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Competing Priorities: How intrahousehold relationships affect women's business management and investment decisions

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Women's entrepreneurship is an important source of livelihoods for individuals and households in much of sub-Saharan Africa. Rates of women's entrepreneurship in Africa are among the highest in the world, in part due to few other income generating opportunities. However, on average, women's businesses are smaller than men's and are concentrated in low productivity sectors (World Bank, 2011). Policy makers continue to search for ways to support women's micro and small enterprise growth.

New research suggests that intrahousehold dynamics influence women's business management and investment decisions. Efforts to support women microentrepreneurs, therefore, need to consider women's relationships, particularly with spouses, and the role of their business in meeting household needs.

Recent studies have found that relieving capital constraints alone has limited positive impact on women's microenterprise profits (De Mel et al., 2008; Fafchamps et al., 2014). This research suggests that women's business decisions are influenced by members of their household, especially their spouse, and these intrahousehold dynamics influence women's business management and investment decisions (Bernhard et al., 2017).

An in-depth qualitative study among microentrepreneurs in urban Ghana (Friedson-Ridenour and Pierotti, 2019) drew on 78 individual interviews with 49 different microentrepreneurs to understand the connections between women's businesses and their households' management of economic resources. The study found that the level of business investment by women microentrepreneurs is sometimes constrained by a need to manage their resources in a way that achieves three important non-business goals and this can impact their business success.

First, women seek to reinforce their husband's responsibilities as the primary provider for the household. Women and men manage their income streams independently and spouses do not know how much the other earns. Individual incomes are earmarked for particular kinds of expenses: men are generally expected to pay for large bills such as rent or school fees, while women's income is intended to meet daily needs. Given the independent management of income streams, negotiations over who should be responsible for meeting certain types of expenses can have important ramifications for who ends up paying for expenses in the future. To ensure future support, women work to reinforce their husband's responsibility as the primary provider. Women fear that apparent increases in their income will mean reductions in support from their husband. To guard against this possibility, they hide income and savings, and sometimes explicitly limit business growth.

Second, women work to meet the social expectation that they will pay for the basic daily needs of the household. To ensure their ability to meet those needs, women often prioritize savings over business investment. In many households, women receive a housekeeping allowance, called "chop money," from their partner to meet daily household needs. The chop money that they receive is not always sufficient and shortfalls are unpredictable. When there are shortfalls, women use their own income or savings to fill the gap. Women understand the value of business investment, but because they are positioned as the household's source of petty cash and emergency savings, they feel strong incentives to build cash reserves.

Third, women plan for their own independent long-term security. Many women view their marriages as insecure over the long-term. Coupled with women's disadvantages regarding asset ownership in marriage, marital insecurity encourages women to dedicate business income to long-term investments independent of their husbands. Long-term investments most often take the form of contributions toward children's education, and purchases of land or housing. Business growth is often viewed as an uncertain form of long-term security due, in part, to frequent negative shocks.

A woman's efforts to structure her intrahousehold relationships and to manage financial resources to best meet her needs thus constrain her business decisions. Efforts to support women microentrepreneurs therefore need to consider women's relationships, particularly with spouses, and the role of their business in meeting household needs. There are two types of policy responses that take these realities into account: 1) change household dynamics; or 2) incorporate additional kinds of support for women entrepreneurs.

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

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

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