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# Testing Lin's social capital theory in an informal African urban economy

## *Abstract*

*In order to test Lin's social capital theory in an informal African urban economy, this paper outlines an approach articulated around the notion of 'ego-centred network'. We used an original dataset collected in Bobo-Dioulasso (Burkina Faso) to evaluate how member attributes in entrepreneurs' networks tend to influence their economic outcomes. The instrument of multiple name generators provides a vast amount of information that can be used to compute quantitative measures of the composition of networks. We show that the proportion of members with a high social status have no significant positive impact on economic outcomes, contrary to more approachable individuals.*

## **1. Introduction**

Though social capital refers to a variety of social dimensions (norms, trust, networks), it may be more fruitful for empirical analysis to 'step back from grandiose approaches' and focus instead on the specific social components of social capital, such as social networks (Durlauf and Fafchamps, 2004: 46, 57). Actually, the role of social networks in markets and economic action, outcomes and institutions is widely acknowledged and has been studied for decades by social scientists, particularly sociologists (Granovetter, 1985; Coleman, 1988). Economists have also recently begun to address this issue, in particular by demonstrating the role of social networks in market efficiency (reduction of transaction costs, enforcement of contract; Greif, 1993, Kranton, 1996).

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3 In the current framework of states and modern institutional failure in Africa, social networks  
4 and personal relations inevitably play an important part in structuring economic activities,  
5 particularly for micro and small-enterprises (MSE) within informal economies. They may  
6 facilitate access to a range of useful resources for entrepreneurs, for example information,  
7 ideas and knowledge (about markets, activities, and skills) or financial and material support  
8 (particularly in times of crisis). This is of particular significance in the case of MSE insofar as  
9 it tends to compensate for the weakness of the internal resources of small firms.  
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20 There are two interrelated perspectives in studies of contemporary social networks in African  
21 urban informal economies and MSE (Barr, 2002; Knorringa and van Staveren, 2006). The  
22 first relates to the analysis of interfirm networks in industrial sectors or clusters in developing  
23 countries (McCormick, 1999; Brautigam, 1997, Meagher, 2007). The second is based on  
24 literature in the field of social capital and focuses on the social networks in which  
25 entrepreneurs are engaged. It attempts to evaluate their nature, role and impact on  
26 entrepreneurial success and economic performance. Yet surprisingly, this perspective remains  
27 relatively undeveloped since most of the empirical literature that studies individual social  
28 capital in developing countries focuses on households rather than entrepreneurs, particularly  
29 in rural areas (see Durlauf and Fafchamps, 2004). There is a common distinction in social  
30 capital literature between bonding, bridging and linking social capital (Woolcock, 2001).  
31 Bonding ties refers to relations between community members and close friends (generally  
32 strong ties, such as those developed in family or ethnic groups), whereas bridging ones refers  
33 to generalized social relationships across groups (and so generally weak ties). Linking social  
34 capital serves to describe the ties that connect individuals to people or groups in position of  
35 political and financial power. This last dimension of social networks is directly inspired from  
36 the 'social resources' or 'social capital theory' elaborated by Nan Lin (1999, 2001). Lin  
37 argues that the social status of network members is a predictor of the quality of resources  
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3 conveyed by social relations. His theory covers both the access to social capital and the  
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5 individual return of social capital. Regarding the last point, Lin considers that access to high  
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7 social status through a network enables more efficient instrumental action.  
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11 There have as yet been very few investigations that focus on the role of this dimension of  
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13 social capital in the performance of African MSEs. This paper aims to fill this gap by  
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15 analyzing and evaluating its economic impact on MSEs in the informal economy of Bobo-  
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17 Dioulasso (the second largest city of Burkina Faso). We suggest an approach based on the  
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19 notion of 'ego-centred network' derived from the Social Network Analysis (SNA) research  
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21 tradition (Wasserman and Faust, 1994). An 'ego-centred' (or 'personal') network is defined as  
22  
23 one actor's set of connections with others (Wellman, 2007). This perspective is particularly  
24  
25 relevant to the study of informal entrepreneurs' social networks that are often composed of a  
26  
27 mixture of business, friendship and kinship ties. A network is thus defined as entrepreneurs'  
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29 regular social relations conveying essential resources for the current exploitation of their  
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31 activity. This approach implies a description of the configuration of social networks according  
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33 to three salient dimensions: network structure (size, density), the content of ties (strength,  
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35 social role, exchanged resources), and obviously the attributes of members  
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37 (sociodemographic, social status, professional occupation). Since this requires specific data  
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39 concerning personal networks (Wellman, 2007), we conducted an original survey of a  
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41 representative sample of 317 entrepreneurs between February and July 2007. In addition to  
42  
43 sociodemographic and economic data, personal networks data were collected for a sub-sample  
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45 of 278 entrepreneurs. This part of the questionnaire is based on an adaptation of the multiple  
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47 names generators method (Fischer, 1982; Burt, 1984; Campbell and Lee, 1991; Marsden,  
48  
49 2005). The explanatory power of this approach derives from its ability to produce rich  
50  
51 statistical information about the complex nature of informal entrepreneurs' networks,  
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53 especially with regard to the attributes of network members. Thanks to this approach,  
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3 quantitative measures of networks composition and content can be computed. From these,  
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5 descriptive statistics and earning functions can be used to discuss Lin's hypothesis about  
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7 access to social capital and to assess and discuss Lin's prominent social capital proposition  
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9 about its individual return.  
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13 The remainder of the paper is organized as follows. Following a brief overview of  
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15 entrepreneur's social networks in African MSE, section two provides a definition of the ego-  
16  
17 centred network framework. Section three reviews Lin's social capital theory and its  
18  
19 relevance to an African urban informal economy. Data and survey methodology, particularly  
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21 the multiple name generators instrument, are discussed in section four. Section five explores  
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23 the configuration of members' attributes in entrepreneurs' networks, and tests its potential  
24  
25 effects on economic outcomes. Finally, a discussion is presented in section six.  
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## 31 **2. Entrepreneurs' social networks in African MSE: an 'ego-centred network'** 32 33 **framework** 34

### 35 36 37 *Interfirm networks in industrial clusters* 38

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40 Studies of inter-firms networks aim to analyze the role of industrial clusters in African  
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42 industrialization and development, and the determinants of their success or failure  
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44 (McCormick 1999). The core idea is that industrial inter-firms networks tend to favour  
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46 different clustering gains called collective efficiency (Schmitz 1995). Nadvi and Schmitz  
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48 (1994) argue that dense cooperative networks embedded in local socio-cultural relations  
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50 favour collective efficiency. Brautigam (1997, 2003) demonstrates the positive role of ethnic  
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52 business networks in the development of international relations with Asian firms in Nigerian  
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54 and Mauritian industrial clusters. Conversely Meagher (2006, 2007) argues that in times of  
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56 economic crisis, increasing competition and state neglect, social networks and their  
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58 organizational capacity tend to be disintegrated or fragmented. Such effects may cause the  
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3 collapse of entire industrial clusters in African informal economies, such as in the garment  
4 and shoe clusters of Igbo communities in Aba (Nigeria). By analysing the role of social  
5 networks in strengthening industrial clusters, this first perspective is connected with the  
6 second concerning entrepreneurs' social networks. However, while the first is mostly based  
7 on meso and sectoral level analysis, the second focuses on individual firms and entrepreneurs.  
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### 16 *Entrepreneurs' social networks*

17  
18 Research that focuses on entrepreneurs' social networks seeks to identify the nature and types  
19 of social networks used by entrepreneurs (not only for clustered enterprises). It evaluates their  
20 role and impact on entrepreneurial success and economic performance. Most studies in this  
21 area use social capital approaches (Fafchamps and Minten, 2001, 2002; Barr, 2002).  
22  
23 Networks and social relations are seen as a form of social capital that is useful for reducing  
24 transaction costs in a context of imperfect markets ('flea market') and modern institutional  
25 failure. From an empirical standpoint, such research work generally suggests that social  
26 networks have a strong and significant positive impact on entrepreneurs' economic  
27 performance. Such is the case for instance of agricultural traders in Madagascar, Benin and  
28 Malawi (Fafchamps and Minten, 2001, 2002). Nevertheless, in her study of the Ghanaian  
29 manufacturing sector, Barr (2002) also insists that small entrepreneurs appear to be  
30 characterized by 'solidarity networks' that reduce income variability but which have little  
31 impact on economic performance.  
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34  
35 Within this framework, social network capital has been essentially analysed in two ways. The  
36 first is the entrepreneur membership of various (formal or informal) organizations, groups,  
37 and communities (business communities or ethnic groups for example, see Fafchamps, 2000;  
38 Knorringa and van Staveren, 2006). However, as shown by most qualitative surveys, these  
39 perspectives are likely to overlook the less formalized relations developed outside  
40 organizations and social groups, which have an important role, particularly in the formation of  
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3 trust (Lyon, 2000; Lourenço-Lindell, 2002). The second type of analysis focuses on  
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5 entrepreneurs' inter-personal relationships, especially business relationships (Fafchamps and  
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7 Minten, 2001, 2002; Barr, 2002). It is measured in concrete terms by the number of contacts  
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9 that a firm owner tends to maintain with some category of agents in the market sphere  
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11 (relations with suppliers, customers, other traders), and sometimes outside the market sphere  
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13 (such as relations with bankers, public servants or politicians; see Barr, 2002). These  
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15 quantitative studies provide useful general insights into social networks and African  
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17 entrepreneurial dynamics (see section 3). However, these measures essentially depend on the  
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19 size of the network ('number' of contacts) and provide very little qualitative information  
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21 concerning the complex nature of social networks and their members. These measures may  
22  
23 remove personalized relations from their social context. Of course, the social category of  
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25 contacts carries some information but herein lies another limit. These categories are pre-  
26  
27 defined, and there is therefore an element of risk in predicting which type of social group is  
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29 useful for entrepreneurs before having demonstrated it. In addition, important ties maintained  
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31 by entrepreneurs outside these categories could be overlooked.  
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#### 39 *The ego-centred network framework*

