A Case Study of IRADA: Its Impact on the Development and Enhancing the Legitimacy of Home-Based Businesses in Key Poverty Areas in Jordan

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A Case Study of IRADA: Its Impact on the Development and Enhancing the Legitimacy of Home-Based Businesses in Key Poverty Areas in Jordan

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A thesis submitted to the faculty of Brigham Young University in partial fulfillment of the requirements for the degree of

Master of Science

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ABSTRACT

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Many researchers have investigated the phenomenon of the informal economy and recommended impractical interventions such as controlling the informal economy or formalizing it. However, most research has missed another strategy for helping the informal economy, which involves achieving legitimacy. This study uses unique data from a Jordanian government organization named IRADA designed to help small, home-based businesses. Data on 345 home-based businesses representing a range of poor areas across Jordan provide a case study of IRADA’s strategies to help home-based businesses succeed and to contribute to legitimate informal economies in these areas. Logistic regression analysis reveals how marketing and specialized training are important for the success of home-based businesses. Findings suggest that IRADA’s unique approach to legitimating home-based businesses in an innovative way represents a set of best practices for the informal economy field. They also suggest that IRADA’s approach may be applied in contexts other than Jordan to help enhance the informal economy and make it tractable without formalizing it.

Keywords: informal economy, legitimacy, entrepreneurship, home-based business
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INTRODUCTION

Despite the underestimation of the size and impact of informal economies, their continuing expansion is now a subject of interest. Researchers and other academics have become increasingly interested in the social and economic development of all countries (Schneider and Enste 2000). The informal economy is no longer considered marginal (Rodgers and Williams 2009). Many studies have been conducted in developing countries on the impact of the informal sector (Charmes 1990) and how it addresses poverty and social issues (Kesner-Skreb 1997). The informal economy is now considered an essential element of the economic and social forces of a country (Harding and Jenkins 1989; Williams and Round 2009). The informal sector in developing countries is a sanctuary for people seeking employment (Aryeetey 1996), and is a major source of job creation.

The term “informal economy” first appeared in research articles on employment and work in the 1970s, with a study of urban labor markets in Ghana (Hart 1973). The phenomenon of an informal economy occurs not only in growing and developing countries, but also in countries with a fully mature economy (Portes and Sassen-Koob 1987; Sassen 1989; Stepick 1989). An early study by Boke (1953) generated interest in informal economies and prompted thoughts regarding this phenomenon. For Boke (1953), every economy appeared to be a dual economy; in other words, two different sectors coexist within each country’s economy (Boke 1953; Swaminathan 1991).

Economic operations may be conducted in either formal or informal ways. Any operational conduct outside the legal frame is acknowledged as an informal activity, and it can include either legitimate activities (informal economy) or illegitimate activities (renegade economy). Further, there are three distinct elements within an economy: (1) the formal economy, (2) the in-
formal economy, and (3) the renegade economy (Webb et al. 2009). The formal economy includes economic activities that use legal tools to meet legal goals; the informal economy includes activities that meet legal goals by use of illegal tools. In contrast, the renegade economy includes illegal tools as a means to illegal ends. The informal economy (also known as a shadow, hidden, or underground economy) is a set of economic activities that take place within the external structure of the formal economy (e.g., legal services and products within an illegal entity). These activities are technically illegal, but they are socially acceptable. However, opinions differ about what is and what is not socially acceptable among various groups in society (Webb et al. 2009).

Legitimacy is a reflection of what is accepted by an individual society. Society decides if the informal economy’s activities are acceptable or not (Webb et al. 2009). Society makes decisions about which activities are acceptable, legitimate, and, in some situations, essential as a majority instead of as individuals. This becomes the basis of regulations and laws (Scott 1995).

Home-based businesses are an important component of an informal economy (Chen, Seb-stad and O’Connell 1999), especially in rapidly developing countries (Johnston 1991). The reasons for starting a home-based business include adding to or generating new income for the household (Ault and Spicer 2014). Therefore, it is important that home-based businesses are socially acceptable and that their products or services are of high quality, marketable, and feasible to produce. Additionally, markets connect consumers and suppliers, and an informal economy may be more successful at finding the proper marketing channels. Thus, increasing the legitimacy of home-based businesses involves improving access to markets. Encouraging home-based business owners to organize at the market level will improve their rate of return on their investments (Tokman 2007).
The success of home-based businesses, which are typically a major part of an informal economy (Chen et al. 1999), are the focal point of this research. In the past four decades, interest in home-based businesses has materialized throughout the world. The informal economy has taken new forms and spread to unexpected locations. It represents a large share of the world economy and work power, and it has become a tool in fighting poverty and unemployment. Informal activities like home-businesses have proven to be an effective tool in the creation of new employment opportunities.

The organization that is used to study the success of home-based businesses in the informal economy in this study is IRADA. IRADA, the Enhanced Productivity Centers Program, is a developmental program established in 2002 by the Jordanian Ministry of Planning in response to the vision of His Majesty King Abdullah II regarding development challenges in Jordan. IRADA is unique in that it helps Jordanian individuals and non-governmental organizations (NGOs) to prepare for entrepreneurship and to become self-reliant and productive through establishing small- and medium-enterprises (SMEs), as well as micro-businesses. IRADA services are provided by 26 centers that cover all cities and areas of Jordan. By reviewing and examining its interventions and services, it is possible to study the effects of enhancing the legitimacy of home-based businesses. This research explores what makes IRADA useful as a development organization in legitimizing the informal economy through home-based business. It also explores what makes home-based business successful or not.

This research explores the multiple facets of IRADA’s program and examines the development of home-based businesses throughout various regions of Jordan. Using data provided by IRADA’s evaluation efforts, my research clarifies how IRADA is enhancing the legitimacy of those home-based businesses and identifies the determinants of success for the beneficiaries of
IRADA programs. Because of this study, researchers of the informal economy will be able to understand which interventions help to create a legitimate business, even if the home-based business is not registered or taxable.

Specifically, this research focuses on the implementation and effectiveness of IRADA’s efforts to provide expertise and consulting to individuals wanting to start their own businesses in an informal way (home-based businesses) as well as the individual factors contributing to the success or failure of those home-businesses outside of the intervention. As it pertains to the interventions enacted by IRADA, I focus on various training sessions regarding the following: (1) networking and legitimizing of the products or services that are produced, (2) outreach and awareness, (3) capacity building, (4) developing technical skills, and (5) enhancing the quality of products and services. Additionally, I assess the results of each type of intervention and look at other elements of consulting which IRADA provides.

This research addresses a gap in empirical evidence supporting specific theories of development and provides a lens through which to understand the unique context of an informal economy like home-based businesses development and entrepreneurship in the Middle East. This research also serves as a guide for future policy and program implementation in this region, as well as guide decisions about financial assistance given by various governmental and non-governmental entities to home-based businesses in villages where programs are implemented in order to help build and strengthen communities.

LITERATURE REVIEW

Enterprise development has been deemed a crucial element (Drucker 1995) to overall economic development (Schumpeter 1983). Despite various efforts to simplify it, enterprise development is a complicated proposition with many potential problems (Vargas 2000). The im-
pact of the programs designed to simplify it have often fallen far short of expected outcomes (Cornwall 1998; Dana 1988; Sachs 1992). Early approaches that encouraged entrepreneurship as a means of economic development ignored the strength of local organizations (Davis 1993) and failed to build local self-reliance; they seemed more like global charity than economic development (Burkey 1993).

