

Evolution of inclusive **digital commerce** in Ghana



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INTRODUCTION



Although “**cash is king**” remains the mantra in many emerging markets, [recent evidence](#) suggests that small merchants benefit from using digital payments, especially in light of the challenging pandemic context. Although the benefits are now documented, we have found that using digital tools for commerce remains a pain point for most micro and small businesses.

Inclusive Digital Commerce (IDC) program’s work in Ghana using the Catalyst Accelerator model, over the past two years has found that while merchants widely use social media and digital payments, many activities like purchasing inputs, managing inventory, and making deliveries largely remain analog. Our work suggests that efforts to help small merchants take advantage of digital commerce are working, but that much more is needed to deliver on its promise.



Digital economy has boomed

The value of digital payments and commerce has grown at unprecedented rates, globally and in Africa. Globally, digital commerce is growing at a cumulative annual growth rate of over 15%, while growth rates in Africa are almost 14%. This growth is outpacing even recent projections; the IFC predicted that Africa's internet economy would reach \$180 billion by 2025, but more recent estimates put that number at over \$200 billion. That market growth is reflected in the growth of digital payments more broadly. In 2020, digital payments transactions in Africa were worth \$71 billion and that number is set to grow to more than \$130 million this year.

The story has been similar in Ghana where one report noted that “digital transactions increased by approximately 120% between February 2020 and February 2021” in response to lockdown conditions. However, digital transaction growth rates in Ghana are not expected to reach global growth rates perhaps because the country is starting from a high base (Ghana has had the fastest growing mobile money market in sub-Saharan Africa for several years). That may explain why the volume of digital payments is expected to show an annual growth rate (CAGR 2023-2027) of 9.15% relative to almost 12% globally. The use of digital payments has remained high even after the implementation of a 1.5% e-levy, a tax that has unfortunately disproportionately affected informal SMEs.

Looking forward, inflation is an enormous concern. Last year, in 2022, inflation rates reached

54%

severely depressing real incomes and well-being. Still, our data suggests that participation in digital commerce remains resilient.

MSEs have found footholds in the digital market

Two years ago, when **Inclusive Digital Commerce (IDC)** was launched, it was clear that pandemic conditions were benefiting online marketplaces and retailers. Instead of shopping in markets and centers, lockdowns forced people to buy digitally, from their phones and computers.

Online giants like

Amazon

&

Jumia

benefited during those early days, though it remains to be seen how durable those gains were.





Even as giants were benefiting, it was not immediately obvious how micro and small enterprises would participate (or not) in the growth of digital commerce. Some feared that digital markets would allow big players to consolidate their dominance, further squeezing out small businesses. Others believed that digital would level the playing field, allowing small players to finally gain market access to more customers and better prices.

Though our research is limited to Ghana, our experience there suggests that MSEs are making meaningful strides in incorporating digital tools and participating in digital commerce. The MSEs we surveyed cited a number of benefits from using digital tools: finding new clients, convenience, more sales, and higher profits.

In general, the high level story remains consistent with what we found two years ago: that digital behaviors are concentrated early in the transaction journey (during marketing and discovery) but that ordering and delivery remains largely analog. That said, a clear look reveals that 8% of MSEs we surveyed are now placing orders for their inventory digitally. While the percentage is small, it is infinitely larger than two years ago (when it was zero). Similarly, 21% of merchants are using delivery apps to get their products to customers. While still a minority, that number was also zero two years ago.

In two years, digital tools are taking root beyond marketing and payments

In 2020, early parts of a transaction were largely digital, but operations and fulfillment were analog



MSEs leverage social media (50%) for marketing



Leads quickly move to phone: 89% accept orders via calls, 72% via WhatsApp



More MSEs report accepting mobile money (88%) than accepting cash (80%)



Order and inventory management are done by pencil or in Excel



Dispatch riders are used for local deliveries: post used for outside Accra

In 2023, digitization is slowly progressing to other stages of the transaction funnel.

86% of MSEs are using social to share content for marketing, and more (69%) are also finding new clients on social media.

Orders are no longer placed via call, WhatsApp and Facebook are the channels of choice (166% and 28% of MSEs, respectively)

Use of digital payments was high, and remains high. Some merchants (8%) report using digital apps to accept payments.

Inventory orders and purchases remain largely analog. Only 8% order digitally, and only 61% pay for stock digitally.

Delivery apps may be gaining a foothold; 21% of merchants report using them



In general, we can observe that the range of digital commerce activities are starting to take root among MSEs in Ghana. The growth of payment and delivery apps are finding ways to serve micro and small enterprises, but that reach is still small and those providers must scale further to be truly inclusive.

Women are participating at equal rates

Even as usage of digital tools and digital financial services is exploding, usage by women lags.

The [World Bank recently concluded](#) that

“fintech is not (yet) making good on its promise: there is a sizable “fintech gender gap.”

We are happy to report a more nuanced digital divide among women merchants in our research in Ghana. Women use mobile money at equal rates as men and, in fact, we found that young women report using social media at higher rates than the rest of the sample.

However, young women still use apps at lower rates than men, citing costs as a barrier, though the gap is smaller than in global benchmarks (the fintech gap is 8%).