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42 The use of SNA to study economic action, outcomes and institutions has undergone  
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44 considerable expansion since Granovetter's (1985) seminal paper on 'structural  
45  
46 embeddedness'. Generally speaking, social relations between individuals are commonly  
47  
48 viewed in this framework as interpersonal experience (each agent knows the relevant  
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50 characteristics of other agents) based on interactions that enable the transmission of resources.  
51  
52 A social network is therefore merely an aggregation of social relations. SNA rests on two  
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54 methodological corpuses. First of all, social networks are defined from a socio-centred  
55  
56 standpoint as finite sets of actors and the relations between them (Wasserman and Faust,  
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58 1994: 20). These are known as 'whole' or 'complete' networks'<sup>1</sup>. The second defines social  
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3 networks from an ego-centred standpoint (Wellman, 2007). An ‘ego-centred’ (or ‘personal’)  
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5 network is defined as one actor’s set of relations with others. It is composed of a focal actor  
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7 (named ego), a set of ego’s direct social contacts (named alters) and the ties between them  
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9 (see figure 3, section 4). This perspective proposes a kind of ‘enriched individualism’ and  
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11 uses networks to unpack the social context in which individuals (assumed to be independent  
12  
13 of each other) are embedded (Knox et al., 2006). It is particularly appropriate for analyzing  
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15 the networks of agents, the composition of which is diversified and not limited by some  
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17 geographical, organizational or community boundaries. It is thus particularly relevant for the  
18  
19 analysis of urban African informal entrepreneurs’ networks, which are often composed of a  
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21 blend of business, friendship and kinship ties. Furthermore, rather than focusing on ties with  
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23 some specific social category, an entrepreneur’s social network directly refers, in our  
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25 approach, to the *regular social relations that convey useful resources for the current*  
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27 *exploitation of their activities* (both tangible and intangible). Ego-centred networks of this  
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29 kind can be described by three salient dimensions: the content of ties, network structure and  
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31 the attributes of members. In order to analyse and discuss Lin’s social capital theory (Lin,  
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33 1999, 2001), the focus here is on members’ attributes in an entrepreneur’s social network. We  
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35 then need to clarify how this network dimension is related to economic outcomes, both  
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37 theoretically and empirically.  
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### 47 **3. Lin’s social capital theory and alters attributes in entrepreneurs’ network**

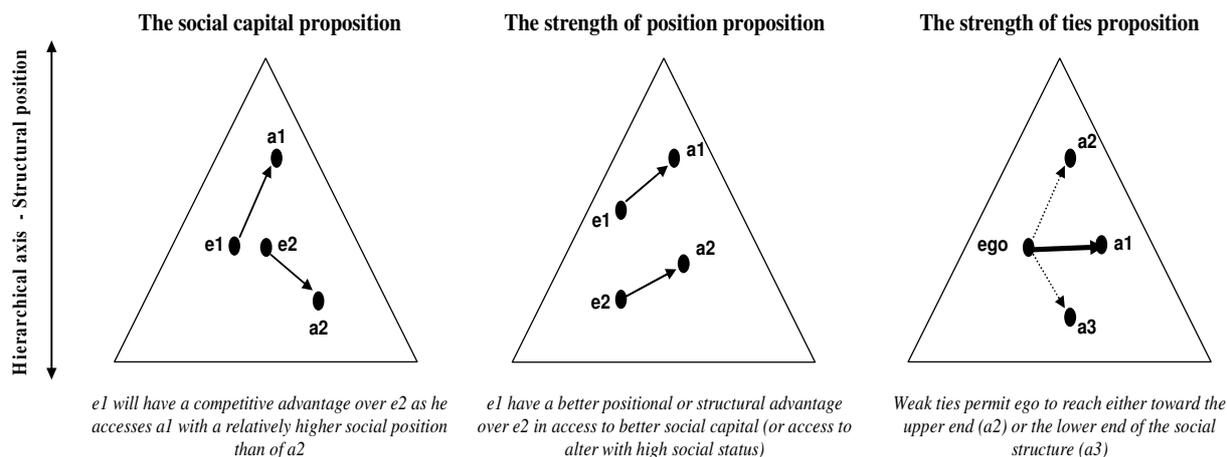
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50 Lin’s social capital (resources) theory (Lin, 1999, 2001) can be considered as the most  
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52 significant approach for studying alters’ attributes. Lin’s thesis is that social resources exert  
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54 an important and significant effect on the realization of individual instrumental actions. The  
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56 theory is based on a hierarchical vision of social structure in which the positions of agents are  
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58 ranked according to their resources proxied by social status, wealth, and power. Structure  
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3 therefore has a 'pyramidal shape in terms of accessibility and control of such resources',  
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5 implying an advantage for those nearer the top (Lin, 1999: 470). The theory concludes with  
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7 three chief propositions (Lin, 1999, 2001; see figure 1): (i) the 'social capital proposition':  
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9 access to better social resources enables more efficient instrumental actions; (ii) the 'strength  
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11 of position proposition': the initial social position influences access to social resources and  
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13 their use; (iii) the 'strength of ties proposition': weak ties tend more than strong ties to give  
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15 access to better social resources. The first proposition concerns the individual return of social  
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17 capital and the two others pertains to access to social capital. Return of social capital can be  
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19 investigated using two approaches: 'contact resources' and 'network resources' (Lin, 1999,  
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21 2001; Lai *et al.*, 1998). The first one is based on the social status of a contact mobilized for a  
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23 particular, and punctual, instrumental action ('mobilized social capital'; Lin, 1999, 2001). The  
24  
25 second one focuses 'on the networks an ego routinely maintains and the configuration of the  
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27 members' resources characteristics (for example, diversity and range of resources)' (Lai *et al.*,  
28  
29 1998:161). Here it is the general configuration of the network that contributes to the success  
30  
31 of instrumental actions. Social capital then represents the accessible resources used for a  
32  
33 regular action ('accessed social capital'; Lin, 1999, 2001)<sup>2</sup>. Several empirical investigations of  
34  
35 the relationship between social capital and individual social status attainment have tended to  
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37 corroborate Lin's propositions, especially regarding the job-search process, except for the  
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39 'strength of ties proposition', which appears to be more ambiguous (see Lin, 1999: 74).  
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49 In the economic literature, this approach refers to the notion of 'linking social capital'  
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51 (Woolcock, 2001), which describes ties connecting individuals to people or groups in position  
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53 of political and financial power. The adaptation of this theory in the context of an African  
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55 informal economy has rarely been the object of empirical analysis and assessment. Notable  
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57 exception includes Barr's (2002) study of the Ghanaian manufacturing sector. She  
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Figure 1: Lin's theoretical propositions

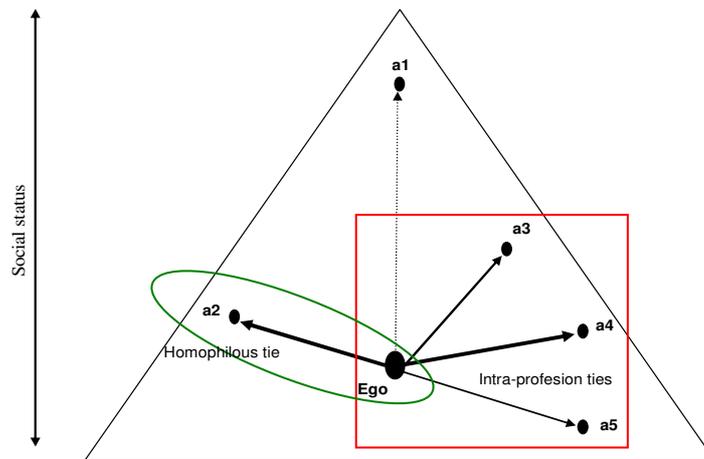


Source: Lin (2001)

distinguishes 'solidarity' networks from 'innovative' networks. Solidarity networks tend to be small, dense, locally concentrated and with poorly resourced personal relations (with no access to advantageous economic positions or privileged commercial groups). These networks are very homogeneous in terms of member attributes. Though they reduce risks and incomes variability, they have little impact on economic performance and tend to undermine rather than enhance profits (Barr, 2002)<sup>3</sup>. Conversely, innovative networks are wide, geographically dispersed, and significantly more diversified in terms of status of members. They are composed of advantageous ties with privileged access to resources. Meagher's (2006) qualitative analysis of Nigerian clusters also distinguishes 'survival' networks from 'accumulation' ones (ties with privileged social classes, civil associations and successful traders, especially international traders). Brautigam (1997, 2003) arrives at a similar typology in her studies of the role of 'ethnic business networks' in cluster dynamics in Nigeria and Mauritius. Conversely, some qualitative studies also indicate that relationships with the most powerful actors may lead to unequal exchange relations of subordination and domination (Lomnitz, 1988; Lourenço-Lindell; 2002 Meagher, 2006).

