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The Role of Regulation, Tradition and Gender in Doing Business

Case study and survey report on a two-year
research project in Ghana

Aimée Hampel-Milagrosa

The role of regulation, tradition and gender in
Doing Business

German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)

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Aimée Hampel-Milagrosa, finished Agricultural Economics (BSc) and Development Economics (MSc, cum laude) from the University of the Philippines at Los Baños and the University of Gent, Belgium respectively. She finished her PhD in Social Science specializing in Institutional Economics at Wageningen University and Research Centre in the Netherlands. After obtaining her doctorate in 2006, she worked as a Senior Researcher at the Department of Economic and Technological Change at the Center for Development Research (ZEF) in the University of Bonn. She transferred to the Department of Competitiveness and Social Development of the German Development Institute (DIE) in 2007 and alongside working under BMZ-funded projects has consulted for BICC, DANIDA and UNIDO.
E-mail: aimee.hampel@die-gdi.de

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Tulpenfeld 6, 53113 Bonn

☎ +49 (0)228 94927-0

☎ +49 (0)228 94927-130

E-Mail: die@die-gdi.de

<http://www.die-gdi.de>

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Abbreviations

CBR	Central Business Registrar
DB	Doing Business
EWI	Employing Workers Indicator
FCUBE	Free Compulsory Universal Basic Education Program
GHC	Ghanaian Cedi
GLSS	Ghana Living Standards Survey
IAS	Institute for African Studies, University of Ghana
IEG	The World Bank's Independent Evaluation Group
IFC	International Finance Corporation
ILO	International Labour Organization
IRS	Internal Revenue Service
ISSER	Institute for Statistical and Socio-Economic Research
MA	Metropolitan Authority
MPSD	Ghanaian Ministry for Private Sector Development
MOWAC	Ghanaian Ministry for Women and Children's Affairs
NBSSI	Ghanaian National Bureau for Small-Scale Industries
OECD	Organisation for Economic Co-operation and Development
RG	Registrar General
SIGI	Social Institutions and Development Index
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UNIFEM	United Nations Development Fund for Women
VAT	Ghanaian Value Added Tax
WB	World Bank
WBL	Women Business and the Law

Summary

Research findings show that, in the Ghanaian context, regulations on starting a business, paying taxes, registering property and obtaining credit are more or less gender-neutral. The disadvantage women face in starting and running a business is rooted, rather, in strong traditional values that overlap with these regulations and result in a gender bias. Rigid regulations related to formal employment seem to work against women's chances of finding a job. In addition to regulatory issues, the lack of transparency of the Ghanaian tax system, the inflexibility of commercial banks and the lack of opportunities in the job market all have an impact on women, but are found to be embedded in systemic problems in the national context.

The general objective of the research is to assess the relevance of the World Bank's *Doing Business*-style reforms aimed at improving women's economic participation and productivity in Ghana. The approach adopted entails the comparison of four regulatory areas covered by *Doing Business* – regulations on starting a business, registering property, getting credit and paying taxes and, only where applicable, employing workers– with Ghanaian traditions. The general conclusions drawn from this are of two types: conclusions that pertain to gender and entrepreneurship in the Ghanaian context and conclusions that provide an informed basis on which to discuss possible adjustments and revisions to improve the gender relevance of the *Doing Business* reports and selected indicators.

A combination of two methodologies was used in the research: case studies and a cross-sectional survey. A semi-structured technique and case studies were used to interview a total of twenty-one (21) Ghanaian women entrepreneurs in Accra and its environs in July and August 2009. A total of fourteen (14) gender, entrepreneurship, African studies and labour experts were also interviewed in the same time frame. In May 2010 a survey of 110 male and 193 female entrepreneurs was conducted in Accra's six largest markets.

Case-study research results on regulatory and traditional filters that impact women's capacities were divided into three categories: (1) starting a business, (2) running a business and (3) finding formal employ-

ment. Regulatory reforms intended to make it easier, cheaper and quicker to start a business definitely facilitate business registration for women in Ghana. The further implementation of electronic business registration procedures could help to reduce the normal practice of bribing registration officials to accelerate document processing. However, underlying these reforms are Ghanaian women's motives and capacities for becoming entrepreneurs. The lack of education, the need for time flexibility and the lack of access to start-up capital are powerful factors shaped by traditional filters that influence women's decisions to start and formalise businesses and generally put them at a disadvantage compared with their male counterparts.

The lack of start-up capital is closely related to the lack of access to credit, which in turn has to do with formal property ownership. Unfortunately, Ghanaians still abide by traditional, rather than statutory rules when it comes to land inheritance,¹ and traditional Ghanaian land inheritance discriminates against the ownership of land by women. Consequently, women in Ghana rarely own property that they might use as collateral for borrowed start-up capital. This disadvantage is due not to cumbersome property registration procedures, like those measured in the *Doing Business* reports, but rather to discriminatory inheritance and ownership patterns filtered by traditions (direct and indirect effects).

Regulations that make it easier, cheaper and quicker to obtain credit, a regulatory aspect that falls into the "running a business" category, do not appear to have a gender-specific effect. Both men and women are hampered in their efforts to obtain commercial credit – by the many conditions and high interest rates – although women tend to experience greater difficulties because properties are not registered in their name. Similarly, regulations on taxation as such do not discriminate against women. However, the respondents in the study refer to constant difficulty in paying taxes, which are collected inconsistently, unsystematically and in a non-transparent manner. Taxpayers continue to find the tax system complicated. It could benefit from regulatory reforms aimed at simplifying and systematising the taxation process. Since women are

1 The term "land" embraces farmland, resources found on the land, such as water and forests, and assets found on land, such as buildings.

on average less well educated than men, they tend to find it harder to cope with tax regulations.

The few Ghanaian women who are qualified for formal employment face bleak prospects in the labour market owing to employers' prejudices about young women's childbearing and domestic obligations in the first few years after they enter formal employment. Moreover, as employers are required by law to pay some maternity costs, they are reluctant to hire young women.

The survey results show that over 60 per cent of the respondents are engaged in wholesale and retail trading activities, over 20 per cent in the services sector. A total of 58 per cent of the respondents belong to the Akan tribe (matrilineal), 19 per cent to the Ewes tribe (patrilineal). The need to generate income was the strongest motivating factor for entrepreneurship among all respondents. Male entrepreneurs are significantly better educated than female entrepreneurs and seem to have a more positive and confident outlook than women with regard to their future and the future of their enterprises. More male entrepreneurs have sources of income other than their businesses and exhibit greater institutional trust than women.

When starting a business, almost 60 per cent of the respondents had used personal savings. However, male entrepreneurs tended to use formal channels of credit, whereas women tended to tap informal sources of financing for their businesses. When it came to registering a business, there was no difference between the two genders in terms of discrimination, difficulties, time and cost in the form of fees and bribes. A surprising result is that, although fewer women managed to take out formal loans for business purposes, those who did succeed reported fewer difficulties than men.

While running a business, significantly more women perform the majority of the household tasks and are actually willing to give up their businesses if the family requires more attention. Men tend to work longer hours for the enterprise in general, while significantly more women find it difficult to balance work and family life. Among formally registered business owners, more male entrepreneurs seem to pay taxes on a regular basis than females. There was no difference

between males and females in the difficulties they encountered in paying taxes and obtaining commercial credit or in their feeling that bank and tax authorities discriminated against them. The study also revealed that the bribes paid to the Ghanaian registration authorities tend to be higher than those paid to the tax authorities, although no statistical difference was found in the incidence and cost of bribery as between among male and female Ghanaian entrepreneurs.

The survey detected four personality traits underlying Ghanaian entrepreneurship: institutional trust, determination to succeed, the long-term perspective and the value of networks. The majority of entrepreneurs did not report any perceptible improvement in the five regulatory areas of business, although other responses appeared to indicate that land and business registration procedures in Ghana have improved marginally.

Among the male entrepreneurs included in the survey, the decision to formalise a business is positively influenced by net profit, age, land ownership and perceptions of improvement in the regulatory business environment. Among Ghanaian female entrepreneurs, the decision to formalise a business is positively influenced by net profit, level of education, land ownership, perceptions of improvement in the regulatory business environment and trust in the Registrar General (RG). Trust in central government did not influence the decisions of either male or female entrepreneurs to formalise their businesses.

Tests showed that registered entrepreneurs earn more net profit than non-registered entrepreneurs, and a significant positive correlation between net profit and age, education and networking with male entrepreneurs was discovered. A significant negative correlation between net profit and performing the majority of household tasks was also observed. A test designed to show whether gender is a factor in net profits revealed no significant difference in the net profits of male and female formal entrepreneurs.

Case-study and survey findings confirmed that traditions continue to be important determinants of women's economic participation and productivity in Ghana. The need to produce heirs and so preserve the lineage and to augment family income at an early age takes young women out of school, leaving them less qualified for formal employment. Their

lack of education also makes it more difficult for women to understand regulations that influence their businesses or to seek ways of obtaining information. Traditional inheritance practices mean that women rarely own formal property they might use to obtain commercial credit. Women's full potential in productivity cannot be realised because, as both entrepreneurs and employees, they are expected to perform most domestic tasks despite their responsibilities outside the home. The combined effects of a poor education and the need to earn money at an early age in order to supplement the family income, the few positions available in the formal job market, a lack of financial capital and the need to balance work and family life help to impose an ever-growing burden on women in Ghana's informal economy.

Recommendations based on findings of this research project can be split into (A) policy recommendations regarding traditional barriers to starting and running a business, (B) policy recommendations concerning regulatory barriers to starting and running a business and the promotion of the formalisation of what are now mostly informal Ghanaian enterprises, and (C) recommendations for adjusting and revising the *Doing Business* indicators to include gender aspects of private-sector development in the report.

(A) Policies that might help to remove traditional barriers to starting and running a business include investment in education and the introduction of short-term, out-of-school entrepreneurial courses for female adults, and the inclusion of entrepreneurial subjects in secondary schools and as courses at tertiary level. The introduction and encouragement of other courses and training programmes that might lead to formal self-employment in the culinary, automobile, machine and computer repair trades, for example, and the launch of a state-led campaign to merge family life and work are also recommended. Despite the presence of a strong legal framework that protects the rights of and opportunities for Ghanaian women, its effect is weak, and the research therefore strongly recommends the monitoring and strict enforcement of laws, particularly those that directly conflict with customary law, such as the Intestate Cession Law, land and property allocation and registration, early marriage and preference for boys' education.

(B) Policies concerning regulatory barriers to starting and running a business include the establishment of a one-stop-shop and hotline service with the aim of increasing legal literacy, a review of how land inheritance practices and the distribution of marital properties play out despite formal gender-neutral land policies, the rigorous implementation of the Intestate Cessation Law, and support for land transfers between men and women. An independent review of the property-collateral-credit nexus in the context of the conditions imposed by the national banking system will shed light on women's poor access to credit. In the interim the promotion of micro-finance systems may improve their access to credit. A one-stop-shop for business registration and taxation, the computerisation of business registration, including the creation of telephone hotlines, and brochures that explain legal procedures in simple terms would help women to understand the process and value of registering businesses and paying taxes. Moreover, women entrepreneurs would benefit from simpler and more transparent registration and tax calculation procedures for small enterprises.

Other policy implications for regulatory obstacles to starting and running a business include: translation of the most important laws regarding entrepreneurship, formalisation and women's rights into common dialects and making these laws known in rural areas, a state-led campaign for equality of men and women with regard to housework, further streamlining of business registration and taxation procedures to reduce the incidence of bribery, the enforcement of the non-discriminatory and preferential hiring of women and the creation of a quota system to increase the number of women in local and central government posts. The clarification of relations between the Ghanaian Ministry of Women and Children's Affairs (MOWAC) and other agencies in programmes that involve women is also recommended.

Policy action to increase the rate of formalisation of informal enterprises includes: launching a nationwide multimedia campaign to show the benefits of formalisation for the entrepreneur and the country, specifically by improving services to reveal the links between payments and services, investing in the education of Ghanaian men and women who can see beyond the costs of formalisation, making formal credit easily available as a way of encouraging the use of formal loan

channels and encouraging formality, creating more efficient government agencies as a way of gaining the institutional trust of informal entrepreneurs, overhauling the civil service system to increase its accountability and providing market infrastructure for registered entrepreneurs where informal entrepreneurs have limited access to it.

(C) Recommended action to increase the gender relevance of *Doing Business* could (i) take the form of an incremental adjustment to existing indicators to reflect gender impacts of regulatory reforms, (ii) introduce a new methodology by adding a new, separate gender indicator or (iii) depart from the *Doing Business* methodological approach by supplementing *Doing Business* information with data on gender parity. Creating a sub-indicator under “Registering property” that measures the land registration coverage of women (as a percentage of all adults) might show whether the number of women registering land in their own name has risen and, therefore, whether the reforms are working. Two existing *Doing Business* (DB) indicators that might benefit from the inclusion of a gender aspect are “Getting credit” and “Registering property.” The inclusion of a gender parity index in public and private credit registry coverage among the subindicators of the “Getting credit” indicator would reveal how many women are registered with public and private credit bureaus; higher values imply better registry coverage. In the short run, supplementing *Doing Business* results with such gender-parity information as the male: female ratio in registered businesses or in formal public-private wage employment is one way to put *Doing Business* results into a better perspective. A possible methodology for creating a new gender indicator in *Doing Business* is discussed more thoroughly in this report.

In addition, the *Doing Business* project should also continue to provide technical support for the streamlining of business registration in Ghana, because some measure of success in land and business registration has been observed by entrepreneurs. The DB should continue methodological groundwork in respect of the Employing Workers Indicator in order to avoid rewarding countries whose laws actually penalise female labour.

1 Introduction

In recent years, the unprecedented focus in policy and research on Business Environment Reform (BER) has also highlighted the crucial role played by the private sector in economic development. Whether the effect was intended or not, entrepreneurship became the focus of academic attention after businesses in the private sector were identified as powerful, yet unused engines of economic growth.

Further research revealed, however, that some aspects of business environment reform have different impacts on men and women (Berg / Cazes 2007; Hampel-Milagrosa 2008b). In particular, women entrepreneurs are said to face a different set of challenges when starting up and developing a business from those faced by men, challenges which could be attributed to a nexus of traditional, regulatory and personality attributes that affect only women (see UNIDOO 2001; Fairle / Robb 2009).

In a developing-country context, little information on the impact of business environment reform on entrepreneurship is available. In this regard, the World Bank Group leads research with its flagship series *Voices of Women Entrepreneurs* and with pilot projects across the globe in cooperation with the *Doing Business* project.

The World Bank's *Doing Business 2010* is the seventh in a series of annual reports that measure and compare the quality of business regulations worldwide (WB / IFC 2009). *Doing Business* investigates regulations and presents quantitative "indicators" that measure the total number of days, procedures and costs involved in various stages of the life of a business. Each country's indicator values are used to assess the ease of *Doing Business* in that country and are compared with other countries' values so that the ease of doing business can be ranked worldwide.

The fundamental premise behind the project seems straightforward: economic activity requires good rules, and cumbersome business regulations stifle productive activity (WB / IFC 2004; WB / IFC 2009). Relieving enterprises of burdensome laws will therefore lead to improved institutional quality and create a favourable business environment for everyone. If regulation is simplified, a dynamic and level playing field for all businesses will emerge. According to the people behind *Doing Business*, regulatory reforms will benefit young workers and women the most. Higher rankings

in *Doing Business* are associated with more women entrepreneurs and workers, more businesses registered by women, a smaller informal sector of the economy and more economic growth (WB / IFC 2007). However, as previously mentioned, conclusive empirical evidence on the potential effects on women of reforms in these regulatory areas is still lacking.

In *Voices* and *Doing Business*, the West African country of Ghana has featured prominently, partly because of its consistently good performance in regulatory reform and partly because of the central, yet unacknowledged, role played by Ghanaian women with their contribution to national output (IFC 2007). Using this background, a two-year research project was conducted with a view to studying the interaction of tradition and regulation in Ghanaian female entrepreneurship. In the first phase of the research, a case-study approach was adopted. In the second phase, a cross-sectional survey was carried out to confirm case-study findings and to find answers to other questions about business environment reform and informality in the Ghanaian context.

Hence, the general objective of this project is to generate empirical evidence on the relevance of *Doing Business*-style regulatory reforms to women entrepreneurs and employees in a developing-country context. Ghana's steady commitment to reforms, its good performance in the *Doing Business* reports and its deeply traditional society led to its selection as the best country to study. The two main research questions that the paper attempts to answer are:

- 1) How do business regulations and how do traditional factors influence female entrepreneurship and employment in Ghana?
- 2) How do we approach the gender issue in the DB reports (and beyond)?

In addition, the research attempts to provide answers to the following questions:

- 3) What factors explain a Ghanaian entrepreneur's decision to formalise his or her business?
- 4) What role do the quality of the regulatory business environment, tradition and entrepreneurial characteristics play in the decision to formalise a business?

The rest of the report is structured as follows. Section 2 defines the analytical point of departure of the research, beginning with an overview of the World Bank's *Doing Business* project in section 2.1. This is followed by a discussion of Ghana's performance according to annual *Doing Business* reports in section 2.2 and of the legal aspects of gender in Ghana in 2.3. Section 2.4 presents the social aspects of gender in Ghana, and section 2.5 discusses legal and traditional patterns affecting Ghanaian women entrepreneurs and employees. Section 2.6 closes the review of the literature with an overview of the costs and benefits of formalisation and of remaining informal and with a simple model representing entrepreneurs' decision-making processes.

In Section 3, the case study, research design and methodology are presented. Section 4 presents the research design and methodology adopted for the survey, followed by results and discussions. Section 5 recapitulates the main conclusions of the two-year research project, and section 6, finally, presents the policy recommendations for overcoming traditional and regulatory barriers to women's economic participation, promoting the formalisation of Ghanaian businesses and improving the gender relevance of the World Bank's *Doing Business*.

2 Review of the literature

2.1 The World Bank's *Doing Business* project

The World Bank's *Doing Business* project measures the total number of days, procedures and costs involved in ten regulatory areas affecting small and medium-sized domestic enterprises. The ten regulatory areas are represented by ten indicators: Starting a Business, Dealing with Construction Permits, Employing Workers, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts and Closing a Business. *Doing Business* asserts that the benefits of making administrative procedures related to entrepreneurship cheaper, quicker and simpler are greater for women. In this research, we focus on four regulatory areas covered by the *Doing Business* indicators: Registering Property, Getting Credit, Starting a Business and Paying Taxes. Where applicable, we also consider the Employing Workers Indicator. The claimed

causal relationships between removing cumbersome regulations and women's economic productivity are discussed briefly in the following paragraphs.

According to *Doing Business*, simplifying regulations on **property registration** is especially beneficial to women. Empirical research has shown higher investment in children's health and education among women who have access to property (Beegle / Strauss 1996; Katz / Chamorro 2003). Land titling is said to create a market for the rights to land, give it a value and bring it into the economy (de Soto 2000). Entrepreneurs benefit because land can be used as collateral for loans raised to start or expand businesses.

Throughout the world, women are more constrained than men in their access to finance (Buvinic / King 2007; ILO 1998; Ellis / Cutura 2007) but according to *Doing Business*, making it easier for women to **access finance** could be the simplest method of helping to improve women's entrepreneurial endeavours. When lenders and borrowers both have strong legal rights, there is less fear of legal complications from financial transactions that have gone wrong. If governments combine strong legal rights with public availability of credit histories, women will face fewer constraints in accessing commercial credit.

Easing regulations by making it cheaper, quicker and simpler to **start a business** is the regulatory change that is the most straightforward and easiest to carry out. When regulatory conditions make it easier to register new businesses, female entrepreneurship and employment are found to be higher overall (WB / IFC 2007).

Reducing tax rates and simplifying administrative procedures for **paying taxes** are the second most popular reforms among the *Doing Business* indicators, because lowering taxes is relatively uncomplicated and a "lower taxes" campaign may win an election (WB / IFC 2006). Since women-led enterprises are said to experience a greater regulatory burden and more harassment from public officials than enterprises headed by men, introducing electronic tax filing and payment is a solution that could improve the situation (WB / IFC 2008b).

The *Doing Business* **Employing Workers** Indicator recommends the creation of more flexible labour markets to boost job creation and to eliminate possible bias in the hiring and promotion of female workers (ibid.). High

worker dismissal costs may increase the number of women in the informal economy and reduce overall female employment (Montenegro / Pagés 2003; Saavedra 1998). Reforming labour laws to make them less rigid is also believed to foster entrepreneurship. Countries with less rigid labour regulations have a 30 per cent better chance of formal business start-ups (Stel / Storey / Thurik 2006).

Box 1 discusses the *Doing Business* Employing Workers Indicator (EWI), the changes made to the indicator and the impact of EWI ranking and reforms on Ghanaian women workers.

Box 1: Note on Employing Workers Indicator (EWI) and a Ghanaian example

In 2007, with the old *Doing Business* Employing Workers Indicator (EWI) that used three sub-indices: difficulty of hiring, rigidity of hours, and difficulty of firing, Ghana was ranked 120 from 178 countries (World Bank 2006). Included in the ranking is a non-wage labour cost indicator that measures all social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions), expressed as a percentage of the workers' salary (Berg / Cazes 2007).

After the *Doing Business* EWI has been heavily criticised for rewarding countries that undermine the purpose of labour law, changes have been made in the methodology. The new five indicators consisting the EWI now include: difficulty of hiring index, rigidity of hours index, difficulty of firing index, rigidity of employment index, and firing cost. Still, in the 2010 *Doing Business* report that Ghana ranked 133 from 183, despite new changes in the EWI indicator composition (see WB / IFC 2009).

For women in the formal sector who are of child-bearing age, and with the approval of the employer, they could contribute to the Ghana National Health Insurance programme. A total of 17.5% percent of the woman's earnings goes to the fund (shared contribution by employer and employee) of which 2.5% goes to funds for Sickness and Maternity. The same percentage of declared income is paid by self employed men and women. Informal workers pay a flat rate of 6000 Ghanaian Cedis per month. The National Health Insurance (NHI) however provides strictly medical benefits only and there are no other benefits coming from the state in case of sickness and maternity (ILO 2007).

