

Impact of Micro-Entrepreneurship Grant on Livelihood: Evidence from a Field Experiment in Afghanistan

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The current research uses data from Promoting Entrepreneurship among the Youth in Afghanistan (PEYA) implemented under the Ministry of Labour and Social Affairs financed by the Afghanistan Reconstruction Trust Fund (ARTF) which launched in August 2015 and closed June 2018. The Endline study conducted 1-2 years after the policy implementation, represents on average a positive and statistically significant change in the past month's earning, number of household members and non-household members who have worked for these businesses. It should be noted, however, that these effects are different between males and females. The project increased gross monthly income by 4,000 Afs. on average; therefore, the annual rate of return of grant, amounting to 33500 Afs. is 143.2 percent which is quite significant and within a year, the grant can be paid off easily. The result in this study is different from RCT results on microfinance loan (majority of those studies have smaller rate of return), but is consistent with the result conducted in a post conflict country (Uganda).

On the casual relation between the initial capital and livelihood, based on the findings of this study, the impact of the project for those who do not face the lack of capital, the return of the treatment is similar for males and females but for those who face a lack of capital, males and females face the lack of capital for different reasons: for males, it is mainly external and personal bad history while for females, it is mainly due to emotional (embarrassment and fear).