These results tend to confirm the prominent proposition of Lin's social capital theory: the core determinants of the positive impact of networks on economic performance include the

Figure 2: Alters' socioeconomic attributes in ego's network



heterogeneity of alters' attributes and the access to high social positions (access to better social resources). However, in order to avoid an overly restrictive hierarchical vision of social structure it is important to consider some other attributes. We therefore also integrate horizontal dimensions referring to the professional and socio-demographic characteristics of alters (box and circle in figure 2). Actually, professional cohesion or similarity (as between ego and a3, a4 and a5) may improve entrepreneur's efficiency (or conversely professional heterogeneity may increase the probability of accessing a range of useful resources). Regarding sociodemographic characteristics of alters, the homophilous dimension of social ties (as between ego and a2) reveals the social homogeneity of a given network, or its level of social closure, which may affect entrepreneurs' performances.

Finally, note that though not econometrically tested, the two other propositions outlined by Lin regarding access to social capital will also be briefly commented through descriptive statistics.

#### 4. Data and method

##### *The data*

The data were collected in the informal economy of Bobo-Dioulasso in Burkina Faso, which is one of the poorest countries in the world. In 2007, real GNI per capita was estimated at US\$

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2 430 (World Bank, 2009) and almost half of its population lives under the poverty line (INSD,  
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4 2003). The importance of the informal economy in this country matches regional tendencies  
5  
6 (Brillaud et al., 2004). In Bobo-Dioulasso, it represents 49.5 per cent of local value added and  
7  
8 68.2 per cent of employment (Fauré, Soulama, et al., 2000).  
9

10  
11 Between February and July 2007 we conducted a survey on a representative sample of 317  
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13 entrepreneurs. Firstly, sociodemographic and economic data were collected, focusing in  
14  
15 particular on features, type of activity, employment, economic capital and outcomes.  
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17 Secondly, the statistical information was completed several weeks later by collecting personal  
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19 network data on a sub-sample of 278 entrepreneurs. The boundaries of the informal economy  
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21 were empirically defined according to ILO's criteria (size of the activity and official  
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23 registration) (OIT, 1993) plus an accountancy criterion. The sample is representatively  
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25 distributed by economic sectors (production, trade and services) and sub-sectors, and by  
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27 geographical area, from the results of the last exhaustive census of economic activities carried  
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29 out in Bobo-Dioulasso (Fauré and Soulama., 2000). Among this sample, fourteen  
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31 entrepreneurs have undergone an in-depth interview in 2008. Interviews were based on life-  
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33 stories method: entrepreneurs tell their professional careers and the history of their businesses  
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35 is embedded in this whole story. During interviews, reminder questions about the access to  
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37 external resources have been used to identify the medium of access (such as social relations).  
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39 In this paper, this qualitative material will only be used to illuminate the discussion of results.  
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#### 48 *The multiple names generators instrument*

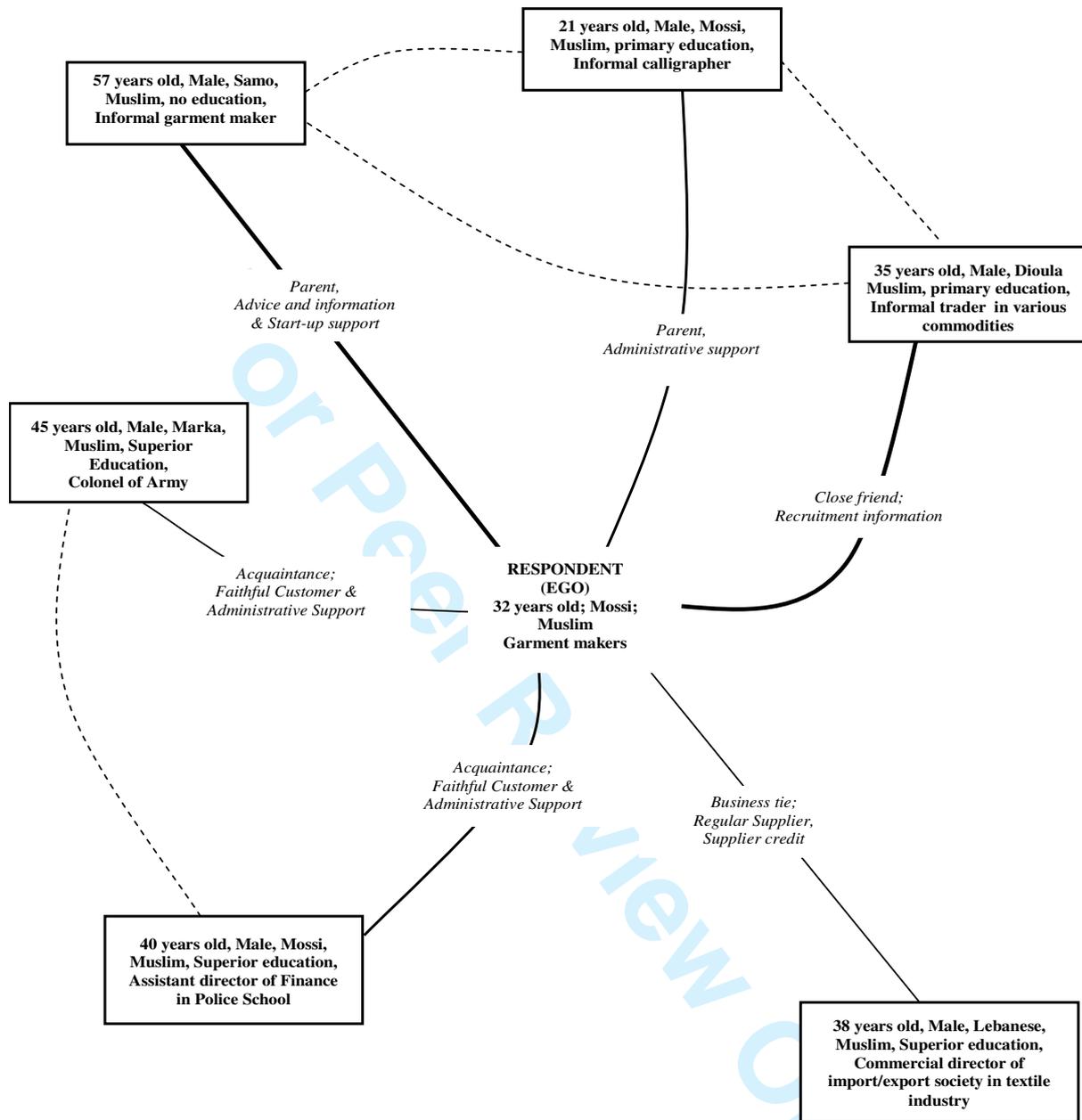
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50 There are different instruments for the collection of personal networks data (Marsden, 2005,  
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52 Wasserman and Faust, 1994). The name generators method is the most commonly used in the  
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54 field of entrepreneurship in industrialized countries (Hoang and Antoncic, 2003; Greve and  
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56 Salaff, 2003; Slotte-Kock and Coviello, 2010), but it has only rarely been used in Sub-  
57  
58 Saharan Africa. Name generators consist of one or several questions inviting respondents  
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60 (egos) to recall and elicit people (alters) with whom they maintains certain types of direct

1 relationships. They are usually followed by questions, called 'name interpreters', which  
2 gather information on alters' attributes, the relationships between ego and alter, and the  
3 relationships between alters. The name generators method has already been implemented in  
4 studies of women's social support network in rural Africa. The method has been reasonably  
5 reliable, particularly in its capacity to delineate the core of personal networks (Bignami-Van  
6 Assche, 2005; Adams *et al.*, 2006). In the field of entrepreneurship, it has been commonly  
7 used

18 Our instrument was constructed following several tests in order to take account of different  
19 biases identified in the relevant literature (such as memory and cognitive biases). It is based  
20 on multiple names generators (Fischer, 1982). Eight name generators were used<sup>4</sup>. They are  
21 defined on the basis of a criterion of interdependency or regular interaction of people involved  
22 in social relations conveying resources needed for the current exploitation of their informal  
23 activity (during the last twelve months)<sup>5</sup>. Seven types of exchanges or resources are used to  
24 construct the first seven generators: (i) advice, information and ideas (concerning markets,  
25 management, investment, partners); (ii) support in administrative or bureaucratic relationships  
26 (with local institutions, to obtain favours concerning tax payments, local placement or conflict  
27 resolution); (iii) regular suppliers; (iv) loyal customers; (v) cooperation or partnership  
28 (entrepreneurs who support each other, sometimes pooling resources, contacts and clientele);  
29 (vi) financial backing (as support in times of crisis, or for an investment, through loan or gift);  
30 and (vii) contact for recruitment (access to employment). Lastly, a 'contextual name  
31 generator' was inserted. This refers to important support relations at the moment of business  
32 start-up, which are invariably active in entrepreneurs' networks. In order to limit the duration  
33 of interviews, the number of alters cited for each generator was restricted to three (two for the  
34 second generator)<sup>6</sup>. Furthermore, in addition to the eight generators, a final name eliciting  
35 question was added for additional important contacts that may have been forgotten. Once the  
36 entire name list had been elicited (1964 names, average network's size of 7.06 names per