Enterprise development initiatives have taken for granted the supply of would-be-entrepreneurs in certain regions and, as such, little is done to influence them. Most programs emphasize other factors such as providing financing or training to potential entrepreneurs (Lichtenstein and Lyons 2001). A seminal study by Van Vuuren (1997) questioned ways in which interventions that focus on training could be made more effective, but the focus remained on individual development of human capital. Another branch of research surrounding enterprise development has indicated that entrepreneurs are made, not born (Shefsky 1996). Lichtenstein and Lyons (2001) argued that regions that successfully develop economic growth through entrepreneurship are not an attraction for new entrepreneurs but provide for their development (Malecki 1997; Rogers and Larson 1984; Saxenian 1994). Research by Morrison and Bies (1991) identified communities that see entrepreneurship as a collective function. This indicates the possible need to expand the focus of enterprise development programs beyond the individual to include entire business communities (Lichtenstein and Lyons 2001). Beyond fostering a healthy business environment, recent research on enterprise development has also emphasized the ability of interventions and services to justify new players in a field (Mair, Battilana and Cardenas 2012), providing would-be entrepreneurs the social legitimacy necessary to garner the necessary resources to operate in both the formal and informal economies.
The three types of essential resources for both formal and informal firm are categorized as financial (Bates 1990), knowledge (Autio, Sapienza and Almeida 2000), and environmental (Venkataraman et al. 1990). These resources can also be labeled as economic, human, and social capital (Bourdieu 1980). Though all three are necessary for long-term success, human and social capital, in the form of network support, have been successfully used by non-traditional or marginalized entrepreneurs (especially those working in an informal economy) to overcome challenges in accessing economic or financial capital (Brüderl and Preisendörfer 1998; Gërxhani and Werfhorst 2013). Entrepreneurs in an informal economy, or those from a marginalized population such as poverty pockets, more often rely on group resources (i.e., kinship, friendship, and community ties), which drive the formation, maintenance, and success of a business (Masurel et al. 2002; Teixeira 1998, 2001). Human and social capital have been identified as the two most important factors in non-traditional or marginalized intergroup variation in business ownership (Archer 1991; Bailey and Waldinger 1991; Bates 1994; Bates and Dunham 1993; Borjas 1986, 1991; Boyd 1990; Brock and Evans 1989; Kim, Hurh, and Fernandez 1989; Min 1986; Yoon and Swales 1991), although proven success of these firms relies much more on access to financial capital (Ram et al. 2003). Despite vast amounts of research into the resources necessary for firms operating in the formal economy, enterprises operating in the informal economy, such as home-based businesses, are largely unexplored. This dearth of research results from the opaque nature of the activities themselves and the lack of empirical data supporting extensive research on the informal economy. The lack of empirical analysis of informal economic activities such as home-based businesses and the associated factors that influence their foundation and success represents a clear gap that I address in this study.
The enormous growth of informal economies is now a subject of interest in many academic fields focused on social and economic development in all countries (Schneider and Enste 2000), and informal economic activity is no longer considered marginal as some early studies assumed (Boke 1953; Swaminathan 1991). Scholars have used many terms and definitions for an informal economy. Gray economy (Calbreath 2010) refers to any activity paid under the table, without paying taxes or contributing to Social Security and medical care. After a study of urban labor markets in Ghana, and the term “informal economy” started to be an important topic in many researches and articles (Hart 1973). Developing countries are a rich resource for studies on informal economies because of their impact (Charmes 1990) and how they address poverty and social issues (Kesner-Skreb 1997). An informal economy was considered an essential element within the economy and social forces of a country (Harding and Jenkins 1989; Williams and Round 2009). Past research indicates the importance of an informal economy in emergent economies and the developing world. The five key reasons for this are as follows:

1. The informal economy provides a means to address the issue of poverty (Verrest 2013) as the activities involved are most often subsistence rather than opportunistic in nature. As such, the income generated in these types of enterprises provides a basic livelihood for many of those in poverty. However, home-based businesses in particular contexts have shown the capacity for generating significantly more than a subsistence income which could potentially serve as an escape from poverty (Motloung and Mears 2002; Swaminathan 1991).

2. In many cases, enterprises established in an informal economy serve as the first stage in the development of formal businesses (ILO 2002). This is one indication of the recursive or symbiotic relationship between formal and informal economies.
3. An informal economy provides the primary means of employment and income generation for many developing countries (Debrah 2007). This includes expanding employment alternatives and absorbing a significant proportion of the workforce. In many developing countries, up to 60-90 percent of the total workforce is engaged in the informal economy (Jhabvala 2010).

4. Developing home-based businesses and other enterprises within an informal economy has been identified as one of the best solutions available to reduce the unemployment rate in both developing and developed countries (Hellman et al. 2004).

5. Informal economic activities are more dynamic in nature and can better respond to the specific needs and demands of a particular community and localized customer base than formal economic activities (Sethuraman 1997).

In summary, home-based businesses include activities that generate income within the home or yard (Verrest 2007), and are considered a type of informal economy activity (Chen et al. 1999). Recent studies have identified an increase in the number and size of home-based businesses, especially in developing countries (Johnston 1991). Home-based businesses provide a possible solution in addressing poverty (Verrest 2013) as well as reducing the unemployment rates. This has caused most recent programs for economic development to encourage home-based enterprise development as a key solution (Hellman et al. 2004). The primary motivation for individuals starting a home-based business is augmenting existing income by generating new sources (Ault and Spicer 2014; Hellman et al. 2004). As indicated by Mason (2010) home-based businesses are largely “shadow or invisible businesses” and comprise a major part of the informal economy (Chen et al. 1999).
In the past four decades, the growth and spread of this phenomenon has attracted attention all over the world. It has taken new forms and spread to unexpected regions and industries. Home-based businesses now represent a significant share of the global economy and labor force, and have become a major tool for both combating poverty (Vorley and Rodgers 2012) and reducing unemployment rates, and an effective tool in terms of employment creation. The advantages of working from home include reduced start-up costs (Vorley and Rodgers 2012) and avoiding paying certain taxes (Prado 2011). Schneider and Enste (2000) allude to this by defining informality as “unreported income from the production of legal goods and services” that are more difficult for the government to detect (Prado 2011). Similarly, Böhme and Thiele (2012) define informal legal enterprises in the home as small units with no documented professional accounts and no tax payments, which allow owners to operate more efficiently (Schneider 1992). Other advantages for the entrepreneur include more dedication to the project and responsibility for its success or failure. The size of home-based businesses is one of the obstacles in generating more income and, in some cases, in sustaining the business itself (Loscocco et al. 1991). Larger businesses can take advantage of economies of scale and access better marketing and distribution channels for their products, leading to increased revenue and profitability.

Many interventions have focused on providing training to encourage enterprise development, especially within the informal economy. Programs provide this training as a means of developing the human capital of nascent entrepreneurs, encouraging them to establish businesses in both the formal and informal economies. Various types of human capital are important in order to foster enterprise development among marginalized or impoverished populations, and differences in levels of human capital have significant effects on intergroup variation in business ownership (Borjas 1986, 1991; Boyd 1990; Brock and Evans 1989; Kim et al. 1989; Min 1986; Yoon...
and Swales 1991). Human capital refers to the knowledge, skills, and attitudes of individuals that allow them to engage in various activities in their social and economic endeavors (Becker 1993; Heckman 2000). Participation in an informal economy often requires less education and fewer specific skills, making it an attractive area for those lacking high levels of human capital (Ikoja-Odongo and Ocholla 2004). Despite the appeal of the informal economy to less-educated populations, successful enterprise development requires knowledge and the cultivation of both industry-specific and generalized skills even within the informal sector (Djeutem and Nguimkeu 2013; Taylor and Dixon 1997).

