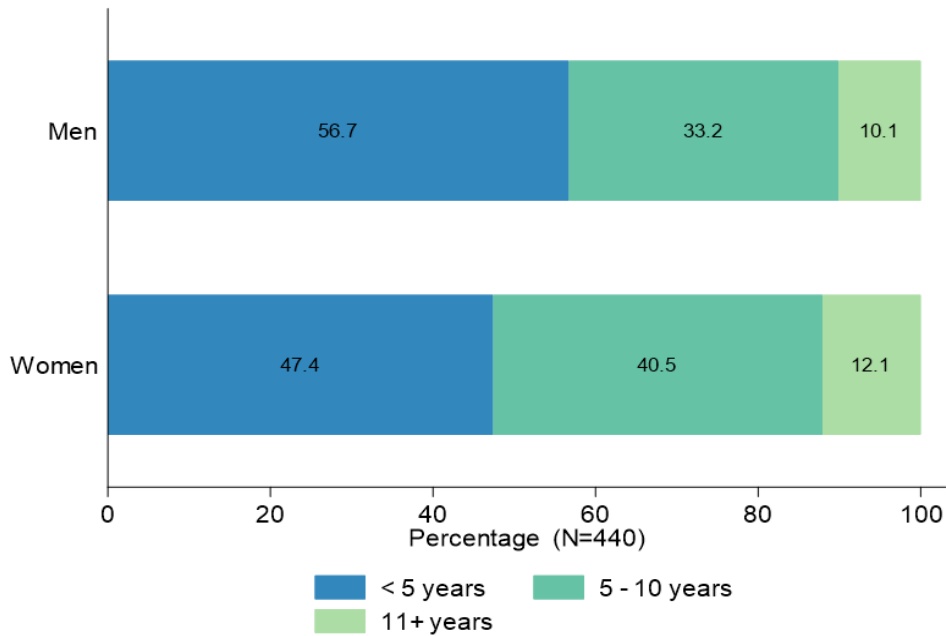
Regarding the business sector, 25.1% of men have a business in the food sector, followed by 24.7% who have a business in the services sector. As for women, 28.7% have a business in the food sector, followed by 27% in the commerce sector.

**Figure 5: Business sector by gender**



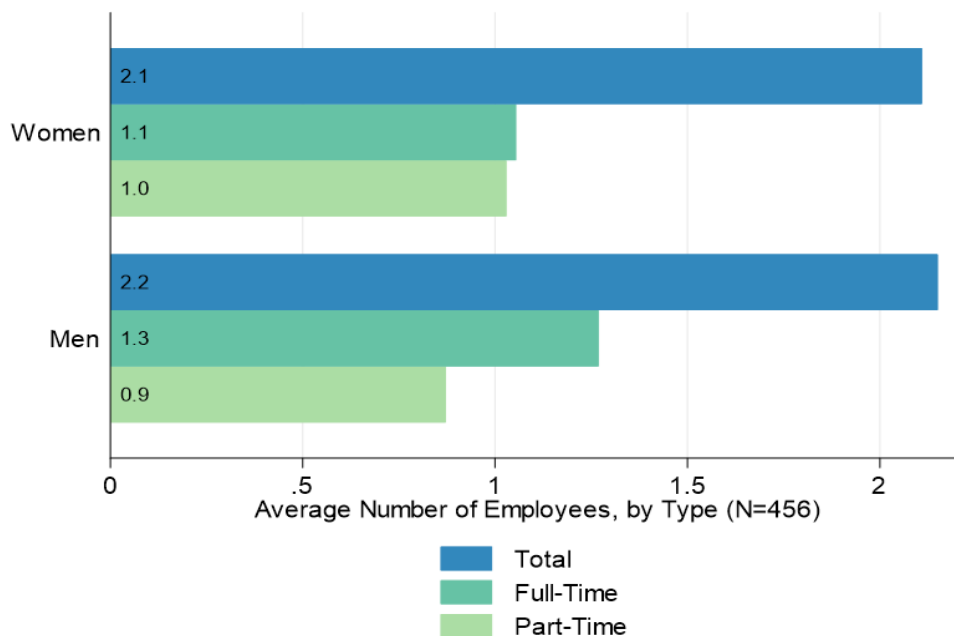
Most of the businesses have relatively few years of experience, and there are no significant differences in the average business age between genders. Among male respondents, 57% stated that their businesses had been operating for less than five years, while the corresponding percentage among female respondents was 47%. Additionally, 33% of men and 41% of women reported that their businesses had been operating for 5 to 10 years.

**Figure 6: Business age by gender**



Businesses also have a low number of employees. There are no significant differences by gender in this regard, as men have an average of 2.2 employees in total, while women have 2.1 employees on average.