Figure 3: Informal entrepreneur's ego-centred network (adapted from Burt, 1984: 298)



entrepreneurs), respondents were asked to characterize each relation from a social role standpoint (kin, friend, neighbour, business tie, acquaintance). For a representative subsample of relations (1324), complementary name interpreters focused on the content of ties (duration, contact frequency, trust intensity, context of creation), alters' attributes (age, gender, ethnicity, schooling, occupation, status), and ties between alters<sup>7</sup>. Name interpreters for alters' attributes mainly focused on observable characteristics (sociodemographic characteristics are better informed than alters' attitudes or opinions; Marsden, 2005). In the

1  
2 case of professional occupation, respondents were asked to give precise descriptions of alters'  
3  
4 occupation and their sector of activity. This information was then ranked in classifications of  
5  
6 professions and social status<sup>8</sup>. For the social status classification, level of schooling and other  
7  
8 proxies of alter's wealth were used, such as means of transport (vehicle, moped, cycle) and  
9  
10 residential status (owner, tenants, family yard). As an example taken from our database,  
11  
12 figure 3 illustrates the rich data provided by the names generators instrument for the purposes  
13  
14 of describing entrepreneurs' personal networks, especially alters' attributes.

### 15 16 17 18 19 *Measurement of alters' attributes*

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21  
22 The 'network resources' approach associated with the multiple names generators method  
23  
24 provides a variety of possibilities for measuring the composition of networks<sup>9</sup>. Our analysis of  
25  
26 alters' attributes in entrepreneurs' personal networks focuses on three different aspects. In line  
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28 with Lin (1999, 2001), the first is social status. Compared to ego, we distinguish alters  
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30 enjoying an *intermediate status* and alters enjoying a *higher status*. The first are principally  
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32 business owners of the upper part of the informal sector (as wealthy merchants) and of the  
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34 small and medium-sized formal enterprises (especially in building trade) (65%), workers and  
35  
36 non qualified employees in the private formal sector (notably in building industry, transport  
37  
38 and services) (15%), and minor public officials (public sector employees) (12%). The second  
39  
40 are mostly top-ranking civil servants and intellectual and intermediary professionals in public  
41  
42 sector (47%), business owners, senior executives, managers and officers in formal enterprises  
43  
44 of the private sector (36%) and in NGOs (14%)<sup>10</sup>. Secondly, we also consider the professional  
45  
46 occupation of the network's members through the proportion of alters belonging to the same  
47  
48 profession as the ego. Thirdly, we consider the sociodemographic similarity between the ego  
49  
50 and his alters (homophily or, conversely, heterophily). This similarity is evaluated considering  
51  
52 four sociodemographic characteristics (age group, ethnicity, religion, and geographical  
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54 location). Ties are considered heterophilic if alters are different from egos for at least three of  
55  
56 these four characteristics.  
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## 5. Empirical analysis

### *Main features of the sample*<sup>11</sup>

In Bobo-Dioulasso, as in most informal economies, the dominant form of business is self-employment. Entrepreneurs are relatively young (35.5 years in average) and their households are composed of 7.5 members on average. Only 26 per cent have an educational level above primary education. In the informal economy, training is essentially provided through traditional on-the-job apprenticeships. Most entrepreneurs follow an informal route (from family assistant to apprentice and then owner). Regarding legality, 11 per cent of enterprises are registered in an official commercial register (mostly trade activities). The localization of economic exchanges confirms the autarkical confinement of informal activities, since it is mainly concentrated in the perimeter of the city for both customers and suppliers. The measure of economic performance reveals that earnings are higher in trade and catering activities than in production and other services<sup>12</sup>. However, the production sector is the most important in terms of employment and wage distribution.

### *Some comments about Lin's 'strength of ties' and 'strength of position' propositions*

The total rows and columns of tables 1 and 2 give a very interesting insight into the average nature of entrepreneurs' social network and ties in our sample. However, we focus our comments on Lin's (2001) 'strength of ties' and 'strength of position' propositions.

Firstly, at ties level, we combine alters attributes and the characteristics of ties (content and strength of ties) to broach Lin's 'strength of ties proposition'. Table 1 shows that ties with lower-status alters tend more often than not to be long term and strong kinship ties (see trust intensity and reciprocity). Partnership or cooperation relations are more specifically developed with alters of *comparable status*, whereas alters with *intermediate status* often provide suppliers and financial support ties. Ties with alters enjoying *higher status* than egos provide significantly more administrative support or loyal clientele. They are also more

1  
2 spatially distant and less frequent. Although strong ties appear to be more important with  
3  
4 lower status members, important dimensions of ties' strength (length, including anteriority to  
5  
6 the creation of activity, reciprocity and trust intensity) are not significantly linked with access  
7  
8 to *higher-status* alters. Furthermore, close friendship ties are significantly linked with higher  
9  
10 status individuals. These observations corroborate the difficulty to empirically observe the  
11  
12 'strength of ties proposition' (Lin, 1999). Concerning alters' professional occupation, table 1  
13  
14 indicates that relations developed in the same profession as the ego are often business ties of  
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16 partnership. Finally, socio-demographic heterophily is obviously negatively linked with the  
17  
18 different aspects of ties' strength.  
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24 Secondly, at entrepreneurs' personal networks level, alters' attributes can be crossed with  
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26 entrepreneurs' (firms) characteristics. In order to proxy the initial social status of ego, we  
27  
28 introduce entrepreneurs' level of education, their former professional status and the level of  
29  
30 their start-up capital. These variables are useful to broach Lin's 'strength of position  
31  
32 proposition'. Table 2 reveals that the most highly educated entrepreneurs are embedded in  
33  
34 networks with a significantly larger proportion of alters enjoying higher social status.  
35  
36 Entrepreneurs' former professional status shows that the higher it is the higher their  
37  
38 probability to reach high social status alters. As a consequence, their networks are also more  
39  
40 diversified in terms of the socio-demographic characteristics of alters (more heterophile) and  
41  
42 less professionally homogenous. Start-up capital leads to the same kind of conclusions. Thus,  
43  
44 these descriptive results are in line with the 'strength of positions' hypothesis. In other  
45  
46 respects, entrepreneurs from Mossi ethnicity are less often than others linked to alters  
47  
48 enjoying higher status. Geo-ethnic historical oppositions may explain this fact (see Savonnet-  
49  
50 Guyot, 1986). Owners' age and experience appear to be important characteristics in accessing  
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52 alters with higher social statuses. Sectoral specificities also appear. The networks of  
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54 production entrepreneurs prove to be 'poor' regarding alters statuses. Trade networks are  
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Table 1: Content of ties and alters' attributes (n=1324)\*

Content of ties	Alters' attributes						
	Lower status than ego	Comparable to ego's status	Intermediate status	Higher status than ego	Intra-profession tie	Heterophilic tie	All ties
<b>Social Role<sup>1</sup></b>							
Kinship	<b>.229</b>	<b>.411</b>	.197	.163	<b>.213</b>	<b>.088</b>	.283
Close friendship	.119	.459	.201	<b>.220</b>	.227	.240	.240
Arms' length sociability <sup>2</sup>	.131	<b>.603</b>	<b>.173</b>	<b>.093</b>	<b>.407</b>	.296	.293
Business	<b>.089</b>	<b>.563</b>	.231	<b>.117</b>	<b>.348</b>	<b>.349</b>	.534
<b>Resources conveyed<sup>1</sup></b>							
Advices, information & ideas	.159	.470	.199	.173	<b>.340</b>	<b>.196</b>	.262
Administrative support	.101	<b>.329</b>	.195	<b>.376</b>	<b>.154</b>	.242	.113
Regular suppliers	<b>.032</b>	.518	<b>.391</b>	<b>.059</b>	.259	<b>.336</b>	.166
Faithful customers	.126	<b>.407</b>	.275	<b>.232</b>	<b>.084</b>	<b>.386</b>	.215
Cooperation or partnership	<b>.055</b>	<b>.871</b>	<b>.060</b>	<b>.014</b>	<b>.820</b>	<b>.203</b>	.164
Financial support	.097	<b>.420</b>	<b>.333</b>	.150	<b>.217</b>	<b>.203</b>	.227
Contact for recruitment	<b>.309</b>	<b>.423</b>	.206	<b>.063</b>	.246	.229	.132
Start-up support	.159	.444	.230	.167	.281	<b>.211</b>	.204
<b>Length of ties</b>							
Less than 5 years	.116	<b>.550</b>	.192	.142	.299	<b>.381</b>	.331
5 to 15 years	.106	.517	.234	.143	.304	<b>.348</b>	.291
More than 15 years	<b>.190</b>	<b>.435</b>	.218	.158	.253	<b>.124</b>	.378
<b>Preexisting ties</b>							
No	.115	<b>.541</b>	.185	.158	.300	<b>.371</b>	.420
Yes	.160	<b>.465</b>	.234	.141	.271	<b>.204</b>	.580
<b>Contact frequencies</b>							
Everyday	.145	<b>.576</b>	.182	<b>.096</b>	<b>.320</b>	<b>.185</b>	.526
Once a month and more	.121	<b>.446</b>	.239	<b>.194</b>	<b>.250</b>	<b>.386</b>	.386
Less than once a month	.205	<b>.248</b>	.291	<b>.256</b>	<b>.205</b>	.316	.088
<b>Reciprocity</b>							
Yes	<b>.176</b>	.502	.189	.132	.298	<b>.246</b>	.616
No	<b>.085</b>	.488	.254	.173	.260	<b>.319</b>	.384
<b>Trust intensity</b>							
Low	.110	<b>.546</b>	.218	.126	.272	<b>.369</b>	.295
Intermediary	.115	.535	.207	.143	.312	.310	.322
Strong	<b>.187</b>	<b>.427</b>	.217	.169	.268	<b>.171</b>	.384
<b>Spatial proximity</b>							
Same neighbourhood	.168	<b>.590</b>	<b>.154</b>	<b>.088</b>	<b>.331</b>	<b>.076</b>	.455
Others neighbourhoods	.119	<b>.420</b>	<b>.263</b>	<b>.198</b>	<b>.244</b>	<b>.439</b>	.545
<b>Total</b>	.141	.497	.214	.148	.283	.274	-