One important example of this required knowledge is financial literacy, especially among women. The Banking Association of South Africa (2011) found that financial literacy is key to growth in the regional and national economies as it directly impacts household savings and other facets of economic growth (Jiyane and Zawada 2013). Traditionally, in many developing contexts, women have been responsible for making and keeping the household budget and often control all finances in the home. Jiyane and Zawada (2013) have suggested that more training of women to enhance this particular set of financially based skills, knowledge, and attitudes would have a significant impact on financial literacy and increase the savings rate of households. The effective management of household resources often allows women to reinvest savings and establish home-based businesses (Machet and Wessels 2006).

Women participate in informal economies (Loscocco et al. 1991) more often than men, especially in developing countries (ILO 2002). The United Nation’s Millennium Development Goals seek to empower women and reduce poverty as two of their eight goals. Women play an essential role in economic activities like establishing informal businesses (Gakidou et al 2010). The Pew Research Center (2008) found that women are largely responsible for household budg-
eting systems and are more likely than men to manage household finances (38 percent vs. 30 percent). Additionally, Prudential’s (2015) research study, “Financial Experience and Behaviors Among Women,” reveals that 65 percent of women take the lead in financial planning. Gakidou et al (2010) provides many examples of how empowering women influences decision-makers in families and communities. The participation of women in small businesses has increased in recent decades in both developing and developed countries (Bird and Sapp 2004). Bird and Sapp (2004) found that women’s place in small, self-employed businesses increased from 22 percent in 1976 to 38 percent in 2001. When societies become more aware of women’s role not just in dealing with household resources, but also in becoming entrepreneurs and finding a way to generate extra or primary income for the household, important steps are taken toward achieving gender equality (Johnston 1991).

Women have traditionally been relegated to more vulnerable forms of employment (United Nations 2014). For housewives, the home is no longer a place to be away from business; it can be the center of their working lives, according to Pink (2001). Rural areas and home-based businesses are closely linked. Evidence shows that home-based businesses are more concentrated in rural areas than either urban or suburban areas (Vorley and Rodgers 2012). Lack of sufficient starting capital and less access to and use of credit can be large obstacles for women. Many studies show that men have more access to credit than women (Hisrich and Brush 1987). Despite this, small businesses owned by women are the fastest growing group of small business owners today (Center for Women in Business 2013).

Past research in informal economies and home-based businesses have attempted to understand the influence of various types of human capital (Barro and Lee 2001; Bird and Sapp 2004). Human capital affects the outcomes of home-businesses and is essential to their success
and progress (Hundley 2000; Loscocco et al. 1991; Loscocco and Leicht 1993). The development of skills and trades is a significant predictor of success within an informal economy (Djeutem and Nguimkeu 2013). Some skills even allow home-based businesses to generate an income that rivals that of firms operating in a formal economy due to the high demand for specific niche skillsets. Examples of this can be seen in various regions of Italy (Solinas 1982).

In addition to the importance of social and human capital, there is substantial evidence citing the importance of financial capital in the establishment of firms for non-traditional entrepreneurs (Ram et al. 2003). Marginalized populations have restricted access to financial markets (Ahiarah 1993) and, therefore, are more likely to utilize unorthodox sources of financial capital (Portes and Zhou 1992), rely on community sponsorship (Greene 1997), or use internal equity such as personal savings to start businesses (Feldman, Koberg and Dean 1991; Smith-Hunter and Boyd 2004).

Access to financial capital is particularly important as it has a strong positive association with business outcomes such as profitability, sales, and growth, and a negative relation to the likelihood of business closure (Coleman 2007; Fairlie and Robb 2009). Overall, there is a positive relationship between access to financial capital and venture performance (Brush and Chaganti 1998; Cooper, Gimeno-Gascon and Woo 1994; Haber and Reichel 2005). A shortage of financial capital can hurt survival and growth, as businesses are dependent on the influx of capital to make operations more efficient, expand into new markets, or serve a new customer base (Cooper et al. 1994). An increase in financial capital means there will be an increase in the earnings of the firm (Honig 1998), leading to “financial slack” (Coleman and Coehn 2000). Greater amounts of financial capital allow businesses to invest in the development of new prod-
ucts/services, hire more employees, and grow (Coleman 2007), and decrease the likelihood of business closure (Bates 1990).

Access to financial capital is also a strong factor contributing to the sector in which a business operates. The choice of a particular sector is influenced by start-up capital constraints (Basu 1998), often relying on low cost alternatives to vertical integration by “developing ethnically sympathetic sources of supply and consumer outlets” (Wilson and Portes 1980). These means of overcoming the need for financial capital cause ventures started by marginalized populations to be intensely concentrated in a very small range of overcrowded, hyper-competitive economic sectors in which returns are generally poor and survival is dependent on a very high degree of labor intensiveness (Hellman et al. 2000). These firms are most often owned by low-skilled laborers who are naturally restricted to low-growth sectors, such as ethnic food or garments, and who must rely on others within their marginalized ethnic networks for financing, advice, and customers (Wilson and Portes 1980). Businesses in these types of low-growth sectors often will accept far inferior returns on all forms of capital and, as a result, self-exploitation is common among those entrepreneurs. Many of these small businesses are only able to remain afloat by substituting massive amounts of labor for financial capital to the point of being damaging (Jones, McEvoy and Barrett 1994).

Social capital is any benefit stemming from networks and relationships (Adler and Kwon 2002). Social capital, as related to entrepreneurship within an informal economy or among marginalized populations, is most often examined in terms of paternalistic relationships between employers and workers or financing based on social relations within a group. Most of the social capital literature is marked by a debate over the importance of ethnic solidarity vs. the self-interested rational actions of individuals and families (Bailey and Waldinger 1991; Portes and
Jensen 1992; Sanders and Nee 1987, 1992; Zhou and Logan 1989). There is an understanding of rational action within the ethnic basis of group solidarity with “Bounded Solidarity” and “Enforceable Trust” fostering the creation of social capital used by group members. Incentives to encourage rational action are structured by enforcement mechanisms so that individuals or small groups behave in individually rational ways while simultaneously advancing the larger group (Portes and Sensenbrenner 1993; Portes and Zhou 1992). This solidarity is difficult to maintain in relation to increased ethnic heterogeneity and institutional changes which encourage a porous ethnic boundary and greater variation in individual and group identities (Valdez 2008; Nee, Sanders and Sernau 1994). Despite this waning degree of ethnic solidarity, a high value is still placed on network-based social capital as an underlying success factor for various groups of marginalized or co-ethnic entrepreneurs as it provides a degree of local experience before investing financial capital in a business (Granovetter 1995). The strong social identity within many tightly knit communities has also produced a “coethnic advantage” for non-traditional entrepreneurs separate from a specific “social identity” (Lee and Quincy 1999; Porter and Washington 1993).

