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Listening to Firms

How to Use Firm-Level Surveys to Assess Constraints on Private Sector Development

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Firm-level surveys reveal information central to formulating policy advice and projects to promote private sector development, often challenging conventional wisdom. This common sense guide suggests how to do surveys well.

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This paper — a product of the Public Sector Management and Private Sector Development Division, Country Economics Department — was prepared for the Department's training seminar on Tools for Private Sector Assessment. Portions of the paper have appeared in other CECPS work. Copies of this paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Priscilla Infante, room N9-059, extension 37642 (June 1992, 19 pages plus 9 pages of an annex).

Firm-level surveys elicit information important to formulating sound policy advice and designing projects to promote private sector development. Drawing on recent World Bank experience in eight countries, Stone advises why and how to implement targeted field surveys. He answers six questions:

- Why use targeted field surveys?
- How should surveys be focused and designed?
- What types of questions work best in surveys?
- How can surveys be oriented toward their target population?
- How should surveys be implemented?
- How should responses be analyzed and used?

In this common sense guide, Stone emphasizes how a carefully designed and implemented survey helps you get the most from a brief session with an entrepreneur or senior manager. Stone gives examples of questions that have been useful in eliciting analytically tractable

responses relevant for policy formulation. He gives special emphasis to ranked questions, which have proven valuable in focusing attention on the constraints on operations and growth that firms find most binding.

He also identifies pitfalls that diminish the value of surveys and bias their results. And he discusses such practical necessities as training and supervising local surveyors, identifying firms, and entering data into an appropriate software package.

Finally, Stone cautions against two extremes: omitting assessments of the private sector (thus ignoring the views and experiences of firms) or using survey results out of context, and failing to weigh them against other sources of information. Omission is the more serious of the two problems.

The firm-level survey is based on the premise that firms have unique insights into the problems of private enterprise because of their daily encounters with their country's policies and institutional environment. Surprises found in recent work suggest the importance of these surveys in focusing a strategy for private sector development on the most constraining features of that environment.

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LISTENING TO FIRMS:

Assessing Constraints to Private Sector Development through Firm-Level Surveys¹

The integrated approach to private sector development focuses attention on binding constraints to enterprises, disaggregated by critical firm characteristics. CECPS's conceptual framework divides these constraints into four categories:

- 1) distorted incentives and rationing of resources;
- 2) excessive government production, regulation and consumption, and associated crowding out;
- 3) weak support systems; and
- 4) economic uncertainty.²

In order to identify constraints to and priorities for the development of a country's private sector, we recommend the use of the Private Sector Assessment (PSA).

Private Sector Assessments PSAs are intended to contribute both to the policy dialogue with borrowing governments and to the formulation of country assistance strategies. They generate the information and analysis essential to formulating a strategy to alleviate the constraints to private sector development (PSD). Generally, PSAs cover three areas:

- (i) analysis of the private sector and its role in the economy;
- (ii) the policy, institutional and other factors that limit efficient private sector economic activity; and
- (iii) priority areas for government actions and World Bank Group assistance.

Specifically, the focus of a PSA should be determined by:

- collecting and reviewing existing knowledge about the private sector through relevant documents and discussions with operational staff. In the process, learn what experts currently understand to be the priorities for promoting PSD, and
- identifying gaps in knowledge on key issues and on the role and structure of the private sector.

¹ This paper was prepared by Andrew H. W. Stone for use in the Seminar on "Tools for Private Sector Assessment." Portions of this paper have appeared in other CECPS works. CECPS is the Public Sector Management and Private Sector Development Division of the Country Economics Department of the World Bank. The findings, interpretations, and conclusions are the author's own. They should not be attributed to the World Bank, its Board of Directors, its management, or any of its member countries.

² These categories, combined with specific firm characteristics such as size or economic sector can be used as a sorting device to organize thinking about obstacles to the growth of private firms. See chapter 3 of Levy and Rueda Sabater. *Developing the Private Sector: The World Bank's Experience and Approach* (Washington: The World Bank, 1991)

In the field, some combination of traditional information gathering activities -- such as discussions with government officials, industry leaders and trade associations and collection of official statistics -- should be combined with in-depth interviews and more systematic firm level surveys.

