



Embedding peer interactions in business support programmes to generate information to improve targeting

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- Governments in lower-income countries commonly provide free or subsidised business support services, such as grants and managerial training, that aim to spur small firms' growth.
- A central challenge is identifying entrepreneurs who are both constrained and who have high marginal returns (MRs) to these interventions; attempts to predict entrepreneurs' future success from information collected through such programmes have proved largely futile (McKenzie & Sansone, 2019).
- Motivated by the possibility that business networks contain substantial information about the potential of entrepreneurs and their businesses, we embed peer interactions in the Ghana Enterprises Agency's Enterprise Grow Programme, a large-scale programme that provides small firms with scale-up grants, group-based managerial consulting, and peer networking. We conducted four days of classroom-based managerial training with groups of ten to 20 entrepreneurs and "speed dating" networking sessions with groups of six entrepreneurs. We are conducting an experiment to test whether entrepreneurs acquire information that is predictive of entrepreneurs' future success and MRs to business support services. The experiment is ongoing.
- At the time of writing, there are two key insights from the survey conducted with 333 entrepreneurs after the networking sessions: First, business support programmes can strengthen entrepreneurs' professional and social networks. Second, through these programmes, entrepreneurs can acquire information about their peers that is relevant for targeting.

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The challenge: Targeting scarce resources toward the highest potential small firms

Governments in lower-income countries commonly provide free or subsidised business support services, such as grants and managerial training, that aim to spur small firms' growth. A central challenge is identifying entrepreneurs who are both constrained and who have high marginal returns (MRs) to these interventions; wide variation exists in entrepreneurs' ability to use capital and other inputs to increase their business growth, with only a small group more often than not successfully doing so (Meagre, 2022; Meagre, 2019).

Unfortunately, however, attempts to predict entrepreneurs' future success from information collected through such programmes – even using modern machine learning techniques – have proved largely futile (McKenzie & Sansone, 2019).

This research evaluates the promise of an alternative approach to predicting which entrepreneurs have the highest MRs to grants, managerial consulting, and improved business networks. Motivated by the possibility that business networks – among entrepreneurs and between entrepreneurs and their suppliers, customers, and competitors – may contain substantial information about the potential of entrepreneurs and their businesses (Hussam et al., 2022), we test whether governments can embed peer interactions in their business support programmes to generate information they can use to improve targeting.

The setting and research design: Linked experiments on the Ghana enterprises agency's Enterprise Grow Programme (EGP)

The EGP is a large-scale business support programme to provide small firms (6-30 employees) with scale-up grants, group-based managerial consulting, and peer networking. We leverage the EGP to conduct two complementary experiments. First, we conduct an RCT to evaluate the EGP's impact on 1,000 small firms' revenue and employment. This experiment is ongoing.

Second, we expand upon existing programme features to increase peer interactions through the EGP. We provide four, instead of the status quo of one day of classroom-based managerial training in groups of 10-20 firms. We also organise peer networking sessions with guided 20-minute "speed dating" discussions with five other EGP participants. The networking sessions were held with 333 entrepreneurs and concluded with a survey experiment that elicited predictions about participating entrepreneurs' and their peers' business performance and MRs to the EGP's business support services.

In the survey experiment, we examine the accuracy of predictions when resource allocations are at stake versus when they are not at stake and explore the extent to which two simple tools from mechanism design can address strategic misreporting concerns that arise when predictions are used in targeting. The experiment is ongoing, and we do not present experimental results in this brief. Instead, we discuss two key insights from the survey, mainly that business support programmes can strengthen entrepreneurs' professional and social networks, and that through these programmes, entrepreneurs can acquire information about their peers that is relevant for targeting.