Social capital is a key factor in the proliferation of entrepreneurship in tightly knit co-ethnic communities of otherwise marginalized populations, especially in an informal economy. Even though social capital facilitates entrepreneurial participation, both human and financial capital are also essential for economic success (Valdez 2008). In fact, large amounts of social capital may be a detriment to venture performance as those who are highly involved with their ethnic communities establish businesses that function in relative isolation from the mainstream economy. They often function in an informal economy and, as such, are smaller and have less positive cash flows (Chaganti and Greene 2002).
This overreliance on informal methods of resourcing, or engaging human and social capital in place of financial capital, sets significant limits on business growth and will not usually support a shift to operating at a larger scale or in other sectors where heavier capital investment is required. This shift would require access to mainstream resources through improved access to formal market sources of finance. Financial capital, therefore, is a major stumbling block for marginalized entrepreneurs (Stewart et al. 1999).

In addition to the various forms of capital necessary for enterprise development, both the specific activities the entrepreneur undertakes as well as the concept of entrepreneurship as a means of income generation must be seen as socially acceptable within the community. This social acceptability, or legitimacy, and the process by which it is ascribed to various actions and people is best understood through the lens of institutional theory. Institutional theory focuses on the more lasting or resilient social structures such as rules, norms, and routines that are established as guidelines for social behavior (Scott 2005). These structures are referred to as institutions and manifest at the regulatory, normative, and cultural cognitive level to shape and direct behaviors and provide meaning and stability to social life (Scott 1995). Institutions then shape what behaviors and activities are considered legitimate and influence the individual firms in how they go about founding and running their businesses, as well as influencing whether or not entrepreneurship in the formal or informal economy is an acceptable activity as a whole. If a business conforms to these institutional rules and belief systems, it is ascribed legitimacy (Dacin 1997; Deephouse 1996; Suchman 1995), which is essential for the survival of a business or organization (DiMaggio and Powell 1983; Meyer and Rowan 1977).

In this sense, the interventions of an enterprise development program can be understood as training that legitimates businesses or, in other words, helps entrepreneurs know the accepta-
ble means of going about their business in order to gain or maintain legitimacy within their social context. However, using this lens, it is also possible that the interventions and training provided to a community do more than provide human capital to nascent entrepreneurs; they can also build awareness of or encourage entrepreneurship as a whole to be accepted more readily by other members of the community. In this way, the interventions not only train individuals but also influence the larger institutions that shape whether entrepreneurship and entrepreneurs are seen as legitimate. Thus, training and interventions would then legitimate home-based businesses at an individual business level as well as at the community level. This theoretical perspective is useful for analysis of interventions, which are meant to legitimize the informal economy at multiple levels.

**METHODOLOGY**

As previously noted, the IRADA program is unique in that it is implemented and managed in a decentralized manner, which allows each center to be integrated into separate community contexts. The context-bound nature of the IRADA program and its various interventions suggests that a case study approach is the most appropriate means of describing and exploring the phenomenon in hopes of identifying pertinent elements. This case study of IRADA effectively delineated the various interventions deployed, with individual centers serving as the embedded units of the case study (Yin 2003).

Benbasat, Goldstein, and Mead (1987) identify three strengths of the case study approach that are pertinent given the aims of this study: (1) phenomena can be studied in context, providing deeper understanding that can lead to meaningful contributions to theory; (2) the case study method allows the more meaningful question of “why” to be answered, rather than just “what” and “how;” and (3) the case study method allows for exploratory investigations of less-
understood phenomenon. Furthermore, Yin (2003) asserts that the case study approach is most appropriate in the following circumstances, all of which are evident in the context of this study: (1) the study is attempting to answer “how” and “why” questions; (2) the investigator cannot manipulate the behavior of the research subjects; (3) the investigator wants to include contextual conditions believed to be relevant to the phenomenon within the study. Given the nature and focus of this study, an inductive approach was the most appropriate research strategy. Case studies provided an excellent means for developing a deeper, more significant understanding (Meredith 1998).

The aim of this study was to enhance current knowledge about the interventions that IRADA offers for home-based projects that will help those projects succeed. Specifically, I examined individual and community characteristics that increase the likelihood of success among IRADA-supported business. Furthermore, this study explored the efforts and interventions of IRADA in enhancing the legitimacy of home-based businesses which include: (1) enhancing the awareness regarding home-based businesses among local communities, (2) enhancing the skills of the entrepreneurs to assure the quality of the products and services offered by the home-based businesses, and (3) connecting the entrepreneurs with marketing channels and engaging them with marketing activities. This study focused on the period between 2008 and 2014.

Data Sources and Sampling Within the Case Study

This case study took a process view of the interventions of the IRADA program as well as the activities and strategies involved in founding and maintaining home-based micro-enterprises by local entrepreneurs in an informal economy. From each targeted center, I looked at data for all micro-enterprises operating within the informal economy. The business was the primary unit of analysis. The centers selected were representative of the whole. This process view
of the interventions in individual centers allowed an examination of the processes of legitimiza-
tion of informal economic activity as well as the larger impacts of the functions and processes
(Langley 1999). This provided a clearer map of the overall similarities and differences between
the embedded units (individual centers) within the single case.

Flyvbjerg (2006) suggests that cases can be selected according to “extreme/deviant,”
“maximum variation,” “critical,” or “paradigmatic” criteria (227). Building on these types of cri-
teria, a theoretical sampling approach was used in choosing which centers were included in the
case study as they provided both “extreme/deviant” cases as well as “critical” cases. Following
this sampling approach, the sample included home-based businesses located in predefined “pov-
erty pockets” that have been identified by the Ministry of Planning in the rural and suburban are-
as across Jordan.

Though the IRADA program focuses on private-sector development and is managed pri-
vately, it is funded by the Jordanian government through the Ministry of Planning and Interna-
tional Cooperation. This lends credibility to the program but also subjects it to government over-
sight. This use of public funds and the associated governmental oversight provided a unique ben-
etit to this study as IRADA management has been held responsible for collecting accurate and
comprehensive data during each stage of their various interventions and strategies. Several
sources of data were available for this study, including reports and evaluations provided by the
IRADA program management and staff, as well as similar types of reports and assessments from
other divisions of the Ministry of Planning and International Cooperation. The research also
drew from data available from a series of meetings and interviews with individuals representing
stakeholders from the Ministry of Planning, the private sector, local communities, and IRADA
management and staff in the field.
The use of multiple methods and sources allowed for triangulation of data. Obtaining data from different sources is considered a key element of case study research that enhances data credibility (Patton 1990; Yin 2003). The use of triangulated data ensures a certain degree of construct validity for the development of multiple sources of evidence or documentation for each of the important elements within the analysis (Denzin 1978; Jick 1979). Although the overall reliability and validity of the study could be further improved by extending the case to include all IRADA centers, the sample is adequately representative to effectively and accurately describe the many phenomena in question.

Description of Types of Data Available

I was able to meet with people representing multiple levels of the IRADA organization, from field advisers to the director, to get a general overview of the various activities and training they provide as part of their enterprise development program. While in the field, I was able to get a wealth of data directly from IRADA for the years 2002-2014, including the following:

- The entire record of trainings and lectures given to various communities (including number and gender of attendees, topic, who the trainer was, and when the training took place);
- A record of what, if any, trainings were given directly to the enterprise that was started including all information about the topic of the training and who was in attendance;
- A complete record of all enterprises started, including the following information about each enterprise:
• Demographic information about the founder;
• Funding sources and amounts;
• Complete SWOT (strength, weakness, opportunities, and threats) analyses and market information;
• Employee information;
• The feasibility study done for that enterprise;
• A record of any follow-ups with that enterprise, including reasons for closure if no longer in operation;

• A record of all enterprises for which a feasibility study was done but which was never started, along with reasons for not starting.

