Measuring Entrepreneurs' Social Networks and Their Economic Impact in the African Informal Economy

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Abstract

Informal economies have shown rapid growth in the developing countries during last decades, notably in African cities. In this context, understanding their dynamics represents a crucial issue for policy intervention. One little-known aspect of these dynamics is the role of social networks as a major form of social regulation. From an entrepreneur standpoint, social networks and relations facilitate the circulation and quality of information as well as the access to diverse useful resources. In this study, we focus on entrepreneur's social or personal network instead of interfirm or business ties. Indeed, observed networks go through usual frontiers of social institution and categories. This perspective, named 'egocentered' network approach, is particularly relevant to study informal entrepreneurs' social networks that are often composed of a mixture of business, friend and kin ties. Networks are thus defined as entrepreneurs' regular social relations conveying essential resources for activities' current exploitation. Such an approach allows to measure social networks according to three salient dimensions: network structure (size, density), content of ties (strength, social role, exchanged resources), and members' attributes (sociodemographic, social status, professional occupation). It permits to describe and evaluate the nature and influence of entrepreneurs' social networks on economic outcomes from a quantitative standpoint. To do so, we use an original dataset collected in 2007 on a representative sample of 317 entrepreneurs in the informal economy of Bobo-Dioulasso (Burkina Faso). The 'multiple name generators' method used to collect personal network data produces a rich set of information describing social networks according to their three dimensions. Quantitative measures of networks composition and heterogeneity are then computed. Finally, these indicators are used to compute earnings functions specifically designed to test and discuss the effects of social networks on informal entrepreneurs' income.