Insight 1: Business Support Programmes Can Build Entrepreneurial Networks

Table 1 reports the characteristics of entrepreneurs who participated in the peer networking sessions, which were held about seven months after the classroom-based training. 403 entrepreneurs were invited to the networking sessions, and of the attendees, 37% were women. Most have a high school diploma or bachelor's degree, and they are 45 years old on average. Their businesses are about 11 years old, employ nine people, and the entrepreneurs expect to nearly double their profits if allocated a grant.

TABLE 1: Summary statistics for participants in peer networking sessions

			Entrepreneur			count
	mean	sd	min	p50	max	
Female	0.37	0.5	0	0.0	1	313
At most primary	0.04	0.2	0	0.0	1	313
High school	0.26	0.4	0	0.0	1	313
Diploma	0.21	0.4	0	0.0	1	313
Bachelors	0.30	0.5	0	0.0	1	313
Higher than Bachelors	0.18	0.4	0	0.0	1	313
Age	45.26	10.2	26	44.0	80	313
			Business			count
	mean	sd	min	p50	max	
Exp monthly profit in 6m (w/ grant)	91094	230727	1000	30000	2700000	333
Exp monthly profit in 6m (w/o grant)	47419	163156	500	14000	2000000	333
Exp MR in 6m	43676	103240	500	13000	1150000	333
Employees (as of Feb 24)	9	13	0	5	129	313
Age of business (yrs)	11	7	1	8	40	313
Profit (GHC, 2023)	437583	3398164	0	69910	57232200	306

Notes: The table reports the characteristics of entrepreneurs who participated in the peer networking sessions. 333 entrepreneurs participated, of which 313 completed the baseline survey that provides their demographic characteristics.

Table 2 reports the personal and professional ties among entrepreneurs prior to the peer networking session. To estimate the summary statistics, each peer j that entrepreneur i met is an observation. Entrepreneurs remember 98% of their speed dating partners from the classroom-based training. Among those they remembered, entrepreneurs reported having a professional and/or personal relationship with 34% of other entrepreneurs. 58% of these relationships are formed due to the EGP, which means that only 14% of entrepreneurs knew each other prior to the EGP.

62% of relationships are purely professional, while 18% are professional and personal, and the final 20% are purely personal. Professional relationships are mixed among suppliers, customers, and competitors, suggesting that the EGP is helping firms to learn about possible business partners and to identify possible competitors. Among entrepreneurs reporting a professional (personal) relationship with another entrepreneur, 52% (56%) report meeting them for professional (personal) reasons one to four times since the classroom-based training.

Among entrepreneurs who knew the other entrepreneur prior to the EGP, 31% of relationships are purely professional, while 38% are professional and personal, and the final 26% are purely personal. Most of these preexisting relationships were closer to acquaintances, with 55% (50%) reporting meeting for professional (personal) reasons one to four times before the classroom-based training.