Firm-Level Surveys PSAs involve direct empirical study of the problems of active entrepreneurs. Private firms possess a wealth of information about the actual impact of policy in the particular institutional context of a country which cannot be obtained by traditional forms of policy analysis. Firm-level surveys question a sample of entrepreneurs in depth about constraints they face in doing business; which can help to distinguish urgent and binding constraints from others that, while important, may be addressed in the longer term. The results often differ from policy statements and statistics, in ways that are proving to be important in focusing and setting priorities for operational work. Table I summarizes the binding constraints identified in several recent firm-level surveys. Among the more interesting findings:

- **In Brazil, the binding constraints on PSD were imposed by macroeconomic policy (inflation and high taxes) and political uncertainty. There was a clear second tier of problems imposed by tax bureaucracy, labor regulations and finance costs. Brazilian firms identified the regulations and enforcement surrounding federal taxes, the state value added tax and labor regulations as the most vexing of their regulatory burdens: they are required to pay over 50 federal, state and municipal taxes, each with distinct filing and payment requirements, and some requiring monthly contributions. Compared with lightly regulated Chilean firms, the magnitude of the burden becomes clear: proprietors of small Brazilian firms spend 15% of their time on regulatory compliance activities and 4.9% of their employees' time, as opposed to 6% and 0.4% for their Chilean counterparts.**
- **Tanzanian firms identified the lack of access to finance as their leading constraint, followed by the costs imposed by regulations associated with sales and income taxes and local government licensing, and the lack of access to zoned industrial sites. For taxes and licensing, the primary difficulties were the time, uncertainty and side payments associated with repeated 'negotiations' with officials. Furthermore, the survey revealed that the smallest firms were disproportionately burdened by their lack of legal premises and the fact that their proprietors cannot delegate dealings with officials to employees.**
- **In Sri Lanka, the environment for private firms was significantly less restrictive than in many other countries studied, and no single constraint emerged as dominant (much like Chile). With one significant exception, Sri Lankan firms reported that compliance with regulations did not impose substantial costs. The exception was firms with the legal status of limited liability companies. By virtue both of their large size and a requirement that they maintain audited accounts, limited liability companies had less room for manoeuvre than other firms in responding to Sri Lanka's relatively high level of formal business tax obligations. While in practice respondents from firms of all sizes and legal statuses conceded that they paid substantially less than was formally mandated, higher visibility increased the probability of being targeted for enforcement**

**TABLE I:
RECENT PSD STUDIES OF CONSTRAINTS TO ENTERPRISE GROWTH AND OPERATION**

STUDIES: COUNTRY/SECTOR/YEAR [AUTHOR]	BINDING CONSTRAINTS^b			
	Leading Constraint	Second Constraint	Third Constraint	Fourth Constraint
Brazil/Garments/92 [Stone/Levy/Paredes]	Political and Policy Uncertainty	Inflation and Price Instability	High Taxes	Tax Bureaucracy
Chile/Garments/92 [Stone/Levy/Paredes]	Lack of Competent Workers	Political Uncertainty	Inflation and Price Instability	Lack of Technicians
Kenya/multiple sectors/92 [GTZ, Schankerman, Stone]	Inflation	Access to Finance	Political and Policy Uncertainty	Infrastructure
Tanzania/SMEs in Furniture, Construction, Horticulture/ 1991 [Levy]	Lack of Access to Finance	Bureaucratic Procedures of Regulation	Lack of Access to Industrial Sites	
Sri Lanka/SMEs in Leather, Ceramics, Gemstone Calibration/1991 [Levy]	Lack of Access to Finance	Lack of Access to Materials		
Egypt/Food, Textiles, Engineering/1991 [Ghalal]	Political Uncertainty	Tax Structure	Tax Adminis- tration	Access to/ Cost of Finance
Côte d'Ivoire/SMEs in multiple sectors/1991 [Rueda-Sabater and Stone]	Tax and Fee Administration and Cost	Policy Uncertainty	Access to Finance	
Ghana/multiple sectors/1991 [Steel and Webster]	Lack of Access to Finance	Taxes	Lack of Demand	Economic Uncertainty

Source: CECPS

- Notes:**
- a. Reports only those studies using constraint rankings. Frischtak's study of Malawi, 1990, utilizes a similar targeted field survey, but does not report results in a comparable manner.
 - b. Omits "high cost" constraints. Reports only those obstacles with a mean normalized rating of .5 or more or an average ranking of at least a "moderate obstacle."

of tax and labor regulations. Small Sri Lankan firms faced a binding constraint in access to credit, while medium firms faced greater problems obtaining inputs and confronting increased governmental scrutiny.

