



GHANA YOUTH BUSINESS PERFORMANCE AND SUSTAINABILITY INDEX REPORT 2021

Research Policy Brief

June 2021

Partners



AGI
Association of
Ghana Industries

Background to Study

Over the past few decades, a number of indices tailored around businesses have been developed globally and in Ghana. These indices facilitate informed decisions that affect businesses drawing from current business performance and prospects for the future. Examples of such indices around the world are World Bank's Ease of Doing Business Index, the OECD Business Confidence Index etc. In Ghana, we have the Business Confidence Index and the AGI's Business Barometer. None of these indices focuses on the performance of youth-owned businesses and how the broader national policy environment affects their sustainability. Also, those that are specific to Ghana look at businesses only in the formal sectors or geographic regions of Ghana.

Methodology

This study developed a methodology and consequent estimation of the maiden Youth Business Performance and Sustainability Index (YBPSI) in Ghana. The YBPSI is anchored on three broad pillars: *social, economic and systems*.

- Indicators such as educational level of the owner, knowledge about the business, skills and mentorship, information availability and accessibility of credit facilities and competition form the social sub-pillar of the overall index.
- The economic sub-pillar is made up of indicators such as cost of inputs, access to inputs and finance, risks perception, sales and profit.
- The systems sub-pillar is also made up of the governing structures, innovation, registration, infrastructure and taxation.

An enterprise's performance and sustainability on the overall YBPSI as well as its pillars is reported on a score of a 0-to-1 scale, where 1 represents the 'frontier', an ideal state where an enterprise is perfectly sustainable and 0 represents the 'worst' state. Youth enterprises in this study are defined as those owned by individuals aged between 18 and 35 years. A sample of 2016 was drawn from all the 16 regional capitals.

Findings from Study

The results suggest that the average youth business performance and sustainability score is 0.42. This means youth-owned enterprises are on average moderately sustainable.

- On average, youth-owned enterprises perform better on the social sub-pillar of the overall index than systems and economic.
- Enterprises perform worst on the economic sub-pillar suggesting that inaccessibility to finance, high cost of inputs and poor sales and profits threaten the sustainability of youth-owned businesses.
- When disaggregated by region, enterprises in the Western North obtained the highest average score and those in Upper West obtained the worst score.
- Male-owned youth enterprises slightly perform better than their female-owned enterprises.
- In terms of the business sector of operations, enterprises in the industry and manufacturing sectors appear to be similar in terms of their performance on the index and slightly higher than those in commerce.
- Youth-owned businesses that are duly registered and formalized outperform those in the informal sector.
- Significant operational challenges faced by youth-owned businesses in Ghana include assets or infrastructure, finance, cash flows, finance and marketing communications.
- Among other things, access to markets, inadequate finance, macroeconomic factors and availability of inputs are the key constraints faced by youth-owned businesses in Ghana.

Policy Implications

The evidence suggests youth-owned businesses have not put up any stellar performance, for which their sustainability can be threatened. Policy should be geared towards addressing their challenges and constraints which can help improve their performance while ensuring their sustainability. On the basis of evidence obtained in the field, the study recommends ensuring access and operational space for businesses, adequate access to finance and credit, reducing barriers to registration of youth-owned businesses and ensuring that the general macroeconomic environment is stable.

The Youth Business Performance and Sustainability Index was produced by the Youth Sector Engagement Group and Participatory Development Associates (PDA) in collaboration with the Ghana Chamber of Young Entrepreneurs (GCYE) and Association of Ghana Industries (AGI).

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