There are four reasons that make this social security system un-attractive: first, a voluntary contribution of 17.5% is too large an amount for the employed woman to take out of her income. Note that a Ghanaian women already earns a

third less than her male counterpart for the same type and level of work (World Bank 2010). Second, if this policy is not instituted in the firm where the woman works, she would still have to convince the employer to pay their part of the contribution. There might be opposition to it, not only because the employer needs to match employee contribution but because of the bureaucratic processes this new connection will force into the employer. Third, only 2.5% of the total contribution goes to medical benefits for sickness and maternity which, in total, would be a very small amount. This might not cover other costs related to maternity, for example, in case of early births or complications from birth for both mother and child. Fourth, for informal self employed people who barely make enough money for food, a flat rate contribution of 6,000 GHC per month is ridiculously large. In short, the NHI is not only unattractive but pay offs to contributions are also un-appealing.

The pressure to reform business regulation in developing countries has never been greater, as economies bid to keep pace with reforms in other countries and improve their business ranking in the annual *Doing Business* reports. Former Soviet economies have been reported as performing legal and political contortions to improve their ranking in the hope of boosting foreign investment and economic growth (Aslam 2008). With the stroke of a pen and a few tricks, a country's ranking in the reports can easily be changed, without administrative processes necessarily being made any more efficient. According to Ravallion (2010):

"... a Cabinet Minister in a developing country once told me that he had been instructed by his President to do something quickly about the country's low ranking in the Doing Business Indicators. The Minister picked the key indicators, and by a few relatively simple legislative steps, was able to improve the country's ranking. But these indicators were clearly only proxies for deeper characteristics of the business and investment climate in the country, which did not apparently change in any fundamental way, and the Minister felt that there was no genuine impact on the country's development."

It has been reported that the World Bank, the Millennium Challenge Account and the International Development Association have been using *Doing Business* data to identify countries that most deserve development aid, to impose conditions on their debtors and to lay down requirements for further funding (WB / IFC 2005; Arruñada 2007).

However, *Doing Business* also comes in for some criticism. According to von Drachenfels / Altenburg / Krause (2007), seven of the ten *Doing Business* indicators advocate less regulation, discounting the central function performed by laws and regulations of acting as a mechanism for facilitating economic activity and social welfare. *Doing Business* essentially measures what is on paper, not actual business costs. And although *Doing Business* has revealed the link between the regulatory framework and corporate performance (see Djankov / McLiesh / Ramalho 2006), other researchers (Commander / Svejnar 2007, for example) come to different conclusions. The World Bank's Independent Evaluation Group (IEG) further emphasises that the direction of causality between the regulatory framework and macroeconomic outcomes is difficult to isolate because many other factors tend to influence macro-level outcomes (WB IEG 2008).

As *Doing Business* fails to capture other key dimensions of a country's business climate and as research findings on the social benefits of regulatory reform differ, care should be taken in any statement on the advantages of regulatory reform for women. Empirical research on how *Doing Business* reforms affect women has still to be carried out. Following the line of the IEG's argument, what may be good for the individual firm may not be good for society as a whole.

2.2 Ghana's performance according to *Doing Business*

Buoyed by the possibility of economic growth and good relations with international donors, African economies have now implemented more reforms than ever before, after lagging behind other regions in previous years (WB / IFC 2009). Ghana belonged to the top reformers' club for two years running, being ranked 94th of 175 in *Doing Business* 2007 as a result of reforms that made it easier to register property, pay taxes and trade across borders. In *Doing Business* 2008, Ghana was ranked 87th of 178 economies, having made the most progress in reducing the number of days required for the issue of a land registration number. This resulted in a huge jump from 113th in this indicator in 2007 to 26th in the 2008 report. While Ghana did not join the top reformers in the 2009 and 2010 *Doing Business* reports, it still came 87th of 181 economies and 92nd of 183 economies, respectively. The following table shows Ghana's standing in each of the ten indicators in the past four years.

Table 1: Ghana's performance in <i>Doing Business</i> 2007–2010				
Rank	DB 2007	DB 2008	DB 2009	DB 2010
Ease of Doing Business	94	87	87	92
Starting a Business	145	138	137	135
Dealing with construction permits*	83	140	142	153
Employing workers	120	138	145	133
Registering property	113	26	31	33
Getting credit	117	115	109	113
Protecting investors	33	33	38	41
Paying taxes	77	75	65	79
Trading across borders	61	61	76	83
Enforcing contracts	50	51	50	47
Closing a business	94	96	104	106
* Note: This indicator was termed “Dealing with licenses” until 2008.				
Source: WB / IFC (2007, 2008, 2009)				

From 2007 to 2010 Ghana's ranking fell in areas involving construction permits, investor protection, cross-border trading and business closure. Although streamlining construction permit procedures was a popular reform among neighbouring West African countries in 2007/08, Ghana seems to have stopped reforming in this area and slipped in the rankings.

On the other hand, compared to other countries and starting from a low level, Ghana has improved over a four-year period in Starting a Business. In 2006/07, the computerisation of business registration procedures enabled business names to be found more quickly, reducing the time needed for the whole application process. In 2007/08 Ghana formally abolished the annoying need for a company seal before a business could be registered.

The country's overall performance with regard to labour market laws, property registration, credit and taxation laws seems to be still volatile, as evidenced by the dips and peaks in its ranking in the past four years. It is one of the countries where it is most difficult to employ workers because dismissing a Ghanaian worker costs the equivalent of 178 weeks' salary (WB / IFC 2009). The current Value Added Tax (VAT) system was initially

introduced in 1995, only to be withdrawn two months later after fierce public protests scared politicians. It took another four years before the VAT could be reintroduced (WB / IFC 2006).

It should be explained that, owing to the methodology applied to rank countries in *Doing Business*, it is possible for Ghana to improve its ranking even without reforming its business environment, if other countries undertake “negative” reforms. Conversely, if other countries managed to undertake more reforms that complied with the indicators measured by *Doing Business*, Ghana could slip in the rankings even if it continued to undertake streamlining reforms.

Ghana’s serious commitment to reforms to increase its competitiveness did not remain unnoticed. The country was singled out by *Doing Business* 2010 as a “systematic reformer” – successfully changing laws in at least five areas covered by the *Doing Business* project over the previous five years. The country is also riding on the crest of US President Obama’s state visit in July 2009. Although it is not one of the United States’ strategic trading partners, like Nigeria and Kenya, the purpose of the visit was to emphasise US support for Ghana’s democracy and good governance and to highlight its commitment to the rule of law (Wallis / Dombey 2009). Nonetheless, regulatory reforms are more pressing for Ghana than ever if it is to cope with the greater economic opportunities, internationalisation and growth in the country as a result of unprecedented international attention. The question remains, however, whether Ghana’s reforms have really made a difference to small and medium enterprises, and particularly to women, who continue to live within traditional boundaries in a quickly modernising society.

2.3 The legal aspect of gender in Ghana²

In Ghana women and men are subject to widely differing legal and social constraints. Although Ghana’s 1992 constitution protects women’s rights and officially bans all inhumane aspects of cultural and traditional norms, persistent gender inequality still deters many Ghanaian women from participating in society and contributing to the economy. For example, while

2 Modern Western literature distinguishes between the terms “sex” (biological functions of males and females, which technically do not change) and “gender” (social roles played by and relations between males and females, which may change). In this report, we use the terms interchangeably.

the Children’s Act of 1988 prohibits early marriage by setting the minimum age at 18 years, traditional practices in Ghana allow marriages at much younger ages, with the result that, according to a 2004 United Nations report, 16 per cent of Ghanaian women aged between 15 and 19 are married, divorced or widowed. Among the opportunities missed because of early marriage is a higher education and the potential to enter the formal labour market later on (OECD 2010b).

As regards equal access to land, access to property other than land and access to bank loans, Ghanaian women’s rights are secured by legislation. However, customary law places land, property and financial capital in the hands of the head of the family, who is usually a man (*ibid.*). The primacy of customary law over statutory law is strongest in rural areas, but can still be felt in the major cities. Box 2 provides more information on various gender-relevant laws in the Ghanaian context.

Box 2: Main *de jure* regulations relevant for women and small business in Ghana (selected)

Recognition of Duality of Legal Systems

Article 11(2) of the 1992 Constitution – the common law of Ghana shall comprise the rules of law generally known as the common law, the rules generally known as the doctrines of equity and the rules of customary law, including those determined by the superior court of Judicature.

Land and Property Rights

Article 22(2) of the 1992 Constitution – Parliament should “as soon as practicable after coming into force of this constitution, enact legislation regulating the property rights of spouses during and at dissolution of marriage”

Access to Credit, Finance and Collateral

Ghana Trade Policy, Section 5.3 – aims to lower costs through provision of adequate and competitively prices credit to agricultural traders and producers
 Ghana Trade Policy, Section 4.3 – aims to ensure access to secure tenure with established title and effectively use land as collateral for finance.

Inheritance

Intestate Cessation Law – 1985, Section 4 – where the intestate is survived by a spouse or child or both, the spouse, or child or both of them shall be entitled absolutely to the household chattels.

Right to Education

Article 25(1)(a) of the 1992 Constitution – guarantees the right to equal opportunities and facilities, and with a view to achieving the full realisation of this right, basic education is to be free, compulsory and available to all.

Right to Employment

Article 24 of the 1992 Constitution – guarantees the right of women to work under satisfactory, safe and healthy conditions and shall receive equal pay for equal work done.

Taxation

Local Government Act of 1993 (Act 462) – empowers all district assemblies to levy rates, tolls, poll tax and licenses on businesses as well as households.

Entrepreneurship

Ghana Investment Code, Section 12 – creating an enabling environment for agriculture, which is considered of national priority

Equality of Opportunities and Mainstreaming women in Economic Development

Article 36(6) of the 1992 Constitution – the state shall afford equality of economic opportunities to all citizens, and in particular, the State shall take all necessary steps to ensure the full integration of women into the mainstream of economic development in Ghana.

Equality before the Law

Article 17(1) of the 1992 Constitution – All persons shall be equal before the law. Section (4) – requirement of special legislation or policies to address discriminatory socio-cultural, economic or educational imbalances in Ghanaian society.

International Women’s Rights Conventions and Treaties Ratified by Ghana (selected)

Convention on the Elimination of all forms of discrimination against Women (CEDAW). Signed July 17, 1980, ratified without reservations January 2, 1986

International Labour Organization (ILO) Equal Remuneration Convention C100. Ratified March 14, 1968

International Labour Organization (ILO) Convention Concerning Discrimination in Respect of Employment and Occupation. Ratified April 4, 1961

African Charter on Human and People’s Rights, Optional Protocol on the Rights of Women in Africa

Source: Agboli (2007)

Table 2: Selected macroeconomic and gender-specific indicators for Ghana		
Indicator	Value	Technical Note
Total population	23,461,523	—
Female population (as % of total population)	49.4	—
Women's life expectancy (in years)	60.5	—
Men's life expectancy (in years)	59.6	—
Fertility rate (average births per female)	3.8	—
Adult literacy, female (%)	58	—
Adult literacy, male (%)	72	—
Female labour force participation (%)	74	—
Women in parliament (as % of total)	11	—
Ratio of estimated female to male earned income	71	—
Ownership rights sub-index*	0.52	Aggregate measure using sub-indicators of women's rights and <i>de facto</i> access to land, property and credit.
Physical integrity sub-index*	0.40	Aggregated measure using sub-indicators of violence against women in terms of existence of laws and percentage of women who underwent genital mutilation.
Family Code sub-index*	0.37	Aggregate measure using sub-indicators of women's decision-making power in the household in terms of parental authority, inheritance, early marriage and polygamy.
Degree of gender discrimination (based on SIGI quintile)**	Medium	SIGI refers to Social Institutions and Development Index and is an aggregation of five sub-indices, namely: family code, physical integrity, son preference, civil liberties and ownership rights from 124 non OECD countries.
* The value 0 means no or very low discrimination while a value 1 indicates high inequality		
** Degree of discrimination range from Low, Low/medium, Medium, Medium/high, High		
Source: OECD (2010a); WB (2010)		

Table 2 shows more macroeconomic and gender-specific indicators for Ghana. It reveals that Ghanaian women have relatively longer life spans than men and tend to bear almost four children during their lifetime. Although female participation in the labour force is 74 per cent, the female literacy rate as a percentage of the adult population is only 58 per cent, compared to 72 per cent for men. The tension between the labour force participation rate and adult female literacy underscores the fact that most working women are actually engaged in the informal sector. Ghanaian women earn roughly 25 per cent less than men for the same type and level of work (ibid.).

The Ghana Intestate Succession Law of 1985 secured married women's rights to land and property ownership in the event of their husbands dying. However, the law does not address polygamy – which is permitted under customary and Sharia law – nor is the law strictly enforced in rural areas. For this reason, Ghana garnered 0.52 in the ownership rights sub-index of the Organisation for Economic Co-operation and Development's (OECD) Social Institutions and Development Index (OECD SIGI). Violence against women still occurs, and although legislation is in place to protect women's rights, it is not properly enforced or adequately translated into the local languages. Few women know what their rights are in the event of a physical altercation during marriage, and fewer report violent incidents for fear of social repercussions.

In general, according to the OECD (2010b), Ghana has the necessary legislation to protect women and ensure that their rights are equal to men's. However, legal stipulations consistently conflict with customary or Sharia law in the areas of marriage, intestate succession, violence against women and ownership rights. For this reason, Ghana received only a "Medium" ranking in the SIGI composite measure, lower than Mauritius, Namibia, Botswana, Burundi and even Senegal, but higher than Kenya, Chad, Sudan, Ethiopia and neighbouring Côte d'Ivoire.

The World Bank's Women, Business and the Law (WBL 2010), an objective legal differentiation on the basis of gender in 128 countries, enables the Ghanaian legal framework to be examined in greater depth. Table 3 shows selected relevant legal indicators of gender equality in Ghana on the basis of the WBL.

Table 3: Legal gender parity in Ghana, selected indicators	
Indicator	Outcome
Accessing institutions	
Do men and women, have equal capacity by law?	No
Do married men and women, have equal capacity by law?	No
Using property	
Do men and women have equal ownership rights over immovable and movable property?	Yes
Do men and women have equal inheritance rights over immovable and movable property?	Yes
Getting a job	
Can women work the same night hours as men?	Yes
Can women work in all industries	Yes
Who pays maternity leave benefits?	Employer
Do men and women face the same personal income tax liability?	Yes
Source: WB (2010)	

The WBL and the OECD SIGI seem to agree that, from a legal point of view, Ghanaian men and women have equal legal rights in respect of property acquisition. Ghanaian men and women, whether single or married, have equal legal ownership rights over movable and immovable property. The WBL goes further by pointing to high gender equality in the Ghanaian labour market and in taxation procedures. Ghanaian women can work the same number of hours at night and in the same industries as men, and their personal income tax liabilities are similar.

However, when laws are translated into reality, gender disparity becomes more evident. For example, despite equal ownership and inheritance rights, Ghanaian women's legal *capacity* to access institutions is not the same as men's. Furthermore, although women are allowed to work a similar number of hours at night and enjoy a similar right to choose employment in industry, working Ghanaian women are heavily concentrated in low-paid

and less prestigious jobs (Baah-Boateng 2009). The few women who find jobs in the formal labour market are not granted a mandatory minimum period of unpaid maternity leave,³ and the employer has to pay all maternity leave “benefits”. This regulation tends to work against female employment because women will always be associated by employers with additional costs, in a culture that prizes the reproductive role of women more than other feminine characteristics (Hampel-Milagrosa 2009b).

In sum, regulatory business environments are joined by traditional and social factors that similarly affect women. According to proponents of New Institutional Economics, including the 2009 Nobel Prize winner, Oliver Williamson, the highest level of rules in society – higher than laws and regulations – are found and formed at the social embeddedness level (see North 1990; Williamson 1998; Williamson 2000). The social embeddedness level is the level where tradition, norms and social practices take shape and is deeply entrenched in people’s consciousness. The institutional environment level, where laws are created – the level that *Doing Business* attempts to influence – is located *below* the social embeddedness level. Thus, while it is relatively easy to change regulations, the same cannot be said of social practices because they are deeply entrenched in the population. The following section discusses the traditional and social aspects of gender in Ghana in greater depth.

2.4 The traditional and social aspects of gender in Ghana

In order to understand how and why Ghanaian women turn out to be entrepreneurs or employees in adulthood, a close look needs to be taken at how their lives take shape from childhood on. Ghanaian girls’ lives follow certain paths that have an impact on the kind of life they will lead later on.

When a Ghanaian girl is born, she belongs to either a patrilineal or a matrilineal lineage. The girls’ lineage defines the rules of succession and inheritance in her family, and these rules stem from indigenous customary law. Under customary law both men and women, regardless of lineage, have rights in “lineage land,” although this law is more complicated in practice (Kotey / Tsikata 1998). Different tribes interpret inheritance laws differently, even if they belong to the same lineage. For example, if a woman

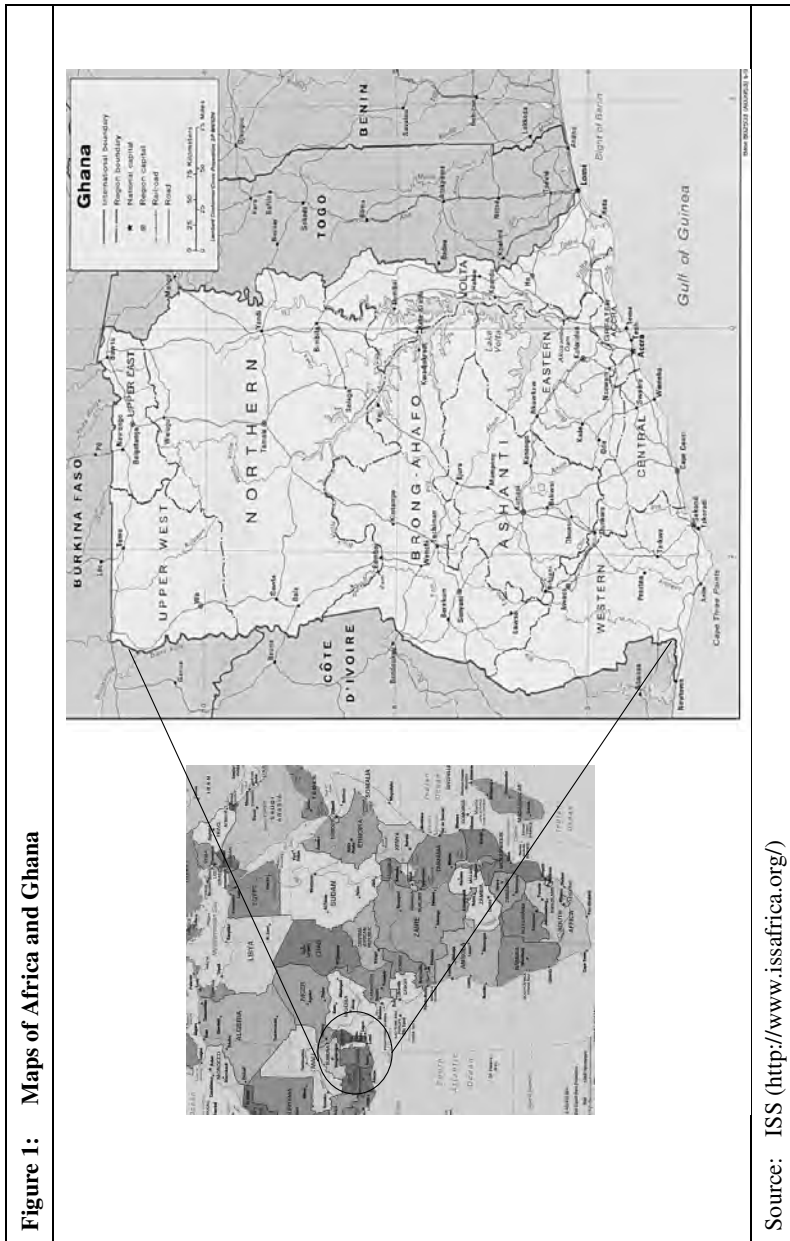
3 Fathers, too, are granted no mandatory paternity leave.

belongs to a matrilineal society, her lineage members are her mother and all other relations through her mother. If a land-owning person dies in a matrilineal society, a member of the lineage of the same gender as the deceased is appointed as her successor. This person takes control and makes decisions about the property. A woman's chances of inheriting land are nil if she is born into a patrilineal lineage because males clearly take precedence over females in matters of property ownership in that type of society. In practice, however, for both lineage types, women's land rights still pass through men, who tend to hold any property, the idea being that women are not farmers and will later marry and leave the community. This leaves a typical Ghanaian woman with little control over land and little or no property in her own name (ABANTU for Development 2008).

The potential for increased productivity, higher incomes and, consequently, stronger bargaining power is partly made possible by higher education. Despite making basic education free, compulsory and available to all, gender parity in tertiary education falls sharply to a mere 54 (UNESCO 2009). Literacy rates among Ghanaian females lag behind female the literacy rates of Tanzania, Kenya and South Africa. Socio-economic demands on women such as early marriage, childbearing and education or engagement in economic activities to earn money are some of the reasons for the huge disparity between the sexes in tertiary education (Agboli 2007).

If the typical Ghanaian girl was born before the 1980s, there is a strong possibility that she did not attend primary and secondary school. It was only in the mid-1980s that the government launched the "Free Compulsory Universal Basic Education Programme" (FCUBE), which was geared to increasing rates of primary school attendance in the country. The policy was the government's response to the alarming drop in primary school attendance in the mid-1970s, despite the expansion of basic education following independence in 1957. The policy appears to have been successful. By 2007, the gender parity index was 99 in primary education and 88 in secondary education (UNESCO 2009).

Although there is currently no significant difference in the proportions of boys and girls aged 7 to 14 attending school, Tsukada and Silva (2009) note that school-age Ghanaian girls tend to work disproportionately longer hours than boys doing unpaid domestic chores. Girls are more likely to be child workers and spend significantly fewer hours on homework and private study. The authors contend that the consequent neglect of human capital



accumulation severely harms the potential of girls of this age to earn higher incomes in later life.

Early marriage is common in Ghana because a woman's ability to reproduce heirs for the lineage is highly valued in the country. Marriage among people of the Akan tribe, for example, is preceded by betrothal, which often occurs long before the girl reaches the legal marriageable age⁴ (Kuenyehia / Ofei-Aboagye 1998). The popular notion is that Ghanaian women's reproductive labour is responsible for keeping the family bloodline alive. This belief has made Ghana one of the most populous countries in Western Africa, with the total population projected to reach 27 million by 2020. Common reasons for wanting to earn at an early age are to supplement family income and so provide resources to sustain immediate family and relatives, to provide for children's education, to offset the high cost of living and education in Ghana and to achieve financial independence (Dzisi 2008). Women who start working after secondary school tend to enter the labour market in lower-paid jobs that require little or no education, few skills and little investment. Up to 90 per cent of them work in the informal economy as micro-entrepreneurs and micro-retailers (Agboli 2007). Rogerson (1996) uses the word *survivalist* to describe these types of informal enterprise. Women typically run survivalist enterprises because they are unable to secure regular wage employment or access to an economic sector of their choice. Incomes from survivalist enterprises usually fall below minimum income standards, and opportunities for expansion are heavily constrained.

