Baseline Surveys of Micro and Small Enterprises: An Overview

by

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March 1991

This work was supported by the U. S. Agency for International Development, Bureau for Asia and Private Enterprise, Office of Small, Micro, and Informal Enterprise, through core funding to the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, contract number DHR-5448-C-00-9080-01.
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CHAPTER ONE

INTRODUCTION

Increased attention has been paid in recent years to micro and small enterprises (MSEs). This attention has focused on the potential contributions these enterprises can make to the improvement of the quality of human life and to expansion of the range of individual opportunities through the development of dynamic free markets in which individual initiatives can flourish (as expressed in the recent A.I.D. Mission Statement).

The design, implementation, and monitoring of the effectiveness of programs to assist these MSEs, however, have often been hampered by the paucity of information concerning the extent and characteristics of these enterprises and the constraints that they face as they seek to grow and develop. Many small-enterprise activities operate out of households, often in rural areas; they may be supplementary to other primary activities, such as farming. That they often operate without licenses or permits, avoiding some or all forms of taxation, gives them an incentive to remain hidden from those collecting government statistics. These characteristics mean that the enterprises often escape the usual statistical nets; official information about their extent and structure is often seriously incomplete. Special care is required to collect valid measures of the extent and significance of the enterprises because most keep no written records and many activities are seasonal in nature.

The approach described in this paper was developed to deal with these problems. While the approach has evolved over time and has been adapted to the needs of the particular country under study, the main elements of the survey have been applied in 11 countries over the past 15 years. A standardized approach, combined with a lean questionnaire, means that it is possible to streamline the data collection, processing, analysis, and report writing. Partial and preliminary results can be provided at the end of the field work. From the start of enumerator training until the submission of a complete draft report normally takes less than five months, although in larger and more comprehensive studies, such as the one in Zambia, the survey has taken longer; for more concentrated surveys, however (for example, in the South African townships), it has taken less than three months.

As described in detail below, the actual survey instrument has two parts. The first part, the enumeration questionnaire, completed for each household or producing unit with a nonfarm activity, collects information about the basic characteristics of all existing enterprises, large, medium, and small, as well as those previously run by households in the sample area but currently closed (see Annex A for sample questionnaires). The second part, the supplementary questionnaire, collects more detailed information about a smaller, random sample of the enterprises enumerated in part one. Part one has typically been completed for 5,000-20,000 enterprises; part two usually has a sample of 200-500 respondents.

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1 These countries include Sierra Leone, Jamaica, Honduras, Thailand, Egypt, Bangladesh, Zambia, Niger, Lesotho, South Africa (two townships), and Kenya (Kibera).
IMPLEMENTATION

The actual implementation of the survey can be broken down into five steps.

Step One: Preliminary Work

Activities to be undertaken prior to the start of the field work include the following:

- Discussion with funding agencies and potential clients, to determine their interests and priorities;

- Brief review of previous studies and of laws, regulations, and assistance institutions, to gain an understanding of the context in which the enterprises operate, and to help formulate the survey instruments (particularly for part two of the questionnaire);

- Determination of who will participate in the survey work (institutions or individuals), what will be the responsibility of each, and how funding will be handled. Arrangements for hiring and training of enumerators, travel around the country, and questionnaire handling and computer processing of data will also be made;

- Collection of necessary maps, selection of sample, and selection of enumerators and supervisors;

- Translation of draft questionnaires into national language(s); field testing (in conjunction with training) and revising as necessary; and

- Training of enumerators and supervisors.

The pretesting and training for this survey normally take one week. Some preparatory work needs to be done through correspondence and early discussion, since it requires lead time in staff planning. The main uncertainty in timing for this step concerns the amount of time to be devoted to the second item above, the review of previous studies and of the legal-regulatory-institutional environment. One person-week would seem to be a desirable target for this task. In sum, this step will normally require two person-weeks, plus the training period.