By meeting with various government officials, I was able to identify and gain access to other resources and reports on poverty and regional economic development that provided data which was effective in understanding the communities and other contexts in which home-based businesses are founded. I obtained specific reports from the Ministry of Planning and International Cooperation, including the socioeconomic status reports and studies generated over the last few years, to get a better picture of the communities in which IRADA is working. The Ministry also provided me with a number of relevant reports from studies/evaluations done on the other projects under the Enhancing Productivity Program (EPP) with similar scope and purpose as IRADA for my use in comparison and context.

**Analytical Approach**

The approach for this study was exploratory in nature and was designed to assess the implementation and results of IRADA’s efforts to encourage individuals to establish enterprises within an informal economy, specifically by starting home-based businesses. Specifically, I ex-
examined the dependent variable, success, to assess how it is influenced by the explanatory variables included in the model (see Explanatory Variables section below). Since the success variable has two possible outcomes, logistic regression was used to model the likelihood of success. Using a logistic model was also appropriate when analyzing variables that are not normally distributed, as was the case for most or all of the variables in this analysis. In addition to probabilities, the most important measures used in logistic regression were odds and odds ratios.

In this analysis I assessed the impact of each type of training and looked at other elements of the consulting that IRADA provides. In looking at these impacts and processes, I hoped to improve the overall understanding of the critical or influential factors found in both the intervention and the environmental context which contribute to the successful establishment of home-based businesses, as well as the legitimacy ascribed to those businesses. Given these objectives, I analyzed individual-level variables related to survival of home-based businesses as well as analyzing aggregated community-level data.

The information and data generously provided by IRADA management in cooperation with the Ministry of Planning and International Cooperation was of great value in understanding enterprise development designed to address issues of poverty and stagnant economic growth. As the data provided include a large number of home-based businesses, it contributed to an understanding of the informal economy within this context, which remains largely undocumented. The lack of empirical evidence regarding enterprise development in the Middle Eastern context, and the difficulty of collecting data on an informal economy in any context, is noted in a number of scholarly journals. Hopefully, a more in-depth analysis of this data and the publication of noteworthy findings will begin to address this gap in understanding. Thus, the analysis of these data
will contribute to the existing literature given the particularities of the Jordanian/Arab context. Up to this point, such data have not been recorded or made available for the purposes of analysis.

**Preliminary Descriptive Analyses**

Preliminary descriptive statistics highlight a number of interesting patterns and trends, including evidence of effective enterprise development in an informal economy. These preliminary descriptive statistics are general and focus on the macro-level outputs of the IRADA program and its effectiveness in helping to create and sustain enterprises. An initial analysis of IRADA program outputs shows some key trends that merit a more in-depth analysis. They are as follows:

**Total Number of Enterprises Founded**

There is a consistent trend of growth and expansion throughout the life of the IRADA program, but there was an increase in the number of enterprises that were started between 2009 and 2011, as seen in Figure 1.

(Figure 1 about here)

There were many factors that must be considered (e.g., industry, location, local and global economic conditions). Identifying the particular elements of this shift and the associated outcomes (controlling, of course, for other factors involved) is needed to identify effective approaches to enterprise development and poverty alleviation. Further analysis of business establishment by geographic area will help clarify the effects of community and institutional norms created in each social context. Also, distinguishing between formal and informal economic activity will provide a more in-depth understanding of the influences of an informal economy on poverty alleviation as well as the possible relationship between the two types of economic activity.
Business Closure Rates

There has been a dramatic change in the number of business closures. This initially occurred in 2007-2008, and that number continued to drop considerably every year thereafter. This decrease was of particular interest given the relatively poor economic climate during this period, which would normally suggest an increased rate of business closure. A more comprehensive analysis is necessary regarding the reasons for closure and the types of businesses closing in the informal economy compared to the formal economy.

Hypotheses

The hypotheses for this analysis relate to how IRADA’s interventions influence both individual- and community-level outcomes, and how those interventions are related to the success of the project, which is defined as remaining in business for two years or more. In this type of analysis, independent variables include the number and types of training and other interventions (controlling for other factors, such as the home-based business and community context). The dependent variable (success) is whether the home-based project remained in business for two years or more. In the sections that follow, hypotheses are presented in relation to the effects of the selected independent variables identified as relevant in the literature review and preliminary descriptive analyses.

Effects of IRADA Services and Entrepreneur Characteristics

Analysis of micro-level data collected about individual home-based businesses in relationship to IRADA’s offerings of technical training and other interventions was intended to clarify the role these activities have played in helping enterprises in the informal economy overcome various stall points or challenges to growth and sustainability. Additionally, the literature suggests the importance of human and social capital, as indicated by individual and household char-
acteristics, for home-based business success. For this analysis, these include the age and education of the entrepreneur (Bates 1990, 1994; Gërxhrani and Werfhorst 2013) family-size (Lichter et al. 2015), and rural vs. urban location (Burkey 1993).

Hypothesis: Firms that have had an increase in trainings and more interaction with IRA-DA field advisors will be more likely to succeed (i.e., operate for 2 years or more).

Hypothesis: Successful entrepreneurs are more likely to be older with small sized-families.

Hypothesis: Successful entrepreneurs are not always educated.

Evidence of Women’s Empowerment

One of the most interesting trends from 2002 to 2013 was the incredible change in the proportion of enterprises started by women. The number of female-owned enterprises rose from less than 20 percent in 2002 and to nearly 50 percent in 2013. There was an especially significant jump in the number of enterprises started by women using equity in 2011, which will necessitate a deeper level of analysis, especially in an informal economy where women are predominantly engaged, as shown in Figure 2.

(Figure 2 about here)

Also significant was the access these women had to capital, which seemed to be equivalent to men’s access to loans and grants. Over the last three years, women have eclipsed men in their use of individual funds or personal equity to start their enterprises, which is also more common in an informal economy than it is in a formal economy. This is a unique trend and could reveal some interesting insights into the unique ways in which women’s empowerment has been encouraged by IRADA, as well as how empowerment occurs in this region generally.

Hypothesis: Women are more likely to have successful home-based businesses than men.
Poverty Pocket Comparison

For this analysis, I first identified home-based businesses in poverty pockets and then evaluated the various types or levels of intervention IRADA delivered to those projects in order to assess the impact of those interventions, while also considering other variables (e.g., demographic composition, geographic location, availability of resources, challenges faced). In doing so, I could better compare the influence of IRADA interventions at a community level in the same way I intended to do at the individual level. The following are proposed poverty pockets that were used in this analysis.

(Table 1 about here)

As shown in Table 1 above, there are six poverty pockets in which IRADA centers provide services and training for home-based businesses. Data for these centers allowed tests of the hypotheses about business success. Some information about these centers and the poor populations they serve was useful for interpreting the findings. Information about these Centers is provided below. Important characteristics include whether they serve rural or urban populations.