Notes: (\*) The first value in the table means that 22.9 % of kinship ties are maintained with alters whose status is lower than ego. Significantly different frequencies are in bold type in the table (independent samples t-tests; sig. 2-tailed at least <.10). Thus, this result shows that relations with lower status alters are significantly more developed through kinship ties than through others (14.1%); (1) Note that each relation can possibly be classified in two social role categories (a parent who is also a client for example), or convey several resources, which explains that the total percentage exceeds 100% for these two categories; (2) Acquaintances, labour colleagues, neighbours.

**Table 2: Enterprises / entrepreneurs' characteristics and social networks alters' attributes (N=270)\***

<b>Characteristics</b>	Proportion of lower status relations in network	Proportion of same status relations in network	Proportion of intermediate relations in network	Proportion of higher status relations in network	Proportion of heterophilic relations in network	Proportion of intra-profession relations	<b>Total</b>
<b>Education</b>							
Secondary and more	.144	<b>.422</b>	.222	<b>.211</b>	<b>.332</b>	<b>.197</b>	.263
None / Primary	.154	<b>.519</b>	.205	<b>.122</b>	<b>.251</b>	<b>.315</b>	.737
<b>Former occupation</b>							
Inactive or farmer	<b>.253</b>	.470	<b>.153</b>	.124	<b>.209</b>	.277	.141
Apprentice – familial assistant (informal sector)	.151	<b>.531</b>	.203	<b>.116</b>	.281	<b>.329</b>	.548
Employee - Independent (informal sector)	<b>.118</b>	.457	<b>.245</b>	<b>.180</b>	.265	.245	.263
Employee (formal sector)	<b>.046</b>	<b>.341</b>	.255	<b>.358</b>	<b>.393</b>	<b>.105</b>	.048
<b>Start-up capital</b>							
Low <sup>1</sup>	<b>.193</b>	<b>.537</b>	<b>.168</b>	<b>.102</b>	.281	.307	.500
High	<b>.110</b>	<b>.451</b>	<b>.250</b>	<b>.188</b>	.263	.260	.500
<b>Ethnic group</b>							
Mossi	.169	.487	<b>.244</b>	<b>.100</b>	<b>.153</b>	<b>.319</b>	.396
Other	.140	.498	<b>.186</b>	<b>.175</b>	<b>.350</b>	<b>.261</b>	.604
<b>Length of presence</b>							
Native from Bobo <sup>2</sup>	.161	<b>.525</b>	<b>.176</b>	.138	.274	.291	.448
Others	.142	<b>.461</b>	<b>.244</b>	.153	.271	.276	.552
<b>Owner's age</b>							
Less than 25 years	<b>.232</b>	.525	.187	<b>.056</b>	.228	.359	.107
25 to 35 years	.138	.528	.202	.132	<b>.303</b>	.269	.444
35 to 45 years	.140	.487	.218	.155	.269	.316	.344
More than 45 years	.164	<b>.338</b>	.236	<b>.262</b>	<b>.195</b>	<b>.163</b>	.104
<b>Sector</b>							
Production	<b>.127</b>	<b>.526</b>	.191	.157	.264	.303	.350
Trade	.143	<b>.545</b>	.240	<b>.072</b>	<b>.216</b>	<b>.433</b>	.300
Catering	.144	<b>.332</b>	<b>.282</b>	<b>.241</b>	<b>.329</b>	<b>.054</b>	.120
Other services	<b>.204</b>	.464	<b>.158</b>	.173	<b>.328</b>	<b>.182</b>	.230
<b>Length of activities</b>							
Less than 5 years	.147	.512	.223	<b>.123</b>	.268	.294	.463
5 years and more	.158	.474	.189	<b>.178</b>	.279	.273	.537
<b>Total</b>	.152	.494	.209	.145	.272	.284	-

Notes: (\*) The first value in the table shows that the mean proportion of ties with alters whose status is lower than ego's is 14.4 % for entrepreneurs who have at least reach secondary school). Significantly different means are in bold type in the table (independent samples t-tests; sig. 2-tailed at least <.10). Thus, this result also shows that relations with lower status alters are significantly less frequent in the production sector than in others; (1) Start-up capital inferior to the median; (2) Born in Bobo or arrived at the latest at the age of 10 years old.

1 highly compact as they involve comparable status alters and a large proportion of intra-  
2 profession ties. Catering networks are characterized by significant diversity and the high  
3 statuses they give access to. The peculiarity of catering activities is not surprising insofar as  
4 informal catering is a dynamic sector in the city (see table A.1.) and also a popular meeting  
5 place where all social categories, including the highest, meet. In other services, entrepreneurs'  
6 networks are remarkable for the proportion of heterophilic relations. The important proportion  
7 of low statuses in their networks is consistent with the fact that they run small scale survival  
8 activities with low levels of economic performance (table A.1.).

### 21 *Testing Lin's 'social capital proposition' on informal entrepreneur's economic outcomes*

22 We are now in a position to assess the relevance of the attributes of network members as a  
23 predictor of entrepreneurs' economic outcomes. Ordinary least squares (OLS) regression was  
24 used to investigate the extent to which inputs, business and entrepreneurs characteristics, but  
25 also and especially member's attributes of entrepreneurs' network, help to predict informal  
26 business earnings. Regression coefficients give the change in earnings corresponding to a unit  
27 change in the appropriate explanatory variable, which is conditional on the other variables  
28 remaining constant. We may therefore assess the impact of social networks on economic  
29 performance, whatever the value of other explanatory variables.

30 Regarding endogenous variables, monthly sales turnovers are expressed in Francs CFA and  
31 adjusted for seasonal variations. Their logarithms are introduced in the model to lessen the  
32 impact of extreme values. Value added is computed on a monthly basis as the difference  
33 between sales turnover and intermediate consumptions and raw material expenses. Earnings  
34 are computed on a monthly basis as the difference between sales turnover and global monthly  
35 expenses, including raw materials and intermediate consumptions, current charges (including  
36 wages and rents) and financial and administrative charges. Both value added and earnings are  
37 also expressed in francs CFA and their logarithms are introduced in the model.