- In Côte d'Ivoire, a survey revealed that high taxes and tax regulations were extraordinarily burdensome to all but the smallest businesses, yet complex and apparently difficult labor regulations were not. The ease of avoidance through subcontracting, apprenticeships and informal means substantially relaxed an apparently imposing set of written regulations.
- A study of Ghanaian small business found regulatory problems to be of far less importance to small firms than other concerns, such as constraints on credit and inputs. Medium and larger firms faced a much wider range of regulatory problems, including price controls and labor regulations completely avoided by smaller firms.
- In Kenya, access to finance ranked as a serious constraint. Yet careful analysis of survey responses revealed that this was not primarily due to a failure of financial institutions, but rather to difficulties of smaller firms in gaining access to land ownership, their primary means of collateralizing loans.

Evidently, such conclusions can be operationally valuable and often contradict conventional wisdom. But to attain useful results, care must be taken in the design of a questionnaire (a.k.a. "survey instrument"), the selection of a sample, the administration of the survey, and the analysis and interpretation of the results. While surveys can be performed economically, they must not be shortchanged on planning and care in implementation.

Equally important, survey results must be kept in perspective. The value of this new source of information in no way argues for the abandonment of other sources. Firms' responses have certain biases (discussed below), suggesting that results should always be weighed against other information sources and common sense.

What Should Be in Surveys? A survey is, by its nature, fairly short. It is difficult to hold the interest and justify the expense of time of an entrepreneur for more than about an hour. Thus the breadth of focus is attained only at the expense of depth, and vice versa.

Each question should be regarded as a scarce resource, and its answer must yield information that is anticipated to have value in the final analysis. We recommend using the survey to fill gaps in knowledge or overcome any perceived biases in existing sources of information. Rather than attempting to cover all areas of relevance, probe a few areas in relative depth. A general question at the end of a survey can assess the relative importance of both those constraints covered in detail and other general constraints faced by enterprises throughout the world.

A survey is not an opinion poll. From the perspective of the PSA, the most valuable resource of entrepreneurs is their experience derived from working in the environment of a particular country and industry, and their resultant knowledge of their own unique problems and data. Questions should be oriented towards eliciting these firm-level experiences, identifying the importance of different

constraints and quantitative data available only from the firm itself. Hence, it is a waste of time to pose speculative or opinion questions whose responses do not tap this pool of information. We advise against question such as:

External debt is a serious national problem. Strongly Agree Somewhat Agree Somewhat Disagree Strongly Disagree

As the object of firm-level surveys is to fill gaps in knowledge and overcome potential biases of existing information sources, they should be organized and worded so that unforeseen responses can emerge. A survey is not simply an instrument to confirm existing understandings, although that may be one outcome, but also to add a new and different perspective on economic policy issues: that of businesses themselves. This leads to two conclusions: there should be at least one question in each area of inquiry open enough to allow unforeseen responses; and questions should never be leading in their wording or ordering.

It is relatively easy to manipulate a survey to obtain desired responses -- but this renders the survey process worthless. For example, if you ask:

A paved four-lane road would be helpful to my business. Strongly Agree Agree Disagree Strongly Disagree

or

There should be more credit at lower interest rates for businesses like mine. Strongly Agree Agree Disagree Strongly Disagree

you are likely to find grounds to justify your highway or line of credit. Only by weighing transport constraints and finance constraints against others does one get a sense of their relative importance, which should ultimately play a role in determining how resources are allocated.

Four Types of Questions Surveys have successfully employed at least four types of questions: short answer questions; open-ended questions; pre-coded multiple choice questions; and questions involving the rating or ranking of constraints. Table II presents examples of each of the four types of questions from actual surveys.