Berner / Gomez / Knorrige (2008) describe survivalist entrepreneurs as those who try to increase their security and *ensure steady* consumption rather than maximise profit, and even the relatively successful ones find it difficult to accumulate capital. These women may have a strong family support system, but still lack a business plan and social networks that might help them with business development (Chea 2008). A survey of the literature by Berner et al. shows that the prognosis is not good: graduation from survivalist entrepreneurship to small-scale business is the exception, not the norm.

4 Section 14 (2) of the Ghanaian Children's Act 1998, Act 560, sets the minimum age for marriage at 18.

Women who stay in rural areas dominate food crop production. According to Ghana Living Standards Survey IV 1998/99 (GLSS), women account for over 80 per cent of food production activities and 90 per cent of the activities involved in the processing of agricultural produce, including fish (Agboli 2007). However, despite their significant contributions, women still have limited access to and control over land (Dowuona-Hammond 2008).

Like agricultural employment, the employed wage labour force in Ghana is characterised by significant gender segmentation. According to Heintz (2005), Ghanaian women primarily have access to formal employment only through wage employment in the public sector or formal self-employment. Women who manage to finish secondary education tend to do clerical and secretarial work, or work as shop assistants, hairdressers, dressmakers and maids. Those with university backgrounds tend to become nurses or teachers. Even if they succeed in finding wage employment, the posts that women occupy pay less and have a lower status, with bleak prospects of advancement (Agboli 2007).

2.5 Ghanaian female entrepreneurship

Far more attention began to be paid to the regulatory business environment when researchers and policy-makers focused less on a market-failure-based and more on a government-failure-based view of underdevelopment. This came in the wake of the massive failure worldwide of the structural and financial adjustment programmes prescribed by most donor institutions as a means of alleviating poverty in the Third World. The private sector was hailed as the new engine of national economic growth after studies showed its positive effects on employment, poverty and development (Altenburg / von Drachenfels 2006; UNECA 2005).

In the Ghana of the colonial era and the early 1960s, local Small and Medium Enterprises (SMEs) were not fostered and promoted in the country as they were perceived to pose a political threat. Fast forward to 2000, and the government is proclaiming the “*Golden Age of Business*” in Ghana, having fully recognised the critical role of enterprises in generating employment, providing income and reducing poverty. The “*Golden Age of Business*” for Ghana also heralded several regulatory changes for businesses in the private sector. For one, the government created the Ministry for Private Sector Development (MPSD) and released and reviewed a

superfluity(= *far too many*) of policy papers in support of the sector⁵ (Aryeteey / Ahene 2005).

Box 3: Regulatory reform to support Ghana’s “Golden Age of Business”

To strengthen entrepreneurs’ response and attract foreign investment, the government established the Private Sector Advisory Group (PSAG 1992), the Ghana Investment Promotion Centre (GIPC 1994), Business Assistance Fund (BAF1994), Rural Finance Project of 1995, and Investor’s Advisory Council (IAC 2001). The state reactivated several old laws such as the Company Code and Capital Investment Acts of 1963, Partnership and Business Name Acts of 1962, Investment Code of 1985 (Law 116), and the Free Zones Act of 1995 (Act 504). Several programmes were pushed, including Export Development and Investment Fund (EDIF 1998) and the Ghana Trade and Gateway Programme. The controversial 1995 Sales Tax pegged at a flat rate of 17.5 % was converted into the Value Added Tax (VAT) and was reintroduced twice; at 10 % in 1998 and re-adjusted to 12.5 % in 2000.

Finally, new labour regulations prescribed a minimum salary for workers while the Local Government Act of 1993 accorded all district assemblies the right to start levying rates, tolls, and taxes on business and households.

Source: Aryeteey / Ahene (2005)

According to Ayeteey and Ahene (2005), most regulatory reforms in Ghana have focused on attracting foreign investment and tax payment, but have failed to address concerns of micro, small and medium-sized enterprises (MSMEs). The path to the establishment of an enabling environment for MSMEs and the goal of shepherding the largely informal sector towards the formal sector still remain daunting political challenges. Women entrepreneurs still have several barriers – traditional, regulatory and gender-based – to surmount before they can become successful.

In a nutshell, Ghanaian female entrepreneurship faces the following obstacles:

1. Barriers due to the overlapping of tradition and regulation and to the misinterpretation and misunderstanding of the law – As mentioned earlier, although the Ghanaian regulatory business environment is gender-neutral,

5 For example, the policy paper on Micro and Small Enterprise Development (May 2002), the Ghana Poverty Reduction Strategy paper (PRSP 2002–2004) and the Policies, Strategies and Action Plan (2002–2004) of the MPSD.

customary law is still practised and discriminatory law enforcement still occurs. In the labour market, for example, women fortunate enough to obtain a higher education have no more than a slim chance of being hired in the formal economy because of the social expectation that they will start a family soon after being employed (Hampel-Milagrosa 2009b). Moreover, legal illiteracy among women entrepreneurs is common, particularly with regard to laws and services available to them. As female-led SMEs are mostly unaware of the range of the regulatory environment within which they operate, they are unable to fully comprehend the basics and benefits of business regulation (IFC 2007).

2. Barriers due to the traditional and social roles of men and women – Ghanaian women suffer disproportionately from having to share their time between traditional family and income-generating activities, since they are expected to work both in the home and outside (ABANTU for Development 2008). There is a strong preference for seeing boys educated, girls being expected to marry and stay at home to rear children. The domestic burden begins in childhood, when young Ghanaian girls tend to work longer hours than boys doing unpaid household chores. Similar to the effects of early marriage, this failure to devote time to homework and private study amounts to neglect of human capital accumulation, severely harming girls' education and their potential to earn an income in later life (Tsukada / Silva 2009).

3. Barriers to accessing finance – Most Ghanaian women, even established formal entrepreneurs, do not have titled property that can be used as collateral for bank loans (Dzisi 2008). In Ghana, over 90 per cent of the staff of most financial institutions are men (Chea 2008). Discriminatory bank officials make it difficult for women to raise commercial loans by asking for (i) the husband's written consent, (ii) a large down-payment relative to the value of the loan or (iii) valuable assets in exchange for small amounts of credit (Hilton 2008; Alabi / Alabi / Akobo 2007; Ellis / Cutura 2007). It is thus more difficult for Ghanaian women to access credit because they still have to convince their husbands of the soundness of the business for which the loan is needed, whereas husbands are not required to do the same. Women, who normally have fewer assets and less financial capital, are disproportionately disadvantaged in this situation.

4. Infrastructure and institutional barriers that disproportionately affect women – The lack of electricity, proper road networks and markets make it

more difficult for women entrepreneurs to increase their productivity, bring their produce to the buyers and actually sell it. Many women engage in the production of highly perishable, labour-intensive products that involve low-level technology and often require immediate market access. Women are also soft targets for criminals who prey on them along Ghana's many deserted and unlit roads. Most Ghanaian women in the informal market engage in retail trading, but central markets in Ghana are few in number, overcrowded and highly disorganised. The MOWAC, which takes responsibility for gender affairs, plays multiple and extended roles in Ghanaian politics and in guarding women's and children's rights. However, how it is to interact with other Ministries, agencies and government programmes to further women entrepreneur's rights remains unclear (IFC 2007).

5. Barriers due to a lack of entrepreneurial and female business networks – Associations of entrepreneurs are an effective means of obtaining accurate and up-to-date information on best practices and lessons learnt about business and acquiring moral, technical and financial support (Erzetic 2008). According to Kuada (2009), Ghanaian women entrepreneurs use social relationships as a way of compensating for difficulties they encounter in accessing financial capital. They also depend on social relationships for moral and emotional support in starting businesses. Unfortunately, aside from the Ghana Association of Women Entrepreneurs founded in 1991, there are few dynamic associations for women entrepreneurs in Ghana that might meet the varying needs of micro-, small and medium-sized female-led enterprises (CIPE 2010).

2.6 Informality versus formality in entrepreneurship

According to 2002 International Labour Organization (ILO) estimates, around 70 per cent of workers in developing countries belong to the informal sector and contribute about 30 per cent of the developing world's total gross domestic product (ILO 2002a; Schneider / Klinglmair 2004). In Africa, informal work accounts for an estimated 80 per cent of non-agricultural employment, over 60 per cent of urban employment and over 90 per cent of new jobs. For women in sub-Saharan Africa, the informal sector provides 92 per cent of total non-agricultural job opportunities, with over 95 per cent self-employed and own-account workers (Becker 2004).⁶

There is a great deal of evidence to show that the informal sector helps to meet the critical need for employment and incomes among most of the developing countries' poor and their women (Tokman 2007; ILO 2008). However, informality entails high social and economic costs. Workers in the informal sector often lack access to market information, formal training, land, financial capital, technology, institutionalised organisations and formal security schemes. They suffer from low productivity and highly irregular income owing to the competition between household consumption and business earnings. They do not enjoy decent working conditions and are deprived of a host of social services, such as health insurance and old-age pensions. With its poor infrastructure and its unstandardised and unregulated production and marketing activities, the informal sector misses out on various marketing opportunities and is a potent source of urban pollution and congestion (Becker 2004; Todaro / Smith 2006).

There is general agreement on the need to integrate the informal sector into the mainstream economy on account of its economic significance and its impact on employment, income and poverty. In this regard, voluminous literature has been devoted to the formality/informality debate, but literature that considers business formalisation usually views the entrepreneurial decision-making process as a rational weighing-up of costs and benefits. Specifically, the decision depends on the costs and benefits of remaining informal as against the costs and benefits of being (*or remaining*) formal. We will discuss these two issues in depth before proceeding to the more technical discussion of entrepreneurial decision-making.

2.6.1 The costs and benefits of informality versus formality

Doing Business advocates the streamlining of administrative procedures as a way of increasing the rate of business formalisation. As the following discussion shows, there are more factors to be considered in the decision to register a business than ease of registration alone.

According to Djankov et al. (2002), informal activity falls roughly into three categories: (i) underground enterprises, mostly engaged in criminal activities, (ii) subsistence enterprises, including labour-intensive micro-

6 Women comprise between 60% to 80% of the informal economy worldwide (Becker 2004).

enterprises, and (iii) unofficial enterprises, which prefer to avoid the administrative or financial burden of regulation. All informal activity shares one feature: entrepreneurs working informally believe that the benefits of remaining as they are outweigh the cost of becoming formal.

What are the perceived benefits of informality? Why do some enterprises prefer to remain informal? Obviously, the main benefit is that taxes can be evaded and government regulations ignored (ibid.). Fees and urban planning regulations can also be circumvented. There is no need for compliance with state policies on minimum wages, safety at work, working hours and workers' rights. The informal enterprise need have nothing to do with price controls, licensing or product standards (Bigsten / Kimuyu / Lundvall 2004).

The institutional environment, according to Djankov et al. (2002) and Bigsten / Kimuyu / Lundvall (2004), plays a fundamental role in determining whether it pays to remain informal. Common institutional reasons cited for the growth and persistence of informality include: limited absorption of surplus labour by the formal sector, presence of barriers to entry into the formal economy, weak institutions, redundancies, the favouring of capital over labour, the demand for low-cost goods and services, uncommitted or unaware governments, economic hardship and poverty and the entrance of more women into labour markets (de Soto 2000; ILO 2002a). On the basis of findings in Sierra Leone, the Foreign Investment Advisory Service (FIAS) adds lack of information, high taxes and social contributions, high start-up costs, administrative barriers, difficult procedures for registering land, rigid labour markets, inadequate sector-specific policies and weak enforcement of the key institutional policies and, therefore, perpetuation of informality (FIAS 2006).

Despite its obvious benefits, operating outside the law does have its price, however. According to a study by the *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ), the detection of informality is accompanied by penalties, corruption, harassment, the possible confiscation of products/assets and possibly bribery (GTZ 2006). Informal enterprises have limited access to legal, law enforcement, financial, business development and other public services and experience high transaction costs due to the opportunistic behaviour of business partners (Loayza 1997). Informal enterprises miss out on opportunities to participate in public incentive schemes and public procurement contracts. To avoid attracting the attention

of the authorities, informal enterprises forgo profitable expansion and try to keep to a size that allows them to operate undetected. Abrupt changes of location or activity are further costly measures taken to remain informal. Limited access to financial capital, low technology and untrained personnel help to limit the enterprise's productivity and market growth potential (La Porta / Schleifer 2008). As expected, informal businesses have limited opportunities to cooperate with formal businesses (FIAS 2006).

Informality is costly for governments, too. According to Djankov et al. (2002), the real economic cost of informality to governments can be seen in government spending on subsidy programmes designed to alleviate poverty (health, education, housing, unemployment, skills training). These subsidy programmes target the section of society that often engages in informal activities. Tax evasion resulting in a lack of public goods and a sub-optimal business environment, lagging economic growth and low national productivity are negative effects of informality (Krause et al. 2010). The social cost of informality is also high. Since people in the informal economy are the first to be hit by a downturn of the economy, they are often the first to stage protests and initiate violence in the streets as they demand increased government support.

What are the benefits of formalisation? What arguments can encourage informal enterprises to register businesses? Researchers agree that, while informality may provide short-term solutions to a household's daily needs, it can never provide a long-term solution to poverty (La Porta / Schleifer 2008). But the formalisation of firms leads to increased welfare because it confirms the right of people to take advantage of market opportunities. Formal enterprises experience increased access to land, business development services and productive resources, which leads to more rapid enterprise growth (Krause al. 2010). Kenyon (2007) adds that access to regulated markets for products, to finance and training and to public institutions such as arbitration courts and the police are among the added benefits of formality.

From the national point of view, an economy with fewer informal enterprises will be able to provide higher-quality, better-paid and more sustainable formal jobs for its people. Enterprises can also enjoy the benefits of better infrastructure in the shape of transport, markets, sanitation and public services. Greater investor confidence in the quality of the regulatory business environment will result in increased local and foreign investment (OECD/DAC 2006). An economy with a higher proportion of formal enter-

prises is said to foster long-term welfare creation, economic stability and poverty reduction (*ibid.*).

However, before formality nirvana is achieved, entrepreneurs will have to see beyond the price they pay for formality and actually take steps to register their enterprises. Loayza (1997) distinguishes two costs incurred by informal entrepreneurs when they become formal: (i) the cost of gaining access to the formal sector and (ii) the cost of remaining in it.

The high cost of gaining access to the formal sector is seen as the first barrier to be overcome by informal enterprises. Early experiments conducted by de Soto (1989) and Tokman (1992) showed how difficult it is to register a business legally in Lima, Peru, and the rest of Latin America without paying bribes to facilitate the process. Entry costs take the form of procedures, days and total costs (both fees and bribes) involved in acquiring all the documents and licenses necessary for registration. The number of procedures, the cost and the days needed for formalisation is directly proportional to the entry cost of formalization. Thus lengthy business registration procedures, those that require unnecessary documentation and those that pass through severely bureaucratic systems create high entry costs for entrepreneurs and tend to discourage them from formalisation. Less developed countries are said to have larger informal sectors because they tend to have more procedures and costs due to unnecessary requirements, inefficiency, corruption and a lack of coordination among state agencies (Kappel / Ishengoma 2006).

The second barrier to formalisation is the cost of remaining in the formal sector. When it operates formally, an enterprise needs to engage with other formal institutions, and that engagement entails costs. Loayza (1997) divides the cost of remaining formal into costs related to (i) taxes, (ii) regulations and (iii) bureaucratic requirements. As registered enterprises are sources of government revenue, they tend to be audited to ensure that their income statements are sound. Considerable time and effort is invested by formal enterprises in complying with tax rules by completing complex tax returns and other government forms (Kappel and Ishengoma 2006). Costs related to regulations consist of the time and expense of applying, reporting and complying with regulations in such areas as environmental protection, hygiene and sanitary standards, input/output and quality regulation, labour standards, property registration, formal loan applications and proof of financial viability. Finally, costs related to bureaucratic requirements consist of activities involved in dealing with or circumventing red tape and

paperwork. All of these factors entail significant costs to the formal enterprise in terms of time and money (GTZ 2006).

Many scientists agree that not all enterprises can take the step of becoming formal (see, for example, Berner / Gomez / Knorrige 2008). It is highly unlikely that businesses at the underground and subsistence levels will graduate to the next levels, whereas unofficial small and medium enterprises with highly skilled and educated owners are in the best position to formalise their businesses (Djankov et al. 2002; Stel / Storey / Thurik 2006; Palmade / Anayiotos 2005; Chen 2004). Only for these enterprises does formalisation really make sense (Kenyon 2007).

2.6.2 The decision-making entrepreneur

In this section we briefly discuss the decision-making process undertaken by the entrepreneur when he or she is choosing between informality and formality. This discussion gives a simple theoretical background to the decision-making model considered in Section 4.

When choosing between informality and registration, the decision-making entrepreneur employs several parameters to arrive at a strategic decision (Ivanova / Gibcus 2003). There may be few or many of these parameters, depending on the complexity of the factors involved and the decision to be taken. The decision-making process itself, however, can be simplified using a general model with three components: (i) the environment, (ii) the specific characteristics of the decision to be taken and (iii) the characteristics of the decision-maker himself (Mador 2000).

In Ghana entrepreneurs have to operate in the regulatory business environment and the traditional environment. Through its *Doing Business* project the World Bank has strongly emphasised the importance of having a good business climate that enables the private sector to operate productively (see the *Doing Business* reports from 2003 until 2009). Krause et al. (2010) also identify the availability of information and infrastructure, the scale of corruption and crime and financial and political stability as some of the other factors in the entrepreneur's environment that play significant roles in his or her decision whether or not to formalise the business. More controversially, the country's colonial history has also been said to influence institutional quality, but other researchers have argued against this proposition (Djankov / McLiesh / Ramalho 2006; Khan 2005). Yet other researchers

have referred to the importance of “non-regulatory” aspects as similarly having a significant influence on entrepreneurship and private-sector development, but these aspects cannot be covered by regulation alone (WB IEG 2008). There are many of these non-regulatory factors, but among the most important are gender-based constraints, human capital, infrastructure and the quality of local institutions (Hampel-Milagrosa 2008a; Altenburg / von Drachenfels 2006).

The decision to be taken is affected most by the costs, benefits and activities involved in remaining informal – or in becoming or remaining formal. The entrepreneur will also consider various opportunities, threats and risks that will arise when he has decided whether to remain informal or go for formality. The costs and benefits of formality and informality have been discussed at some length in the previous section.

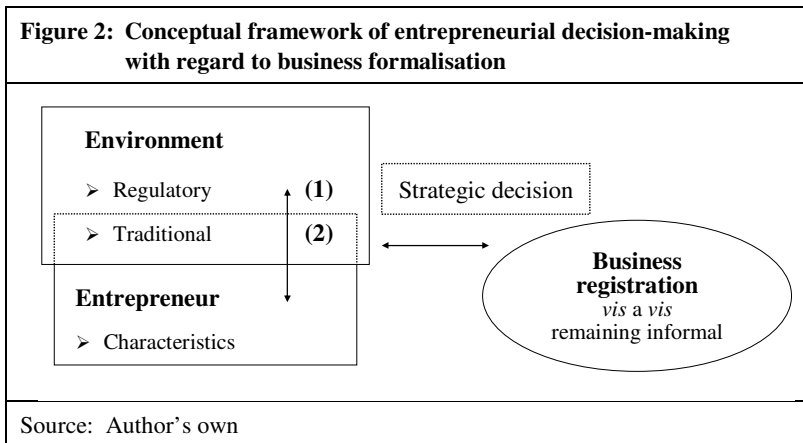
One of the most significant factors affecting the entrepreneurial choice is the decision-maker’s characteristics. Krause et al. (2010) deduce from Mozambique’s experience that, aside from the regulatory business environment, education, ethnicity, the entrepreneur’s age, the density of business networks, the prevalence of Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS) and entrepreneurial export diversification play a role in business formalisation. Age and ethnicity are identified by Bigsten / Kimuyu / Lundvall (2004) as further important factors in the enterprise formalisation decision, albeit in the Asian context. Ali (2005) adds that, when Bangladeshi women are deciding how to make a living, social capital also seems to be a significant factor.

For the entrepreneur, then, decision-making is not always easy. He or she needs to weigh up several factors that vary in relative importance

(Minniti / Arenius / Langowitz 2005). Compounding the decision-making problem is the fact that the entrepreneur does not have a perfect knowledge of all these components and therefore takes something of a risk when making his or her choice (Ivanova / Gibcus 2003). With bounded rationality, the entrepreneur attempts both to compare the consequences of a certain choice and to maximise utility (Simon et al. 1986). It is important to remember in this regard that formalisation decisions need not always be income-related. Ivanova and Gibcus (2003) explain that entrepreneurs are not generally looking for the best or optimal decision, but rather a personally satisfying solution to a problem.

Figure 2 shows a simplified 3-component model of entrepreneurial decision-making on formalisation.

The above illustration is part of a more complex picture and process of entrepreneurial decision-making. Several other factors not covered by the



graph above undeniably play a role in the selection process (see, for example, Altenburg / von Drachenfels 2008).

In accordance with Mador (2000); Mintzberg / Raisingham / Theoret (1976) and Papadakis et al. (1998), we present below the Ghanaian entrepreneurial decision-making process with its three components: (1) the regulatory environment, (2) the traditional environment and (3) the entrepreneur's characteristics. Entrepreneurial characteristics are seen as being influenced by the traditional environment and are therefore depicted as such. Although these three components constantly interact with each other, we assume nil endogeneity in order to keep the model simple.

The two research approaches and their results are presented independently in the following two chapters. Each research approach was conducted for a year in the field. Approach 1, which involved a case study, was conducted in 2009, while Approach 2, which included a survey, was conducted in 2010.

3 Case studies: approach, results and discussion

3.1 Case study approach

There were two types of respondents in the case studies: experts and entrepreneurs. Experts were interviewed early on, the aim being to obtain an overview of Ghanaian women entrepreneurship and to check local-level issues not included in the previously developed interview schedules. The women entrepreneurs were selected for the case study interviews so that different types of enterprise (formal and informal) and different sizes of businesses (micro, small and medium) might be covered. The sample for the case studies thus consists of a population pool that does not permit generalised conclusions for all female entrepreneurs in Ghana. Nevertheless, the study yields significant information on the situation, experiences and perceptions of male and female Ghanaian entrepreneurs in the light of business environment reforms and a changing institutional environment.