**Figure 7: Average number of employees by gender**

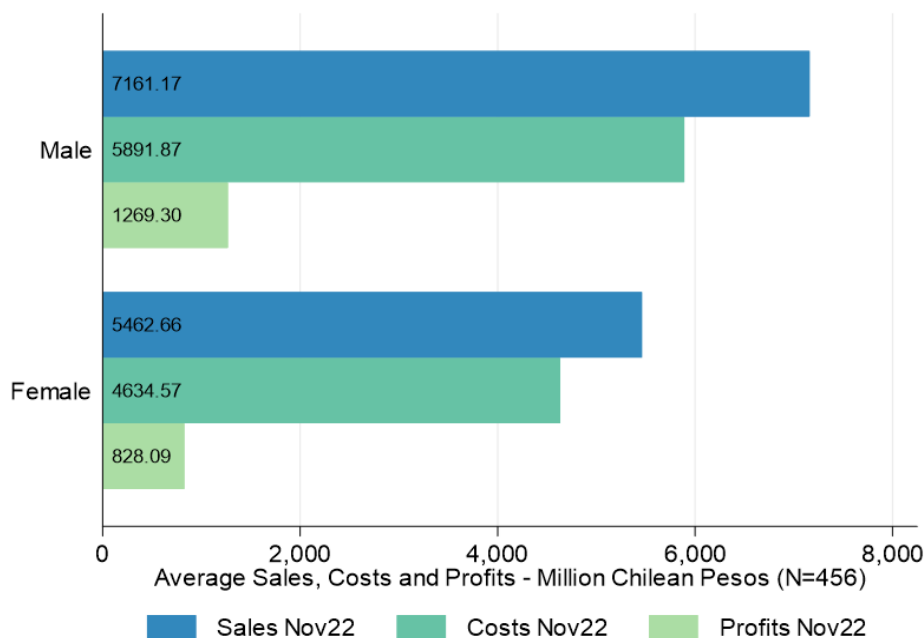


There are statistically significant differences between businesses run by men and women in terms of business sales and costs. In terms of business sales, statistically significant differences are observed by gender, with men achieving higher average sales. Men recorded an average sales of \$7,161 million Chilean Pesos in November, while women achieved an average sales of \$5,462 million Chilean Pesos during the same month. There are also

statistically significant differences between men and women in terms of business costs, with men having higher average costs. Men incurred an average cost of \$5,891 million Chilean Pesos in November, whereas women had an average cost of \$4,634 million Chilean Pesos during the same period.

Lastly, no statistically significant differences are observed between men and women in terms of the profits of their businesses in November. Men achieved an average profit of \$1,269 million Chilean Pesos, while women had an average profit of \$828 million Chilean Pesos.

**Figure 8: Average Sales, Costs and Profits by gender**



## Outlook and Lessons Learned

The participants preselected for Impulso Chileno were requested to submit complementary video content along with their applications, resulting in 1,568 video submissions. Over the past months, an analysis plan has been developed for these video recordings with the following objectives in mind:

- Obtain descriptive information from the videos considering the textual, visual, and auditory dimensions. This involves identifying objects, individuals, locations, content, actions, tones, attitudinal characteristics, and emotions portrayed in the videos.
- Determine the influence of the videos on the scores obtained by participants in the application result of the Impulso Chileno program.
- Establish the relationship between video scores and the outcomes of the entrepreneurs who participated in the fifth edition of the Impulso Chileno program.

As the next steps, the researchers will utilize AI tools to encode textual, visual, and auditory information into variables. Subsequently, using the data extracted through AI, the researchers will identify key factors associated with the evaluation scores for program acceptance and the success of the ventures. After analyzing the data, the researchers will also conduct a follow-up survey to examine the treatment effect of participating in Impulso Chileno on business development. This survey will specifically focus on business growth indicators, including



monthly sales, costs, profits, business practices, and the number of employees while analyzing whether there are significant differences in these variables based on gender.

The project activities have all been implemented successfully. The response rate of the baseline survey is over 90% without any significant differences between treatment and control groups, regardless of the mode of the survey. However, the main challenge lies in obtaining a good response rate for the follow-up survey, particularly with the control group. To address this challenge, the survey will be conducted in person, and participants will be provided with a financial incentive to encourage their participation.

While the project is still at an early stage and has yet to uncover the key variables explaining businesses' acceptance into ESO programs or the impacts of the intervention, the research already has one major learning. Despite similar business characteristics between genders, statistically significant differences were observed in terms of business sales and costs, with men reporting higher levels in both aspects. This finding will be further analyzed after obtaining the results from the baseline survey to determine whether this gap becomes more pronounced over time.

The whole scope of the research is looking to wrap up by December 2024, and the research team is looking forward to sharing the final results of this intervention with practitioners, policymakers, and the academic audience.

## **Acknowledgment and Disclaimer**

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Supporting the development of small and growing businesses (SGBs) in developing countries is key to enabling job creation and poverty alleviation. Although the evidence base in this area is expanding, there is still much we do not understand about how to best support firm growth and create quality jobs. To address this gap, the Small and Growing Business (SGB) Evidence Fund, a joint effort for the International Growth Centre (IGC) and the Aspen Network of Development Entrepreneurs (ANDE), supports collaborations between researchers and practitioners to understand the most effective ways to support SGBs and the economic and social impact of SGB growth.

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