Short answer questions elicit answers of a few words or a single number. (However, they can turn out to be quite time-consuming if the answer requires time-consuming research on the part of the respondent.) They should be pre-tested to assure their answers are truly short, both in length and time.

Open-ended questions are relatively easy to ask, but may elicit long responses that do not lend themselves to easy summarization, much less subsequent statistical description. Some survey forms attempt to overcome this pitfall by having the surveyor categorize the response according to pre-established choices. This can become unwieldy -- one survey had 99 possible categorizations for a single response. However, with pretesting, one can develop a small number of codes for the surveyor to enter that captures most of the common responses. For example, on the Kenya survey, an open-ended question offered the surveyor 14 ways to code the response. The advantage of this is that the surveyor need not read off 14 potential responses, but merely asks the unbiased question, then circles the appropriate code:

What are your 3 main problems associated with procurement?

- | | |
|--|--|
| 1. <i>Can't get enough local goods</i> | 8. <i>Don't have enough liquid cash</i> |
| 2. <i>Price of local goods is too high</i> | 9. <i>Insufficient supplier credit</i> |
| 3. <i>Can't get enough imported goods</i> | 10. <i>Insufficient bank credit</i> |
| 4. <i>Price of imported goods is too high</i> | 11. <i>Difficulties in obtaining import licenses</i> |
| 5. <i>Often don't know where to purchase</i> | 12. <i>Import Duties</i> |
| 6. <i>Suppliers often not ready to deliver</i> | 13. <i>Exchange rate changes</i> |
| 7. <i>Deliveries often delayed due to transport problems</i> | 14. <i>Other, specify:</i> |

Multiple choice questions take a bit longer to ask, because all of the choices must be offered before the response can be solicited, but their responses are often easier to manage afterwards. Care must be taken in pre-testing the survey to develop a set of choices that captures common responses, and it is important to make provision for unexpected responses. In quantitative multiple choice questions, it is vital to pick categories that will be tractable in the final analysis. In particular, it is important that the mid-point values of each category are evenly spaced:³

WRONG!!!:

If you needed additional short-term finance (e.g. to pay suppliers for additional materials), what percent of that finance would come from each of the following sources:

1. *Less than 5%* 2. *5 - 40%* 3. *51-60%* 4. *61-95%* 5. *95-100%*

- | | |
|--|-------|
| 1. <i>Income from sales of your company</i> | _____ |
| 2. <i>Commercial banks</i> | _____ |
| 3. <i>Other financial institutions (specify)</i> | _____ |
| 4. <i>Foreign sources</i> | _____ |
| 5. <i>Family and Friends</i> | _____ |
| 6. <i>Supplier credit</i> | _____ |
| 7. <i>Other (specify)</i> | _____ |

RIGHT!!!:

If you needed additional short-term finance (e.g. to pay suppliers for additional materials), what percent of that finance would come from each of the following sources:

1. *0%* 2. *1-25%* 3. *26-50%* 4. *51-75%* 5. *76-100%*

Ranked responses are somewhat difficult to explain to respondents, but can be extremely valuable in distinguishing the relative importance of different constraints to firms' operation and expansion. If they are used multiple places in a survey, respondents will become quite comfortable

³ The one exception is in questions like the example, where there is a high frequency of zero responses -- from several of the multiple sources described, most firms would get no finance. Here, a separate zero response is required.

with them. In a Type A ordering of different constraints, it is essential that a unique value be assigned to each constraint. In a Type B ranking of constraints, it is important to have a reasonable dispersion of responses. If a firm ranks every constraint a 5, it conveys no useful information about the relative importance of the constraints. In that case, it may help to ask about which constraints really deserve a "6" and work backwards from there.