A total of 14 experts were interviewed in Accra and Tema (a suburb of Accra). The experts were either officials or members of various associations that have direct and indirect links to women's entrepreneurship and employment. Among the organisations included in the survey is the Centre for Gender Studies and Advocacy (CEGENSA) and the Institute for Statistical and Socio-Economic Research (ISSER) of the University of Ghana. Experts in women's entrepreneurship from the National Bureau for Small Scale Industries (NBSSI) and EDC Consulting Limited and in women's rights from the Ark Foundation and United Nations Development Fund for Women (UNIFEM) Ghana were also interviewed. To shed light on women's working and employment conditions, two labour experts were interviewed, one from the Accra branch of the ILO, the other a senior lecturer in the Department of Economics at the University of Ghana in Legon.

Twenty-one women entrepreneurs were randomly selected for the case studies. These women were chosen because they were making a living in different ways. Their occupations included dressmaking, grilling plantains, running a school, licensed chemical trading, selling handicrafts, making herbal medicines and selling household items. The issues on which information was collected using the case study method were: the influence of tradition in shaping women's lives, entrepreneurship strategies, obstacles to livelihoods and women's perceptions of the institutional framework affect-

ing their businesses. To acquire a greater breadth of information, a semi-structured interviewing method was used. This approach is best when it comes to understanding complex behaviours without any *a priori* categorisation being imposed on respondents (Fontana / Frey 1994). The twenty-one case studies led to the selection of nine women for further investigation. They were:

- Georgina Adjaso and Joan Johnson, two women selling Ghanaian handcrafts locally, but also involved in exporting them to the United States. *Both women continuously employ at least ten non-contract workers.*
- Rejoice Adjaso, a former teacher who makes/weaves and supplies *Batik* cloth to private and institutional customers. *She employs three permanent workers and two unpaid trainees.*
- Antonia Brookman, a married chemical engineering graduate who decided to manufacture liquid detergents, air fresheners and household detergents. *Mrs Brookman formally employs nine workers in her detergent business.*
- Dufie Esther, an Accra migrant who sells oranges to lorry drivers and their passengers on the street. *Mrs Esther is self-employed.*
- Two seamstresses, Mercy Alorvi, a young lady who recently decided to set up her own business after working for an employer for six years, and Mina Adu Fosua, an older dressmaker who began by working for a sewing company in 1969. *Ms Alorvi is self-employed. Mrs Fosua is also self-employed, but has three unpaid trainees working for her.*
- Augustina Coleman, a woman who changed to selling iced water after two of her earlier businesses failed. *Mrs Coleman is self-employed.*
- Joyce Bortei, a registered manufacturer of herbal medicines and supplements in Sakomono. *Mrs Bortei employs seasonal workers for both field and processing work, but has one permanent non-contract employee to help her with marketing.*

The experiences of these nine women will be used to paint a picture of the working conditions and situations of Ghanaian women entrepreneurs. However, all the interviews were used for the analysis. Case study findings have been contrasted and compared with results of interviews with experts, newspaper articles and other, academic publications to check them for

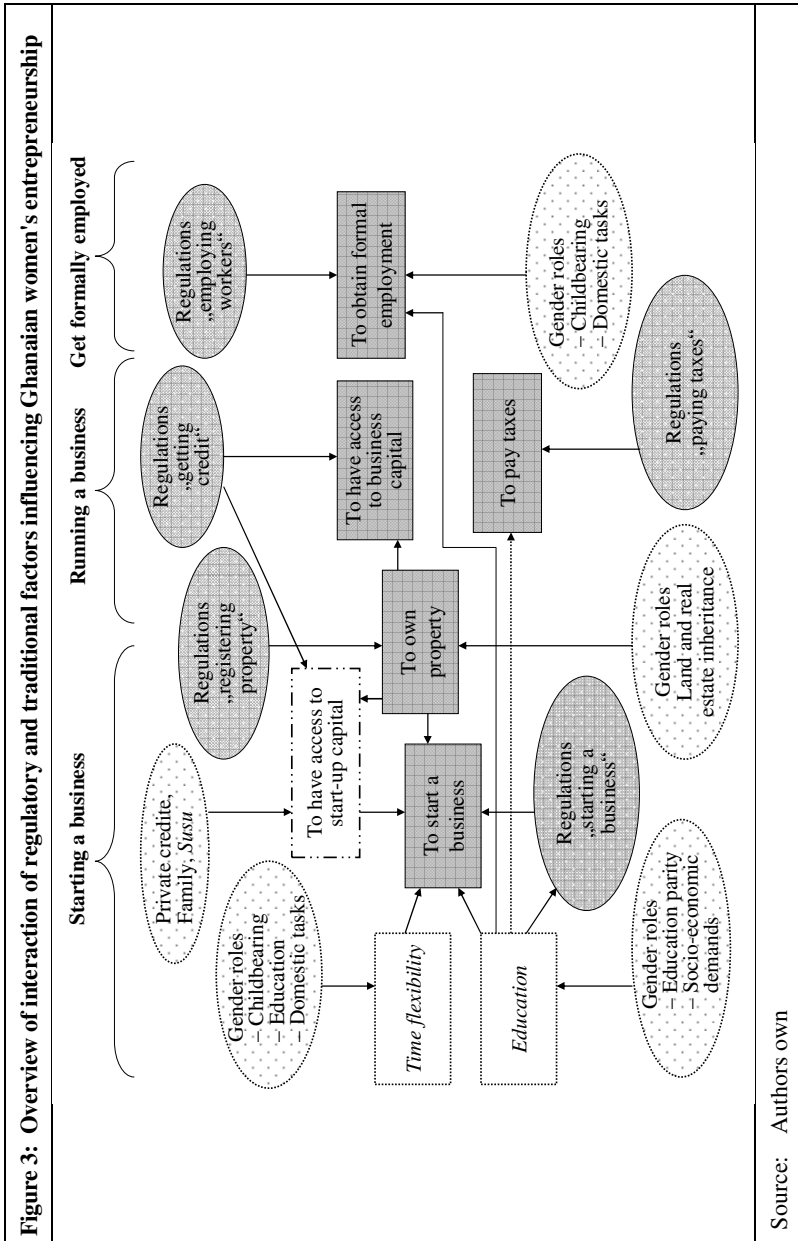
validity and consistency. This triangulation of the information obtained allows the researcher to increase the validity and credibility of his research, since he is then able to corroborate results from various data sources (Yin 2009). The method used to analyse case study results involved explanation-building and cross- case synthesis. Explanation building entails developing an explanation about the case in narrative form, studying causal links and iteratively comparing the initial case with the second, third or more cases. Cross-case synthesis involves aggregating findings across a series of individual case studies and putting them in a tabular or diagrammatic form. Overall patterns give insights into whether cases share similarities, or whether subgroups sharing a common characteristic can be distinguished.

3.2 Case study results

Traditional and regulatory factors, which are significant for starting and running a business and for getting formally employed, are presented in Figure 3.

Solid rectangles in Figure 3 show women’s “capacities” that are related to *Doing Business*. These are the capacity to start a business, own property, have access to business credit, pay taxes and obtain formal employment. Important factors determining these capacities, such as time flexibility, education, and access to start-up capital are shown in dashed rectangles. Solid ellipses represent regulations that act as filters affecting women’s capacity to conduct business namely: Property registration, Getting credit, Starting a business, Employing workers and Paying taxes.

Dashed ellipses represent dimensions of tradition that act as filters of women’s capacities and at the same time as filters of factors influencing these capacities. These are: women’s traditional roles in households, parents’ preference in sending sons to school, socio-economic demands on young women, male-biased land and property inheritance practices, child-bearing expectations, women’s burden of domestic tasks, and the strength and wealth of women’s networks. The solid arrows show strong support from the empirical results for the relation while dashed arrows show weaker support. The schema runs across three segments of productivity that the abovementioned regulations tend to influence, that is, starting a business, running a business and getting formally employed.



3.2.1 Starting a business

Both regulatory and non-regulatory (traditional) elements act as filters influencing requirements that determine women's capacity to start a business. Whether women can meet these requirements and successfully start their own businesses depends on the nature of the filters. In most cases, Ghanaian tradition has built-in features that discriminate against women. Ghanaian regulation, on the other hand, is largely gender-neutral unless it overlaps the filter of tradition.

3.2.1.1 Regulatory filters affecting starting a business

Women's ability to start a business is directly influenced by their capacity to register the business – *filtered by the regulations pertaining to the registration procedure for starting a business* – and is indirectly influenced by their capacity to own property⁷ – *filtered by the regulations pertaining to the registration of property* – and by their capacity to obtain start-up capital – *filtered by the regulations on obtaining credit* (see Figure 3). The links between these regulatory filters and the aforementioned women's capacities are discussed in the following.

Regulations that affect business registration have a profound impact on whether businesses will be formalised or tend to remain informal. Interviews with entrepreneurs led to three conclusions being drawn. First, when the registration process is easy and quick, more women tend to register businesses. The cost of registration is not really an issue. Related to this is the second conclusion: most of the respondents with formal businesses paid an official at the registration centre to facilitate registration for them. The conversations revealed that this form of bribery is considered normal. Third, although small businesses whose clients demand proof of transaction clearly benefit from business registration, the advantages seem less obvious in the case of micro-entrepreneurs. For them, registration merely places the business on the tax authorities' radar screen.

There appear to be two fundamental levels of enterprise formality in Ghana. The first level of formality (here termed "semi-formality") comprises payment to the Metropolitan Assemblies (MAs) of the district where the busi-

7 Property can be used as the location from which they run their business or as collateral for obtaining start-up capital.

ness is located. Payment to the MAs can be made in the form of small daily amounts (the method most suitable and affordable for micro-entrepreneurs) or quarterly (most appropriate for small, medium and large-scale entrepreneurs, who have to pay larger amounts).⁸ Collection by the Metropolitan Assemblies, however, is not regular or consistent everywhere. Philomena Dsane of the NBSSI explained the purpose of the Metropolitan Authority (MA) payments. She said that they go directly to the city council. Payments to the MAs are almost always very small because they are made mostly by micro and small enterprises operating near the city. Stall-owners in the Makola market in Accra who want to sell in designated areas are required to pay a fee, or the MA has the right to confiscate the goods on sale. Those who have paid receive as proof a sticker to be attached at their stall entrance. The money is intended to pay for the cleaning and upkeep of the market. *Unfortunately, entrepreneurs interviewed for the case studies do not see any advantage in paying the MA, since their payments do not bring any perceptible improvements in their situation.*

The higher level of formality (in the following termed “formality”) is registration with the Central Business Registrar located in Accra (CBR). This entails registering a unique business name and the one-time payment of a registration fee. Once a business is registered, it is liable to pay tax to the Internal Revenue Service (IRS). While having a business registered at this level entails costs consisting of the registration fee and transactions costs and in the greater likelihood of having to pay taxes to the IRS, it also has some advantages, such as access to potentially attractive markets where registration is required (see the following example):

Most buyers from outside Ghana feel more comfortable when they deal with a legally registered business. You have a premise where you could be reached. You have a phone where you could be reached. In the National Association of Handicrafts Exporters we decided that if you want to join the association, you have to present company registration papers and an account for the company opened through Prudential Bank. The company sends someone to your business office to make sure that you really have one. With this kind of business (handicraft exporting) I think it pays off to officially register the business. (Georgina Adjasoo, Ghanaian handicrafts seller and exporter)

8 Some micro-entrepreneurs attempt to evade payment to the Accra MA or Tema MA, which often results in a cat-and-mouse chase in the central Accra market.

From the interviews it became clear that what entrepreneurs do not like about the Ghanaian business registration process is not that it is expensive, but rather that it is very cumbersome. Registration requires many different documents from different agencies scattered all over the city. Entrepreneurs may experience lost opportunities and income? If the registration procedure is lengthy. Bribing an official of the Central Business Registry to speed up the registration process is the other option. Bribery *seems to be so institutionalised that it is almost regarded as routine by most of the entrepreneurs interviewed*. Most of the women with relatively new businesses mentioned paying a CBR official – in addition to the actual registration fee – a bribe to facilitate their registration processes. According to entrepreneurial experts, if the official is paid enough, he or she will even deliver the completed documents to the entrepreneur's house. Rejoice Adjazoo, owner of Mamaree's, a well-known local producer and exporter of batik articles, recalls:

"At this time I also decided to register myself as a small company called Mamaree Textile Enterprises. It was very easy. I just went to the business registrar's office and some young man did it all for me, I just paid him money. He had all the documents ready in no time and my business was registered." (Rejoice Adjazoo, batik cloth producer)

When the Ghanaian government introduced computerised business registration in 2006/07, formalisation became quicker and easier. Many entrepreneurs whose businesses were registered under the new business registration system were full of praise for the new, more efficient process.

"I did not experience any problem with the new registration system. You fill up the forms, pay money and within 1–2 weeks you have your business registered. I didn't pay any bribe." (Eva Amakye, Ghanaian handicrafts seller/exporter)

It should be noted, however, that the majority of women running small and medium enterprises do not have access to the internet because of the poor infrastructure in the country. Moreover, the low levels of education among women make it difficult for them to understand the process of completing forms online.

Land or real estate is the collateral most commonly expected of prospective commercial bank borrowers, whether for a business start-up, business expansion or the purchase of materials and goods. Real estate can also be

used as a business location. Thus, regulations on property ownership impact not only on women's capacity to own land but also on their capacity to start (and run) businesses. Here, two types of regulations are relevant: (i) regulations that determine the cost of and time taken by the bureaucratic procedure for registering property, as measured in *Doing Business*; (ii) regulations that seek to give women equal rights with respect to land ownership.

The practical nature of these regulations and their influence on women entrepreneurs could not be analysed directly in the case studies, because none of the women interviewed for the research owned land registered in their name. However, this leads on to another important finding: women rarely own property that might be used as collateral. This is due to traditional inheritance and intra-family ownership patterns rather than regulations of the aforementioned type (i) – regulations are largely gender-neutral – and even less type (ii) regulations. Since the respondent sample was not representative, we cannot claim generalisation of this result on statistical grounds. Nevertheless, as the women interviewed in the study were selected from very different backgrounds (formal and informal businesses, as well as a range of micro, small and medium-sized enterprises), their lack of land ownership appears to be conspicuously common. This conclusion is corroborated by studies carried out by Akua Duncan / Brants (2004); Bortei-Doku (2002) and Duwuona-Hammond (2008), which find that Ghanaian women seldom own property titles. Their research confirms that regulations pertaining to women's access to land titles in Ghana are adequate and in place, but tradition still tends to dominate land inheritance practices.

As far as regulations on obtaining credit are concerned, the research produced no evidence that the type of regulations measured in *Doing Business* (concerning the legal protection of lenders and borrowers, credit information and credit registries) had discrimination against women built into them.

3.2.1.2 Traditional filters affecting starting a business

Besides the aforementioned traditional inheritance and intra-family ownership patterns that discriminate against women, the following elements filtered by traditions influence women's ability to start a (formal) profitable business: access to (family) networks that provide credit, women's traditional roles in the family and, related to this, the need for part-time or flexible employment, and women's access to (higher) education.

When commercial banks turn them down, Ghanaian women entrepreneurs use own savings, or turn to family, friends and relatives for financial support to start businesses. Joan Johnson was fortunate enough to have a mother who worked as an accountant and supported her financially until her handicraft business took off. Mercy Alorvi could not depend on her parents for financial support to start her own sewing shop, because she had several younger siblings whom the parents were also supporting. She used to walk to and from work and to go without meals in order to save enough of the income she earned from her former employer to buy her own machines and fabrics.

A form of microfinance that seems to be favoured by female respondents with informal enterprises is *Susu*. *Susu* is a traditional informal banking system in West Africa that dates back to the 16th century. This microfinance system is characterised by the daily or weekly collection of deposits, which are safeguarded and made available to the depositors when required or to borrowers for a fee (Alabi /Alabi / Akrobo 2007). Studies on the role of *Susu* show that the system generally contributes to the development of micro and small-scale enterprises in Ghana. However, the structure and procedures within the *Susu* system favour the development of unorganised informal enterprises rather than formal and organised businesses (Alabi / Alabi / Akrobo 2007).

One factor clearly influencing the decision to become an entrepreneur (whether formal, semi-formal or informal) or to find employment is women's need for time flexibility. As Ghanaian tradition works along biological and cultural lines, the woman is almost always responsible for most of the housework. As employment takes time away from household chores and responsibilities, Ghanaian women prefer to engage in an economic activity that does not compromise their traditional role in the home. This could partly explain the high incidence of informality among women in the country, according to Dr William Baah Boateng, labour expert at the University of Ghana. Although informal entrepreneurship or self-employment allows women the flexibility that they need to cope with their roles as wife/mother/daughter and entrepreneur, incomes from informal activities are extremely variable and social security is limited. This fact does not seem to deter any of the informal entrepreneurs who were interviewed.

Education is one of the strongest factors affecting women's capacity to start profitable businesses and their propensity for formalisation. All the entrepreneurs interviewed whose businesses were formally registered had continued in education until at least the secondary level. Many had university degrees that were helpful or related to their current businesses. In contrast, entrepreneurs with informal businesses had had education up to secondary or vocational level. In particular, women with small enterprises who were on the brink of formalisation had completed secondary or vocational training, while women with micro enterprises had attended basic school, or had not had any education at all.

Although the Ghanaian government has now passed laws that allow equal access to primary education for boys and girls, the ultimate decision to send a child to school still rests with the parents. Dr Elisabeth Asante of the ISSER at the University of Ghana in Legon said that it is common for educated parents to send all their children to school, regardless of gender. When the parents themselves are not educated, they prefer to see their sons educated.

When girls do go to school, they tend to leave after secondary education to marry or engage in economic activities (Agboli 2007). Early marriage is common in Ghana because a woman's ability to produce heirs for the lineage is highly valued in the country. Girls want to earn money early to supplement the family income, to sustain the immediate family and relatives, to provide for children's education, to offset the high cost of living and education and to achieve financial independence (Dzisi 2008).

3.2.2 Running a business

When a business, whether formal or informal, is up and running, the female entrepreneur is confronted with a whole new set of obstacles, rooted in both legislation and tradition. The most pertinent of these obstacles for the women interviewed were access to credit to expand the business – which is closely related to property ownership – and the capacity to pay taxes.

3.2.2.1 Regulatory filters affecting the running of a business

As already mentioned above, obtaining credit from commercial banks in Ghana appears to be difficult for both men and women. This research shows

that the problem of accessing finance is systemic rather than directly gender-specific. The banking system appears not to be geared to small enterprises and is characterised by high interest rates, stringent loan requirements and limited willingness to take risks. The factors underlying this phenomenon are beyond the scope of this study. What is known, however, is that because commercial banks commonly accept property as collateral, women find it more difficult than men to take out loans: as tradition plays a fundamental role in the way in which land rights are determined, many women do not own property that can be used as collateral (Hampel-Milagrosa 2008b).

None of the women entrepreneurs who were interviewed for the study own property registered in their name, which made it more difficult for them to obtain credit from commercial banks. This leads women to seek out other forms of financing, such as private credit facilities, their own savings and borrowing from family and friends as well as the traditional *Susu*. Joyce Bortei, a herbal medicine manufacturer in Sakomono, tried to borrow money from the bank after having her business registered, only to be turned down because she had no collateral.

“I thought after registering [the business] it would be easy to get a loan, but I could still not go for a loan. I didn’t have a bank account with the bank yet, and even if I did, I didn’t have collateral. Everything, even the car I drive is named under my husband. So I started banking with a small private credit facility [forma]⁹. I started contributing small money, and after a while I am entitled to borrow 500 GHCD already. I didn’t go to a commercial bank anymore.” (Joyce Bortei, herbal medicine and supplements manufacturer)

Antonia Brookman, a formal detergent manufacturer in Tema, suspects that banks intentionally make it impossible for women to borrow from them by requiring collateral in the form of assets which women do not own.

9 A private credit facility is not a commercial bank. It is privately owned and relies on savings and loans, rather than wide-ranging investments to survive. It could be referred to as an institutionalised and legalised form of *Susu*.

“I tried a number of times to apply for a loan but didn’t get even a quarter. They [the banks] tell me to bring collateral that I can’t provide. For example, last year I wanted to borrow 3000 GHCD because I wanted to import detergent chemicals from Holland. They told me to bring a Toyota Prado as collateral, which of course I don’t have. Even if I had it, half a Toyota Prado is much more value than the 3000 GHCD which I want to borrow. They make it intentionally hard, asking you for impossible collateral, so that you cannot borrow money. One time they asked for land and I don’t even have land. Sometimes they ask for buildings as collateral as well.” (Antonia Brookman, detergent manufacturer)

Taxation is another aspect in *Doing Business* that Ghana seems to have problems improving. Interviews with respondents showed that the Internal Revenue Service (IRS) is one of the most misunderstood government agencies in the country. None of the formal entrepreneurs covered by the study fully understood the method by which their business taxes were calculated. All of the respondents who owned a formally registered business complained about the lack of transparency and certainty in dealings with the IRS. Georgina Adjasoo, a handicrafts shop owner and exporter, relates:

“Taxation in Ghana is very tricky. I’m still not sure how taxes get calculated. Sometimes we go for one year without any export sales and we still get taxed. I open my post office box and there will be a letter from the Internal Revenue Service saying we owe them 500 GHCD even if I might not have earned that money in the previous year. We normally don’t ask because we don’t know whom to ask. They don’t have hotlines here for those kinds of stuff.” (Georgina Adjasoo, Ghanaian handicrafts seller/exporter)

Although the tax authorities are not forthcoming with clarifications, many taxpayers nonetheless appreciate the fact that business-owners are allowed 18 days to submit a complaint contesting the amount of business tax they have been charged, if they feel it is not justified by past income. However, some formal entrepreneurs interviewed who had personally inquired about taxes reported being overwhelmed by the figures and terminology used to explain how their taxes were computed. The issue becomes even more complicated for the many Ghanaian women entrepreneurs who do not have higher education.

According to a 2007 study by the International Finance Corporation (IFC) and the MOWAC, several women who were surveyed complained that a

lack of tax information from the IRS and unpublicised changes to rules and rates were a challenge to their business operations (Agboli 2007). In the same study, several women also complained of being treated arbitrarily by tax officials, but this was not reported by any of the respondents we interviewed. Businesswomen interviewed for the present study claimed that they received the same kind of treatment from the IRS as everybody else. Our research appears to show that the problem with taxation, like finance, is systemic rather than gender-specific. Nevertheless, it is plausible that women, being, on average, less well educated, experience more problems than men when dealing with the cumbersome and intransparent procedures for paying taxes in Ghana.