Step Two: Field Work

This is normally done with teams of five or six enumerators, each working with one supervisor. Once a decision is made in the design of the survey concerning the coverage of the survey, that decision (along with the physical geography of the target area — how difficult it is to get around) will determine the number of team-weeks required to complete the work. Annex B provides information on the four most recent surveys, which can provide guidance in determining the likely magnitude of work to be done and in designing a survey in a new country.
Step Three: Data Processing

This is done in the field, using personal computers. Steps include checking of each questionnaire by the supervisor, who passes it to the coder, who checks it again (in particular, the enterprise code); and passing the questionnaire to a data-entry person. All data are entered twice. The results are then compared, to verify the accuracy of the entry process. Data entry is done using SPSS-PC. A set of the data is made available to any potential users in the country, for their further use as they see fit.

Step Four: Data Analysis and Report Writing

Some preliminary tabulations of the data are undertaken on a rolling basis as the survey progresses, and hence are available soon after the completion of the field work, making possible a preliminary report of findings before the survey team leaves the country. More detailed analysis of the data and drafting of the final report is done in the United States. A draft of the complete report should be back in the host country within two months of the completion of the field work, with a revised, final copy sent to the field within a month of receipt of any comments on the draft. An outline of the report, with indications of the types of information that can be expected in it, is included as Annex C.

Step Five: Follow-up

This step involves further interaction with users of the survey results. The GEMINI team is available for several types of follow-up activity, if these are desired, such as:

- Meeting with funding agencies, assistance organizations, or business groups to explore with them the implications of the survey findings for their activities;

- Monitoring changes among MSEs, either by following a sample of enterprises over time to monitor how and why they are changing or by undertaking a similar (or perhaps somewhat more limited) resurvey at a later date, to determine what changes have taken place in the meantime;

- Examining particular subsectors. A survey of this type can provide a well-grounded basis for a more detailed examination. As has been done recently in Niger and Lesotho and is planned in Kenya and South Africa, such studies can help clarify the types of enterprises with the strongest growth potential and identify cost-effective intervention points for raising income and employment; and

- Conducting additional analyses, by using information collected in the survey — analyses for which there is no time in the original tight schedule for report completion. Such analyses include exploring relationships between variables originally considered only one at a time, and providing additional detail and analysis of subcategories not examined in the summary report (for example, in particular locations). Preferably working jointly with analysts in the country, such additional mining of the results can add greatly to the amount that is learned from the survey.
CHAPTER THREE
REQUIREMENTS AND PROCEDURES

INSTITUTIONAL LINKAGE

An activity of this type will benefit greatly if it can be linked closely to an institution within the country: an assistance organization, academic institution, or government office. Such a linkage can provide a wealth of local knowledge in the design and implementation of the survey. It also means that much more of the learning derived from the survey will remain in the country, where it can feed into further work in the area. Perhaps most important, if those involved in the survey have a direct interest in making use of the survey results, this can contribute greatly to the quality and usefulness of the survey. Efforts are always made — within the limits of the funding available — to maximize such institutional linkages.

PERSONNEL

International

At a bare minimum, the international expert responsible for leading the survey would be needed for one week prior to the start of the training; for one week of training for enumerators and supervisors; for the full period of the field work of the survey; and for four weeks after the field work, for data analysis and report writing. As indicated above, it would be preferable to allocate two weeks instead of just one for this person for the preparatory work, allowing more time for a background review of previous studies and a review of the legal, administrative, and institutional context. This minimal schedule allows no time for the follow-up work referred to above.

National

As indicated above, the basic unit here is the field team, made up of five or six enumerators plus one supervisor. The number of team-weeks required for the survey depends on the target coverage, the magnitude of the part-two survey, and the geography of the country. Some indicative data are provided in Annex B. If the enumerators and supervisors are expected to move around the country, the budget will need to provide appropriate living allowances in addition to their salaries.