Questionnaires are usually divided into sections, beginning with simple (and safe) background information, and moving to a series of substantive areas of the designer's choosing, such as "regulation", "finance", and "infrastructure". A typical sequence of questions would move from the general to the specific to the comparative. For example, a section of a questionnaire on regulation, often begins with an open-ended question, such as: *What are your three worst problems with regulation and regulatory agencies?* This allows an unbiased overview of what is bothering firms, before you bias that view by suggesting specific issues of concern. Next, detailed questions, combining short answer questions and multiple choice, cover the specifics of your agenda. Finally, either at the end of each section or at the end of the entire survey, a ranking question can elicit the relative importance of the constraints you have just discussed. The Kenya survey employed a nested approach. Each section of the questionnaire ended with a question like the one regulation shown in the final box of Table II. Then, at the end, each category of constraints was compared in a final ranking question, that also added general constraints not covered in the detailed sections of the survey preceding:

KENYA SUMMARY QUESTION: *Which of the following are the most important obstacles to your future operation or expansion?⁴*

	<u>No Obstacle</u>	<u>Moderate</u>	<u>Very severe</u>	<u>Obstacle</u>	
1. <i>Problems related to procurement and sales</i>	1	2	3	4	5
2. <i>Problems related to technology and production</i>	1	2	3	4	5
3. <i>Financing problems</i>	1	2	3	4	5
4. <i>Problems stemming from regulations</i>	1	2	3	4	5
5. <i>Insufficient business services</i>	1	2	3	4	5
6. <i>Infrastructure problems (land, power, water, etc.)</i>	1	2	3	4	5
7. <i>Political and policy uncertainty</i>	1	2	3	4	5
8. <i>Inflation or price instability</i>	1	2	3	4	5
9. <i>Access to foreign exchange</i>	1	2	3	4	5

Nesting allows you to cover greater detail within each category. If your goal is to having something of policy relevance to say about every topic, nesting may be of advantage.

By contrast, the Brazil-Chile questionnaire used a single summary question at the end to elicit the relative importance of a range of 20 constraints. One advantage of a longer list at the end is the ability to compare particular aspects of one problem with particular aspects of another.⁵ something the nesting structure obscures. A second advantage is that most of the other country studies to date utilized a long final list. It may be helpful to know how constraint patterns compare to other countries in the region or the world. (It would certainly contribute to research efforts seeking to compare these studies.) Table III presents an example of one of these longer lists.

⁴ On the actual survey, there must be much more spacing between each constraint, so that if the surveyor is a bit sloppy, there is no ambiguity about which score goes with which constraint.

⁵ For example, in Table III, you can compare the importance of scarcity of competent workers, a labor market issue, with tax bureaucracy, a regulatory issue.

TABLE III: EXAMPLE OF LONG FINAL COMPARATIVE QUESTION

On a scale of 1 (no obstacle) to 5 (the very worst obstacles), which of the following are the most important obstacles to your future operation or expansion? [Please do not select more than 5 obstacles as the very strongest (5).]

	<u>No Obstacle</u>		<u>Moderate Obstacle</u>		<u>Very Strong Obstacle</u>
a. Problems with licensing	1	2	3	4	5
b. Not enough demand/customers	1	2	3	4	5
c. High cost of raw materials	1	2	3	4	5
d. Lack of access to raw materials	1	2	3	4	5
e. Lack of access to equipment and/or buildings	1	2	3	4	5
f. High cost of equipment/buildings	1	2	3	4	5
g. Lack of access to supplier credit	1	2	3	4	5
h. Lack of access to commercial bank finance	1	2	3	4	5
i. High cost of bank finance	1	2	3	4	5
j. Lack of access to land	1	2	3	4	5
k. Lack of skilled technicians	1	2	3	4	5
l. Scarcity of competent workers	1	2	3	4	5
m. Labor regulations/requirements	1	2	3	4	5
n. High level of taxes	1	2	3	4	5
o. Bureaucratic procedures associated with tax payment	1	2	3	4	5
p. Other bureaucratic procedures (licensing, antitrust, safety and environmental regulations)	1	2	3	4	5
q. Change in formal or informal exposure to regulations or or taxes due to growth	1	2	3	4	5
r. Infrastructural weakness	1	2	3	4	5
s. Political/policy uncertainty	1	2	3	4	5
t. Inflation/Price instability	1	2	3	4	5

When formulating questions, never forget the need to analyze the results at the end. Think carefully how qualitative responses can be represented by numbers (i.e. coded) for statistical analysis. Make sure that quantitative multiple choice questions yield responses that "add up" -- if you're asking about sources of credit, you want responses from each firm to total 100%. Reflect on any ambiguities in the language of questions that could make responses difficult to interpret.

