



Private Enterprise Development in Low-Income Countries

Gender and Investment: The impact of the EAC integration process on cross border Trade: A case study of women traders in Uganda

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This project examines how the provision of information improves regulatory compliance and business behaviour by using survey data of women in cross-border trade at the Busia border in Uganda. The results indicate that information about EAC protocol and trade regime increases regulatory compliance, and that basic financial awareness improves business practices and intermediate growth of the firm.

Entrepreneurship has frequently been studied under a neoclassical lens, with behavioural and microeconomic perspectives relatively underutilized. Entrepreneurial ventures in developing economies are thought to exist as a result of institutional inefficiencies in the economy (Webb, Kistruck, Ireland, & Ketchen, Jr., 2010). In the East African Community (EAC), one such entrepreneurial venture is that of informal cross-border trade (ICBT). The EAC Partner States have a rich history of ICBT, skewing the national trade balance through either unrecorded or incorrectly recorded statistics, and breeding a culture of corruption among public officials seeking economic rents from traders (Ogwalo, 2010).

The EAC has devised inclusive trade regimes and protocols to enhance formal practices among trade participants, as these informal practices and behaviours are highly risky for traders and greatly hamper business growth. We explore this phenomenon in the context of two propositions:

1. Knowledge of the legal requirements will increase formality in cross-border practices.
2. Basic business training will improve business practices.

Setting and Methodology

We look at the evidence for the two propositions through a randomized evaluation of women engaged in cross-border trade in Busia, an area which accounted for 42.7% of the cross-border exports and 53.4% of the share of imports (UBOS, 2009). Many of the commodities traded out of Uganda at this border point are food or agricultural, while trade in the opposite direction involves petroleum, manufactured goods, and household items. This border is porous with no physical barriers separating Uganda and Kenya, and therefore allows for several unofficial routes. Police officers are hired to guard such routes but instead they “collect dues” from the traders. This practice is institutionalised as all traders know they are required to bribe the police and other officials in order to travel across the border.

Trade at this border is a way of life for the majority of inhabitants, to the extent that even women who are ordinarily domestic workers find time to participate in cross-border trade. They are therefore exposed to the aforementioned bottlenecks and thus craft different strategies to easily cross the border. These range from prostitution in exchange for free passage, to working with persons with disabilities. In the latter scenario, women pay a minimal fee to wheel-chaired persons with disabilities (PWD) as incentive for them to ferry goods across the border. It is relatively easy for PWDs to cross the border since it is practice not to harass or seek bribes from them.

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Figure 1. Busia border



Survey data was collected from 170 women cross-border traders. These women came from all over neighbouring villages to Busia border town. Randomisation was done at the village level, and an equal number of villages were assigned into three categories. 137 women were assigned to treatment and 33 women to control. Of the treated women, 56 were assigned to group A (information) and 81 to group B (basic financial knowledge). We achieved

an effective tracking rate of 68%.

The simplest interpretation of the intervention is that it provides information and knowledge to women in ICBT. Provision of information and knowledge is vital to improve markets. In an efficient market, timely information is equally distributed to all market players. When a market is operating efficiently, there is limited chance of arbitrage. This means that when market players have the required information, transaction costs are reduced, which could translate into better retention of funds within businesses and consequently more sustainable enterprises that can grow.

Measuring Behavioural Change and Business Growth

Behavioural change was reviewed by comparing endline and baseline data on the following questions:

- Have you heard about the simplified trade regime?
- Do you use the official route for all of your trade transactions?
- Have you thought about legalising your business?

To determine better business practices and growth, we asked the respondents for their absolute monthly sales, weekly costs, and the number of employees in their business. We calculated growth from the difference between the baseline and endline figures.

Main Findings

Table 1. Descriptive Statistics

Variable	Mean
Age of women	37years
Head of household	.684
Married	.491
No employees	.894
Completed primary education or less	.791
Retail trade	.735
Food related business	.718
Level of investment	UGX 332,350

Table 1 shows that majority of the women had low levels of education (79%) and were not employing anyone (89%). They mainly operate retail enterprises (73%) in the food related sector (72%). The average investment amount was UGX 332,350.

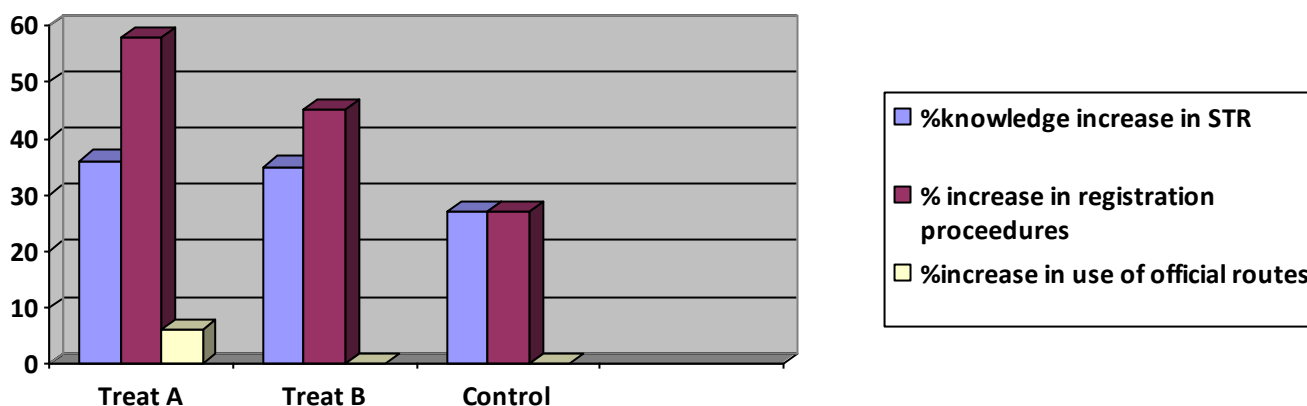
Similar to other studies, we find that provision of information changes behaviour and practices. In this case provision of trade regime protocols to informal cross border traders positively influences their compliance and behaviour.



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In addition, the provision of training improves the management and growth of businesses. We find that the more entrepreneurs are given basic financial management tips, the more their transaction costs are reduced and the more they reinvest their earnings in their businesses. Moreover, these businesses tend to see an increment in the number of employees in the business. An increase in the number of employees is used as a proxy measure of growth in these enterprises.

Figure 2. Change in behaviour by group category



Conclusion

These findings reveal positive social and economic impacts, however, further scrutiny is needed since the interviews revealed several other social and cultural issues influencing the ICBT practices. As with most field work, full tracking of participants was difficult, and self-reported figures were likely to have been inflated. Anticipating this, we based our work on daily rates and enumerators deduced weekly and monthly rates from these figures. Even in the face of these challenges, we found that increased information on the EAC protocols and trade regimes increased compliance and the provision of basic financial management tips improved business growth and practices.

Moving Forward...

With the findings from our research, we will liaise with the International Trade Centre and other trade organisations to provide a platform for discussion about the implementation of trade reforms. Further research needs to be done to determine the optimal policy to increase access to information on trade protocols and the transition to formality for cross-border traders.