In addition to the enumerators and supervisors, other national personnel required include one coder, one data entry person, and drivers for the survey vehicles, all for the full period of the field work. Also, one more senior national is required who is able to undertake tasks requiring more responsibility, before the start of the survey as well as during its implementation (for example, obtaining maps of the survey areas, making contact with government officials to obtain clearance and appropriate introductions, providing insights into the laws and regulations, and participating in interviews with business groups and other client institutions).
OTHER DIRECT COSTS

The main item here is vehicles, one for each team, for the period of training (some of the training will involve work in the field) plus the field work. In addition, a small car is needed for the survey leader to monitor what is going on in the field and to move between the field and the data-entry point. As mentioned above, these vehicles will require drivers. Other expenses include a computer (or perhaps, for a large survey, two), for data entry; supplies (paper, including for the questionnaires; pencils; a plastic bag and clipboards for the enumerators; and so forth); communications expenses; and expenses of reproducing and duplicating the report.

CONTRACTING PROCEDURES

A survey of this type is normally funded through a USAID Mission buy-in to the GEMINI project, a centrally funded project operating out of the Bureau for Asia and Private Enterprise. For further information on these procedures, please contact Elisabeth Rhyne, Project Coordinator, APRE/SME, Room 3214 NS, Agency for International Development, Washington DC, 20523 (tel. 202-647-2658; fax 202-647-1805). Questions concerning the approach or content of the surveys can be addressed to James Boogard, Project Director, GEMINI Project, Development Alternatives, Inc., 7250 Woodmont Avenue, Suite 200, Bethesda, MD 20814 (tel. 301-718-8699; fax 301-718-7968) or to Donald Mead or Carl Liedholm, Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824 (tel. 517-353-7167; fax 517-336-1068).
ANNEX A

QUESTIONNAIRES
<table>
<thead>
<tr>
<th>34</th>
<th>SUPPLEMENTAL QUESTIONS</th>
</tr>
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<tbody>
<tr>
<td>33</td>
<td>(0=Yes, 1=No)</td>
</tr>
<tr>
<td>32</td>
<td>PROPRIETOR'S NAME</td>
</tr>
<tr>
<td>31</td>
<td># WORKERS IN BUSINESS</td>
</tr>
<tr>
<td>30</td>
<td># OF BUSINESS CODE</td>
</tr>
<tr>
<td>29</td>
<td>BUSINESS LOCATION (G)</td>
</tr>
<tr>
<td>28</td>
<td>BUSINESS TYPE</td>
</tr>
<tr>
<td>27</td>
<td>SECONDARY BUSINESS TYPE</td>
</tr>
<tr>
<td>26</td>
<td>PROPRITOR CATEGORY (G)</td>
</tr>
<tr>
<td>25</td>
<td>MATURE OF BUSINESS (G)</td>
</tr>
<tr>
<td>24</td>
<td>SELL TO WHOM (G)</td>
</tr>
<tr>
<td>23</td>
<td>NO WORKERS AT START</td>
</tr>
<tr>
<td>22</td>
<td>YEAR/MONTH BUSINESS WAS ACQUIRED</td>
</tr>
<tr>
<td>21</td>
<td>TOTAL # WORKERS</td>
</tr>
<tr>
<td>20</td>
<td># PART-TIME</td>
</tr>
<tr>
<td>19</td>
<td># FREES</td>
</tr>
<tr>
<td>18</td>
<td># APPRENTICES</td>
</tr>
<tr>
<td>17</td>
<td># PAID WORKERS</td>
</tr>
<tr>
<td>16</td>
<td># PROPRIETORS</td>
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<tr>
<td>15</td>
<td># UNPAID FAMILY</td>
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<tr>
<td>14</td>
<td># DAYS PER MONTH</td>
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<tr>
<td>13</td>
<td># MONTHS PER YEAR</td>
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<td>12</td>
<td>LOCATION TYPE (B)</td>
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<td>9</td>
<td>PRIMARY BUSINESS TYPE</td>
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<tr>
<td>8</td>
<td>TOTAL # OF HH</td>
</tr>
<tr>
<td>7</td>
<td>UNIQUE ID NUMBER</td>
</tr>
</tbody>
</table>