TABLE 2: Professional and personal ties between entrepreneurs

	Peer relationships					count
	mean	sd	min	p50	max	
Do you remember peer j?	0.98	0.1	0	1.0	1	1259
Family member?	0.00	0.1	0	0.0	1	1222
Rel: personal only	0.07	0.3	0	0.0	1	1231
Rel: professional only	0.21	0.4	0	0.0	1	1231
Rel: both	0.06	0.2	0	0.0	1	1231
Rel: neither	0.66	0.5	0	1.0	1	1231
Prof Rel: Supplier materials	0.05	0.2	0	0.0	1	336
Prof Rel: Customer	0.11	0.3	0	0.0	1	336
Prof Rel: Lender	0.00	0.0	0	0.0	0	336
Prof Rel: Borrower	0.00	0.1	0	0.0	1	336
Prof Rel: Competitor	0.11	0.3	0	0.0	1	336
Prof Rel: Supplier service	0.11	0.3	0	0.0	1	336
Prof Rel: Met at GEA training	0.49	0.5	0	0.0	1	336
Prof Rel: Other	0.15	0.4	0	0.0	1	336
Since GEA, prof int: None	0.29	0.5	0	0.0	1	336
Since GEA, prof int: 1-4	0.52	0.5	0	1.0	1	336
Since GEA, prof int: Over 5	0.19	0.4	0	0.0	1	336
Since GEA, soc int: None	0.09	0.3	0	0.0	1	158
Since GEA, soc int: 1-4	0.56	0.5	0	1.0	1	158
Since GEA, soc int: Over 5	0.34	0.5	0	0.0	1	158
Prior to GEA, did you know j?	0.42	0.5	0	0.0	1	419
Pre GEA, personal only	0.26	0.4	0	0.0	1	177
Pre GEA, professional only	0.31	0.5	0	0.0	1	177
Pre GEA, both	0.38	0.5	0	0.0	1	177
Pre GEA, neither	0.06	0.2	0	0.0	1	177
Pre GEA, prof int: None	0.08	0.3	0	0.0	1	121
Pre GEA, prof int: 1-4	0.55	0.5	0	1.0	1	121
Pre GEA, prof int: Over 5	0.36	0.5	0	0.0	1	121
Pre GEA, soc int: None	0.08	0.3	0	0.0	1	113
Pre GEA, soc int: 1-4	0.50	0.5	0	0.0	1	113
Pre GEA, soc int: Over 5	0.42	0.5	0	0.0	1	113

Notes: The table reports the personal and professional ties among entrepreneurs, considering each peer "j" that entrepreneur "i" met in the speed dating sessions as an observation when constructing summary statistics. The abbreviation "prof int" stands for "professional interaction," and the abbreviation "soc int" stands for social interaction.

Insight 2: Entrepreneurs Can Acquire Information Relevant for Targeting

Table 3 provides proof of concept that entrepreneurs can acquire information relevant for targeting. In the networking sessions, we put entrepreneurs into groups of six, and we had them rank their group members in the survey. The table regresses an entrepreneur's or their business's characteristic on the entrepreneur's average ranking of the characteristic by their peers (*excluding* the focal entrepreneur's self-ranking). It includes a networking session, fixed effects as controls, and clusters the standard errors at the group-level.

The table shows that entrepreneurs acquire substantial knowledge of their peers' personal and business characteristics through the EGP. Column (1) indicates that a one-unit increase in the average rank is associated with 1.14 years of education. Columns (2)-(4) report that one-unit increases in average rank are associated with large increases in business size and profitability.

It is promising that entrepreneurs acquire strong and precise signals about other entrepreneurs' characteristics and businesses. It suggests that they may acquire information that is predictive of entrepreneurs' *future* success and MRs to business support services. That said, given the much greater difficulty in predicting future compared to past performance, this is not obvious. Once our follow-up surveys are completed, we will combine the data with the prediction survey to test this crucial question.

TABLE 3: Actual and Predicted Characteristics by other Entrepreneurs (not including focal entrepreneur)

	Characteristics			
	Edu yrs	Log Past Sales (19-23)	Log Past Profit (19-23)	Employees (dec23-Oct24)
	(1)	(2)	(3)	(4)
Avg Rank	1.137*** (0.167)	0.476*** (0.078)	0.402*** (0.080)	4.261*** (1.391)
Session FE	Yes	Yes	Yes	Yes
Enumerator FE	No	No	No	No
N Groups	42	42	42	42
Obs.	244	241	239	244
R-Squared	0.344	0.293	0.191	0.111
Within R-Squared	0.240	0.126	0.076	0.003

Notes: This table estimates the regression specification $Y_{ij} = \delta_{session} + AvgRank_{ij} + \epsilon_{ij}$. Y_{ij} is outcome (education, past sales etc.) of person i in group j , $\delta_{session}$ is the strata control and $AvgRank_{ij}$ is the average rank assigned to i . $AvgRank_{ij}$ does not include the focal entrepreneur's self-assessment. Standard errors are clustered at the group-level and reported in parentheses and *, ** and *** denote statistical significance at 10%, 5% and 1% level, respectively.

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