3.2.2.2 Traditional filters affecting the running of a business

Although women have often been described as soft targets (Ellis / Cutura 2007; WB / IFC 2007), women entrepreneurs interviewed for this research did not specifically mention any experience of discrimination by government authorities. However, some had been treated unfairly by customers, clients and colleagues because of their gender. Faustie Agbeme, who owns a small store in Ama Saman, where she sells household items and food, had had customers who did not pay for items. Augustina Coleman, an iced water seller in Lom Nava, refused to bring a legal action against her friend's son, after discovering that he had stolen some of her jewellery, which had resulted in a huge financial loss for her business. Freda Mensah, who runs a school in Asofaa, in the Accra suburbs, has experienced parents taking their children out of school after failing to pay the school fees. This had left her with huge debts and unpaid staff.

Of all the women interviewed, Antonia Brookman stood out for her experience of discrimination because of her gender. She recalls two instances when being a woman proved to be a hindrance in her business.

“There were only two instances when I felt discriminated because of my womanhood. The first time was when I was meeting with a client who was praising my product, saying it was good and he liked it a lot. He said he would like to talk to the owner of the company. I said I am the owner of the company, and he said he does not buy from women. So he didn't make the order at all. The second time was when we were going for a contract with a hospital. The purchasing officer was praising the product, had the initial

payment check and contract ready for us. When he learned that I was the business owner, he refused to make the contract; he said he would rather give the contract to a male. I am a female and my husband will feed me, so I don't need the money. The male business owner, however, is the head of the family and will need the money more than me. He said women just need to be cool and not go up and down Doing Business. So in the end the contract was awarded to the male opponent, not to me. Because of this experience, every time there is contract bidding, my husband goes to those events and acts as the company owner.” (Antonia Brookman, detergent manufacturer)

3.2.3 Finding formal employment

Women's participation in the formal labour market in Ghana is influenced by labour regulations and their need to fulfil their domestic duties.

3.2.3.1 Regulatory filters in finding formal employment

The lack of job opportunities in the public and private sector in general makes it exceedingly difficult for the few young women who manage to obtain a university education to find formal employment. Furthermore, fewer women have the opportunity to participate in any type of formal employment, not because of the lack of laws protecting women workers but rather because of regulations that impose additional costs on firms, which makes it unattractive for them to hire women:

“The Ghanaian constitution and Ghanaian laws have special provisions for women that ensure gender equality. The laws that we have are more than enough, but enforcement is the question. Remember that employers are profit maximisers. A woman employer will not hire other women who are fresh graduates (around 23 years old) because you could expect that the woman employee to get married and have kids within four years after graduation. Because the Ghanaian government has laws that support childbearing women, and this translates into costs for the firm, the woman employer would rather hire a male graduate than the female graduate in order to avoid these costs. We have to put measures in place that avoid such a situation in order to effectively reduce the 90 per cent of Ghanaian women who are in the informal sector.” (Dr William Baah Boateng)

According to interviews with two Ghanaian labour experts, the formal labour market actually seems to be overregulated, which makes it especially difficult for women of childbearing age to enter it.¹⁰ A look at Ghanaian labour laws reveals regulatory protection for both pregnant women and mothers. For example, Article 56 (Protection of pregnant women) of the Labour Act of 2003 (Act 651) states that an employer cannot assign a pregnant woman outside her place of residence after the fourth month of pregnancy if the midwife deems it detrimental to the pregnant woman's health. A pregnant woman may file a written complaint with the Labour Commission against any firm that contravenes this provision.

Article 57 (Maternity, annual and sick leave) of the Labour Act states that an employee who gives birth is entitled to 12 weeks of paid maternity leave and other benefits that accrue to the mother at this time. The mother is entitled to extended maternity leave if the birth was abnormal (caesarean section), twins were born or the birth causes illness. Nursing mothers are allowed to interrupt work for an hour during their working hours to nurse their babies. This interruption is considered working time and the firm is required to pay for it as such. Employers are not permitted to assign female employees with children less than eight months old to overtime work or to dismiss a woman who has been absent from work on accrued maternity leave.

Clearly, one underlying problem with Ghanaian labour market regulation is that the employer has to shoulder part of the cost of "childbearing". As profit maximisers, firms would naturally prefer to avoid such costs, which partly explains their reluctance to hire women of childbearing age. Thus, in line with the view taken by *Doing Business*, it appears that Ghanaian women could benefit from the relaxation of labour legislation and the consequent reduction of the maternity costs to be borne by firms and, in general, an increase in job mobility through more flexible regulations.¹¹ Alternatively, the costs associated with childbearing could be borne by the social

10 Furthermore, according to Dr. William Baah Boateng, employment mobility in Ghana's formal labour market is relatively low because of strong and active labour unions keen to safeguard workers rights.

11 Ghana's performance in *Doing Business* in the area of employing workers is volatile. The country slipped in the rankings from 120th to 135th between 2007 and 2009, but rose again to 133rd in DB 2010. The current cost to the employer of dismissing a worker is equivalent to 178 weeks' salary.

security system, since childbearing is in the interests of the whole of society. Consequently, women in Ghana could also benefit if the social security system was expanded in this way.

3.2.3.2 Traditional filters affecting the finding of employment

Patrice A. Caesar-Sowah, National Project Officer in charge of Youth Employment and Women's Entrepreneurship of the International Labour Organization's Decent Work Country Programme in Ghana, argues that, although education is a strong determinant of women's success as employees or as formal entrepreneurs, tradition still has strong influence on finding employment. He said that Ghanaian men would like to be the "head" of the nuclear family, and most men believe that, if their wives are empowered financially (through formal employment), they may not respect their husbands any more. He took the view that Ghanaian men needed to feel in command at all times and feared that, if the wife earns more than her husband, society would see the latter as no longer being in charge of his household.

As mentioned above, the woman is responsible for most of the housework, and this, too, is a factor that influences women's formal employment. Susan Langmangne, a former programme manager at the crisis centre, legal centre and shelter for abused women at the Ark Foundation in Accra, explains that Ghanaian culture has sharply defined roles for men and women. Men are tasked to be breadwinners and heads of families, while women are meant to submit to and obey their husbands, cook, take care of the children, wash clothes and clean the house. These tasks are performed not only for the nuclear family but also for the extended family, particularly when a member of the extended family is sick. Women should make the household work and complete her chores, either by working longer hours or looking for household help. This was reflected in the interviews we conducted. Although labour is cheap in Ghana, striking a balance between work and business has been a problem for some women entrepreneurs.

To sum it all up, regulatory filters influencing the starting and running of a business are, in themselves, more or less gender-neutral. This does not appear to be true of labour legislation, which – in the absence of a proper social security system that meets the labour-related cost of childbearing and of a change to society's conviction that this "cost" must be borne by the family, and particularly by the women in the family – seems to deter employers from formally hiring young women.

Traditional filters that influence or overlaps with regulatory filters tend to lead to gender discrimination. For example, regulations concerning property ownership clearly contradict traditional male-biased inheritance practices. This conflict impacts two other capacities and regulatory areas: women's capacity to start a business and to have access to credit. Some problems are systemic rather than gender-specific. For example, the lack of transparency of the Ghanaian taxation system, the inflexibility of commercial banks and the lack of opportunities in the job market all tend to influence women's economic productivity, but appear to form part of wider structural problems.

3.3 Conclusions drawn from the case studies

The results show that regulation and tradition both play a significant role in filtering women's capacity to participate productively in the economy. It is not easy to determine precisely what influence regulatory filters and traditional filters have on women, since they tend to overlap. Somewhat simplistically, it can be said that regulations as such on starting a business, registering property, accessing credit and paying taxes are more or less gender-neutral (this is different in the case of employing workers, where the current regulations, in the absence of a proper social security system, seem to act as a barrier to young women wanting to enter the formal labour market; see above). However, traditional filters interact with regulations on the capacities that women need to participate in economic activities. In general, they have built-in discrimination against women, as the following shows:

With regard to property registration, despite the passing of laws specifying equality of land and property ownership rights, male preference in inheritance and titling practices continues to prevail. This deprives women of legal property that they could use later as collateral when applying to commercial banks for loans.

In general, access to commercial credit is difficult in Ghana, for both formal and informal entrepreneurs and for both men and women. However, the lack of registered land and property in women's names makes access to finance more difficult for them because land is the form of collateral most commonly accepted in the country. Owning titled property is therefore decisive, and as women seldom own titled land, they are clearly disadvantaged when it comes to obtaining credit. This situation is due less to cumbersome property registration regulations than to the consequences of a tradition that gives men preference over women in matters of property.

The need to produce heirs for the lineage and to augment family income at an early age takes young women out of schools, leaving them less qualified for formal employment. This lack of education also makes it more difficult for women to understand regulations that influence their businesses or to seek ways of obtaining information. The few women who are educationally qualified for wage employment have difficulties finding jobs not only because labour regulations deter employers from hiring young women but also because there are fewer jobs available in the market and society sees families and particularly women as being responsible for meeting the cost of childbearing. Women's full productive potential cannot be realised because women, whether entrepreneurs or employees, are expected to perform the bulk of domestic tasks despite the responsibilities they have in their enterprises or employment. The combined effects of low education, the desire to earn an income at an early age, the few positions available in the formal job market, the lack of financial capital and the need to balance work and family life leads to an ever growing number of women in the Ghanaian informal economy.

4 Cross-sectional survey: approach, results and discussion

For Phase 2 of the research, a total of 303 entrepreneurs were surveyed, the minimum initially targeted for interview having been 120. *Firstly*, we adopt Moore and Buttner's (1997) definition of entrepreneurs, which was subsequently endorsed by the OECD (OECD 2004). The attributes of an entrepreneur to be interviewed were as follows:

1. She owns all of her business or is the majority shareholder (50 per cent).
2. She started the business and is actively involved in its management.
3. The business is located in the area under investigation and has been in operation for at least a year.
4. The business venture exhibits entrepreneurial features.

Secondly, in order to make a distinction both between males and females and between formal and informal entrepreneurs and to have a statistical minimum, the planned 120 survey respondents were divided into formal and informal, male and female entrepreneurs. The statistical minimum was

set at 30 to allow the data to be tested statistically. Thus the plan was to have at least 30 respondents for each case. The cases are as follows:

Case 1 = formal male entrepreneurs

Case 2 = informal male entrepreneurs

Case 3 = formal female entrepreneurs

Case 4 = informal female entrepreneurs

Thirdly, we then selected the areas where the entrepreneurs could be found. From background literature we knew that up to 85 per cent of the Ghanaian female labour force is employed in the private sector. Women dominate the services and trading industry, mainly in the form of the informal petty trading and hawking of highly perishable, low-profit goods. Women in the services sector are involved in small-scale catering services or bakeries, dressmaking, hairdressing and restaurant management. Women in the trading sector are involved in the wholesale and retail trade in hair products and cosmetics, fabrics, imported food, beverages, clothing and accessories for adults and children, foodstuffs, kitchenware and jewellery (Dzisi 2008).

Such activities imply that these formal and informal enterprises are located in or near one of the many large markets in the several city centres, and this is confirmed by our previous study (Hampel-Milagrosa 2009b). It was therefore decided to interview formal and informal entrepreneurs spread among the six largest market areas in Accra. Focusing the research area in and around the markets would allow the research to maximise the number of interviews of targeted formal and informal, male and female entrepreneurs, given the limited time and financial resources available to the project. The six largest Accra markets are:

1. Makola Market on Kojo Thompson Road
2. Makola Shopping Mall
3. Agboghloshie Market on Fadama Road
4. Kaneshie Market Complex on Mallam Odorkor Road
5. Kantamanto Market in Central Accra
6. Accra National Arts Centre

The capital city of Accra was selected as the area of study because of the availability of a list of registered entrepreneurs in the city. Accra also has a huge informal economy, which could be tapped for the survey. Several national and international agencies also located in Accra were possible sources of secondary information for the research.

Fourthly, local enumerators, who also served as interpreters, were recruited to conduct the survey. Five research enumerators (four women and one male) were hired through the Institute of African Studies (IAS) at the University of Ghana, Legon. All have bachelor's degrees, and at least two have master's degrees. Three of the five enumerators work at the University of Ghana and have prior field research experience in various projects.

Fifthly and finally, one full day was devoted to explaining the project and the questionnaire to the enumerators. The afternoon of that day was spent pre-testing and finalising the semi-structured questionnaires used for the survey. The survey instrument is divided into four parts: 1) general information about the enterprise, 2) information about regulatory and traditional factors affecting the starting and running of a business and 3) general information on the enterprise owner. Data were entered into the Statistical Package for the Social Sciences (SPSS) and Stata databanks at the German Development Institute's office in Bonn in June and July 2010.

The survey was successful, and the minimum targeted interview total was exceeded. Table 4 shows the targeted and actual interview distribution.

	Actual Male (Target)	Actual Female (Target)	Actual Total (Target)
Formal	58 (30)	81 (30)	139 (60)
Informal	52 (30)	112 (30)	164 (60)
Total	110 (60)	193 (60)	303 (120)
Source: Own survey			

It should be noted that the sample consisted entirely of entrepreneurs located in the largest markets in Accra and its environs. The limited population pool does not allow the findings of the study to be generalised for all small and medium enterprises in Ghana. The results of the study, however, provide important information on current Ghanaian entrepreneurship.

The following subsections report the results of the survey of 303 (110 male and 193 female) Ghanaian entrepreneurs. It begins with a description of business and entrepreneur profiles, which is followed by results showing traditional and regulatory dimensions of starting and running businesses in Ghana. This section ends by testing a model on the decision-making process surrounding business formalisation and correlating entrepreneurial income with registration and entrepreneurial characteristics.

4.1 Ghanaian business and entrepreneur profiles

The research targeted the six largest markets in the Accra area in order to cover both formal and informal respondents. *Final survey results succeeded in covering those six markets and two additional markets in Accra's environs.* Thus, instead of only six markets, a total of eight markets/areas were covered by the study. For convenience, the research will refer to the “market areas” where the markets are actually located, rather than referring only to the physical market itself. The eight areas surveyed in the study are presented in Table 5. Seven of the survey areas are located in Greater Accra, one a few kilometres outside the city.

Most of the respondents come from the Okponglo and Kaneshie Madema areas, followed by respondents from the Madina and Makola areas. Only five respondents from outside Accra were interviewed.

Table 6 shows the types of business and sectors of industry. Although a wide range of formal and informal entrepreneurial types were covered by the study, women were still found predominantly in the trading sector. Over 60 per cent of respondents were engaged in the wholesale and retail trades. Most entrepreneurs sell provisions (an assortment of small, cheap products, such as food, office items and household goods) and various kinds of food and beverages on the street or from semi-permanent stalls.

Our findings reflect earlier research showing that Ghanaian women cover the majority of manufacturing, wholesale and retail trading activities, but

Table 5: Survey location			
Location	Male entrepreneurs (as % of total male respondents)	Women entrepreneurs (as % of total female respondents)	Total (as % of total respondents)
Okponglo area ^a	22 (20%)	47 (24%)	69 (23%)
Haatso area ^b	8 (7%)	14 (7%)	22 (7%)
Madina area ^c	20 (18%)	35 (18%)	55 (18%)
Achimota area ^d	13 (12%)	14 (7%)	27 (9%)
Kaneshie Madama area ^e	26 (24%)	43 (22%)	69 (23%)
Circle area ^f	4 (4%)	18 (9%)	22 (7%)
Makola area ^g	14 (13%)	20 (10%)	34 (11%)
Accra environs ^h	3 (3%)	2 (1%)	5 (2%)
Total	110 (100%)	193 (100%)	303 (100%)
a Includes: Okponglo, Legon, Mampeasem, Dzorwulu and Bawaleshie b Includes: Haatso, Kwabenya, Dome, Frafraha, Abogba, and Ashongman c Includes: Madina, Adenta, Ashale Botwe, Gbawe, Ashiyie, Abokobi, and Amrahia d Includes: Achimota, Tesano, Lapaz, Tantra, Taifa, and Ofankor e Includes: Kaneshie, Fadama, Mataheko and Aboso Okai f Includes: Circle, Pig Farm, Newtown, Mallam Attah, Kokomlemlé, Nima and Kanda area g Includes: Tudu, 37 and Accra center h Includes: Tema, Cape Coast and Obeyeyie			
Source: Own survey			

work mostly in the informal sector (see WB / IFC 1999; Dzisi 2008). Our study also showed that most Ghanaian women are involved in the low-productivity, small-scale trading and hawking of highly perishable low-profit goods.

A substantial proportion of the entrepreneurs (22 per cent) were found to be engaged in the services sector, e.g. hair salons/barbershops and dressmaking/tailoring. A total of 5 per cent of all the entrepreneurs surveyed were involved in the manufacturing of wood products/handicrafts and in construction businesses. Several innovative entrepreneurial endeavours were identified in the survey, including the rental of mobile phones for short phone calls, official photography for identity cards/passports, video record-

Table 6: Types of businesses and industry sectors		
Industry sectors	Type of business	Number of entrepreneurs
Trading (Wholesale/retail)	Provisions	186 (61 %)
	Electrical products distributor	
	Local and international food products (import and export), Bakeries	
	Beverages (alcoholic and non-alcoholic)	
	Stationary / printing paper distributor	
	Disinfectant distributor	
	Mother and infant products sales	
	Pharmacy	
	Herbal product distributor	
	Local and imported clothing (men's, women's, children's, 2nd hand.)	
	Ladies accessories (shoes, sandals, bags, perfume)	
	Optical shop	
	Poultry farm	
Manufacturing	Wood products, furniture	15 (5 %)
	Guitar drums/ musical instruments	
	Batik, Beads	
	Bowls, Bags	
	Kente Loom	
Construction	Cement dealer	16 (5 %)
	Aluminium fabrication	
	Construction	
	Floor tiles distributor	
Services	Hairdresser / Barbershop	66 (22 %)
	Dressmaking / Tailoring	
	Day care centre	
	Real estate selling	
	Welder	
	Car seat cover making	

Industry sectors	Industry sectors	Industry sectors
Services (cont.)	Car engine mechanic	
	Car spare parts	
Communication	Mobile phone distribution	8 (3 %)
	Mobile phone rental	
	Phone units /top-up	
Others	Photography/video editing and production	12 (4 %)
	Management of Guest House	
	Renting of chairs and canopies for functions	
	Gas station	
Source: Own survey		

ing for special events and the renting out of chairs and canopies for weddings, parties or wakes. Entrepreneurs were asked to identify the type of business they owned. The results are shown in Table 7.

Legal type	Male entrepreneurs (as % of total male respondents)	Women entrepreneurs (as % of total female respondents)	Total (as % of total respondents)
Sole proprietorship	89 (81 %)	172 (89 %)	261 (86 %)
Partnership	19 (17 %)	19 (10 %)	38 (13 %)
Corporation	2 (2 %)	2 (1 %)	4 (1 %)
Total	110 (100 %)	193 (100 %)	303 (100 %)
Source: Own survey			

The most common type of ownership among Ghanaian entrepreneurs is sole proprietorship (86 per cent), followed some distance behind by enterprises shared with business partners (13%). Broken down by gender, more women entrepreneurs are the sole owners of their enterprises than men (89 versus 81 per cent), while more male entrepreneurs have business partners than women (17 versus 10 per cent).

There are over 100 ethnic groups to be found in Ghana, and the urban centres are the usual melting pots of ethnicities. Our survey in the greater Accra area alone detected over 42 tribes. These were grouped according to major ethnic affiliation and are shown in Table 8.

Table 8: Distribution of survey respondents according to tribe			
Tribes	Male entrepreneurs (as % of total male respondents)	Women entrepreneurs (as % of total female respondents)	Total (as % of total respondents)
Akan ^a	68 (62 %)	107 (55 %)	175 (58 %)
Ewe ^b	21 (19 %)	36 (19 %)	57 (19 %)
Ga/Adangbe ^c	12 (11 %)	20 (10 %)	32 (11 %)
Northern ^d	6 (5 %)	14 (7 %)	20 (7 %)
Others ^e	3 (3 %)	16 (8 %)	19 (6 %)
Total	110 (100 %)	193 (100 %)	303 (100 %)
a: Includes: Fante, Akuapim, Brong, Akim, Ashanti, Nzema, Kwahu, Tanoso, Sefwi, Anyinam, Ebo, Winneba, Sunyani, Central, Lacteh and Akyem			
b: Includes: Ewe and Anlo			
c: Includes: Krobo and Ga			
d: Includes: Wa, Frafra, Chamba, Dagomba, Baasa, Kotokoli, Gonja, wangara, Busanga, Mamprusi, Dagbani, Northern and Bolga			
e: Includes: Hausa, Yoruba, Fulani, Akepe and Muslims			
Source: Own survey			

The Akan, the largest tribe in Ghana, come from the Ashanti region. The Ewes originated from south-eastern Ghana and from southern Togo and Benin. The Gas are located mainly in the Accra Plains, while the “Northern” tribe is an agglomeration of tribes from the Northern region of Ghana.

In Ghana, ethnicity is closely linked to lineage, and lineage is linked to inheritance practices (see Akua Duncan / Brants 2004; Kuenyehia / Ofei-Aboagye 1998; Kotey / Tsikata 1998; OECD 2010b; Ray 2003). It was therefore important to determine the lineage of the respondents so that it might be linked to asset ownership later. Table 9 shows the distribution of respondents according to lineage.

Almost 60 per cent of the respondents were from matrilineal lineages and mostly from the Akan ethnic group. Although most tribes in Ghana are of patrilineal heritage, entrepreneurs from male-biased lineages comprised only about 40 per cent of the respondents.

Lineage	Male entrepreneurs (as % of total male respondents)	Women entrepreneurs (as % of total female respondents)	Total (as % of total respondents)
Patrilineal	41 (37%)	86 (45%)	127 (42%)
Matrilineal	69 (63%)	107 (55%)	176 (58%)
Total	110 (100%)	193 (100%)	303 (100%)
Source: Own survey			

Table 10 shows the characteristics of Ghanaian entrepreneurs – broken down into general characteristics, social capital and perceptions – distinguished by gender. The same table also shows gender-disaggregated enterprise characteristics. Asterisks denote whether the variable values are significantly different as between males and females.