EXISTING ENTERPRISE DETERMINATION

[Table data not readable from the image]
SUPPLEMENTARY QUESTIONNAIRE

Locality: ___________________ Seq. #: ____ Page: ____ Unique ID #: _______ ( )

Proprietor's Name: ___________________ Business Type: ___________________ ( )

I. Characteristics of the Entrepreneur and Household

1. What is your age? ________ years ( )

2. What is the highest level of school that you have completed? ( )
   Codes: 1) No school 2) Primary school 3) Secondary school 4) University 5) Other

3. What did you do before you started this business? ( )
   Codes: 1) Ran another business 2) Worked in another business 3) Was Unemployed 4) This was the first business I ever worked in 5) Other

4. For how many years have you been engaged in this type of business, including this one? ( )

5. How many persons are there in this household? ________ ( )

II. Business History

6. a) In what year did your business have the most workers? 19 ________ ( )

6. b) How many people worked at that time, including ( )
   Proprietor(s) ________ Family ________ Apprentices ________
   ( ) ( ) ( )

7. How did you acquire this business? ( )
   Codes: 1) Inherited 2) Started from scratch 3) Purchased 4) Rented 5) Gift 6) Other ________

8. What was the principal source of the money you needed to start this business? ( )
   Codes: 1) Family/Personal savings 2) Loans/gifts from family or friends 3) Formal credit institution 4) Money lender 5) Other ________

III. Business Operation

9. Does your business have a high and a low season? 1) Yes 2) No ( )

10. If yes, when is the high season and how many days/month and hours/day does your business operate? What about during the low season? ( )
    Which Months? Days/Month Hours/day ________ ________ ________ ( ) ( ) ( )
    HIGH SEASON: ________ ________ ( ) ( ) ( )
    LOW SEASON: ________ ________ ( ) ( ) ( )

11. If no, how many hours per day does this business usually operate? ________ ( )

IV. Problems and Constraints

12. Who are your major business competitors? ( )
    Codes: 1) No competitors 2) Businesses located nearby 3) Businesses located elsewhere 4) Public Enterprises 5) Other
13. Did you face any problems when you first acquired this business? 1) Yes 2) No (IF YES, LIST MAJOR TWO IN ORDER OF IMPORTANCE) 
   1st ___________________________ ( )
   2nd ___________________________ ( )

14. a) Have you ever experienced a period of major growth in your business? 1) Yes 2) No ( )
    b) If YES, in what year did it occur? 19__ ( )
    c) Did you face any problems during this time? 1) Yes 2) No (IF PROBLEMS, LIST MAJOR TWO IN ORDER OF IMPORTANCE) 
       1st ___________________________ ( )
       2nd ___________________________ ( )

15. Are you currently facing any problems in this business? 1) Yes 2) No (IF YES, LIST MAJOR TWO IN ORDER OF IMPORTANCE)

16. In your perception, how have the following changed over the last five years?
   a) The overall demand for products like yours? ___________________________ ( )
   b) The number of businesses just like yours in your locality?_______________( )
   c) The volume of your own business? ___________________________ ( )

   Code: 1) Much increase  2) Little increase  3) No change  
       4) Little decrease  5) Much decrease  6) Do not know

17. a) Have you had any training for your business activities? 1) Yes 2) No ( )
    b) If yes, 
        SOURCE OF TRAINING REASON FOR TRAINING LENGTH OF TRAINING
        ___________________________ ___________________________ ___________________________
        ___________________________ ___________________________ ___________________________

18. a) Have you ever received loans for your business? 1) Yes 2) No ( )
    b) If yes, 
        SOURCE OF CREDIT WHAT WAS CREDIT USED FOR? AMOUNT OF LOAN
        ___________________________ ___________________________ ___________________________
        ___________________________ ___________________________ ___________________________

