Leveraging Business Networks to Boost Women's Entrepreneurship in Ghana

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Sector(s): Firms, Labor Markets

Location: Ghana

Sample: 1,771 women entrepreneurs

Initiative(s): Jobs and Opportunity Initiative (JOI)

AEA RCT registration number: AEARCTR-0006439

Partner organization(s): Women's Empowerment Investment Group, Annan Capital Partners, GUBA Foundation

A large proportion of businesses in sub-Saharan Africa are owned by women, but many female entrepreneurs do not engage in or have access to the same business networking practices as their counterparts who are men. In Ghana, researchers investigated the role of online networking groups (via WhatsApp) and free legal aid on improving business innovation, practices, sales, and profits among growth-oriented women-owned firms. They found that online networking groups meaningfully encouraged business innovation, improved participants' business practices, and boosted firm profits. The addition of free legal aid did not meaningfully affect outcomes, highlighting the importance of access to networking opportunities between entrepreneurs for improving firms' outcomes.

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Women-owned businesses in sub-Saharan Africa earned 34 percent lower profits than businesses owned by men as of 2022.[1] In addition, female entrepreneurs often have smaller business networks (e.g. fewer connections to other businesses and entrepreneurs) than their male counterparts. This difference in business connections may be key, as business networks can help entrepreneurs grow their firms by reaching new customers and introducing business owners to new ideas or innovations. Past interventions focused on growing business networks have mostly targeted male entrepreneurs, so it remains unknown how fostering connections between female business owners may affect firm growth.

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Ghana has one of the world's highest rates of female entrepreneurship. A report from 2021 found that 37.2 percent of all business owners in Ghana were women—the third highest percentage in the world.[2], Unemployment in Ghana is lower than in many other sub-Saharan countries, with an unemployment rate of around three percent in 2023.[3]

This intervention targeted female entrepreneurs who had applied to a Covid-19 Stimulus Fund operated by several local NGOs—the Women's Empowerment & Investment Group (WEIG), Annan Capital Partners (ACP), and GUBA Foundation. This opportunity offered funding (US$2,000-5,000) to women-owned businesses, and the application form attempted to identify firms

with high potential for growth. As a result, the entrepreneurs targeted for this intervention may have been more proactive or determined to grow their businesses than the owners of the average Ghanaian microenterprise. Over thirty percent of women who participated in the evaluation had college degrees. Entrepreneurs were involved in a range of industries, including tailoring, retail for food and groceries, and hair care.



Women deliberating about pieces of cloth in Ghana

Jonathan Torgovnik, Getty Images, Images of Empowerment

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Researchers partnered with WEIG, ACP, and GUBA to access a pool of 3,931 applicants to Ghana's Covid-19 Stimulus Fund. From this pool, researchers randomly selected 1,488 firms with a female entrepreneur aged 18 years or older who spoke English or Twi, and who provided information about their industry to participate in the study. To bolster study numbers, the researchers recruited an additional 283 entrepreneurs for a total of 1,771 participants. These individuals were then randomly assigned into one of the three following groups:

1. *Intervention Group 1 (Online Networking Groups, 704 individuals)*—Individuals in this group were assigned to a WhatsApp group of eight other entrepreneurs, paired by preference of collaboration type and the relevant industry. After an introductory call between all members, women were offered the chance to gather in weekly virtual calls with one other member of the group. After all group members had met, the entrepreneurs were re-assigned to a second group to repeat this networking process. These entrepreneurs also gained access to other entrepreneurs' contact information via an online directory. The entrepreneurs could then ask the research team to help connect them with another firm in the study. Individuals in this group were also provided with a video that explained the benefits of building business networks. Half of the participants in Intervention Groups 1

and 2 were assigned to WhatsApp groups with shared education levels, while the other half of participants in Intervention Groups 1 and 2 were assigned to groups with mixed educational experience.

2. *Intervention Group 2 (Online Networking Groups + Legal Support, 608 individuals)*—In addition to receiving all of the components provided to Intervention Group 1, individuals in this group were also provided with legal support. Each week during the four-month intervention, these entrepreneurs received a video lesson taught by a Ghanaian corporate lawyer, in addition to free private consultations with this lawyer. These lessons described the potential benefits and legal risks that could arise from inter-business collaboration (e.g. the role of trademarks and the importance of business registration).

3. *Comparison Group (436 individuals)*—Individuals in this group were only offered the video explaining the benefits of business networking and collaboration.

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Individuals participating in the online networking groups had higher levels of business innovation, improvements in business practices, and higher profits than individuals in the comparison group. The results between Intervention Groups 1 and 2 were similar, hinting that the addition of legal aid was not a driver of these positive firm outcomes.

Business Innovation: A year after the intervention, individuals in both Intervention Groups employed 33 to 36 percent (9.39 to 10.2 percentage points from a baseline of 28.6 percent) more measures of business innovation than individuals in the control group. Entrepreneurs in Intervention Groups 1 and 2 were 7.38 percentage points and 7.44 percentage points more likely, respectively, to sell a new or improved product contrasted with the comparison group rate of 16.3 percent. Entrepreneurs were 10.6 and 7.33 percentage points percent more likely to employ new marketing or selling channels compared to 12.8 percent of comparison-group entrepreneurs.

Business Practices: Individuals in both Intervention Groups improved their overall business practices, with an overall index of business practices rising by 0.1 to 0.2 standard deviations relative to the comparison group. This business index covered 22 different activities, such as the likelihood of advertising in the past six months or negotiating lower prices with a supplier. These effects appear to have been driven by improvements to marketing and financial planning. Entrepreneurs in Intervention Groups 1 and 2 improved their financial planning and marketing abilities, for example by increasing their use of advertising and special offers.

Sales and Profits: Entrepreneurs in both Intervention Groups did not increase their monthly sales. However, they did increase their monthly profits by 26 to 27 percent, an increase of around 350 cedis ($US 22) from an average of 1,323 cedis ($US 84) in the comparison group. Researchers hypothesized that this shift occurred due to increased business efficiency, as entrepreneurs cut down on costs and boosted profitability from the same amount of sales. The increase in profits was driven by entrepreneurs in the 60th percentile of profits and above, suggesting the intervention had particularly strong effects on a high-achieving subset of firms.

Researchers also observed a meaningful shift in the type of entrepreneurs' collaborations, which they highlighted as a key mechanism for overall impacts on firm outcomes. Study participants in both Intervention Groups reduced the number of collaborations with friends and family members, replacing these collaborations with new partnerships with business partners. Researchers posited this change was driven by a shift in how entrepreneurs perceived the quality of their collaborators, increasing the perceived quality of collaborating with fellow business owners compared to before the intervention. Researchers also noted the importance of learning from well-educated and diverse peers: entrepreneurs paired with more-educated individuals were more likely to innovate and have higher profits, while entrepreneurs paired with individuals largely from the same industry were less likely to see improved business outcomes.

Overall, researchers found that providing low-cost online networking groups meaningfully impacted entrepreneurs' business behaviors, increasing innovation and boosting profits. Researchers are conducting qualitative interviews with participants and

will examine longer-run effects of the program to better understand how the program impacted entrepreneurs.

Asiedu, Edward, Monica Lambon-Quayefio, Francesca Truffa, and Ashley Wong. 2023. "Female Entrepreneurship and Professional Networks." PEDL Research Paper. April 12, 2023. https://pedl.cepr.org/publications/female-entrepreneurship-and-professional-networks

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