In terms of *entrepreneurs' characteristics*, significantly more male entrepreneurs have a high level of education than females. Significantly more male entrepreneurs also reported other sources of income than their female counterparts. The 2000 Ghana census showed a 45.7 per cent literacy rate among Ghanaian women 15 years old and above and a literacy rate in the Ghanaian and English languages of only 27.2 per cent (OECD 2004; UNIDO 2001). Although Ghanaian girls outnumber boys at pre-school, primary and middle school level, female enrolment in secondary school and above fell far short of the male enrolment rate, only 3.5 per cent of eligible Ghanaian females attending tertiary institutions (Ghana Statistical Service 2000). One negative effect of lower educational attainment is that fewer women find themselves in high skill- and knowledge-based industries, but rather outnumber men in informal private-sector or informal self-employment (IFC 2007).

In terms of *social capital*, significantly more male entrepreneurs than women claim to trust the office of the RG. This finding confirms previous social capital studies that have successfully correlated higher levels of trust of political institutions with higher educational attainment (Hampel-Milagrosa 2007; Alesina / Ferrara 2000; Brehm /Rahn 1997).

Table 10: Descriptive statistics of Ghanaian entrepreneurs by sex										
Variable	Male Entrepreneurs n=110 observations					Women Entrepreneurs n=193 observations				
	Mean	Std Dev	Min	Max		Mean	Std Dev	Min	Max	
Entrepreneurs' characteristics										
Age (years)	39.45	10.83	18	80		40.20	9.56	20	66	
Highest finished level of education (0=None, 1=Elementary, 2=High School, 3= Vocational/Technical, 4=University, 5=Graduate)	2.54***	1.17	0	5		1.66***	1.05	0	5	
Social status (1=Single, 2=Married, 3=Separated/divorced, 4=Widowed)	1.93	0.55	1	4		1.91	0.69	1	4	
Tribes type (1=Patrilineal, 2=Matrilineal)	1.63	0.49	1	2		1.55	0.50	1	2	
Years being entrepreneur (years)	9.60	6.74	1	42		8.78	7.65	0.4	49	
Other sources of income (0=No, 1=Yes)	0.72*	0.45	0	1		0.61*	0.49	0	1	
Social Capital										
Do you trust the national Government (0=No, 1=Yes)	0.49	0.50	0	1		0.55	0.50	0	1	
Do you trust the Registrar General (0=No, 1=Yes)	0.78***	0.42	0	1		0.53***	0.50	0	1	
Do you trust the Internal Revenue service (0=No, 1=Yes)	0.54	0.50	0	1		0.51	0.50	0	1	

Table 10 (cont.): Descriptive statistics of Ghanaian entrepreneurs by sex									
Variable	Male Entrepreneurs n=110 observations				Women Entrepreneurs n=193 observations				
	Mean	Std Dev	Min	Max	Mean	Std Dev	Min	Max	
Enterprise characteristics									
Business establishment (1=Start business by myself, 2=Start business with a partner, 3= Buy business from someone else, 4= Inherit business)	1.33	0.68	1	4	1.29	0.73	1	4	
Sole ownership (0=No, 1= Yes)	0.81**	0.40	0	1	0.93**	0.26	0	1	
Legal type enterprise (1=Sole proprietorship, 2= Partnership, 3= Corporation)	1.22**	0.48	1	3	1.09**	0.29	1	2	
Business located at home (0=No, 1=Yes)	0.16	0.37	0	1	0.17	0.38	0	1	
Distance of business from home (hours)	0.66	0.67	0	5	0.60	0.68	0	4	
Net profit for 2009 (in Ghanaian Cedis) (with outliers) ¹	4274.19	15146.61	0	144000	3037.58	6685.76	0	60000	
Perceptions									
I want to have employment and financial independence (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.71***	0.59	2	5	4.38***	0.77	1	5	

Table 10 (cont.): Descriptive statistics of Ghanaian entrepreneurs by sex									
Variable	Male Entrepreneurs n=110 observations				Women Entrepreneurs n=193 observations				
	Mean	Std Dev	Min	Max	Mean	Std Dev	Min	Max	Max
Perceptions (cont.)									
I am open to innovation (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.54***	0.58	3	5	4.16***	0.75	1	5	5
I am motivated to succeed in my business (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.35	0.79	1	5	4.35	0.71	1	5	5
I want my work to fit my family life (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.35***	0.74	1	5	3.98***	0.78	1	5	5
Registering my business will benefit me (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.40***	0.75	1	5	3.46***	0.97	1	5	5
I want to increase my productivity (1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)	4.90*	0.39	2	5	4.77*	0.66	1	5	5

¹ Two outliers were one entrepreneur earning 144,000 Ghanaian Cedis/ year and another earning 60,000 Ghanaian Cedis per year.
Note: *, **, *** indicate 10%, 5% and 1% significance level respectively
Source: Own survey

Enterprise characteristics show significantly more women to be sole owners and sole proprietors of their enterprises than men. This could be because fewer women than men have other sources of income (partly attributed to their lack of education) and therefore devote most of their time to their enterprise.

Highly gender-differentiated results are found in entrepreneurial *perceptions*. Ghanaian males seem to have a more positive and confident outlook with regard to their personalities and enterprises than women. Male entrepreneurs consistently scored higher in their agreement with statements on financial independence, innovation, work-life balance, registration and productivity presented to them in the interview, women tending to be more pessimistic. According to Cutura (2007), another negative effect of a poor education is a person's lack of confidence in his or her own skills and knowledge as a basis for succeeding in business.

The research sought to identify the respondents' immediate reasons for becoming entrepreneurs. Their answers are shown in Table 11.

Roughly 40 per cent of both male and female respondents identified the need to have employment or an income as the factor that motivated them to start their own enterprises. This factor was frequently combined with other others. Other studies have shown that women in particular often choose to start their own businesses not because of any lofty entrepreneurial ambition but rather out of necessity: their work provides their families with much needed income (CIPE 2010).

Income reasons were followed at a distance by possession of the educational background needed to start a business. Most of those citing this reason were engaged in the services industry (hairdressers/barbers, dressmakers/tailors and automotive businesses). It should be pointed out that none of the entrepreneurs interviewed mentioned the desire to introduce a new product or method of production into the market – a proxy for opportunity entrepreneurship – as a motivating factor for business start-up.

To determine which personality traits underlie dimensions of Ghanaian entrepreneurship, principal component analysis was performed on aggregated entrepreneurial statements.¹² Four components were loaded from the

12 **Principal component analysis (PCA)** is a statistical procedure that converts a set of observations of possibly correlated variables into a set of values of uncorrelated variables called **principal components**.

Reason	Male entrepreneurs (as % of total male respondents)	Women entrepreneurs (as % of total female respondents)	Total (as % of total respondents)
I introduce a new good or new method of production in the market	0 (0 %)	0 (0 %)	0 (0 %)
I want to have employment / new employment / increase my income	45 (41 %)	78 (40 %)	123 (41 %)
I want to continue our family business	5 (4 %)	11 (6 %)	16 (5 %)
I have the education / interest / related experience	15 (14 %)	21 (11 %)	36 (12 %)
It allows me tie flexibility to manage family business	9 (8 %)	22 (11 %)	31 (10 %)
I want to increase my income and it gives me time flexibility	7 (6 %)	16 (8 %)	23 (8 %)
I have the needed education and it gives me increased income	12 (11 %)	21 (11 %)	33 (11 %)
I have the needed education, it increases my income and gives me time flexibility	10 (9 %)	19 (10 %)	29 (10 %)
Others (several reply combinations)	7 (6 %)	5 (3 %)	12 (4 %)
Total	110 (100 %)	193 (100 %)	303 (100 %)
Source: Own survey			

initial factor analysis. These components explain 63 per cent of the variance before and after Varimax rotation. To simplify the table, Kaiser criteria were excluded where initial eigenvalues were less than 1, and coefficients in the final rotated component matrix results were sorted by size.¹³ As shown in Table 12, four personality traits were found to be common underlying factors motivating Ghanaian entrepreneurship. These are arbitrarily labelled institutional trust, determination to succeed, long-term perspective and the value of networks.

13 The Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) is equal to 0.630 while the Bartlett's Test for Sphericity significance is at 0.000, both indicating that Principal Component Analysis would be useful for the data because they contain significant inter-variable relationships.

Table 12: Personality traits underlying Ghanaian entrepreneurship, rotated component matrix results

Statements	Component			
	Institutional trust	Determination to succeed	Long term perspective	Networks
I agree that the national government could be trusted	.861	0.132	-8.275 ⁻⁰⁴	5.971 ⁻⁰²
I agree that the Registrar General for business could be trusted	.843	-.154	5.915 ⁻⁰³	4.187 ⁻⁰²
I agree that the Internal Revenue Service could be trusted	.805	-.121	-2.305 ⁻⁰²	-7.744 ⁻⁰²
I am open to innovation	-1.03 ⁻⁰²	.783	.196	2.083 ⁻⁰²
Registering my business will benefit me	.268	.731	.198	2.348 ⁻⁰²
Hours worked for the business	-.238	.600	-.210	.165
I am willing to give up my business if the family life requires more attention	.176	-.545	-4.517 ⁻⁰²	.190
I want to increase my productivity	-8.568 ⁻⁰²	-4.973 ⁻⁰²	.774	1.260 ⁻⁰²
I am motivated to succeed in my business	.129	4.385 ⁻⁰²	.729	8.893 ⁻⁰²
I want my work to fit my family life	-7.017 ⁻⁰²	.315	.673	3.657 ⁻⁰²
Regularly interact with women entrepreneurs	-8.929 ⁻⁰³	9.671 ⁻⁰²	5.262 ⁻⁰²	.866
Regularly interact with male entrepreneurs	1.903 ⁻⁰²	-.112	7.828 ⁻⁰²	.866
Source: Own survey				

Statements that load highly on Factor 1 all relate to confidence in state and state-led institutions. These factors were collectively labelled *Institutional Trust*. A strong positive correlation of trust in the national government with Factor 1 was noted. This means that entrepreneurs who value institutional trust also have considerable trust in the Ghanaian government in general.

Statements loading highly for Factor 2 (*needless to say, I don't understand this statistics-speak, but here you have "loading highly for Factor 2", while in the previous paragraph you had "load highly on Factor 1"*) relate to entrepreneurs determined that their enterprises should succeed, and the component is therefore termed *Determination to succeed*. Respondents' openness to innovation loaded highly for this factor, meaning that those most determined to succeed are also receptive to new products or new methods of production. Respondents who loaded highly in their determination to succeed in business are not willing to give up their businesses if their family requires attention, but rather find ways in which to balance business and family responsibilities.

Factor 3 is a measure of entrepreneurs' long-term planning with regard to their business, and is named *Long-term perspective*. It relates to long-run objectives shared by entrepreneurs, such as increased productivity and achieving a harmonious blend of business and family. Factor 4 is labelled *Networks*. Regular interaction with entrepreneurs, regardless of gender, loaded highly for this component.

4.2 Traditional and regulatory dimensions of starting a business

Access to capital is crucial for the establishment and continuation of SMEs. Table 13 presents the sources used by Ghanaian entrepreneurs to obtain financial capital for business start-up and continuation. As expected, almost 60 per cent of both male and female respondents used personal savings to finance the start-up and continuation of their businesses.

Although the survey did not ask *how much* financial capital was used for start-up, the United Nations International Fund for Agricultural Development (in CIPE 2010) states that over 70 per cent of African women start their businesses with less than US\$100 of capital, and 45 per cent start with less than US\$20.

Table 13: Sources of financial capital for start up and business continuation

Source	Start-up			Continuation			Totals		
	Male	Female	Sub total *	Male	Female	Sub total **	Total Male ***	Total Female ****	Total *****
Personal savings	93	160	253 (61 %)	65	109	174 (53 %)	158 (59 %)	269 (58 %)	427 (58 %)
Gift from family and friends	18	45	63 (15 %)	7	13	20 (6 %)	25 (9 %)	58 (12 %)	83 (11 %)
Loans from family and friends	7	15	22 (5 %)	3	9	12 (4 %)	10 (4 %)	24 (5 %)	34 (5 %)
Loans from business partners	7	10	17 (4 %)	6	3	9 (3 %)	13 (5 %)	13 (3 %)	26 (4 %)
Loans from <i>susu</i>	7	14	21 (5 %)	13	27	40 (12 %)	20 (7 %)	41 (9 %)	61 (8 %)
Bank loans	11	16	27 (7 %)	15	22	37 (11 %)	26 (10 %)	38 (8 %)	64 (9 %)
Loan from private credit facility	3	7	10 (2 %)	14	24	38 (12 %)	17 (6 %)	24 (5 %)	41 (6 %)
Total	146	267	413 (100%)	123	207	330 (100%)	269 (100%)	467 (100%)	736 (100%)

Note: Respondents could have more than one answer.
 * As % of total "Start-up" responses, ** As % of total "Continuation" responses, *** As % of total male responses, **** As % of total female responses ***** As % of total responses

Source: Own survey

Table 14: Traditional and regulatory factors in starting a business								
Variable	Male entrepreneurs (n= 110 observations)			Women entrepreneurs (n= 193 observations)				
	Mean	Std Dev	Min	Max	Mean	Std Dev	Min	Max
Starting a business								
Tradition								
Does your spouse agree and support the fact that you run a business?	0.98*	0.12	0	1	0.94*	0.23	0	1
Does your family (both nuclear and extended) agree and support that you run a business?	0.98	0.15	0	1	0.98	0.13	0	1
Did you ever feel discriminated upon by the registration authorities on account of gender? ^a	0.045	0.21	0	1	0.024	0.15	0	1
Regulation								
Did you encounter any difficulties in getting credit from the bank to start the business? ^b (0= No experience, 1=Easy, 2=Somewhat difficult, 3= Very difficult)	0.97***	0.16	0	1	0.69***	0.47	0	1

Table 14 (cont.): Traditional and regulatory factors in starting a business

Variable	Male entrepreneurs (n= 110 observations)				Women entrepreneurs (n= 193 observations)			
	Mean	Std Dev	Min	Max	Mean	Std Dev	Min	Max
Regulation (cont.)								
Did you encounter any difficulties registering your business? ^c	0.28	0.45	0	1	0.22	0.42	0	1
Could you estimate in days, how long it took from the time you started registration until you were fully registered? ^d	25.77	31.52	0	132	20.31	33.44	0	180
Could you estimate how much you spend for the business registration in total? ^e	47.06	68.66	0	500	45.70	58.54	0	300
Note: *, **, ***, **** indicate 10%, 5% and 1% significance level respectively a: nmale=88, nfemale=125, b: nmale= 38, nfemale=45, c: nmale=90, nfemale=126, this question was intended to be general because a follow up open ended question was presented to respondents immediately afterwards. The follow up question asked them to specify what type of difficulty was encountered, d: nmale=75, nfemale=108, e: nmale=53, nfemale=94, f: nmale=90, nfemale=126, g: nmale=43, nfemale=84 Source: Own survey								

The survey found gender-based differences in the utilisation of financial capital. For example, more males than females used formal channels for start-up credit, such as loans from business partners, bank loans and loans from private credit facilities. Meanwhile, more women entrepreneurs used informal sources of financing for their businesses, namely gifts and loans from family and friends, and *Susu* loans. This confirms the results of earlier case studies which showed that Ghanaian female entrepreneurs preferred *Susus* to commercial banks owing to expected and actual difficulties in obtaining credit from formal financial institutions (Hampel-Milagrosa 2009b).

The *Susu* is one of Africa's oldest traditional informal banking systems. It safeguards deposits and makes funds available to owners when required or to borrowers for a fee. However, despite generally contributing to the development of Ghanaian enterprises, *Susus* favour the development of unorganised rather than organised SMEs (Alabi / Alabi / Akrobo 2007).

The survey also looked at other traditional and regulatory obstacles to starting a business, and the results are shown in Table 14 below. Among married respondents, significantly more male entrepreneurs stated that their wives agree with them and support the fact that they are running a business. Many women entrepreneurs also stated that their husbands agree to their running a business, but the mean value for females is significantly lower than for the male respondents. Male and female entrepreneurs were seen to receive similar levels of support from their nuclear and extended families. An important finding in this regard is the fact that there was no significant difference between males and females in the feeling that registration authorities discriminated against them on account of their gender.

In terms of regulatory obstacles to starting a business, male and female Ghanaian entrepreneurs reported having similar difficulties registering businesses and spending a similar amount of time (in days) and money (in Ghanaian Cedis) doing so. Although women tended to pay bribes more often than men, there was no statistical difference between the two in terms of the incidence and cost of bribery. Significantly more males than females found it easy to obtain credit to start a business. Table 15 seeks to clarify this aspect.

The table below confirms that Ghanaian women have indeed less experience than men of obtaining commercial credit (77 versus 69 per cent). However, it appears that many of the women who succeeded in obtaining formal credit found the experience relatively "easy" (6 versus 1 per cent), and fewer women than men rated the experience "very difficult" (12 versus

Table 15: Experience in getting a bank loan to start a business		
What was your experience in getting a bank loan to start a business?	Male entrepreneurs (n = 110 observations)	Women entrepreneurs (n = 193 observations)
No experience	76 (69 %)	148 (77 %)
Easy	1 (1 %)	11 (6 %)
Somewhat difficult	6 (5 %)	10 (5 %)
Very difficult	27 (25 %)	24 (12 %)
Mean * (Std Dev)	0.85** (1.31)	0.53** (1.05)
<p>Note: * When unpaired t-test was performed, values for “no experience” for male and female entrepreneurs were excluded resulting in Males: n=34, Mean=2.76, Std Dev=0.49 and Females: n=45, Mean=2.29, Std Dev= 0.84. Significance level was at $\alpha=0.0044$;</p> <p>**indicate 5% significance level respectively</p> <p>Source: Own survey</p>		

25 per cent). This was observed in both cases: tested with responses for “No experience” and tested without responses for “No experience”. It appears that, when women have the necessary documentation and the determination to take out loans, the difficulties are less serious than expected. Table 16 presents responses specific to entrepreneurs’ experience in completing registration forms.

Table 16: What could you say about the business registration form you filled up?		
What could you say about the business registration form you filled up?	Male entrepreneurs (n= 70 observations) (in % of total male responses)	Women entrepreneurs (n= 100 observations) (in % of total female responses)
I did not fill it up myself	35 (50%)	49 (49%)
Easy	30 (43%)	41 (41%)
Somewhat difficult	5 (7%)	7 (7%)
Very difficult	0 (0%)	3 (3%)
Mean (Std Dev)	2.57 (0.63)	2.64 (0.74)
Source: Own survey		

The majority of the respondents, regardless of gender, did not complete the business registration forms themselves (50 per cent males, 49 per cent females). This was followed by entrepreneurs who found the registration forms easy to complete and those who found it somewhat difficult. Surprisingly, despite their widely reported low educational attainment, only 3 per cent of the female respondents – and none of the male respondents – found the registration documents difficult to complete.

4.3 Traditional and regulatory dimensions of running a business

Table 17 shows the traditional and regulatory factors in running a business. There appear to be more gender-related differences in running a business in Ghana than in starting a business.

Significantly more female entrepreneurs confirmed that they perform the majority of household tasks in addition to working for the enterprise. And, although the difference is insignificant, more women than men in Ghana are willing to give up their businesses if their family life requires more attention. In Ghana women are expected to perform domestic tasks for the nuclear and extended family and to run the household, regardless of the time they need to devote to the enterprise. This finding substantiates previous case study results showing that women are responsible for most domestic tasks in Ghana (Hampel-Milagrosa 2009b).

Although relatively fewer women managed to obtain commercial credit, those who succeeded in raising loans did not report feeling discriminated against by bank authorities on account of their gender. The overall incidence is low, but slightly more men reported being discriminated against by bank officials than women.

Significantly more male Ghanaian entrepreneurs pay taxes – regularly – to the IRS than females. However, there is no difference between men and women as regards difficulties encountered in paying taxes, experiencing discrimination by the tax authorities, obtaining credit to run the business or feeling the need to pay a bribe. Male entrepreneurs were found to be more inclined to bribe tax officials to facilitate business taxation, but the difference from women's experience in this regard is not significant. This could be a response to the extreme variability and unpredictability of taxes from which small Ghanaian businesses suffer (Aryeteey / Ahene 2005).

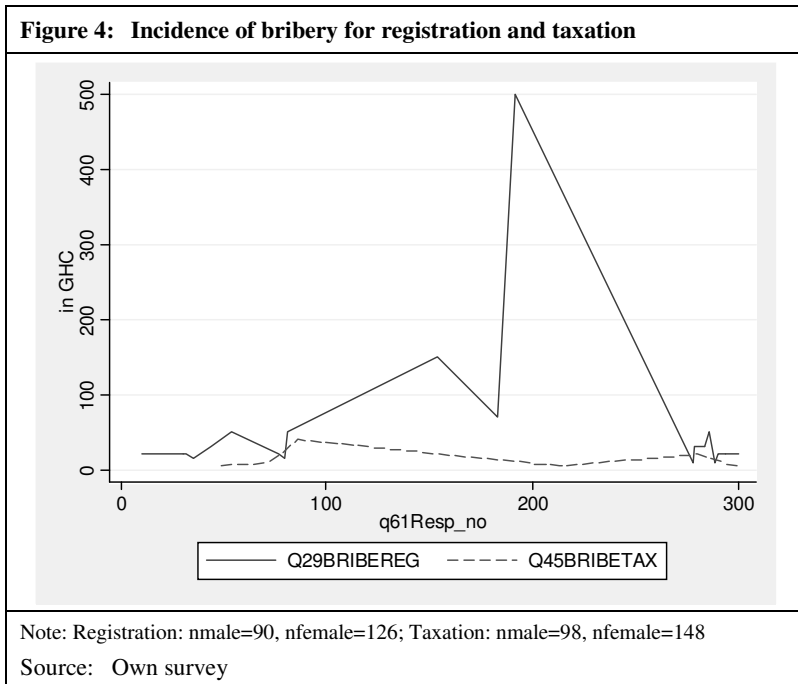
Table 17: Traditional and regulatory factors in running a business									
Variable	Male entrepreneurs (n= 110 observations)				Women entrepreneurs (n=193 observations)				
	Mean	Std Dev.	Min	Max	Mean	Std Dev.	Min	Max	
Running a business									
Tradition									
Would you say you perform majority of household tasks? (0=No, 1=Yes)	0.50**	0.50	0	1	0.67**	0.47	0	1	
Are you willing to give up your business if your family life requires more attention? (0=No, 1=Yes)	0.15	0.36	0	1	0.21	0.41	0	1	
Did you ever feel discriminated upon by bank authorities on account of gender? ^a (0=No, 1=Yes)	0.04**	0.20	0	1	0.00**	0	0	0	
Did you ever encounter any difficulties in paying taxes for the business? ^b (0=No, 1=Yes)	0.34	0.48	0	1	0.25	0.44	0	1	
Did you ever feel discriminated upon by taxation authorities on account of gender? ^c (0=No, 1=Yes)	0.04	0.19	0	1	0.02	0.14	0	1	

Table 17 (cont.): Traditional and regulatory factors in running a business								
Variable	Male entrepreneurs (n= 110 observations)			Women entrepreneurs (n= 193 observations)				
	Mean	Std Dev.	Min	Max	Mean	Std Dev.	Min	Max
Regulation								
Did you encounter any difficulties in getting credit from the bank to run the business? ^d (0=No, 1=Yes)	0.60	0.50	0	1	0.47	0.50	0	1
Are you paying taxes to the IRS? (0=No, 1=Yes)	0.82**	0.39	0	1	0.69**	0.46	0	1
Is tax payment regular? (0=No, 1=Yes)	0.75**	0.44	0	1	0.59**	0.49	0	1
Did you have to pay a bribe in cash or in kind to make taxation easier and cheaper? ^e	0.03	0.17	0	1	0.02	0.14	0	1
How much was the bribe for facilitating business taxation worth? (in GHC) ^f	0.97	3.74	0	20	0.60	4.51	0	40

Notes: a: nmale=73, nfemale=93; b: nmale=142; this question was intended to be general because a follow up open ended question was presented to respondents immediately afterwards. The follow up question asked them to specify what type of difficulty was encountered, c: nmale=103, nfemale=145; d: nmale=47, nfemale=60; e: nmale=98, nfemale=148; f: nmale=36, nfemale=80;
*, **, *** indicate 10%, 5% and 1% significance level respectively

Source: Own survey

The incidence of bribes paid by entrepreneurs to the Ghanaian registration and tax authorities is illustrated in Figure 4 below. Male and female respondents who did not bribe registration and tax authorities (bribe costs=0) were removed from the sample.