7. Income

19. What part of your household’s total income comes from agriculture? ( )
   Codes: 1) More than half 2) Less than half 3) About half

20. How much do you pay your best paid worker per day? ___________________________ ( )

   --THANK YOU FOR YOUR ASSISTANCE!!--
ANNEX B

RECENT BASELINE SURVEYS: SOME CHARACTERISTICS
RECENT BASELINE SURVEYS:
SOME CHARACTERISTICS

<table>
<thead>
<tr>
<th></th>
<th>Niger</th>
<th>Lesotho</th>
<th>South Africa</th>
<th>Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population: universe</td>
<td>2,100,000</td>
<td>1,718,140</td>
<td>236,600</td>
<td>250,000 +</td>
</tr>
<tr>
<td>Population sampled</td>
<td>223,400</td>
<td>113,973</td>
<td>236,600</td>
<td>250,000 +</td>
</tr>
<tr>
<td>Enterprises enumerated</td>
<td>18,650</td>
<td>7,267</td>
<td>5,253</td>
<td>7,355</td>
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<tr>
<td>Enumerators</td>
<td>18</td>
<td>16</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Supervisors</td>
<td>3</td>
<td>2</td>
<td>2-3</td>
<td>3</td>
</tr>
<tr>
<td>Weeks of field work</td>
<td>5 1/2</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Team-weeks of field work</td>
<td>16</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Sample population</td>
<td>14,000</td>
<td>11,400</td>
<td>23,600</td>
<td>20,800 +</td>
</tr>
<tr>
<td>interviewed per</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>team-week</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage</td>
<td>2 provinces, 3 strata in each (principal town, secondary towns, rural areas)</td>
<td>whole country; 7 strata (capital; 2 sizes of towns; 4 rural agro-econ. zones)</td>
<td>2 urban townships</td>
<td>1 urban settlement</td>
</tr>
</tbody>
</table>

Note that although in South Africa and Kenya the survey covered 100 percent of the target population (they were, in fact, censuses), in Niger and Lesotho the coverage was 10.6 percent and 6.6 percent, respectively. These latter figures differed widely by stratum; in rural areas, the percentage of the population covered was less than 2 percent in both Niger and Lesotho, while in the largest towns the coverage was 100 percent in Niger, but only 15.8 percent in Lesotho. The fact that one team-week could enumerate 14,000 people in Niger but only 11,000 in Lesotho is a reflection primarily of the more difficult terrain as well as of the fact that the supplementary questionnaire was more complicated and time consuming in the latter country. The plus ( + ) for Kenya indicate that no one knows the population of Kibera, the low-income settlement where the survey was undertaken. Estimates range between 250,000 and 700,000 people. The figure in this table is clearly only a lower bound.
ANNEX C

PRO FORMA OUTLINE OF BASELINE SURVEY REPORT
PRO FORMA OUTLINE OF BASELINE SURVEY REPORT

1. Introduction
   1.1. The national context; MSEs in this country; goals of the survey
   1.2. Institutional, legal context

2. Survey approach
   2.1. Coverage
   2.2. Methodology
   2.3. Magnitude: staff of survey; timing; number of households and enterprises visited (before extrapolation)

3. Survey findings (after extrapolation; all with cross-country comparisons, where possible and appropriate; all by stratum, where possible and appropriate)
   3.1. Magnitude: numbers of enterprises, levels of employment. Enterprise and employment densities.
   3.2. Size distribution of enterprises
   3.3. Sectoral breakdown, industrial structure
   3.4. Labor force characteristics; gender dimensions
   3.5. Patterns of change: growth patterns; disappearances
   3.6. Other MSE characteristics of interest from survey

4. Problems, assistance received, needs
   4.1. Problems encountered at different stages in enterprise history
   4.2. Assistance received: credit, training, etc.
   4.3. Needs, as perceived by respondents

5. Summary, implications, and conclusions
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