Matching surveys to the population In designing surveys, it is important to match the sophistication of language and information required by a survey to the group being surveyed. Language should generally be kept simple enough for the *least* sophisticated group being surveyed to understand. If you know from pretesting that the firms being interviewed share certain problems, unique institutions or common terminology, it may be useful to adapt questions to explicitly incorporate them. That tailoring can better engage the respondent in the survey process (although it has, in some cases, put the surveyor in the role of therapist, listening to an entrepreneur "open up" to someone who finally understands his plight).

At the outset, it is crucial to generate enthusiasm and allay fears through an opening explanation. The explanation should explain both the purpose of the survey and the ultimate value it will hold for the respondent himself. It must also ensure the confidentiality of the respondent and his responses. The disclaimer is also a good time to dissociate the survey from any ongoing Bank activity, so that the respondent does not treat the survey like a loan application. Sample wording might be:

The purpose of this survey is to better understand constraints that hinder the development of private businesses like yours. This study is being conducted by the World Bank to assist it in advising the government on ways to change policies that impose a burden on private firms and may assist in developing new projects and programs that strengthen support for enterprise growth. It is not connected to any current World Bank project. The information obtained here will be treated strictly confidentially, and neither your name nor the name of your firm will be used in any documents based on this survey.

To further assure respondents, early questions in the survey should have non-threatening responses. Questions should be sequenced to place safer ones early on, so that a relationship of trust can be established between surveyor and respondent. Questions about level of sales (turnover) or, worse yet, profit are extremely sensitive, particularly in countries where tax authorities are perceived as predatory. If reasonable alternatives cannot be found, such questions should at least be placed close enough to the end of the interview that some trust is established and that, if the respondent becomes alienated by the question, important other responses are not lost.

Survey Implementation One of the first things anyone wants to know about a survey is "How much does it cost?" The answer is highly dependent on the number of firms to be included, the number of different economic sectors and the number and dispersion of locations at which the survey will be administered. It also depends on the length of the survey itself (time *is* money) and *who* administers the survey. Small-scale, single-sector, single-city surveys of 30-40 firms have been carried out by local consultants (for example in Tanzania) for a few thousand dollars. Needless to say, nationwide, multi-sectoral surveys of two hundred firms such as that done in Kenya cost considerably more. The costs of staff time for designing the survey and entering and analyzing its results will also vary with its scope and length. Your own time is, of course, one vital (and often underestimated) input into designing, organizing, pretesting and supervising implementation of the survey, as well as subsequent analysis.

Identifying appropriate firms and obtaining their agreement to participate can be one of the most difficult and sometimes frustrating aspects of administration. In most countries, there is no one unbiased and comprehensive list of firms in a given sector from which a random sample can be selected. Furthermore, many sources (official lists, Chambers of Commerce, trade associations, even telephone directories) will be biased towards the larger and more modern firms in an industry. In Brazil, where we obtained firm names from a trade association, we consciously stratified our sample to overcome the size bias of membership and independently sought out small and micro-enterprises through personal contacts of our local consultants, by going to neighborhoods where small firms were concentrated, and by going to the Korean-Brazilian foundation, which guided us to several small entrepreneurs.

In the interest of having your surveyors both be accepted and receive honest answers, you will need both the approval of and a certain distance from the government. Depending on the country, surveyors may need a letter of introduction from an appropriate Ministry attesting to the validity of the PSA and the surveyor. In spite of this need for sanction, using government employees as surveyors or allowing officials to accompany surveyors will hopelessly compromise your responses under most circumstances. In many countries, there is profound suspicion of the government and a desire to conceal a portion of income generating activities or practices that evade tax or regulation.

Before launching into the survey, the questionnaire itself must be tested to assure that the questions are comprehensible to respondents, that the responses elicited provide the desired information, that none of the questions seriously offends or threatens respondents, and that the entire survey does not take too long. There will always be problems or opportunities to improve questions, and opportunities to adjust language and questions to local usage and local institutions -- something that will increase respondent's enthusiasm. The pace, rhythm and speed of the interview itself should be tested -- good flow with logical transitions increases the likelihood that the respondent will continue to the point of completion. Thus, it is important to be prepared to revise the questionnaire after initial tests.