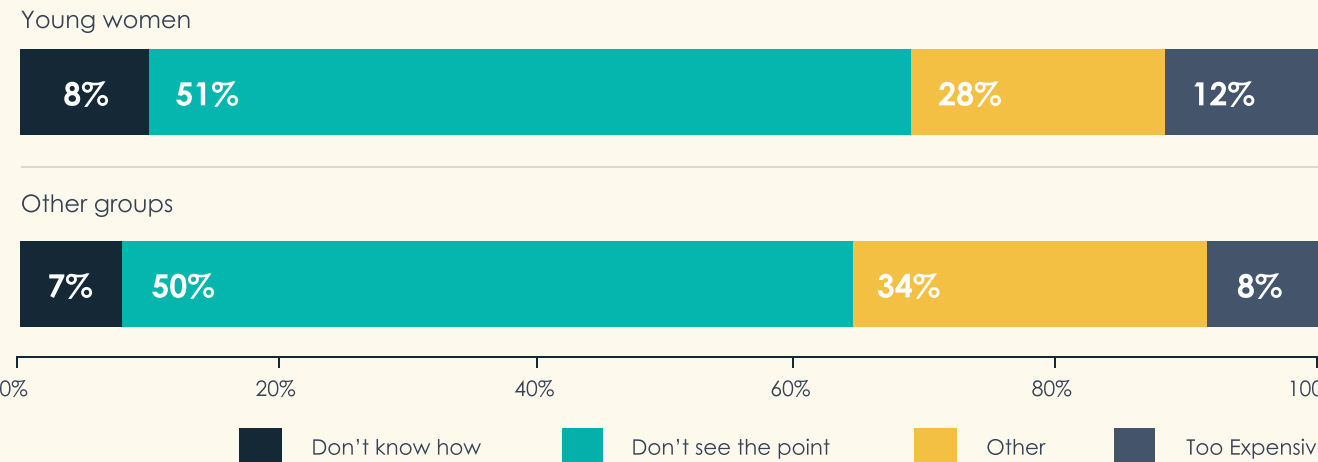


How included in the digital economy are MSEs led by women and youth?

Women are using **slightly less digital payments tools such as bank transfers and digital apps.**

Payment methods	Cash	Mobile Money	Bank transfer	Digital App	
	Young women	88%	83%	14%	6%
	Other groups	88%	83%	29%	11%

More young women tend to mention **costs** as one of the top **barriers to adopting digital tools**

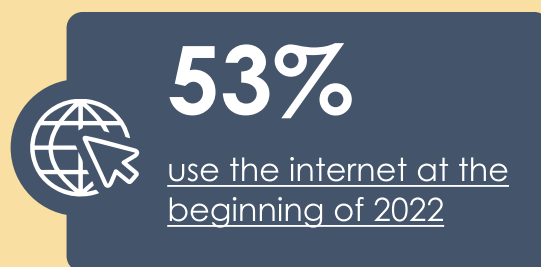
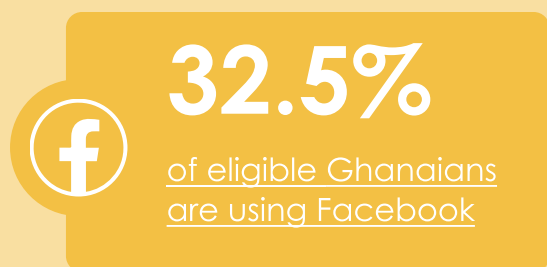


Young women are **relying more heavily on social media** for finding clients and sharing content than other groups.

Young women	77%	91%	76%
	finds clients using social media	share content using social media	use delivery apps
Other groups	66%	85%	80%

Making digital more inclusive

In all, micro and small enterprises are adopting digital tools at impressive rates.



over
86%

of enterprises we surveyed report using social media to share content and nearly all have smartphones. This suggests that micro and small enterprises are early adopters of digital, given the upsides it promises. The pandemic, favorable mobile money regulations, and programs like the Inclusive digital commerce have all played a role in getting these businesses online.

We can expect usage of digital commerce to grow further as 85% believe that their online sales will increase in the future. These MSEs will need digital tools like those provided by IDC and Catalyst Fund fintech portfolio companies to capture the benefits of digital commerce. However, creating value propositions that resonate with MSEs isn't easy; merchants don't always recognize current value propositions, saying they "don't see the point".

This suggests providers, with the support of programs like IDC and Catalyst Fund, need to reinforce these offers and make them more robust for MSEs.

While our results are specific to Ghana, they are likely relevant across Africa and potentially other emerging markets. McKinsey came to a similar conclusion last year when reviewing the [digital payments landscape](#) in Africa, noting that, "Africa's 80 million to 90 million SMEs remain a significant untapped opportunity." To include these businesses, more work is needed to create the right conditions for their inclusion. While the work of IDC and Catalyst Fund fintech portfolio companies and others have helped MSEs to use digital commerce tools and take advantage of digital opportunities, more work is needed to accelerate digitization, particularly during the later stages of the transaction journey (ordering inventory, fulfilling orders, making deliveries). In general, they need greater connectivity, more appropriate tools and platforms, financial services, and more to grow and build resilience.



About the Inclusive Digital Commerce Program

The Inclusive Digital Commerce Program, IDC, was launched in 2020 with the support of the Mastercard Foundation to support six digital commerce companies building solutions designed to improve the livelihoods and financial resilience of micro and small enterprises (MSEs) in Ghana. The program was operated by BFA Global using the Catalyst Accelerator model, and was executed in partnership with MEST.

After two years of operation, IDC has helped to scale innovative companies that enable informal MSEs in Ghana to reap the benefits of digital commerce solutions, with the parallel goal of spurring the development of the wider ecosystem.

To date, IDC has impacted 143,000 livelihoods, of which 69,000 were those of MSEs led by young adults. MSEs working with the 6 IDC portfolio companies experienced on average a 39% growth in revenue and contributed 31,000 new livelihoods. Most of the women-led MSEs said that the IDC portfolio companies had a positive impact on their business by helping them grow, making it easier to run their business, and enabling them to save money.

Through the bespoke mentorship and acceleration support that IDC portfolio companies received, they experienced 8x revenue growth on average and raised a total of US\$ 9.5m in follow-on funding.



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