GENDER INNOVATION LAB

December 2019

COMPETING PRIORITIES

HOW HOUSEHOLD INCOME MANAGEMENT AFFECTS WOMEN'S MICROENTERPRISES IN URBAN GHANA

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KEY MESSAGES

- **Cash grants often lead to increases in business profits for male entrepreneurs, but not for female entrepreneurs.** This study identifies key household-level factors that constrain women's ability to grow their business. Through in-depth qualitative research, it provides evidence that intrahousehold relationships influence the business decisions of female microentrepreneurs in urban Ghana.
- **Intrahousehold relationships constrain the decisions women make about their businesses in three primary ways:** 1) women hide income and sometimes limit investment in an effort to reinforce their husband's responsibilities as a primary provider and secure sufficient support, 2) women prioritize savings to meet daily household needs, cover shortfalls in their husband's financial support, and take care of emergencies, and 3) marital insecurity encourages women to dedicate business income to long-term investments independent of their husbands, such as property or children's' education.
- **Efforts to support women microentrepreneurs will need to address barriers to women's ability to meet daily household needs and to plan for long-term security, in addition to relieving capital constraints.** Policy responses could include increasing security by improving marital property rights for women or improving social safety nets to change the calculus that leads women to prioritize savings over investment. In addition, supporting women

GENDER INNOVATION LAB

The Gender Innovation Lab (GIL) conducts impact evaluations of development interventions in Sub-Saharan Africa, seeking to generate evidence on how to close the gender gap in earnings, productivity, assets and agency. The GIL team is currently working on over 50 impact evaluations in 21 countries with the aim of building an evidence base with lessons for the region.

The impact objective of GIL is increasing take-up of effective policies by governments, development organizations and the private sector in order to address the underlying causes of gender inequality in Africa, particularly in terms of women's economic and social empowerment. The lab aims to do this by producing and delivering a new body of evidence and developing a compelling narrative, geared towards policymakers, on what works and what does not work in promoting gender equality.

to control and accumulate savings may be a way to increase investment. A final option is to change household dynamics through programs to encourage more collaborative resource management behavior among couples or to change norms about women and men's roles in households.

Women's entrepreneurship is an important source of livelihoods for individuals and households in much of sub-Saharan Africa, including Ghana. Rates of women's entrepreneurship in Africa are among the highest in the world, in part due to a lack of other opportunities for income generation (Kelley et al., 2017). Yet, women's businesses in sub-Saharan Africa are smaller than men's and are concentrated in low productivity sectors (World Bank, 2011).

Studies in development economics have concluded that in comparison to male entrepreneurs, female entrepreneurs tend to invest a lower share of available capital in their businesses, which contributes to gender differences in business size and profits. Recent research on the effects of distributing small grants to female microentrepreneurs shows limited positive impact of cash grants on microenterprise profits (De Mel et al., 2008; Fafchamps et al., 2014; Berge et al., 2015). At the same time, studies of female microentrepreneurs commonly suggest that women's businesses are affected by relationships with others in their households[1].

HERE'S WHAT WE DID

A better understanding of women's motivations is crucial for designing policies and programs that support their business success. For this reason, the World Bank's Africa Gender Innovation Lab conducted an in-depth qualitative research study of household and business financial management practices. The research was conducted in the context of an impact evaluation that tested various strategies for encouraging business growth among women microentrepreneurs.

The study took place in Accra, Ghana between January 2016 and June 2017. In total, we conducted 78 individual interviews with 49 different participants. Forty-one of the 49 participants were female. The participants were all running microenterprises, such as a hair salon, a public bath, a tailor, a retail kiosk, or a food vendor. The sample was purposively selected so that most participants were married, some had young children, most had average profits of about $44/month, but some had outlier profit values of close to zero or nearly 5 times the average. Many of the participants were interviewed multiple times to gather in-depth information.

HERE'S WHAT WE FOUND

Women's business management choices are influenced by the way that resources are managed within their household. The structure of household resource management leads some women to simultaneously strive to succeed in business and to achieve the following three non-business goals.

1.

REINFORCE HUSBAND'S RESPONSIBILITIES

HIDE INCOME AND SAVINGS, OR LIMIT BUSINESS GROWTH

All of the households in the study can be described as following "independent management systems," meaning that the husband and the wife manage their income streams independently. Women do not know their spouse's income and do not expect to know. Likewise, women indicate that it would be inappropriate for their husband to inquire about their income. Furthermore, women's and men's incomes are designated for particular kinds of expenses. Men are generally expected to pay for large bills, such as school fees and rent, although women help meet those needs when necessary. Women's

1 For example, on average, cash grants to women's businesses only lead to profit increases when they are the only entrepreneur in their household (Bernhardt et al. 2017). A study in Sri Lanka showed that women's decision-making power and level of cooperation with their spouse affect their business investment behaviour (De Mel et al. 2008). Similarly, in Madagascar, marriage is associated with benefits for men's businesses but not for women's (Nordman and Vaillant, 2014).

