Re-forming links: Effects of a randomized training on business network changes among small enterprises in Uganda

Mattea Stein, Paris School of Economics

January, 2018

Latest version here

Abstract: Indirect effects of public policy interventions through baseline information networks are receiving some interest in the recent literature. However, if link formation is strategic, a successful intervention is likely to change the structure of pre-existing networks, because it changes the relative benefits of links with treated and untreated target firms. If networks change, using the baseline network to determine the indirect effects of an intervention or to control for spillovers may not only lead to biased results but also miss part of the total effect of the intervention, the exclusion from the networks of some and inclusion of others. We investigate whether – and how – a randomized business and technical training affected the networks among small enterprise owners in Kampala, Uganda. We find that links between firm owners from the same sector and in close proximity of each other are significantly more likely to be maintained if both are treated (than if both are untreated). Furthermore, we find that untreated firms are more likely to keep a baseline link if the “target” firm owner is treated than if he or she is not. In particular, this is the case for older, infrequent-interaction links that would have faded away if the target firm owners were untreated. Our results then permit the interpretation that the intervention led treatment group firms to strengthen ties with treated firm owners close-by, most likely because they went to the training together. At the same time, it lead control group firms to put particular effort into keeping baseline links with treated targets to maintain access to that information.

Keywords: Network formation, social networks, firms