1  
2 Two blocks of predictors were implemented, that is. usual predictor variables of informal  
3 earnings (inputs, business and entrepreneurs characteristics) and predictor variables standing  
4 for alters' attributes of entrepreneur networks. With respect to the usual independent variables  
5 in the model, the following remarks can be made. Firstly, capital input is a monetary  
6 estimation of the value of the machinery, tools, equipment and stocks owned by entrepreneurs  
7 at the time of the survey. Labour input is measured by the monthly monetary value of wages  
8 paid to business employees, whatever their status. The effective contribution of labour to  
9 earnings may thus be more easily appreciated, since the usual 'number of employees' variable  
10 is likely to suffer from serious productivity bias. Secondly, business characteristics capture  
11 the impact on earnings of engaging in retail trade or catering activities. It also considers the  
12 alleged positive impact of administrative registration, pluriactivity and the favourable  
13 economic situation during the present year. Thirdly, entrepreneurs' characteristics include  
14 variables that describe the human capital of entrepreneurs (primary education and on-the-job  
15 experience), entrepreneurial behaviour (demand anticipation), gender, ethnic group and  
16 membership of a professional organisation. The second block aims to introduce information  
17 about entrepreneurs' social networks as predictors of earnings. In doing so, we will be able to  
18 test the impact of the attributes of network members on earnings, *ceteris paribus*. We  
19 therefore introduce four additional variables in the model in order to describe the network of  
20 an ego in relation to the attributes of his alters. The first two variables in this block measure  
21 the proportion of network members who enjoy an intermediate or higher status than the ego.  
22 The third variable measures the professional homogeneity of ego's network through the  
23 proportion of intra-profession ties. Finally, the fourth variable considers the socio-  
24 demographic opening of the ego's network (its heterophily) by pointing out the proportion of  
25 heterophilic ties (regarding age group, ethnicity, religion, and geographical proximity) in the  
26 ego's network.  
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**Table 3: OLS regression analysis summary for variables predicting value added and earnings; IV (2SLS) regression analysis summary for variables predicting turnover**

<b>Outcome variables :</b>	<b>log (turnover)</b>	<b>log (value added)</b>	<b>log (earnings)</b>
<b>Predictors<sup>1</sup></b>			
<b>Constant</b>	3.184 (15.11)***	2.835 (15.86)***	3.416 (14.22)***
<b>Inputs</b>			
Log (capital input)	.135 (2.46)**	.113 (2.11)**	.104 (1.63)*
Log (labour monthly input) <sup>2</sup>	.383 (7.14)***	.494 (9.40)***	.160 (2.56)***
<b>Business characteristics</b>			
Retail trade <sup>3</sup>	.499 (8.29)***	.177 (3.14)***	.176 (2.63)***
Catering <sup>3</sup>	.360 (6.29)***	.250 (4.45)***	.317 (4.74)***
Pluriactivity <sup>4</sup>	.034 (0.76)	.070 (1.61)	.091 (1.76)*
Administratively registered activity <sup>4</sup>	.097 (1.82)*	.116 (2.36)**	.148 (2.55)**
Favourable economic situation <sup>5</sup>	.075 (1.56)	.133 (2.94)***	.153 (2.83)***
<b>Entrepreneurs characteristics</b>			
Primary education or more	.029 (.64)	.058 (1.31)	.065 (1.22)
Experience <sup>6</sup>	.037 (0.80)	.082 (1.81)*	.097 (1.81)*
Gender <sup>7</sup>	.011 (.20)	-.040 (-.77)	-.028 (-.45)
Ethnic group <sup>8</sup>	-.047 (-.89)	-.053 (-1.10)	-.035 (-.62)
Professional organisation <sup>9</sup>	.085 (1.84)*	.120 (2.66)***	.142 (2.64)***
Demand anticipation <sup>10</sup>	.022 (0.46)	.114 (2.38)**	.158 (2.77)***
<b>Alters' attributes in entrepreneurs' network</b>			
Proportion of alters enjoying an intermediate status	.205 (3.33)***	.145 (3.13)***	.130 (2.37)**
Proportion of alters enjoying an higher status	.088 (1.17)	-.037 (-.72)	-.058 (-.94)
Professional homogeneity	.043 (0.64)	.070 (1.37)	.054 (.88)
Proportion of heterophilic ties	-.113 (-1.65)*	-.079 (-1.65)*	-.101 (-1.78)*
Network's size	.067 (1.02)	.032 (.66)	.007 (0.12)
Number of obs.	251	270	270
F (sig)	16.56 (.000)	17.17 (.000)	8.04 (.000)
R <sup>2</sup>	0.571	0.552	0.366
Adjusted R <sup>2</sup>	0.537	0.520	0.320
Hausman test (p-value)	30.76 (0.031)	18.25 (0.439)	12.49 (0.821)
Sargan test (p-value)	0.101 (0.750)	0.078 (0.780)	0.393 (0.531)

Notes : (1) Standardized estimated coefficients are shown, t tests for unstandardized coefficients are in brackets, \*\*\*p < .01, \*\*p < .05, \*p < .1 ; (2) for independent workers, log(labour monthly input) is standardized to 3.17 for continuity purpose ; (3) dummy variable, 0 = other activities ; (4) dummy variable ; (5) dummy variable, 1 = activities that have experienced a favourable economic situation this year ; (6) dummy variable, 1 = entrepreneurs conducting their business since at least 5 years ; (7) dummy variable, 1 = female ; (8) dummy variable, 1 = Mossi ; (9) dummy variable, 1 = members of one or several professional organisation ; (10) dummy variable, 0 = entrepreneurs who set the level of their activity only according to placed orders and/or their productive capacities.

1  
2 The reliability of OLS regression parameters may be challenged by potential endogeneity  
3 bias, notably with regard to the direction of causality between entrepreneurs' social networks  
4 and their economic performances. We therefore test whether our five social networks  
5 variables can be regarded as exogenous, by using the standard econometric procedure of  
6 instrumental variables and Hausman test. The implemented instruments refer to the network's  
7 ties created before the start up of the activity. More precisely, the picked instruments are the  
8 number and the proportion of ties created before activity's start-up and among them, the  
9 proportion of ties with intermediate status alters, higher status alters, alters in the same  
10 profession, and the proportion of heterophilic ties<sup>13</sup>. Sargan tests of overidentifying  
11 restrictions are also presented in table 3. It confirms the validity of our instruments. Hausman  
12 tests indicate that the exogeneity of our network variables can not be statistically rejected,  
13 except for the regression on sales turnover. Thus, parameters estimates shown for sales  
14 turnover in table 3 have been computed through IV (2 SLS) regression.

15  
16 The results of regressions are shown in table 3<sup>14</sup>. Means and standard deviations are presented  
17 in table A.2, in the appendix. The three modelizations significantly predict sales turnover  
18 ( $F(19, 231) = 16.56, p < .01, \text{adjusted } R^2 = .537$ ), value added ( $F(19, 250) = 17.17, p < .01,$   
19  $\text{adjusted } R^2 = .520$ ) and earnings ( $F(19, 250) = 8.04, p < .01, \text{adjusted } R^2 = .320$ ). The  
20 standardized estimated coefficients for significant network variables demonstrate their  
21 important part in entrepreneurs' economic outcomes. Actually, their magnitudes appear to be  
22 comparable to that of basic predictors such as capital input or favourable economic situation.

## 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

### 6. Discussion

The most important result of this paper is that the proportion of alters enjoying an intermediate status in the social network of entrepreneurs has a strong and significant positive impact on all economic outcomes in the informal economy of Bobo-Dioulasso. Conversely, the proportion of alters with a high social status has no significant impact. This issue is of particular interest since it partly contradicts Lin's social capital proposition (Lin, 1999, 2001).

1  
2 So, why are these intermediate status alters so valuable compared to higher status ones? The  
3  
4 main explanation rests on the idea that the resources owned by intermediate status alters are  
5  
6 particularly useful for entrepreneurs in the urban African informal economy.  
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9  
10 As intermediate status alters are mostly rather 'well-off' business owners, the argument must  
11  
12 actually be especially relevant for business relationships. This is, for example, the case for  
13  
14 supplier relationships. The organisation and dynamics of large formal private firms rarely  
15  
16 come up to informal activities' expectations. These last require a high degree of flexibility for  
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18 their economic transactions because of the uncertainty which characterizes an informal  
19  
20 economy in a context of economic crisis. It is thus more useful and easy to work with  
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22 informal or small and medium-size formal suppliers. The analysis of life-stories that we have  
23  
24 collected reveals that access to important resources, such as supplier credit, is easier with this  
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26 kind of suppliers. For example, a garment seller told us that he has no difficulties to obtain  
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28 credit with his supplier who is an important informal garment wholesaler in the central  
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30 marketplace, while a wood joiner and a specialist in metal fittings express difficulties to  
31  
32 obtain credit with some formal enterprises, because the times for payment required by  
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34 suppliers are not compatible with the extended times for payment that they have to afford to  
35  
36 their clients. Moreover, regarding clientele, the capture of a middle class clientele may also  
37  
38 represent a crucial determinant of business success as it constitutes a more reliable clientele  
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40 (creditworthy) than the informal population and a more accessible one than the upper class  
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42 (who seeks for better quality products). Last but not least, as wealthy merchants are well  
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44 represented among intermediate status alters, it is important to remember that they historically  
45  
46 constitute a group of financial, political and social power in the city (Fauré and Labazée,  
47  
48 2002).  
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56  
57 Another aspect of the value of intermediate status alters relates to their approachability,  
58  
59 notably concerning the access to 'social' resources. Considering the high degree of  
60  
uncertainty of the informal economy, approachability is of the highest importance, as for