Local surveyors require training, even if they are already experienced pollsters. Very few people have administered a PSA survey, so the type of question being asked and even the subject of the survey may be unfamiliar. Furthermore, you must often employ local consultants who have no experience in polling or surveying. It is important to orient them to the purpose of the survey, the etiquette of interviewing, the importance of confidentiality and the correct method for filling out the survey form. Then demonstrate and/or supervise a few sessions of survey administration, to assure that the surveyors are professional, friendly and neutral in their manner. Inexperienced surveyors may inadvertently lead respondents to certain responses, or even contradict them if they don't like their answers! It is also important to check completed forms to assure that surveyors write neatly and legibly, and accurately and consistently record responses. Inadequate supervision may lead to large losses of data because of errors in entry, unreadable responses or incomplete forms.

During the course of the interview, some respondents will tell extremely interesting and revealing stories. Anecdotal information about firms' experience, or even about the surveyors' impression about the business may prove valuable in making sense of responses and provides concrete examples of otherwise abstract phenomena. It is extremely useful to get surveyors to write a paragraph describing idiosyncracies of the firm or respondent, or interesting anecdotes related by the respondent. (For example, if a small firm has none of the financing or other constraints of other

small firms, it may be interesting to note that the entrepreneur is the brother-in-law of the Minister of Finance.) Clearly, recording and utilizing anecdotes becomes less manageable as sample size grows larger.

Finally, an interview is more than a train on a track -- surveyors should be sufficiently intelligent, enterprising and familiar with the survey to follow interesting lines of response to their conclusion, even if they must depart from the sequence of the questionnaire. If an entrepreneur complains about conflict resolution in response to a general regulatory question, that may be a good time for the interviewer to move to conflict resolution questions and to probe for an anecdote. This is part of the skill of maintaining flow and interest.

Entry and Analysis of Survey Responses Before responses can be analyzed, they must be put into a tractable form, generally by entry into a spreadsheet or statistical software program. In the process, most responses are "coded" so that a number represents a particular response (e.g. 0 for "no" and 1 for "yes"). Clearly, the accuracy of this process is vital to the usefulness of all the work that preceded it. Data should be scanned for obvious errors, and a sample of entries should be checked against the actual survey forms from which they were recorded. Data entry is tedious work, so it is advisable that, whenever possible, you *get someone else to do it*.

Once entry is done, you will have a series of entries for each firm ready for analysis. It is natural to take averages, first for the entire sample, then for parts of the sample -- by size, sector or other characteristic (small firms, firms in manufacturing, etc.). Table IV shows a portion of the Brazil spreadsheet, which combines quantitative and short verbal entries. The spreadsheet program has been used to provide averages for each size classification of firm. However, popular spreadsheet programs are quite limited in their ability to perform statistical analyses beyond averages, and also quite slow compared to statistical software packages on large data sets. For analyses using standard deviations (or coefficients of variation), correlations, or nonlinear regressions, statistical packages are preferable.

Even simple correlations may indicate important relationships and distinguish them from statistically insignificant ones. For example, in the Kenya survey, following the path of statistically significant correlations revealed that the firms that faced overall "financing constraints" to growth were those with collateral problems, due to lack of access to land ownership. By contrast, the large number of firms that complained about the "high interest rate" did not consistently find financing a constraint to growth. Clearly, caution is needed before concluding causality in the case of correlation, but there is a credible story to be told that merits further investigation.

Some responses can generally be expected from firms, reflecting near universal biases. Except in cases where there has been a recent decline in interest rates, firms generally find them too high. A high constraint score for interest rates does not alone argue for intervention, unless there is other evidence of some policy or institutional failure in finance. In addition, businesses don't like a lot of competition, but that does not mean that reducing competition is a socially desirable goal. In general, firms would like the cost of their inputs to be lower, their profits higher. These inherent biases should be recognized in interpreting responses; just as every other source of data should be recognized as having its own inherent biases: government statistics and officials, trade associations, and even multilateral development institutions. Some overlap of questions across sections of a survey may provide a means of cross-checking responses. For example, respondents who report finance a problem but also report having several market-rate loans may be shedding crocodile tears.