1. Ghour Assafi: This region is located in the central-southwestern part of Jordan, and the economies in this area are based primarily on commerce and agriculture. Poor people in this region make up 41 percent of the whole population, and the unemployment rate is 14 percent. Even though there are 17 schools in the region, the illiteracy rate is 19 percent. However, most members of the younger population are more educated. Minor students (age 6 to 18 years) make up 30 percent of the population, as is common in most rural and suburban regions of Jordan. People in these kinds of places (rural and suburban areas) use what they produce and are open to the home-base business culture for housewives, but they think men should finish their education and then find a job or run a business in the formal economy.
2. Alqwaitrah: This region is located in the southern part of Jordan, and the economy in that region is Bedouin agriculture, which mainly consists of raising sheep. Poor people in this region make up 38 percent of the whole population, and the unemployment rate is 27 percent. Even though there are 17 schools in this region, the illiteracy rate is 23 percent. However, most members of the younger population are more educated. The percentage of minor students (age 6 to 18 years) is 35 percent of the population. Similar to the area described above, people in this area use what they produce, and are open to the home-base business culture for housewives. But they too think males should finish their education and then find a job or run a formal business. Home-based businesses are not acceptable for men.

3. Azraq: Azraq Oasis is located in the middle of the Jordanian Badia (Jordanian desert) in central eastern Jordan. The people who are living there are called the Drooz. They are a small ethnic group that has its own culture and norms apart from mainstream Jordanians. The economy in this region is based on commerce culture, agricultural culture, and mini-industries. Poor people in this region make up 42 percent of the whole population, and the unemployment rate is 13 percent. Even though there are 10 schools in this region, the illiteracy rate is 12 percent. However, most members of the younger population are more educated. The percentage of minor students (age 6 to 18 years) is 20 percent of the population. People in this area are skilled in handicrafts and arts, and they use what they produce. They are open to the home-base business culture for any one, without regard to gender.

4. Badia Shamalia: This region is located in northeastern Jordan, and the economy in that area is also Bedouin agriculture, which consists mainly of raising sheep. Poor people in this region make up 33.6 percent of the whole population, and the unemployment rate is 14 percent. Even though there are 38 schools in this region, the illiteracy rate is 32 percent. Most members
of the younger population are more educated. Minor students (ages 6 to 18 years) make up 30 percent of the population. People use what they produce and are open to the home-based business culture for housewives, but think men should finish their education in order to find a job or run a business in the formal economy.

5. Burma, Jarash: The region of Burma is located in northern Jordan, southeast of Shona Shamalia. The economy in this region is based on commerce and village agriculture (e.g., farming or raising cows). Poor people in this region make up 32 percent of the whole population, and the unemployment rate is 10 percent. Even though there are 21 schools in this region, the illiteracy rate 21.4 percent. However, members of the young population are more educated. Minor students (ages 6 to 18 years) make up 31 percent of the population. People in this area use what they produce, and are open to the home-base business culture for housewives. However, they think men should finish their education in order to find a job or run a formal business. This region is more urbanized than the other selected regions.

6. Shona Shamalia: The region of Shona Shamalia is located in northwestern Jordan, and the economy in this area is agriculture. Poor people in this region make up 29 percent of the whole population, and the unemployment rate is 14.3 percent. Even though there are 102 schools in this region, the illiteracy rate is 24 percent. However, members of the young population are more educated. Minor students (age 6 to 18 years) make up 26 percent of the population. People use what they produce, and are open to the home-based business culture for housewives and unemployed males.

Hypothesis: Entrepreneurs in rural areas are more likely to succeed in having home-based businesses than entrepreneurs in urban areas.
Hypothesis: Entrepreneurs in areas that are culturally homogeneous and support home-based businesses are more likely to succeed compared to entrepreneurs located in the reference area that is urbanized and more diverse in terms of projects and culture.

Explanatory Variables

Explanatory variables for this research include:

A. Demographic variables:

1. Sex: coded 0 = female, and 1 = male;
2. Age: coded 1 = (21-30), 2 = (31-40), 3 = (41-50), 4 = (51-60), 5 = (61+);
3. Education: coded 0 = not educated, 1 = educated;
4. Married: coded 0 = single, 1 = married;
5. Family size: coded based on the number of the household members;

B. IRADA intervention variables:

1. Marketing: coded 0 = project did not have any marketing help or training, 1 = project did have marketing help or training;
2. Training: coded 0 = project’s owner did not have any training help or training, 1 = the project’s owner did have training help or training;
3. Tech Training: coded 0 = project did not have any technical training help or training, 1 = the project did have technical training help or training;
4. Center: coded 1 = Ghour Assaffi, 2 = Alqwairah, 3 = Azraq, 4 = Badia Shamaliah, 5 = Jarash, Burma, 6 = Shona Shamalia;

Jarash, Burma was the reference category in my model because it has more projects, more diversity of project types, and more cultural groups as well. It is more urbanized
than other selected centers. Additionally, the society of that region does not accept men starting home based businesses.

D. Project variables:

1. Project’s sector: coded 1 = (handicrafts), 2 = (home farming and food), 3 = (safe chemicals), 4 = (home trade);

2. Project age: how many years the project was operating, coded with number of years.

3. Reason the project is closed: coded 1 = (Technical problems), 2 = (Personal reasons), 3 = (Financial issues);

4. Success: based on whether the project remained running for two years or more, coded 0 = not successful, 1 = successful;

**Dependent Variable**

The dependent variable, success, had only two possible outcomes based on whether the project continued for two years or more. As a binary (dichotomous) variable (i.e., 0 = no; 1 = yes), it was distributed as a binomial random variable.

**FINDINGS**

This research focuses on IRADA’s interventions, which were implemented to facilitate successful home-based businesses. Specifically, my analysis focuses on the impact of various training sessions regarding the following; (1) networking and legitimizing of the products or services that are produced, (2) outreach and awareness, (3) capacity building, (4) developing technical skills, and (5) enhancing the quality of products and services. I assess the effects of each type of intervention on business success, general training, technical training, and marketing net-
working, as well as human capital (e.g., education and knowledge of IRADA) and demographic factors (e.g., sex, age, family size).

(Table 2 about here)

Table 2 shows the effects of the variables included in the logistic regression analysis of business success. Each of the variables included in the model is discussed below.

Sex

Female entrepreneurs are more likely to succeed in having a home-based business than males. The odds ratio for sex, adjusting for the effects of age and all the explanatory variables, shows that the odds of a project’s success among males are expected to be 0.18 times the odds of a project’s success among females. In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among males are expected to be 82 percent less than the odds of a project’s success among females.

Age

Older people are more likely to succeed in having a home-based business than younger people. Adjusting for the effects of other explanatory variables, for each additional year of age, the odds of a project’s success are expected to increase 1.8 times.

Education

Education is not significant in the model. One reason may be that those who are educated are able to find other opportunities in the sampled areas.

Family Size

Larger-sized families are not as successful as small-sized families in their home-based businesses. Adjusting for the effects of other explanatory variables, for each additional family member, the odds of a project’s success are expected to decrease by a factor of 0.81 (or decrease
19 percent if we use the percentage change formula). One reason may be that larger sized families include more people to feed and (Lichter, Sanders and Johnson 2015) to meet or exceed the official poverty threshold. Therefore, success is more likely to be achieved by entrepreneurs in the smaller sized families.

Marketing Activities

Entrepreneurs who participate in marketing activities offered by IRADA are more likely to succeed. Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who participate in marketing activities provided by IRADA are expected to be 13.98 times the odds of a project’s success among entrepreneurs who do not participate in marketing activities provided by IRADA. In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who participate in marketing activities provided by IRADA are expected to be 1,298 percent more than the odds of a project’s success among entrepreneurs who do not participate in marketing activities provided by IRADA.