1  
2 example, when instant access to financial support is required. In most life-stories that we have  
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4 collected, we observe that in time of crisis, financial support comes from approachable  
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6 individuals, notably from entrepreneurs' own household members, rather than from their even  
7  
8 more comfortable highest-rank relations. For example, a garment maker explains that the first  
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10 person from who he receives financial support in time of difficulties is his wife (an  
11  
12 administrative secretary in a private formal enterprise) whether than his village relative who is  
13  
14 the director of one of the most important national industry in the country. Some kind of auto-  
15  
16 restriction process prevents entrepreneurs to easily ask help from high status relations (even  
17  
18 though they are relatives). Intermediate statuses are also particularly useful for administrative  
19  
20 support. Although corruption in Burkina Faso mostly operates hidden in the administrative  
21  
22 offices (INSD, 2003b), it is if need be more useful for informal entrepreneurs to have  
23  
24 relations, for example, with the local tax officer (field employee) than with the director of the  
25  
26 fiscal administration. Whereas he can directly deal the payment of a 'gift' with the former, it  
27  
28 would be difficult to do the same with the latter which is in a position that strongly constrains  
29  
30 its possibilities of action. The same kind of argument occurs with any public or private  
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32 administrative service. Generally speaking, ties with employees are more useful than with  
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34 executives in the relations with formal organisations and institutions. Life-stories back up this  
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36 conclusion in many aspects like for example in relations with formal banks or institutions of  
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38 micro finance (IMF). For example, a restaurant owner explains how she obtained five  
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40 important credits from an IMF thanks to four regular customers who were employed in that  
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42 bank (counter-clerks, secretaries, etc.). Without them, she would never have known how to  
43  
44 complete her file credit application and how to manage her bank account to expose her  
45  
46 restaurant's financial health. Social approachability is thus of the highest importance in access  
47  
48 to social support. Furthermore, social ties with intermediate status alters are less asymmetrical  
49  
50 than with higher status ones. Qualitative studies have tended to emphasize that relations with  
51  
52 the most powerful actors may lead to unequal relations of subordination and domination  
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2 (Lomnitz, 1988; Lourenço-Lindell, 2002; Meagher, 2005, 2006). As Lomnitz (1988: 48)  
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4 suggests: 'The symmetry of the relationship depends on social distance: the closer the social  
5  
6 relation, the greater the *confianza* and consequently the balance of the exchange'. When the  
7  
8 differential of power between the two partners is important, reciprocity tends to be  
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10 transformed into a 'patron-client' relation. Thus, when ego's capacity of reciprocity is limited,  
11  
12 whether he does without help or returns the offered resources through demonstrations of  
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14 gratitude and loyalty. In other words, social distance between partners favours subordination.  
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18 The significant negative effect of the sociodemographic heterophily of networks is another  
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20 aspect of the importance of social proximity. This result differs from Barr's (2002)  
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22 conclusion. Rather than constituting a strong social constraint impeding entrepreneurial  
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24 agency, homophily seems to favour the trust required to develop economic activities.  
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26 Regarding professional homogeneity, we find no evidence of its impact on economic  
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28 outcomes. Thus, social diversification, often praised as a core determinant of performance,  
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30 does not appear to be of great relevance here.  
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35 We have shown that intermediate status alters are extremely valuable contacts in their selves,  
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37 but they may also be valuable regarding the contacts they give access to. One might consider  
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39 that such relations hold an intermediary position within the local social structure (between  
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41 informal entrepreneurs and the top of the social scale). Thus, they hold a particularly strategic  
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43 position and fill what Burt (1992) refers to as 'structural holes'. However, it would necessitate  
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45 some unavailable specific network data to assess this idea<sup>15</sup>. Yet, in their selves, intermediate  
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47 status alters remain valuable by sparing informal entrepreneurs to have direct asymmetrical  
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49 relationships with high-rank alters.  
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54 The test for endogeneity bias reveals a likely reverse causality between sales turnover and  
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56 network's configuration. In that case, such result deserves a brief comment as reverse  
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58 causality would only occur with sales turnover and not with earnings or value added. The  
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60 joint evolution of business turnover and entrepreneur's network seems actually coherent:

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2 increasing turnover improves the insertion in the local business environment which in turn  
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4 creates new relations with customers, supplier and partners. Numerous life-stories illustrate  
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6 this fact, notably in trade activities and production sector where such co-evolution often even  
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8 started before the creation of present activity.  
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11 Finally, this paper also raises some implications for policy-making. Our results show that in  
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13 the informal economy of Bobo-Dioulasso, social networks and relations matter for small  
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15 entrepreneurs, though in highly specific ways. This is of particular importance for policy  
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17 intervention, since it is important to understand the role of social dynamics in the operation of  
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19 local markets. To sum up our results, we find that entrepreneurs' personal networks are  
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21 characterized by social proximity and closeness. Half of all entrepreneur ties concern alters  
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23 with comparable social status (see table 1). Concerning their economic impact, our results do  
24  
25 not indicate the importance of relations with high privileged social status alters but rather with  
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27 intermediate ones. Herein lies the need for policy intervention. A report of the National  
28  
29 Commission for Decentralisation for the local economic growth argues in favour of the  
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31 connexion between informal sector and large, small and medium-sized enterprises of the  
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33 formal sector (CND-PDM, 2002: 21). Regarding our results, since intermediate status alters  
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35 are often business owners of the upper part of the informal sector and of the small and  
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37 medium-sized formal enterprise, we suggest focusing on the latter rather than on large formal  
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39 enterprises. In other words, policy intervention has to promote more equitable linkages  
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41 between formal and informal activities (Chen, 2006), particularly by facilitating the creation  
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43 of institutions which might enable the development of equitable market-based relationships  
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45 (business and professional organizations, but also meeting places such as market-places or  
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47 trade fairs). Such institutions would all the more be necessary since the access to intermediate  
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49 status alters is likely to depend on an initial social position (see table 2 about 'strength of  
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51 position proposition'). Moreover, the importance of entrepreneurs' personal ties with minor  
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53 civil servants and employees for their relationships with formal organizations and institutions  
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1 reveals a crucial lack of access to information that policy intervention may fulfill. This points  
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4 to the necessity of institutions and structures that favour access to information for micro-  
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7 entrepreneurs.

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10 To conclude, further investigation on the subject is clearly required, notably regarding  
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12 dynamic perspectives on social networks (Slotte-Kock and Coviello, 2010). This can be  
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14 addressed through three distinct but not exclusive methods: the analysis of network formation  
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16 with complete network data as in risk sharing networks studies (Fafchamps and Gubert,  
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18 2007), the collection of longitudinal ego-centered network data (it may be for example very  
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20 fruitful to insert an ego-centred network item into 1-2-3 surveys; Amegashie and al., 2005)  
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22 and the use of qualitative material (Durlauf and Fafchamps, 2004) like life-stories which  
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24 allow to analyze the evolution and transformation of social relations and networks during the  
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26 professional career of micro entrepreneurs.  
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## Notes

46  
47 <sup>1</sup> In the field of SNA, this perspective aims to describe the structure of relations within groups, clubs,  
48 organizations or other finite social sets (for example, ties between all entrepreneurs that belong to a delimited  
49 organisation, or geographical area). The issue refers in particular to centrality and power distribution within  
50 these groups.

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52 <sup>2</sup> Our paper fit in this second perspective as we study the network mobilized in the current exploitation of the  
53 activity and not for a punctual instrumental action (as, for examples, a particular investment or recruitment).

54  
55 <sup>3</sup> According to Barr (2002), these networks characterize small businesses located on the fringes of formal  
56 institutions (informal economy), whereas innovative networks are representative of enterprises with access to  
57 formal institutions.

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59 <sup>4</sup> The detailed generators are presented in table O.A.1., see online appendix file.

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<sup>5</sup> The criteria of specific social exchanges (individuals involved in regular relations of material or intangible support) have the advantage of being clear and unequivocal, since they are less likely to be interpreted

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3 differently by different respondents (Campbell and Lee, 1991). The names generator instrument is thus quite  
4 different from the 'position generators' used by Lin (1999, 2001) and adapted by Fafchamps and Minten (2001,  
5 2002), and Barr (2002). Position generators are based on predefined social positions in a given hierarchy  
6 (representative of resources valued in a society). The respondent is asked to indicate if she/he knows anyone in a  
7 particular position. It is thus quite risky to predict what type of contact position is useful for entrepreneurs before  
8 having demonstrated it. Furthermore, unlike names generators based on exchanged resources, to 'know'  
9 someone merely helps to identify 'potential' social support ties (to 'know' someone does not necessarily mean  
10 that the entrepreneur can derive resources from this person when necessary).

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15 <sup>6</sup> Statistical information about how respondents use their full allocation of three (or two) potential names for each  
16 generator is shown in table O.A.2. in the online appendix. No respondent has used the total potential of 24 names  
17 among all generators (in average they only use 30% of this total). And for each generator, very few of them have  
18 quoted the three potential names. These results allow us to consider that limiting the generators to three names  
19 does not prevent from getting a reliable estimation of network's degree or size, and more importantly, it does not  
20 prevent from perceiving the differences between entrepreneurs' network's size.

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24 <sup>7</sup> The sub-sample is made up of the first quoted names for each generator, as Fischer (1982) proposed in his  
25 survey of personal network support in San Francisco. The distribution of the only one characteristic we observed  
26 for all networks' alters quoted (the social role) is presented for the initial sample and for the sub-sample in table  
27 O.A.3. in the online appendix. This table and the related chi-square test for expected values shows that with  
28 respect to this characteristic the sub-sample is not statistically different from the entire list of names.

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32 <sup>8</sup> Professional categorization was inspired and adapted from the ECOLOC classification (Fauré and Soulama,  
33 2000) and the Member States Industrial Classification of all Economic Activities of AFRISTAT (NAEMA in  
34 French). Social status classification was inspired and adapted from the International Standard Classification of  
35 Occupations of the OIT (ISCO-88).