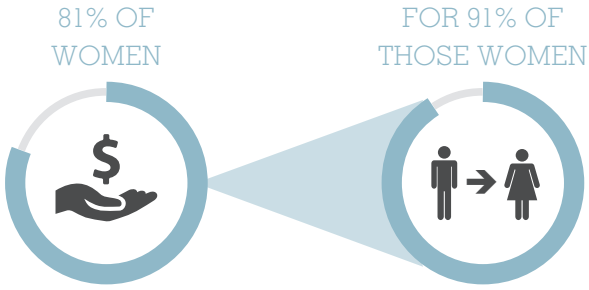
income is intended to meet daily needs, to maintain social relationships and participate in social events, and to plan for their own long-term security.

When managing their economic resources, therefore, one of the primary imperatives for married women microentrepreneurs in our sample is ensuring continued pressure on their partner to fulfil his responsibilities to the household. Given the independent management of income streams, negotiations over who *should* be responsible for meeting certain types of expenses can have important ramifications for who ends up paying for expenses in the future. Women are determined, for example, to maintain support from their husbands for children's school fees. Many explained that if their husband knew that they had savings or knew that their income was increasing, he would demand that they pay more for school fees. Women fear that apparent increases in their income will mean reductions in support from their husband. To guard against this possibility, women hide income and savings, and sometimes explicitly limit business growth.

2.

FULFILL EXPECTATIONS TO MEET HOUSEHOLD NEEDS → PRIORITIZE SAVINGS

In many households, women receive a housekeeping allowance, called "chop money," to meet daily household needs. Daily needs include food for home consumption, small allowances to the children, small household items, and medication for household members with minor illnesses, among other things. The chop money that women receive from their partner to help meet those needs is not always sufficient and shortfalls are unpredictable. Women are expected to "manage" to meet daily needs with whatever amount they receive from their husband. Women value being able to meet household needs as part of their social obligation.

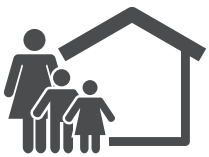


in the quantitative survey receive regular transfers from their husbands

their husband decides the amount unilaterally

To be able to meet these expectations, when there are shortfalls in the financial support from their husband, women use their own income or savings to fill the gap. Shortfalls in a husband's support can be unpredictable. In extreme cases, women use business assets to meet daily needs. Because they are positioned as the household's source of petty cash and emergency savings, women feel strong incentives to build cash reserves. They prioritize saving and are cautious about risking their capital in business investment. Women understand the value of business investment, but often declare that they will save first and invest later. The time for investment may never arrive, however, given the frequency of shocks and the small scale of these businesses.

3.



PLAN FOR LONG-TERM SECURITY → INVEST IN CHILDREN AND PROPERTY RATHER THAN BUSINESS

Finally, many of the women in the sample view their marriages as insecure over the long-term. Coupled with women's disadvantages regarding asset ownership in marriage, marital insecurity encourages women to dedicate business income to long-term investments independent of their husbands as a way to ensure security in the future. Long-term investments most often take the form of contributions toward children's education, with the hope that children will provide old-age support, and

purchases of land or housing. In this context, business growth is viewed as an uncertain form of long-term security due, in part, to frequent negative shocks. In order to ensure their future independence, women opt to be cautious about business investment, instead maintaining pressure on their partner to meet current needs and investing in children and property for the future.

POLICY IMPLICATIONS

Relieving capital constraints alone is insufficient to spur business growth for many women microentrepreneurs. The level of business investment by women microentrepreneurs is sometimes constrained by a need to manage their resources in a way that achieves non-business goals, which can impact their business success. Support for women microentrepreneurs should be designed with these constraints in mind. There are two types of policy responses: 1) change household dynamics; and 2) incorporate additional kinds of support for women entrepreneurs.

Change household dynamics: Encouraging more collaborative resource management behaviour among couples, or changing norms about women and men's roles in households could improve women's business outcomes. Given that some women are strategically choosing non-cooperative relationships with their husbands, however, this type of intervention should be carefully designed. Women will benefit from increased cooperation only if greater transparency is not accompanied by a disproportionate increase in household expenditure responsibilities. Likewise, women may resist cooperative management arrangements that prevent them from investing in their own independent long-term security.

Accompanying support: Women's business investment decisions are affected by the risks they face in other parts of their lives. Increasing security by improving marital property rights for women or improving social safety nets could change the calculus that currently leads women to prioritize savings over investment. In addition, supporting women's savings accumulation may be an important way to increase investment. If women feel that they have adequate savings to respond to household needs and emergencies, they may feel better prepared to invest in their businesses.

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Photo credit: Arne Hoel, The World Bank (front page; left middle), Dominic Chavez, The World Bank (left top), Jonathan Ernst, The World Bank (left bottom)

This work has been funded in part by the Umbrella Facility for Gender Equality (UFGE), which is a multi-donor trust fund administered by the World Bank to advance gender equality and women's empowerment through experimentation and knowledge creation to help governments and the private sector focus policy and programs on scalable solutions with sustainable outcomes. The UFGE is supported with generous contributions from Australia, Canada, Denmark, Germany, Iceland, Latvia, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States, and the Bill and Melinda Gates Foundation.

The first draft of this policy brief was released in January 2019.