Technical Training

Entrepreneurs who participated in the technical training activities offered by IRADA are more likely to succeed. Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who participate in the technical training activities provided by IRADA are expected to be 31.73 times the odds of a project’s success among entrepreneurs who do not participate in the technical training activities provided by IRADA. In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who participate in the technical training activities provided by
IRADA are expected to be 3,073 percent more than the odds of a project’s success among entrepreneurs who do not participate in the technical training activities provided by IRADA.

Urban Vs. Rural and Regional Location

Entrepreneurs who started home-based businesses in rural areas (all centers but Jarash) are more likely to succeed than those who started home-based businesses in an urban area (Jarash). Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Ghour Assafi are expected to be 89.15 times the odds of a project’s success among entrepreneurs who started home-based businesses in urban area (Jarash). In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Ghour Assafi are expected to be 8815 percent more than the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash).

Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Qwairah are expected to be 6.07 times the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash). In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Qwairah are expected to be 507 percent more than the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash).

Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Azraq are expected to be 28.06 times the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash). In other words, after adjusting for the effects of the other explanatory varia-
bles, the odds of a project’s success among entrepreneurs who started home-based businesses in Azraq are expected to be 2,706 percent more than the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash).

Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Badia Shamalia are expected to be 94.99 times the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash). In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Badia Shamalia are expected to be 9,399 percent more than the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash).

Adjusting for the effects of other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Shona Shamalia are expected to be 12.41 times the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash). In other words, after adjusting for the effects of the other explanatory variables, the odds of a project’s success among entrepreneurs who started home-based businesses in Shona Shamalia are expected to be 1,141 percent more than the odds of a project’s success among entrepreneurs who started home-based businesses in an urban area (Jarash). In summary, home-based businesses in rural areas are more likely to be successful than home-based business in urban areas, potentially because there are fewer opportunities in rural areas for other kinds of jobs.

*Differences in Success by Center*

As shown in Table 3 below, gender and regional culture are important factors in men’s success or failure in starting projects. This can be seen in the difference between Azraq and Ja-
rash. The Azraq center has 22 male entrepreneurs, and they all succeeded in their home-based businesses. All the other centers have 36 male entrepreneurs combined, and 21 males failed. Nineteen of those who failed are from the Jarash center, which has a discouraging investment culture for men who start businesses from home. Additionally, in Qwairah, center 2, there are no males doing business from home, which reflects the social norms in that region. In both regions, Jarash (center 5) and Qwairah (center 2), men either have a job in or run their own formal business, unlike the Azraq region, where the culture is neutral towards men having business or even staying at home. More than 77 percent of women who start home-based businesses are successful. Men are slightly less successful than women, but in Jarash all but one man failed, as mentioned earlier.

(Table 3 about here)

The type of business that people chose to pursue is influenced by the social norms in their region as well as the geographic location of that region. Home trades (selling clothes from one’s house), which are more successful than other types of businesses, are not socially accepted in agricultural or urban regions. Home trade businesses are more accepted in regions bordering other countries because trade businesses, in general, are more common and socially acceptable there. The likelihood of starting a home-based business is also affected by the availability of resources. Border regions have more access to cheap goods and merchandise, encouraging people of these regions to start their own home trade businesses. Additionally, the availability of natural resources has a significant impact in choosing the type of the business, as we can see in the case of the Jarash region which is an area rich in olive trees and bamboo shoots. This encourages people to start their own home-based businesses using safe ingredients, like making soap from olive oil and handicrafts from bamboo shoots. In the Ghour Assafi region, where banana trees are the
main agricultural resource, the availability of banana leaves encourages entrepreneurs in that area to produce handicrafts using the leaves as raw material.

Reasons for project failures, presented below in Table 4, are primarily personal. They may include the entrepreneur changing his or her mind about starting a business, or being forced not to proceed in his/her business. The second most common reason for project failure is technical issues such as lack of human capital or marketing problems. Surprisingly, financial reasons were the least frequent reason for failure.

(Table 4 about here)

DISCUSSION AND CONCLUSIONS

In this research, I explored the multiple facets of IRADA’s program and examine the development of home-based businesses throughout various regions of Jordan. Using data provided by IRADA’s evaluation efforts, my research clarifies how IRADA is enhancing the legitimacy of those home-based businesses and identifies the determinants of success for the beneficiaries of IRADA programs. Through this research, I am able to better understand the nature of those interventions that will create a more legitimate business, even if the home-based business is not registered or taxable.

Variables such as rural vs. urban location, gender and ethnic culture of the entrepreneur, and availability of resources all affect the success of home-based businesses. However, the most important variable for the success for this type of business is the awareness of the importance of home-based businesses and its acceptance in local society. IRADA’s community awareness sessions contribute to the success of home-based businesses and the investment culture.

Legitimacy is vital for the existence and acceptance of home-based businesses. Since legitimacy is derived from what society accepts, society is the first target in the awareness ses-
sions. Even if these sessions do not directly affect the success of the informal businesses, they are still important for their existence and dispersion.

There are important differences among the economies by region. These economic differences between regions might be affecting the success of home-based business by region. This may occur because of context-specific cultural differences that affect what kind of economic activities are created by people in each region. Therefore, economics are controlled by distinct cultural views of appropriate trade. In addition, some areas differ because of economic opportunities by proximity. For example, areas along Jordan’s border with other countries are involved in more trade because of the flow of products across borders, whereas more interior areas focus on handicrafts. When home-based businesses are created in these areas that are different than the typical business for that cultural area, there is a lower chance of success for these home-based businesses.

With the growth of home-based businesses started by women, women play a larger role in fighting poverty. Thus, the awareness sessions also support women’s empowerment. Most development programs interested in poverty, like The Millennium Development Goals (MDGs), address women’s role in fighting poverty and encourage them to start home-based businesses. IRADA’s program is persistent in such types of awareness sessions. Although not a significant element in a project’s success, these sessions are important for enhancing their legitimacy.

In addition to gender effects for women, the results suggest a need for male empowerment. In some areas it is not appropriate for men to work in the home. Men who work in areas such as Jarash are often shamed for working at home because it is usually considered a woman’s space to work. In cultures where home-based businesses are not appropriate for men, organiza-
tions like IRADA need to focus on empowering men by providing specific training for them to legitimize their businesses and to make them acceptable to the society.

Another important aspect of developing legitimacy is that success in home-based businesses is higher when the entrepreneur takes advantage of technical training, which increases the quality of the product, and networks with trainers and other entrepreneurs. I found that marketing and training enhances both the human and social capital of the entrepreneurs. Enhancement of these forms of capital can contribute to successful businesses and the legitimacy of home-based businesses in these Centers. Any economic activities that deal with faulty products with the intent to scam customers, or selling inferior products or services, are considered renegade economic activities. Thus, the legitimacy of the product or the service is derived from how valuable, needed, and useful that product or service is. As the outcome of the home based-business is improved, the legitimacy of that product or service is enhanced and becomes more accepted. This is more likely to happen when the entrepreneurs take advantage of more technical and quality control training. So, by enhancing the quality of the products or services of the home-based business, we are enhancing the legitimacy of that business. This is supported by findings showing that IRADA’s technical trainings are highly correlated with success of the projects and, indirectly, the legitimacy of its outcomes.