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46 <sup>9</sup> Whereas names generators produce measures of networks' composition that are based on the diversity of alters'  
47 characteristics and the mean, or proportion, of alters' characteristics (see the review of Lin, 1999: 474; Lai *et al.*,  
48 1998; Campbell *et al.*, 1986), position generators measure access to structural positions. Prominent measures  
49 used by Lin are the highest status accessible in ego's networks (network composition), and the range of status  
50 accessed (difference between the highest and lowest accessed statuses) (Lin and Dumin, 1986). In accordance  
51 with the position generator, it necessitates a relevant and precise social, or prestige, scale of occupations in the  
52 society under study (for example, 20 distinct occupations in Lin and Dumin's study).

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56 <sup>10</sup> Consequently, alters enjoying a *comparable status* than egos are small scale entrepreneurs and regular  
57 employees of the informal sector; and those enjoying a *lower status* include informal employees and apprentices,  
58 small farmers, and non-working population. All egos interviewed are thus of same social status as they all  
59 belong to the informal sector. Evidently there are differences between egos, notably in economic performances,  
60 but relatively to the entire social structure of the society it does not seem wrong to consider them as being part of  
a same social status category.

<sup>11</sup> See table A.1.

<sup>12</sup> Catering activities in particular tend to take advantage of the increasing urban population and changes in food  
behavior in urban areas. Because of successive crises, weakening of purchasing power and increasing oil product  
prices, more and more workers are forced to have lunch in restaurants (or 'maquis') at their workplace rather  
than at home.

<sup>13</sup> Note that none of these instrumental variables is significantly correlated with any outcome variable.

<sup>14</sup> The assumptions of linearity, normally distributed errors and uncorrelated errors were checked and met.

<sup>15</sup> It would be an interesting field of investigation, but it necessitates data on alter's ties, through 'second order zone' ego-centered network data, or through 'complete networks' data.

## Appendix

**Table A1: Average principal characteristics of activities and entrepreneurs by sectors. (N=270; Bobo-Dioulasso, 2007)**

	Sectors of activities				Total
	Production	Trade	Catering	Other services	
<b>Activities' Characteristics</b>					
Monthly balance of primary incomes (K FCFA)	60	107	171	50	85
Monthly wage bill (K FCFA)	45	11	34	20	28
Capital at resale price (K FCFA)	579	680	332	326	521
Activities' duration (years)	9,5	7,5	5,1	6,3	7,6
Commercial registration (%)	7	21	0	10	11
<b>Entrepreneurs' Characteristics</b>					
Age (years)	37,5	34,2	37,1	33,4	35,5
Household size (numbers of individuals)	8,5	7,8	6,9	6,0	7,5
Higher level than primary school (%)	14	23	42	34	26

**Table A.2: Means and standard deviations for performance indicators and predictor variables**

Variables	Mean	S.D.
<b>Sales turnover</b> (thousands FCFA)	402	660
<b>Value added</b> (thousands FCFA)	116	133
<b>Monthly earnings</b> (thousands FCFA)	85	116
<b>Inputs</b>		
Log (capital input)	5.269	.740
Log (labour monthly input)	3.997	.676
<b>Business characteristics</b>		
Retail trade	.300	.459
Catering	.122	.328
Pluriactivity	.130	.337
Administratively registered activity	.110	.315
Activity has experienced a favourable economic situation this year	.318	.467
<b>Entrepreneurs characteristics</b>		
Primary education or more	.648	.478
Conducting this business at least since 5 years	.537	.499
Gender (female)	.159	.357
Ethnic group (Mossi)	.396	.490
Membership of one or several professional organisation	.160	.363
Demand anticipation	.141	.348
<b>Alters' attributes in entrepreneurs' network</b>		
Proportion of alters enjoying an intermediate status	20.9	21.3
Proportion of alters enjoying an higher status	14.5	19.0
Professional Homogeneity	.422	.495
Proportion of heterophilic ties in network	.272	.258
Network's size	7.1	2.579

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## Online appendix

### Table O.A.1 : The names generators

#### 1. Advice, information and ideas

Usually, entrepreneurs know people they can ask some advices and information to, or with whom they can discuss and share some of their ideas and even some important issues concerning their business. For example ideas about how to improve and enlarge business, ideas about investment and management, or information about markets, suppliers, customers, access to credit, and so on. During the last 12 months, are there any people you have asked advices or information to, or with whom you shared ideas concerning your current business? Please name up to three people with whom you have especially discussed about that kind of things.

#### 2. Support in administrative or bureaucratic relationships

Within the framework of their business, small entrepreneurs often face some administrative obligations and problems. They have relations with the public authorities, the municipality (Bobo-Dioulasso central town council or town hall of arrondissement), the specialized organizations (as the chamber of commerce, professional associations, labour unions), the tax office, the police, and so on, for example concerning controls and inspections for the payment of taxes, the constitution of files to access public markets, the location of businesses...Generally speaking, in your current business, is there some people you rely on to settle that kind of problems concerning administrative burdens ? Please name up to two of these people.

#### 3. Regular suppliers (access to goods and raw materials)

Within the framework of your business, regarding the purchase of goods, raw materials and equipments that are essential to your activity's exploitation, do you have personal contacts through which you access suppliers or suppliers with whom you maintained regular relations during the last 12 months? Please name up to three of these people.

#### 4. Faithful customers or access to customers

Concerning customers, did you have, during the last 12 months, personal contacts which allow you to regularly reach them, to improve your reputation, or do you have "faithful customers" who regularly purchase your goods and/or allow you to reach good markets? Please name up to three of these people.

#### 5. Cooperation or partnership with other entrepreneurs

Within the framework of their current activity, small entrepreneurs often develop some relations of mutual aid, partnership or cooperation with other entrepreneurs. As for example in the case of breakdowns, or when you do not have the appropriate tool, machine or good; and even when you cooperate in the process of production, the share of markets or the exchange of customers. Who are the entrepreneurs with whom you maintained such kind of relations? Please name up to three of these entrepreneurs with whom you personally and regularly cooperated during the last 12 months.

#### 6. Financial support

In their current business, small entrepreneurs may face some financial difficulties causing problems to maintain the business and even threatening the activity with closure. Did you recently, during the last year for example, experience some financial difficulties, cash flow problems, or important breakdowns? If yes, how did you overcome such kind of situation? Did you ever asked for financial support to anybody? In addition, some entrepreneurs may decide to invest in new equipments in order to develop their business and workshop, or to replace their machines. Did you ever received financial support for that kind of investment? Finally, when you face that kind of problems, who do you rely on for financial support or help to reach for financing (whether it is gifts, loans or advances)? Please name up to three people to which you regularly asked for financial support during the last 12 months.

#### 7. Access to employment (contact for recruitment)

Do you have employees, permanent or occasional, wage workers, familial assistant or apprentices? Concerning those hired during the last year, were there personal contacts which served as intermediaries for their recruitment? For example you may have hired them through a family member, a neighbour, a friend, a customer, and so on. Who are these personal regular contacts which have served as intermediaries for your recruitments, or by whom you would pass to recruit somebody for your activity? Please name up to three of these contacts.

#### 8. Support for business start-up

At the time of your business start-up, did some people support you in such a manner that you consider them as very important for you during this period? If yes, how did they support you? Moral support, financial or material help? For example, how did you constitute your start-up capital? Among these people, with whom you still have been in regular contact during the last 12 months, please name up to three.

#### 9. Opened question

Looking at the entire name list you have quoted, are there other people who you consider as very important for you in your activity's current exploitation and who do not appear on the list? If yes, how many people did we forget? Please name one of them.

**Table O.A.2 : Number of alters quoted by entrepreneurs for each names generators**

N= 278 entrepreneurs (P= 1964 alters)	No name (%)	Maximum of possible names (%)	Average names quoted	Std. deviation
Advice, information and ideas	13,3	26,3	1,68	1,006
Administrative support	48,6	5,0	,56	,590
Regular suppliers	28,1	5,8	,97	,808
Faithful customers	7,6	39,6	2,08	,930
Cooperation or partnership	30,2	6,5	1,03	,872
Financial support	25,9	10,8	1,16	,934
Contact for recruitment	40,3	5,4	,86	,870
Start-up support	28,8	4,7	1,03	,836
<b>Total</b>	-	-	7,06	2,59

**Table O.A.3.: Type of relations in the whole sample of alters (P2) and in the sub-sample (P3)\***

	Proportion in P2 (%)	Proportion in P3 (%)
Close family	13,1	15,5
Enlarged family	7,7	8,8
Other kinship relations (ethnic, village)	3,7	4,0
Close friends	22,3	24,0
Acquaintances	12,4	11,6
Neighbors	4,1	3,5
Labor colleagues	13,8	14,2
Business ties	57,3	53,4
<b>Chi-square test for expected values</b>	<b>11.32 (df = 7 ; p = .125)</b>	

Note: \* the total percentage exceeds 100% as one tie can be classified in several categories (a parent who is also a customer for example) ; chi-square test has not been computed on shown proportions but on the numbers of each given type of relation in each population.