The figure shows that, on average, Ghanaian entrepreneurs pay higher bribes to registration officials (unbroken line) than to tax officials (broken line). The most expensive bribe for registration purposes was as much as 500 Ghanaian Cedis,¹⁴ whereas bribes for tax purposes amounted to no more than 50 Ghanaian Cedis.

As Ghanaian women are responsible for most of the work in the home, they were asked in the survey how they balanced work and family life. The results are shown in Table 18.

14 EUR 1 = 1.82 Ghanaian Cedis (August 2010).

Table 18: Work-life balance							
What is your experience in balancing work for the enterprise and your family life? (1 = easy, 2 = somewhat difficult, 3 = very difficult)							
Male entrepreneurs (n= 108 observations)				Women entrepreneurs (n= 192 observations)			
Easy	Some- what difficult	Very difficult	Mean (Std Dev)	Easy	Some- what difficult	Very difficult	Mean (Std Dev)
56 (52%)	46 (40%)	9 (8%)	1.56*** (0.64)	60 (32%)	92 (48%)	40 (21%)	1.89*** (0.71)
Note: *, **, *** indicate 10%, 5% and 1% significance level respectively							
Source: Own survey							

Significantly more Ghanaian women than men find it difficult to balance the quality of work and that of family life. This holds true across the three categories (1=Easy, 2=Somewhat difficult and 3=Very difficult). As Ghanaian tradition works along biological and cultural lines, the woman almost always bears the burden of domestic responsibilities. This may partly explain the high level of informality among female entrepreneurs in Ghana: women prefer to engage in income-earning activities that do not compromise their roles at home. Table 19 shows how many hours men and women devote to their enterprises.

Table 19: Work-life balance							
Approximately how many hours per day do you work for the enterprise?							
Male entrepreneurs (n= 109 observations)				Women entrepreneurs (n= 192 observations)			
<8	8 to 12	>12	Mean (Std Dev)	<8	8 to 12	>12	Mean (Std Dev)
12 (11%)	55 (50%)	42 (39%)	2.27** (0.65)	29 (15%)	116 (60%)	47 (25%)	2.09** (0.62)
Note: *, **, *** indicate 10%, 5% and 1% significance level respectively							
Source: Own survey							

On average, Ghanaian entrepreneurs devote between eight and twelve working hours to their enterprise per day. Men work slightly longer hours than women – which could be attributed to the highly uneven distribution of housework in Ghana.

With regard to the regulatory business environment, respondents were asked to identify areas of regulation in which they had found or felt improvements in the past two years. The categories are as follows: land and property registration, obtaining credit from commercial banks, business registration, employing workers and no improvement. The results are shown in Table 20.

The majority of the entrepreneurs (52 per cent males and 63 per cent females) did not report any perceptible improvement in the areas of regulation from which they were asked to choose. Among male entrepreneurs, 13 per cent had observed improvements in the area of property registration. Slightly fewer had noticed improvements with respect to employing workers. Among women entrepreneurs, 12 per cent commented on the ease of business registration, slightly fewer referring to improvements in land and property registration. The respondents' common statements thus reveal that property and business registration appears to have improved in Ghana,¹⁵ although not many people are distinctly aware of this progress.

4.4 Modelling male and female decision-making on SME formalisation

In this section, we use binary logistic regression to determine the probability of formalisation (or of remaining informal), given known values of several predictor variables. Table 21 presents the results of the binary logistic regression models using gender-disaggregated data. The choice to formalise was set as the base group. The *p*-values are presented under the coefficients in parentheses.

Male and female Ghanaian entrepreneurs seem to base their formalisation decisions partly on similar, but mostly on dissimilar factors. Two factors –

15 The enforcement of the Ghana Intestate Cessation Law of 1985, international efforts to place the emphasis on gender equality and women's rights and Ghana's bid to rank high in the *Doing Business* reports have made an effective contribution to perceived improvements.

Table 20: Areas of regulatory improvement in the past two years

In which areas of regulation have you found improvements in the past two years?	Male entrepreneurs (n= 110 observations) (in % of total male responses)	Women entrepreneurs (n= 193 observations) (in % of total female responses)	Total N=303 observations (in % of total responses)
No improvement	57 (52 %)	121 (63 %)	178 (59 %)
Land and property registration	14 (13 %)	17 (9 %)	31 (10 %)
Getting credit from commercial banks	6 (5 %)	9 (5 %)	15 (5 %)
Business registration	10 (9 %)	23 (12 %)	33 (11 %)
Employing workers	12 (11 %)	10 (5 %)	22 (7 %)
Combination of regulatory improvements	11 (10 %)	13 (7 %)	24 (8 %)
Total	110 (100 %)	193 (100 %)	303 (100 %)
Mean (Std Dev)	1.44 (1.83)*	1.08 (1.64)*	

Note: *, **, *** indicate 10%, 5% and 1% significance level respectively
Source: Own survey

Table 21: Factors explaining Ghanaian entrepreneur's decision to formalise the business, for male and female entrepreneurs

	Estimates for Male entrepreneurs ^a	Estimates for Women Entrepreneurs ^b
Net profit (in '000 Ghanaian Cedis)	0.264 (0.112)	0.213** (0.032)
Age	0.082** (0.018)	0.030 (0.187)
Highest finished level of education	0.295 (0.372)	0.423** (0.035)
Land ownership	1.013 (0.114)	0.790* (0.075)
Perception that regulatory business environment has improved in the past two years	0.229** (0.049)	0.529*** (0.001)
Trust towards national government	-0.424 (0.579)	-0.853 (0.158)
Trust towards Registrar General	0.882 (0.228)	1.229** (0.039)
Constant	-4.273** (0.003)	-3.022** (0.007)

Notes: *, **, *** indicate 10%, 5% and 1% significance level respectively, for a t-test of the equality of means
Source: Own survey

age and the perception that the regulatory business environment has improved – were found to be significant in the formalisation decision of male Ghanaian entrepreneurs. Four factors – net profit, education, land ownership and the perception of improvements in the regulatory business environment – appear to have a positive effect on the decision of female entrepreneurs to formalise their enterprises.

Logistic models are interpreted better when marginal probabilities are used. Marginal probabilities measure the likelihood of the choice of an alternative option with an infinitesimal change in the explanatory variable, on the assumption that other variables remain constant at the mean level. The marginal effects of the models for male and female entrepreneurs are shown in Table 22. *P*-values are shown in parentheses under the marginal coefficients.

The variable *Net profit* (in ‘000 Ghanaian Cedis) was significant in the decision to formalise the enterprise for the male- and female-entrepreneur two models. This means that rising net profit for both male and female entrepreneurs simultaneously increases the probability of business formalisation. *Age*, on the other hand, was significant in the choice to formalise only among male entrepreneurs. Specifically, older male entrepreneurs have a greater propensity to register businesses than younger ones.

The higher the *educational attainment* of females, the more likely they are to formalise their businesses. Educational attainment does not have an effect on the formalisation decision of male entrepreneurs. This finding has strong implications for investment in and the encouragement of female education as a strategy for reducing the size of Ghana’s informal economy.

Land ownership significantly increases the probability of both male and female entrepreneurs formalising their businesses. It appears that more entrepreneurs who have secure properties tend to formalise enterprises than those who do not have land titles. When entrepreneurs are confident they will not suddenly be dispossessed of their land, they are more inclined to make long-term economic investments not only in the land but in other endeavours as well (see Guest 2004). Similar to the findings on female education, this also has major implications for the reduction of informality. As Palmate and Agapitos (2005) point out, stringent government regulations on the product and land markets are two important factors that encourage informal economic activities.

Table 22: Marginal effects for entrepreneur's decision to formalise the business, for male and female entrepreneurs		
	Estimates for Male entrepreneurs ^a	Estimates for Women Entrepreneurs ^b
Net profit (in '000 Ghanaian Cedis)	0.039** (0.045)	0.044** (0.018)
Age	0.012** (0.031)	0.006 (0.190)
Highest finished level of education	0.044 (0.366)	0.088** (0.039)
Land ownership+	0.139* (0.098)	0.156* (0.063)
Perception that regulatory business environment has improved in the past two years	0.034** (0.044)	0.110*** (0.000)
Trust towards national government+	-0.064 (0.591)	-0.169 (0.138)
Trust towards Registrar General+	0.141 (0.274)	0.266** (0.040)

Notes: *, **, *** indicate 10%, 5% and 1% significance level respectively; for a t-test of the equality of means; for continuous variables we assume a 1 unit change (for example, when age increases by one year), for discrete variables, (+) dy/dx is for a discrete change in the variable from 0 to 1 (for example, non land owner to land owner);
a Nmale=154 b Nfemale=92

Source: Own survey

Positive *perceptions* of an improvement in the regulatory business environment in the past two years are a clear indication that both males and females in the sample are more likely to formalise their businesses. The effect seems to be stronger among female entrepreneurs than among male entrepreneurs.

An interesting result of the study is that the coefficients for *Trust in the national government* for both male and female entrepreneurs in the sample were negative and did not have any significant effect on the decision to formalise.

Trust in the RG has a positive influence on the decision of female entrepreneurs, but not male business owners, to formalise their enterprises. This means that females will be encouraged to register their businesses if they have sufficient trust in the registration authorities. Once again, this will have major implications for policies to reduce informality in the future.

4.5 Testing the relationship between profit and formalisation

Net profit was found to be significant in the decision to formalise in binary logistic models for male and female entrepreneurs. To show that net profit differs as between formal and informal entrepreneurs, Figure 5 is presented next page.

With two outliers removed,¹⁶ the figure shows that, on average, registered entrepreneurs (unbroken line, with a mean profit of 5099.12 GHC) achieve a higher profit than non-registered entrepreneurs (broken line, with a mean profit of 1024.37 GHC). The t-test for the equality of means shows that the difference in profit between registered and non-registered entrepreneurs is highly significant at $\alpha=0.000$.¹⁷

It could be argued, however, that net profit may have been high even when the enterprise was informal and the graph may be misleading by showing that registration increases profit. However, we want to establish whether enterprise registration brings benefits in the form of increased market opportunities and increased access to factors of production, leading to more rapid enterprise growth. Naturally, other factors also influence net profit and, the correlation between the net profit of formal enterprises and other indicators was therefore tested. The results are shown in Table 23.

16 The two outliers removed were an entrepreneur earning 144,000 Ghanaian Cedis (GHC) per year and another earning 60,000 Ghanaian Cedis per year.

17 $t = 7.1133$, $df = 256$, standard error of difference = 572.84.

Figure 5: Comparison of net profit (2009) between registered (full line) and non-registered (dashed line) entrepreneurs

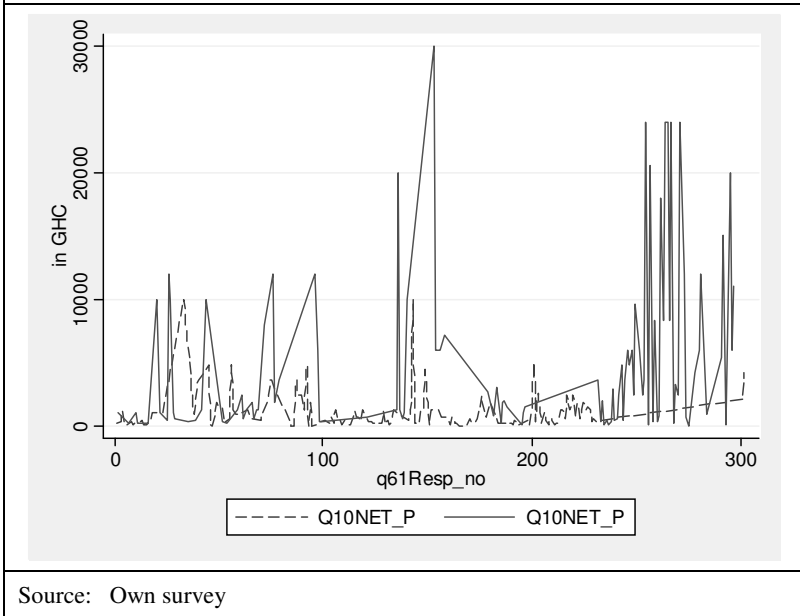


Table 23: Correlation coefficients between net profit and other indicators

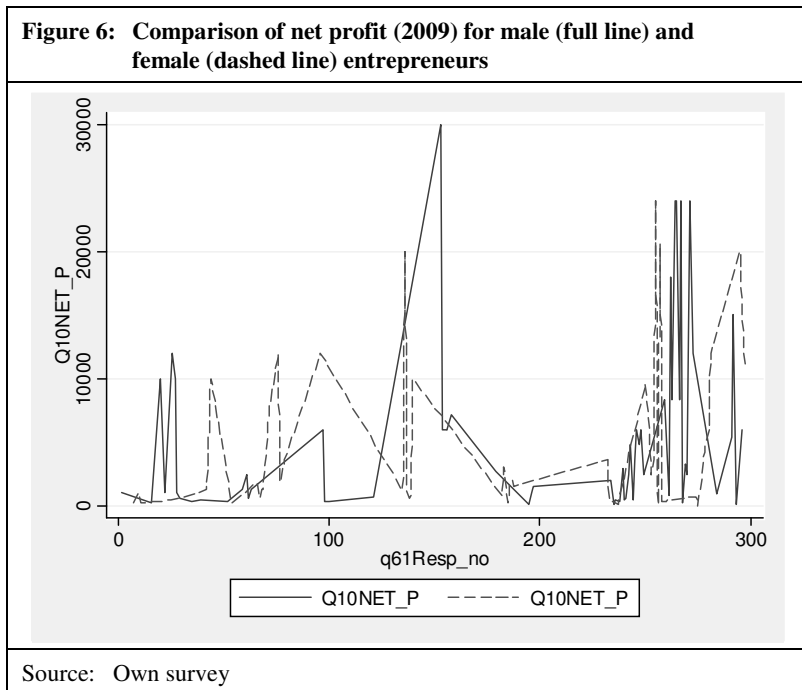
Indicator	Correlation coefficients (2-tailed test of significance)
Business is registered	0.271** (0.000)
Age	0.130* (0.035)
Education	0.136* (0.029)
Performing majority of household tasks	-0.157* (0.011)
Networks with male entrepreneurs	0.155* (0.014)

Note: *, **, *** indicate 10%, 5% and 1% significance level respectively

Source: Own survey

There is a significant positive correlation between net profit and registration, entrepreneurial age, education level and networking with male entrepreneurs. A positive correlation exists between, on the one hand, net profit and, on the other hand, registered businesses whose owners are older and educated, who do not bear the burden of household responsibilities and who network with other male entrepreneurs. In contrast, the correlation between net profit and performing the majority of household tasks is significantly negative.

Correlation results may depict a typical Ghanaian male entrepreneur as having higher profits, while profits of female entrepreneurs are reduced by their domestic responsibilities. To test whether registered male entrepreneurs earn more profits than registered women entrepreneurs, Figure 6 has been constructed.¹⁸



18 Two outliers were removed: an entrepreneur earning 144,000 Ghanaian Cedis per year and another earning 60,000 Ghanaian Cedis per year.

The Figure 6 shows no discernible difference between the net profits of registered male (unbroken line) and registered female (broken line) entrepreneurs. An additional t-test for the equality of means (without outliers) further confirms that no significant difference exists between registered male and registered female entrepreneurs' profits at $\alpha=0.356$.¹⁹

4.6 Conclusions drawn from the survey

A total of 303 entrepreneurs were interviewed in Accra and its environs in May 2010. The sample consisted of 110 male and 193 female entrepreneurs, with 139 heading formally registered businesses and 164 heading informal enterprises. By informal enterprises we mean those that pay temporary fees to the Metropolitan Authorities, whereas formal enterprises not only pay temporary fees but are also registered with the R G for businesses. Over 60 per cent of the respondents were engaged in wholesale and retail trading activities, over 20 per cent in the services sector. Most entrepreneurs are sole proprietors (86 per cent), and 58 per cent belong to the Akan tribe, a matrilineal lineage.

Significantly more male entrepreneurs attained a higher level of education, have other sources of income and place more trust in the office of the RG than women entrepreneurs. Moreover, Ghanaian male entrepreneurs seem to have a more positive and confident outlook with regard to their future and their enterprises than women. Males consistently outscored females in positive statements concerning financial independence, innovation, work-life balance, benefits of registration and increased productivity. The higher educational levels reached by male entrepreneurs compared to female entrepreneurs could have an impact on scores reflecting their view of business prospects.

The need for additional income and employment was the strongest motivating force behind entrepreneurship for male and female Ghanaian entrepreneurs, although some in the services sector (dressmakers, tailors and hairdressers) do have the educational background to establish their own businesses. In addition, four personality traits were found to underlie Ghanaian entrepreneurship: institutional trust, determination to succeed, long-term perspective and value of networks.

19 Net profit males=2818.71, net profit females=2688.12 ; p= 0.641, df = 108; standard error of difference = 3031.92; Nmale=97, Nfemale=164.

On starting a business

As expected, access to capital was a crucial aspect of establishing a business. Almost 60 per cent of both male and female respondents had used personal savings to finance start-up (and eventually business continuation). More males than females used formal channels to obtain start-up credit, most women entrepreneurs tapping informal sources to finance their businesses.

Among married respondents, more male entrepreneurs stated that their wives agreed to their owning and heading a business. There was no difference between male and female entrepreneurs when it came to receiving family support.

Nor was there any difference between the two genders as regards (i) feelings of being discriminated against by registration officials because of their gender, (ii) difficulties in registering a business, (iii) the time (in days) taken by and the cost (in GHC) of registering a business and (iv) the incidence and cost of bribes paid to facilitate registration. Thus, although males tend to be better educated than females, their experience of registration was similar. Education does not seem to have a significant influence on the discrimination or registration difficulties experienced by male and female entrepreneurs.

As regards registration difficulties, the majority of respondents, male and female, did not complete the registration forms themselves. Surprisingly, although more females have no experience of obtaining commercial credit, those who successfully raised loans to start a business found it easier than men.

On running a business

Significantly more female than male entrepreneurs perform the majority of the household tasks, and many women entrepreneurs are willing to give up their businesses if the family requires more attention. And, in support of earlier findings, women entrepreneurs who successfully raised loans did not feel discriminated against by bank officials on account of their gender.

As for taxation, more male entrepreneurs pay taxes regularly than female entrepreneurs. No differences between male and female entrepreneurs were observed with respect to (i) difficulties paying taxes, (ii) feelings of being discriminated against by tax officials and (iii) difficulties obtaining credit to run the business. In general, the research showed that the bribes paid to registration officials tend to be higher than those paid to tax officials, although

there is no significant difference in the incidence and cost of bribery for taxation and registration as between males and female entrepreneurs.²⁰

Men work longer hours for the enterprise than women. Despite this, significantly more women than men found it difficult to balance the quality of work and family life. This is because, according to Ghanaian tradition, the burden of domestic responsibilities almost always rests with the woman, over and above her responsibilities in the enterprise.

The majority of the entrepreneurs did not report any perceptible improvement in respect of land and property registration, obtaining commercial credit, business registration and employing workers. The most common statements, seem to indicate, however, that *de facto* (as against *jure*) land and business registration has improved a little.

On entrepreneurial decision-making on SME formalisation

Binary logistic regression was used to model the probability of formalisation of male and female Ghanaian entrepreneurs. For male Ghanaian entrepreneurs included in the sample, the decision to formalise was positively influenced by net profit (in '000 Ghanaian Cedis), age and land ownership. Education and institutional trust did not influence male entrepreneurs' formalisation decisions whatsoever. The decisions to formalise taken by the Ghanaian women entrepreneurs included in the sample were positively influenced by net profit (in '000 Ghanaian Cedis), level of education, land ownership, perception that the regulatory business environment has improved in the past two years and trust in the RG. Age and trust in the national government does not have an effect on women's formalisation decisions. The results clearly reveal the positive effects on reducing levels of informality which policies leading to higher levels of education (for women) and ease of land and property registration (for both) would have.

Further tests showed that registered entrepreneurs earn more net profit than informal entrepreneurs. Registration was found to be a better option, particularly when entrepreneurs want to avail themselves of commercial loans for business expansion, to enter networks and to engage with offices that require legal documents. Although some establishments are not fully legal

20 The most expensive bribe paid to a registration official reported by a respondent was 500 Ghanaian Cedis, while the most expensive bribe paid to a tax official was only 50 Ghanaian Cedis. EUR 1 = 1.82 Cedis (August 2010).

(they still have paid, informal workers in their workforce), registration was seen by the formal businesses as also being a better way to increase their visibility in the community and to avoid being harassed by officials.

In addition, there is a significant correlation between net profit and such variables as entrepreneurial age, education and networking with male entrepreneurs. The study found that, although there is a significant difference in the net profits achieved by registered and informal entrepreneurs, there is no significant difference between formal male and formal female entrepreneurs.