The main reason to start a home-based-business is to generate income and create an extra income source. Based on field experience, marketing was one of the most substantial problems that entrepreneurs face. Most projects are so small that they cannot reach markets far from the centers of the project’s location or, they have unlabeled products with no trademark to protect the entrepreneur and the project. To help address these needs, IRADA networks with bulk merchants or bazaars and provide these products with labels and trademarks, which increase the legitimacy
of these products and the odds of achieving sales. This in turn increases the probabilities of a project’s success and sustainability.

Ethnic group culture, which varies from one region to another, was found to be a significant element in the success of home-based businesses. In Azraq, the Druze do not have a stigma about men working at home, and all home-based businesses created by men succeeded. In contrast, in Jarash and Qwairah, the local culture does not allow men to work in the home and, in the cases where men did try to have home-based businesses, most failed. The culture in Azraq does not encourage trade with other ethnic groups, limiting the success of home-based business. In contrast, centers located in areas with a culture that promotes the assimilation of various ethnic groups, as seen in Jarash, have home-based businesses that are more likely to succeed. The importance of these differences support sociological perspectives (e.g., Cornell and Hartmann 2007) asserting that internal ethnic group resources, including cultural and social norms, attitudes, practices and expertise, interact with the external circumstances of the ethnic group to affect a variety of outcomes, such as intergroup relations, access to opportunities and socioeconomic status.

It should be noted that there are a few reasons why the home-based businesses closed: social, technical, and financial. Social reasons include: the entrepreneurs changed their minds; the spouse asked them to not proceed; and social rejection. For example, some groups cannot raise cattle because it is socially unacceptable within their ethnic or regional culture. Social or personal reasons were the most prevalent causes of home-based business closure, with technical a close second. Surprisingly, financial reasons were not a common reason why home-based businesses closed. Therefore, knowledge, skills, and social awareness are essential to understand which home-based businesses will succeed.
Policy Implications

These findings suggest some actions for groups such as entrepreneurs, the government, and development organizations. For example, the findings show that financial capital was not a limiting issue, but human capital was significantly correlated with success, as well as market networking and marketing activities. Governments and development organization are mostly focusing on the founding programs, and spend lots of resources for doing so. However, based on personal experience and interpreting the data from this research, I would recommend a detour in that path with a focus on awareness sessions regarding the importance of home-based businesses. IRADA did many demographic studies across Jordan’s cities and villages, and that helped the IRADA team to understand the areas they are working in. Another recommendation for governments and development organizations is to do more research and sector studies on the areas in which they want to develop and fight poverty. These studies would describe the economic and the social situations in these areas, and will help governments and development organizations to understand the local needs as well as what may or may not work. Another goal for future research should be to assess how Centers may differ in how they provide training and their effectiveness. This could help to further understand the variation in success among the Centers.

Governments in many countries attempt to formalize any informal economies. That seems to be waste of time and resources, because informal businesses make the minimum level of profit that allow them to survive. Adding extra costs such as taxes or rental contracts would reduce the profit and increase the probabilities of smaller numbers for this type of economy. Instead, I recommend registering these projects as non-taxable but tracking them in order to provide data for more research in the informal field. The main factors affecting the success of home-based businesses were human and social capital, and I recommend that governments and devel-
opment organizations start business incubators that will provide business consulting and special training to develop the human capital needed for success.

In conclusion, IRADA’s interventions are enhancing the legitimacy of the informal economy, with an emphasis on home-based businesses. IRADA’s organization and practices offer unique best practices that can be utilized in other developing countries that are looking for ways to successfully legitimatize their informal economies.
REFERENCES


MAIN FINDINGS

Table 1

Characteristics of Selected Poverty Pockets

<table>
<thead>
<tr>
<th>Poverty Pocket</th>
<th>Poverty Rate</th>
<th>Population</th>
<th># Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Shona Shamalia</td>
<td>28.6</td>
<td>102,632</td>
<td>29,350</td>
</tr>
<tr>
<td>2 Burma, Jarash</td>
<td>32.2</td>
<td>10,698</td>
<td>3,440</td>
</tr>
<tr>
<td>3 North Badia</td>
<td>33.6</td>
<td>28,588</td>
<td>9,608</td>
</tr>
<tr>
<td>4 Azraq</td>
<td>42.3</td>
<td>12,513</td>
<td>5,289</td>
</tr>
<tr>
<td>5 Ghour Assafi</td>
<td>40.8</td>
<td>23,472</td>
<td>9,570</td>
</tr>
<tr>
<td>6 Qwairah</td>
<td>37.6</td>
<td>13,888</td>
<td>5,223</td>
</tr>
</tbody>
</table>
Table 2

Success Odds Based on Explanatory Variables (N=345)

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Success (odds ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>0.18*</td>
</tr>
<tr>
<td>Age</td>
<td>1.81**</td>
</tr>
<tr>
<td>Education</td>
<td>1.02</td>
</tr>
<tr>
<td>Family size</td>
<td>0.81*</td>
</tr>
<tr>
<td>Knowing IRADA</td>
<td>0.93</td>
</tr>
<tr>
<td>Marketing</td>
<td>13.98***</td>
</tr>
<tr>
<td>Training</td>
<td>1.13</td>
</tr>
<tr>
<td>Technical training</td>
<td>31.73***</td>
</tr>
</tbody>
</table>

Centers (reference=Jarash, Burma)

<table>
<thead>
<tr>
<th>Centres</th>
<th>Success (odds ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghour Assafi</td>
<td>89.15***</td>
</tr>
<tr>
<td>Quairah</td>
<td>6.07*</td>
</tr>
<tr>
<td>Azraq</td>
<td>28.06**</td>
</tr>
<tr>
<td>Badia Shamalia</td>
<td>94.99***</td>
</tr>
<tr>
<td>Shona Shamalia</td>
<td>12.41***</td>
</tr>
</tbody>
</table>

Notes: *P<0.05 **P<0.01 ***P<0.001
Table 3

Success and Failure by Gender and Center Location

<table>
<thead>
<tr>
<th>Center #</th>
<th>Success (Female)</th>
<th>Success (Male)</th>
<th>Failure (Female)</th>
<th>Failure (Male)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ghour Assafi</td>
<td>41</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>2. Alqwairah</td>
<td>42</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>56</td>
</tr>
<tr>
<td>3. Azraq</td>
<td>24</td>
<td>22</td>
<td>2</td>
<td>0</td>
<td>48</td>
</tr>
<tr>
<td>4. Badia</td>
<td>30</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>5. Jarash, Burma</td>
<td>62</td>
<td>1</td>
<td>41</td>
<td>19</td>
<td>123</td>
</tr>
<tr>
<td>6. Shona</td>
<td>22</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>221 (77%)</strong></td>
<td><strong>37 (64%)</strong></td>
<td><strong>66 (23%)</strong></td>
<td><strong>21 (36%)</strong></td>
<td><strong>345</strong></td>
</tr>
</tbody>
</table>
Table 4

Reasons for Failure by Center Location

<table>
<thead>
<tr>
<th>Center #</th>
<th>Technical</th>
<th>Personal</th>
<th>Financial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ghour, Assafi</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2. Alqwairah</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>3. Azraq</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>4. Badia, Shamaliah</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>5. Jarash, Burma</td>
<td>39</td>
<td>20</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>6. Shona</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
</tbody>
</table>

| Total Shamaliah | 39 | 40 | 8 | 87 |

Total | 39 | 40 | 8 | 87 |
Figure 1

Number of Enterprises Founded
Figure 2

Rate of Enterprise Closure (Measured Against Annual Rate of Enterprise Startup)