



What is the impact of the WIDU.Africa project on job creation, business performance and knowledge increase?

Introduction

Goal of the study

A team of research consultants¹ aimed to understand the impact of the Original WIDU grant on employment, business performance, knowledge increase and indirect effects.

Original WIDU Grant

An African diaspora member in Europe² wanting to support a new or existing business in Africa applies on the WIDU.africa platform and invites an entrepreneur. Jointly they set up a business investment plan, consisting of the diaspora's remittance (25%) and the entrepreneur's investment (25%). After approving an application³, WIDU provides coaching and investment audits on the ground, and a matched grant (50%). The total matched investment (100%) can range between EUR 500 and 5,000.⁴

Methodology

The research team followed a quasi-experimental Difference-in-Difference (DiD) approach, collecting panel survey data between May 2021 and August 2023 from 493 project participants and non-project participants in Ghana and Cameroon across three points in time.

- Baseline: Before the 1st coaching visit
- Midline: Before the WIDU grant payout
- Endline: 6 months after grant payout

Project participants were randomly selected as they applied to the platform. Non-participants were selected from within the pool of WIDU applicants who had left their application idle for at least 3 months. The survey data was complemented by qualitative data in the form of in-depth interviews with the diaspora, entrepreneurs and WIDU coaches.

Limitations

Some selection bias may be present as pure randomisation was not possible.⁵ Whilst interviews for treatment and comparison were tried to be synchronised, the time passed between baseline and endline was also longer for the comparison group (15.8 vs 13.9 months). Lastly, starting with a sample of 793 applicants at baseline, we encountered considerable interview attrition⁶ and non-responses.

1. Athena Infonomics, Scio Network, and Impactloop.

2. Germany, France, Austria, the Netherlands, Norway, Switzerland and Sweden.

3. Applicants need to be over 18 years of age, have a valid email address, access to the internet, a valid identity card and bank account, and the business needs to have less than 20 employees.

4. During the COVID-19 pandemic entrepreneurs may have received an additional top-up of EUR 250.

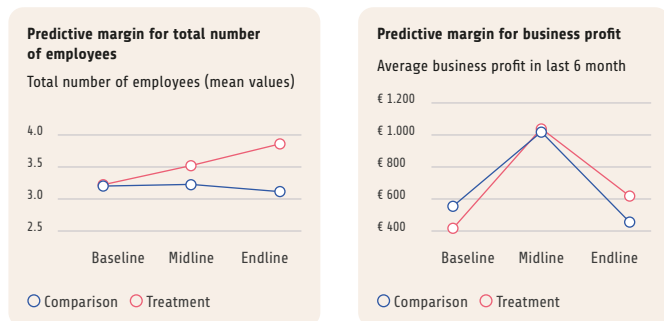
5. A randomised control trial, in which the treatment and comparison group would have been selected at random from within the pool of approved applications would have lowered the project's success in meeting its target numbers.

6. Many projects did not progress beyond the approval stage or did not want to be interviewed again.

RESULTS

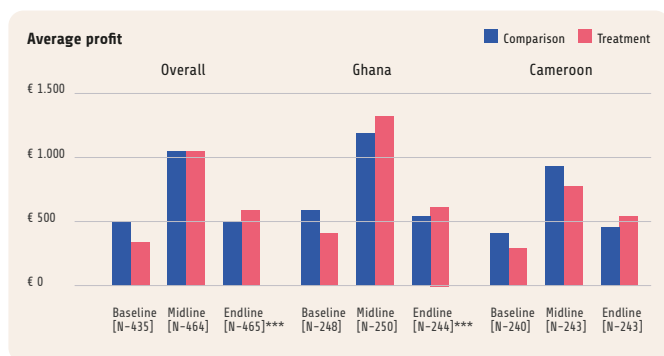
WIDU increases employment.

At the start, the comparison businesses had on average more employees (3.2 vs. 3), but this reversed at the endline (3.9 vs. 3.3). Also, a higher share of WIDU-supported businesses experienced an increase in employees compared to the comparison group (55% vs. 42%), and fewer observed a decrease (18% vs. 25%). The decrease in employees observed in comparison businesses was also larger (-2.4 vs -1.7) than that of the treatment group. In Cameroon, businesses saw a more substantial increase in employees (0.9) compared to Ghana (0.4). The DiD revealed an effect size of 0.8 employees (95% confidence interval), six months after grant payout.



WIDU increases Business Performance.

Businesses in both groups first experienced an increase in both revenue and profit and then a decline, due to external factors. Nearly 75% of businesses were negatively affected by inflation, leading to a loss in transactions and profit. For the treatment group, both turnover and profit, which was lower at the start, increased on average whilst they decreased for the comparison group (baseline to endline). Yet, positive changes amongst WIDU participants were greater in Ghana than in Cameroon. The DiD indicates an attributable impact of EUR 845 in revenue and EUR 293 in profit at the endline.



WIDU increases Business Knowledge.

WIDU businesses saw a higher change in self-assessed financial capability and business knowledge (understanding of customers, competitors and communication channels). For instance, the share of WIDU-supported entrepreneurs rating their financial capability as good increased from 36% to 47%, whilst no positive increase was detected for the comparison group. Self-reported financial capability in turn had a positive effect on business performance.

WIDU encourages Business Formalisation.

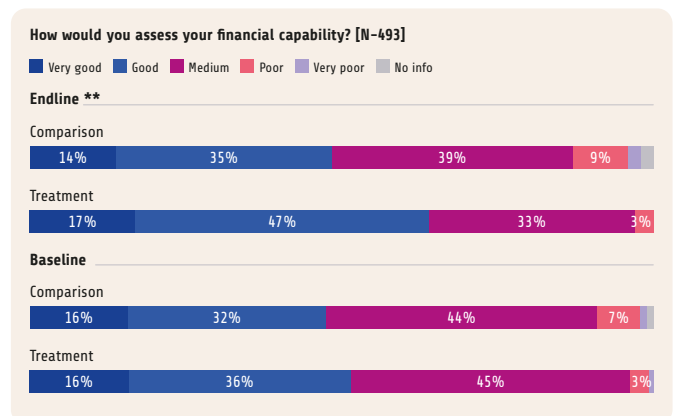
The share of WIDU-supported businesses that are tax-registered increased from 31% at the baseline to 46% at the endline, whereas the comparison group's share remained unchanged. Also, more treated businesses started keeping (or improving) a record-keeping system for employees, and for income and expense.

WIDU has many indirect benefits.

Survey and qualitative data suggest that WIDU-supported entrepreneurs saw an increase in their suppliers and customers, which thanks to increased income translated to an improved social standing in the community, and the increased ability to buy nutritious food and pay for education and healthcare of household members. Women and youth entrepreneurs also report an increased decision-making power. Many WIDU-supported entrepreneurs also reported a decrease in the intention to migrate to Europe.

WIDU eases some of the negative bias that still exists for female entrepreneurs.

About 45% of WIDU applicants are women, and being female is positively correlated with becoming a WIDU participant. Yet, their businesses are on average smaller, less formalised, and less profitable. When WIDU participation is interacted with gender, we find that the negative effects of being a female entrepreneur are no longer statistically significant over time, even when controlling for other factors, meaning they have been neutralised.



** 5% level of statistical significance

*** 1% level of statistical significance