5 Overall conclusions drawn from the case study and survey approaches

This paper set out to analyse the ways in which business regulations and traditional factors influence the starting and running of businesses by male and female entrepreneurs in Ghana. A further aim was to determine what factors affect the decision to formalise businesses and, finally, how to approach gender issues in business environment reforms in general and in the World Bank's *Doing Business* in particular.

Five overarching conclusions can be drawn from the findings of the case studies and the survey. The first concerns the **competing role of tradition and regulation**, highly visible when property is registered and credit is raised and rather indirectly when a business is being started, taxes are being paid and indirectly when formal employment is found. Tradition filters the gender-neutral objectives of policies related to entrepreneurship and the private sector, leading to gender bias. Women are prized for their reproductive capabilities. However, this social value tends to prevent them from continuing into higher education and to hamper their future employment in formal markets.

Second, the **importance of education** not only for human capital accumulation but also for the national economy cannot be emphasised enough. In both case studies and survey findings, higher education among men and especially among women correlates with higher institutional trust, greater entrepreneurial confidence and a higher propensity to formalise businesses.

Third, the **burden of domestic responsibilities** weighs heavily on women's shoulders, regardless of whether they are involved in income-gen-

erating activities or not. Because Ghanaian women “need to make the household work” at whatever cost, the allocation of time between work and family life is a difficult decision that women must make. The decision in turn affects not only their economic but also their social participation. Many women suffer from a poor work-life balance.

Access to credit, a fourth issue, remains an insurmountable barrier for many entrepreneurs. The problem seems to lie, on the one hand, in the lack of financial literacy and legality on the part of entrepreneurs – and especially female entrepreneurs. Generally speaking, the systematic rigidity/bureaucracy found throughout the commercial banking system, ranging from extremely high interest rates through voluminous document and collateral requirements to the long time it takes to process loans is difficult for both male and female business people.

Finally, **business formalisation**, which has clearly been easier since the introduction of start-up reforms as recommended by *Doing Business*, still remains unattractive to many entrepreneurs. The decision to remain informal seems, however, to stem from legal illiteracy, fear of harassment from tax authorities and a general lack of understanding of the benefits of formalisation.

The following sections will explain each of the five overarching conclusions and other conclusions drawn from the study. As has been observed in the paper, the discussions are categorised on the basis of the approach adopted.

6 Policy recommendations

Several policy recommendations, which could be implemented in the short- and long term, can be derived from the findings. Section 7.1 presents policy recommendations regarding traditional barriers to starting and running a business, while section 7.2 presents policy recommendations relating to regulatory barriers to starting and running a business. Section 7.3 concerns policy recommendations for promoting the formalisation of the mostly informal Ghanaian enterprises, and Section 7.4 sets out recommendations on how to adjust and revise the *Doing Business* indicators to include gender aspects of private-sector development in the DB reports.

6.1 Recommendations regarding traditional barriers to starting and running a business

The studies point to the serious need for programmes and policies that target the **empowerment of women** in Ghana as a way of combating tradition-based gender discrimination. Policies that keep girls in school and support the higher **education** of young women may in fact be the most effective way to create a level playing field for all, rather than focusing on reforming the regulatory business environment alone.

As more highly educated people generally exhibit more personal trust than less well educated people, it follows that it will be relatively easier to facilitate collective action and foster a culture of institutional trust when the population is better educated. Education will encourage a more confident outlook in enterprises and greater self-confidence among entrepreneurs. Better education will also reduce the concentration of women in low-paid, less prestigious jobs and move them into more fulfilling jobs in the formal sector.

The Ghanaian government could also benefit from introducing **entrepreneurship education** in secondary, technical and vocational schools and universities (see, for example, Altenburg / von Drachenfels 2008). The introduction of entrepreneurial education for out-of-school adults would be a good way to equip women who leave school early to marry or for socio-economic reasons with the knowledge and skills needed to increase productivity. The introduction of entrepreneurial subjects in secondary school and as university courses would also provide women with the know-how they will need if they decide to become entrepreneurs in the future.

The introduction and promotion of **other courses and training programmes** *apart from* dressmaking, tailoring and hairdressing that might lead to formal self-employment should be supported. This would ease competition within already crowded sectors and open new avenues for income and employment generation. For example, courses that enhance culinary expertise, the ability to repair motor vehicles, machines, musical instruments, computers and so on should be introduced. Courses that increase women's chances of entering the formal labour market as employees should also be encouraged.

Inequality of responsibilities in the household goes a long way to explaining why women decide to remain informal and unproductive. A government-led campaign for men and women to share the domestic tasks equally is a helpful way to ease the burden of housework on Ghanaian women. The state, in cooperation with the Ministry of Women and Children's Affairs, should launch a campaign that aims to merge work and family life for women as a means of striking a better balance between the two and of reducing informality. In this context, the objectives and mandate of the Ministry of Women and Children's Affairs need to be clarified. It should be spelt out how the Ministry should cooperate with other Ministries and government agencies. It is important to specify who is responsible for which projects, activities and tasks in order to avoid confusion and waste of government resources.

The legal framework upholding women's rights in Ghana is in place, but the dissemination and understanding of the relevant laws among the general population is very weak. To **combat legal illiteracy** regarding women's rights, it is crucial that the most important laws relating to women's rights, entrepreneurship and business formalisation are translated into common local dialects. The state can make sure that these laws reach rural areas in a form and a dialect understood by the local population. Innovative and creative ways of making these laws known in rural areas (in the form of plays, dramas and leaflets) should be tested.

The clash of statutory laws with customary laws is one cause of the weak implementation of policies that seek gender equality in Ghana. The statutory laws most commonly ignored in favour of customary laws should be **monitored and strictly enforced**. Some of the areas in which statutory and customary laws clash are the Intestate Cessation Law, land and property allocation and registration, early marriage and the preference given to boys' education.

Women **role models** who have managed to "break the mould" are few and far between in Ghana. The government could make use of the radio as a cheap tool for highlighting socio-economic options for women *other* than early motherhood and informal trade. Since the radio is the most widespread of the media in Ghana, the government could sponsor a show telling the life stories of accomplished and empowered women as a way of sending out the message that it is possible for a woman to fulfil her potential without sacrificing her tradition and forgetting her roots. In the long term,

a project that brings accomplished women back to their villages to give motivational speeches in schools and at village gatherings is also a cheap and easy way to encourage women to look beyond the social norm. Bringing empowered women back to their own villages to set an example to younger generations could erode female discrimination at rural level, where it is strongest, and encourage young women to achieve more in life.

6.2 Recommendations regarding regulatory barriers to starting and running a business

Legal illiteracy is still a huge problem among male and especially female entrepreneurs. To improve female entrepreneurs' knowledge of business laws that matter, a one-stop-shop and hotline service could be established. The one-stop-shop would cater for both male and female entrepreneurs, but have policies and trained personnel that responded to women-specific business issues. This would be a relatively easy and quick solution to the problem of legal illiteracy, from which many businesswomen suffer.

The lack of **land and property** ownership among Ghanaian women, despite the passing of laws that provide for them to own land in their own name, is an indication of how tradition can effectively filter out regulation. Although intuition dictates that traditional land inheritance practices that favour males are stronger in rural areas, none of the entrepreneurs interviewed for this study owned property in their name despite their differing economic, ethnic and social backgrounds. This shows that the issue is significant, affecting all types of women across the country. There is a need for a review of how land inheritance practices play out despite the fact that formal land policies do not discriminate on gender grounds. Similarly, a review of how marital property is distributed between husband and wife under Ghanaian laws governing the division of marital property would show policymakers whether the law is effective or not. In the long term, the government could begin by enforcing the Intestate Cessation Law strictly throughout the country. The interviews have shown that, despite noble intentions, what is meant to happen under the policy that has been adopted is not what is happening on the ground. Strict enforcement of the law will require the cooperation of ethnic chiefs, local courts and national to local levels of government. At the same time, policies that support gifts of registered land from male to female family members is one way of circumventing formidable male-biased inheritance customs. Subsequent legal registration of the land in the female recipient's name is important.

Although access to land and access to **credit** are inextricably linked, the government should look into the issue of women's lack of financial capital separately. Although their lack of collateral tends to create more barriers for women than for men when it comes to raising loans from commercial banks, the problem appears to be systemic. Numerous requirements, excessive interest rates, the inflexibility of commercial banks and their pronounced risk aversion are aspects of the national banking system that need to be addressed as a whole, when women's poor access to credit is being considered.

In the short term, micro financing seems to be the best option for many micros, small and medium-sized entrepreneurs. Worldwide, government-owned microfinance institutions have tended to have a poor reputation, but the system introduced by the NBSSI in Ghana appears to be succeeding in terms of business survival and repayment rates.²¹ In the long run, the whole Ghanaian banking system should be overhauled with a view to reducing collateral requirements, cutting back on the paperwork involved in raising loans, lowering interest rates and increasing its target clients. This would make commercial credit more accessible to all.

Taxation appears to be one area of business regulation that concerns, yet confuses, most people. It is also a regulatory area that could benefit tremendously from reforms that simplified the taxation procedure. If the payment of taxes was made less bureaucratic, the incidence of personal contact between female entrepreneurs and tax officials would be drastically reduced. A one-stop-shop for business information might include a special section dealing exclusively with questions about tax. The IRS could also benefit if it produced leaflets and brochures explaining the whole taxation process in layman's terms. A long-term solution to alleviate taxpayers' confusion due to the complexity of this process would be a transparent and consistent system of tax calculation devised by the tax authorities. As in other countries, categories of tax payment should be standardised and based on income levels. This recommendation accords closely with the *Doing Business* approach in that it would reduce the administrative burden on firms paying taxes.

21 NBSSI Tema branch reported over 90 per cent business success and over 90 per cent repayment rates among Tema-based entrepreneurs who availed themselves of business loans from NBSSI. Microfinance, however, represents only a small fraction of services offered by the Bureau.

One unfortunate finding common to the two research approaches used is a high incidence of **bribes** paid to government officials to facilitate registration and taxation. In line with *Doing Business*, it is therefore highly recommended that even more be done to streamline business registration and taxation procedures and to reduce opportunities for personal contact between authorities and entrepreneurs. In addition, the civil service might be so reformed that local government officials – particularly the registration and taxation authorities – could be held to account for their actions. This might begin with a transparent system of reporting to the Ombudsman or a related legal authority.

Focusing on women's education might also lead to an increase in their participation in wage **employment** in both the public and the private sector. However, education is just one side of the coin. The limited participation of women in the formal labour market is also partly due to discriminatory barriers erected against qualified women as firms anticipate the future cost of having too many employees claiming maternity benefits. The Ghanaian government, with the help of donors, could conduct a comprehensive review of the effects of Ghanaian laws designed to protect women employees at corporate level to ascertain whether this is a contributory factor to their low formal labour market participation. Two approaches could be adopted to increase women's participation in the formal labour market. One solution might consist in distributing the associated costs of childbearing across wider sections of society, since childbearing is in the interest of society as a whole. Creating a social security system that removes some of the costs associated with having children from firms and from women could also promote a change of attitude among firms in this respect. The second approach would be to tackle the inflexibility of the system for dismissing workers and its implications for women employees. The state could benefit from *Doing Business* prescriptions by simplifying labour regulation and adapting it to the Ghanaian context. When firms based in Ghana find it less costly to dismiss workers, they would not be so reluctant to hire more of them, including women.

Policy changes that would help urban Ghanaian women employed in the formal labour market would involve rigorously encouraging firms to adopt **gender-mainstreaming** in the workplace, to encourage more women to work in the formal sector and return to work after childbirth and generally to make the formal sector attractive to qualified females. Ghana could ben-

efit from enforcing non-discriminatory (and, if possible, preferential) hiring practices in multinational and local firms. For example, when the job selection narrows to two candidates, a woman with the same capacities and skills as a man should be preferred. This will increase the chances of women being formally employed.

Only 11 per cent of **parliamentary seats** in Ghana are occupied by women. The country could emulate the Nepalese parliament's quota system for women and minorities, which has allocated roughly one third of the seats in the Constituent Assembly to females.²² This will guarantee women more participation in community and national decision-making and increase their influence in the creation of laws. Quotas for women have proved successful in India, Argentina and Pakistan.

6.3 Recommendations on promoting the formalisation of Ghanaian enterprises

Formalisation of women-owned businesses should be the ultimate goal of the government and of entrepreneurs. Along the lines of *Doing Business*, one way to increase the rate of business registration is to update and improve **electronic business registration** systems and to link them countrywide. The state could invest in a nationwide multimedia campaign (in the form of TV, radio and print) in local dialects to demonstrate the benefits of formalisation for the entrepreneur and for the country.

Again along the lines of *Doing Business*, it is recommended that it be made quicker, easier and cheaper for both men and especially women to register land as a way of reducing informality. Entrepreneurs tend to make long-term investments in their businesses when they know they are not going to be dispossessed of their land.

Encouraging the use of **formal credit channels** may increase formality among entrepreneurs. However, this will mean making formal credit easily accessible to businesses by reducing interest rates and relaxing mortgage requirements, shortening loan-processing procedures and employing friendly personnel. It will also mean reviewing and overhauling the rather inflexible Ghanaian financial system.

22 United Nations Human Development Report 2008.

When entrepreneurs do formalise and pay the appropriate fees and taxes, they like to “see” what their money is being spent on. The provision of **infrastructure** in the form of clean, well-ventilated markets and stalls with electricity and running water will demonstrate the benefits of registration to formal enterprises and encourage them to remain formal. It will also encourage formality among non-registered businesses, particularly if their access to such infrastructure is limited.

A **number of Ghanaian ministries** should also be involved in the fight against informality. The Ministries of Environment and Science, Food and Agriculture, Private Sector Development and Women and Children’s Affairs could look at ways of introducing and making technology available to both formal and informal entrepreneurs to help them to abandon activities that involve highly perishable, labour-intensive goods. Together, they could launch nationwide competitions and seek to provide technical and financial support for the most innovative businesses that prove both profitable and sustainable. This could alleviate necessity entrepreneurship and foster innovation among business-minded people. A project that targets the mentoring of fledgling women entrepreneurs by established registered entrepreneurs is another option that might increase formality.

Trust in institutions is an important determinant of the propensity to register a business. To foster trust in institutions and increase business registration, government agencies should attempt to become more efficient, transparent and user-oriented. Agencies that are welcoming and friendly to entrepreneurs tend to win clientele and encourage formalisation. The government could also focus on improving the transparency of the registration and taxation systems.

The number of **entrepreneurial associations** catering to informal and formal women entrepreneurs’ needs should be increased. The government could provide support for these organisations in the form of public-private dialogues, sponsored training and skills programmes and small peer-based loans.

That the Ghanaian economy will remain a mostly informal economy for quite some time is something that the state must accept and learn to live with. In the short run, there will be a need for socio-economic programmes and policies specifically designed to lessen the negative consequences of belonging to the informal sector. The financial, health and social insecurity

associated with informal work should be addressed with a new social system that goes beyond the retirement and disability benefits offered by current social security schemes. The social security system for informal workers might also include provisions for maternal protection, similar in relevant respects to the system suggested for formal wage-earning women workers.

6.4 Recommendations on revising the *Doing Business* indicators to include gender aspects

The findings of case studies and surveys of Ghanaian entrepreneurs show that three *Doing Business* indicators badly need to incorporate a gender dimension to have a real impact on women: Getting credit, Registering property and Employing workers.

The **Getting credit** indicator measures the strength of the legal rights of lenders and borrowers, the degree to which credit information is shared and the degree to which the population is included in the public and private credit registry. The following table is taken from the *Doing Business* report (WB / IFC 2009).

Figure 7: Getting credit sub-indicators
<p>What does getting credit measure?</p> <p><i>Strength of legal rights index (0–10)</i></p> <ul style="list-style-type: none"> – Protection of rights of borrowers and lenders through collateral and bankruptcy laws – Security interest is a nonpossessory one in movable assets <p><i>Depth of credit information index (0–6)</i></p> <ul style="list-style-type: none"> – Scope and accessibility of credit information distributed by public and private credit registries – Quality of data distributed by public and private credit registries <p><i>Public credit registry coverage (% of adults)</i></p> <ul style="list-style-type: none"> – Number of individuals and firms listed in a public credit registry as percentage of adult population <p><i>Private credit registry coverage (% of adults)</i></p> <ul style="list-style-type: none"> – Number of individuals and firms listed in a private credit bureau as percentage of adult population
<p>Source: WB / IFC (2009)</p>

The gender dimension could be incorporated in the second set of indicators, which reflect the coverage of credit information in public and private credit registries. These two indicators show the total number of individuals (as a percentage of the adult population) listed in credit registries in the country. A possible change to the indicator might be to *disaggregate data collected* in this index, based on gender, rather than using a total adult percentage. The new index could take the form of a gender parity index in public and private credit registry coverage or women as a percentage of total adults.

The new Getting credit indicator would then be able to show how many women are actually registered with public and private credit bureaus. Higher gender parity or more women as a percentage of all adults registered with credit bureaus equates to better registry coverage and a better overall Getting credit score.

The indicator **Registering property** measures the costs, time and procedures required to buy a property from one owner and transfer it to the new owner's name until such time as the documents relating to the land allow the new owner to use it as collateral at a bank. The indicator calculates the total number of procedures and calendar days and the cost (as a percentage of the value of the property) incurred in completing each procedure. The actual table in *Doing Business* (WB / IFC 2009) is presented as Figure 8 below.

<p>Figure 8: Registering property sub-indicators</p> <p>What does registering property measure?</p> <p><i>Procedures to legally transfer title on immovable property (number)</i></p> <ul style="list-style-type: none"> – Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes) – Registration in the economy's largest business city – Postregistration (for example, filing title with municipality) <p><i>Time required to complete each procedure (calendar days)</i></p> <ul style="list-style-type: none"> – Does not include time spent gathering information – Each procedure starts on a separate day – Procedure completed once final document is received – No prior contact with officials <p><i>Cost required to complete each procedure (% of property value)</i></p> <ul style="list-style-type: none"> – Official costs only, no bribes – No value added or capital gains taxes included <p>Source: WB / IFC (2009)</p>

One option for dealing with male-biased inheritance practices would be to create a sub-indicator that measured “*Land registration coverage of women*” (as a percentage of all adults). Higher values (meaning more women as a percentage of all adults having land registered in their name) equate to a higher score and imply a more gender-balanced land registration rate.

The *Doing Business* **Employing Workers Indicator** measures rules on hiring, work schedules and redundancy by using four sub-indicators: difficulty of hiring index, rigidity of hours index, difficulty of redundancy index and redundancy cost (Figure 9 below). The literature has shown that, after large contributions paid by employees/employers, it is employers who eventually bear the burden of paying maternity benefits in Ghana, which could be another reason for the many Ghanaian women in the informal sector. When the state does not pay maternity benefits and employers have to shoulder the full cost of maternity, there is a strong disincentive for employers to hire

<p>Figure 9: <i>Doing business</i> Employing Workers indicator</p> <p>What does Employing Workers measure?</p> <p><i>Difficulty of hiring index (0–100)</i></p> <ul style="list-style-type: none">– Applicability and maximum duration of fixed-term contracts– Minimum wage for trainee or first-time employee <p><i>Rigidity of hours index (0–100)</i></p> <ul style="list-style-type: none">– Restrictions on night work and weekend work– Allowed maximum length of the workweek in days and hours, including overtime– Paid annual vacation days <p><i>Difficulty of redundancy index (0–100)</i></p> <ul style="list-style-type: none">– Notification and approval requirements for termination of a redundant worker or group of redundant workers– Obligation to reassign or retrain priority rules for redundancy and reemployment <p><i>Rigidity of employment index (0–100)</i></p> <ul style="list-style-type: none">– Simple average of the difficulty of hiring, rigidity of hours and difficulty of redundancy indices <p><i>Redundancy cost (weeks of salary)</i></p> <ul style="list-style-type: none">– Notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary <p>Source: WB / IFC (2009)</p>

women in the formal labour market. In response to criticism, the *Doing Business* EWI has recently removed the protectionist part of labour regulation from the indicators that it considers when measuring the quality of a country's labour regulations. To reflect worker protection and, at the same time, gender sensitivity, it is recommended that some measure of labour protection be included among the sub-indicators measured with the EWI.

An additional sub-indicator might be “*Level of worker protection*”, which could include: (i) whether the government pays maternity leave benefits (and, accordingly, acquire a 1 for Yes and 0 for No), (ii) what percentage of gross income is devoted to social protection benefits (in this regard, *Doing Business* could, based on its datasets, find an optimum percentage value (or a critical threshold) and award points to countries according to whether they fall short of or exceed this rate), (iii) whether the payment of social protection benefits extends to the informal sector (and, accordingly, acquire a 1 for Yes and 0 for No), and (iv) how much / (v) how long the informal sector has to contribute in order to qualify for benefits and (vi) what social protection covers (medical benefits, industrial injuries, disability, old age, etc.)

If incremental modifications to the existing indicators are a daunting challenge, *Doing Business* could also benefit from reforming itself. To ensure that women benefit from reforms in the regulatory business environment, the project could try adding new indicators that capture gender realities or attempt to improve methodologies that actually include the woman's perspective. This recommendation is supported by earlier work that shows how male-biased inheritance systems have a significantly negative influence on women's access to land and commercial banks and on adult economic activity rates and formal wage employment (Hampel-Milagrosa 2009a) and follows the methodology of another paper that suggested the creation of an independent gender indicator to increase gender sensitivity of the *Doing Business* approach (see Hampel-Milagrosa 2010). The current research confirms that gender discrimination is deeply entrenched in traditions, and traditions tend to have primacy over regulations in this regard. A separate indicator that measures how regulations make business easier, quicker and cheaper for women is therefore more critical than ever.

Since indicators take years to develop, perhaps a more careful interpretation of *Doing Business* results and rankings could be made in the short term by accompanying reports, with measures of gender parity in areas of business,

as applicable. For example, interpreting *Doing Business* results on the basis of indicators showing patrilineal inheritance systems or restrictions of women's public mobility could serve as contextual information on the gender dimension of *Doing Business* in the developing world (see Hampel-Milagrosa 2009a). Another option would be to examine *Doing Business* rankings alongside indicators of gender parity in relevant areas which the DB project is attempting to influence. For example, researchers and policymakers could begin analysing rankings in Starting a business by considering gender parities in nationally registered enterprises or by looking at Employing workers rankings alongside gender parities in formal public-private wage employment. These approaches do not require immediate adjustments to the *Doing Business* approach, but put rankings and each country's reform efforts in a more gender-sensitive light.

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