

**Impact of Small Business Development Center Counselling Activities on Employment:
Evidence from Chile**

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Abstract

It is well documented that small and medium-sized enterprises (SMEs) are key drivers of job creation and broad-based economic growth in both advanced and emerging economies. With the objective of promoting entrepreneurship and growth of SMEs, and after a cooperation agreement with the government of the United States, the government of Chile started in 2014 the design and implementation of the Small Business Development Centers (SBDC), which provide one-on-one consulting assistance to SMEs and aspiring entrepreneurs.

Based on the U.S. model, the mission of the centers in Chile is to promote job creation and sales growth for small business through improvements to their business administration, access to capital, technology, and markets penetration. Since the incubation of the program in Chile, the micro enterprise support agency SERCOTEC has made significant progresses in expanding the network of centers through the Chilean territory. Nowadays, 51 centers operate in all the regions of the country, which have already helped more than 22.000 small businesses. This study explores the impact on employment of the consulting assistance provided by the first 27 SBDC in Chile.

Literature Review: The economic impact of the SBDC has been explored in the United States. Christmas and Katrishen (1994) reports the results of the first national study of the economic impact of the SBDC counseling activities in the United States. The study analyzed the performance improvements of long-term clients who indicated that the SBDC's assistance was beneficial. Results suggest that the satisfied established business owners and aspiring entrepreneurs who received counseling in 1990 generated over \$3.7 billion in new sales and almost 65,000 new jobs in 1991. These performance

improvements generated approximately \$2.61 in incremental tax revenues for every dollar expended on the entire SBDC program in the US. The study of the economic impact of the SBDC in emerging economies is in its infancy.

Methodology: The impact evaluation conducted in this study employs a "Difference-in-Differences" estimator. This is a quasi-experimental econometric technique that compares the changes in outcomes over time between a treatment group and a control group. This study utilizes data from the clients of the analyzed centers as well as from a control group constructed using

historical information of potential new clients. Data for the treatment and control come from face-to-face interviews. For the treatment group, a sample of 285 entrepreneurs were surveyed, which are nationally representative the entire client population of roughly 2,000 entrepreneurs who enrolled in the centers under study between October 2015 and April 2016. For the control group, all potential clients that reached any of the analyzed centers, with the goal of obtaining information of the program, were surveyed.

The total number of surveys applied to potential clients was 709. Of these surveys, 461 surveys correspond to potential clients who already had a business or business idea by the end of 2015 (the baseline year). It is noteworthy that despite of the fact that the assignment to treatment was not random, treatment and control groups are balanced in their distribution of a large number of observable pre- treatment variables (e.g., gender, zone of residence, education, work experience and economic activity).

Results and Contribution: The findings in this study suggest that the technical assistance provided by the first SBDC in Chile has had a positive effect on terms of job creation and employment formality. The results report that the treatment group exhibited, compared to the control group, an increase in the number of total workers, the number of workers formally hired and the number of full-time workers. The results also report a reduction in the number of unpaid family workers. When analyzing men and women workers separately, the results follow the previously mentioned trends, except in the case of full-time work: there is an increase in male full-time workers and a there is a decrease in female full-time workers.

Implications and Value: The prevalence of informal work and small enterprises in Chile and other emerging economies is still significant. Therefore, the policy implication of this study is that the SBDC make an important contribution to the economy by assisting established small and medium-sized enterprises to create new formal job opportunities in growing firms. Furthermore, this study highlights that the SBDC work with entrepreneurs and aspiring entrepreneurs helps individuals identify and initiate viable new business ventures that invigorate the economy.

Keywords: Small Business, Counselling Activities, Employment