TABLE IV: BRAZIL SPREADSHEET DATA

Firm I.D. #	Position of interviewee	Start Yr	Cur Empe	Bgn Empe	Peak Empe	Leading Items Produced	Sub-cont	2Sub-cont.	Legal Stat.	Year Regn
1	Finance Director	1907	30000		37500	shoes, clothing	1	20	4	1907
2	Lawyer	1960	5000	10	6500	men's suits, shirts, pants	1	9	4	1970
3	Lawyer	1956	1700	35	2500	jeans, trousers, shorts; denim	1	20	4	1969
4	Administrators	1980	1200	60	1200	jeans, trousers, shirts	1		3	1980
5	Accountant	1973	1100	500	1500	underwear--male, female	0	0	3	1973
AVE.: BIG		1955	7800	151.3	9840		0.8	12.25	3.6	1960
6		1962	500	2	600	trousers, shirts, blouses	1	50	3	
7	Lawyer	1978	350	4.5	450	pants, shirts, license for []	1	5	3	1978
8	Lawyer/Accountant	1971	340	50	442	fabrics(90%), clothes(10%)	1	80	3	1971
9	Financial Officer	1952	280	20	370	Cotton & Synthetic Shirts, jogwear	1	20	3	1952
10	Owner/Son of main owner	1987	270	16	270	men's underwear, pantyhose, lingerie	1	10	3	1987
11	Proprietor	1979	200	200	500	knitwear, shorts, shirts, swimwear, etc.	1	60	3	1979
12	Admin. officer/Legal Rep.	1982	220	35	220	women's and unisex fashion: t shirts, jeans, suits, etc.	1	50	2	1982
13	controller	1975	210	3.5	210	high fashion clothing for dep't store	0	0	3	1975
14	proprietor	1951	200	6	600	Female pants, shorts, blazers, blouses	1	30	3	1951
15	accountant(internal)	1968	200	6	220	underwear: men and boys	0	3	3	1978
16	Lawyer/Accountant	1970	160	10	280	pants, shirts, jackets (m/f)	1	50	3	1970
17	proprietor/owner	1973	140	18	200	men's shirts, cotton and natural fibers	0	0	3	1973
18		1952	110		250	women's clothing, nightgowns, babydolls	1		3	1952
AVE.: MEDIUM		1969	245	30.52	354.77		0.77	29.83	2.92	1971
19	Financial Director & Sister of partners	1984	100	15	100	T shirts, bermuda shorts, jeans, beach accessories, swimsuits	1	70	3	1984
20	Manager	1973	77.5		220	Women's clothing (mostly)	1	50	3	1973
21	Owner/Proprietor	1982	62	6	62	Linen women's clothes	1	15	3	1985
22	Proprietor	1975	60	3	120	Overalls, workpants, shirts, uniforms	1	40	2	1975
23	Owner(co-)	1985	60	12	68	Men's shirts & silk underwear, textiles	1	10	3	1985
24	Owner	1989	50	30	60	sweaters, trousers, skirts, fabric	1	70	3	1989
25	Owner	1985	48	3	48	men's clothing	1	70	2	1985
26	Owner	1986	42	20	60	Beachwear, swimsuits	1	20	3	1988
27	Non-owner	1989	30	4	30	Jeans and wool clothing	1	50	3	1989
28	Partner	1982	26	7	26	Women's cotton jerseys, t-shirts, etc.	1	11	3	1982
29	owner	1971	24	3	40	Women's shirts, skirts, blouses, etc.	1	80	3	1971
30	accountant, future partner	1986	23	1	40	baby clothes, knitwear, casual	1	60	3	1986
31	proprietor	1984	20	5	35	Women's blazers, skirts, pants, shirts	1	80	3	1985
32		1986	20			silkscreen clothing	1	60	3	1989
33	owner	1980	17	10	33	men's shirts(70%)pants(30%)	1	40	3	1980
34	Owners	1966	16	20	60	Women's jeans, skirts, shirts...	1	90	3	1966
35	Owner (w/wife)	1981	15	3	50	blouses and skirts	1	50	3	1981
36	owner	1981	16	4	16	ties, scarves, echarpes, kerchieves	1	40	3	1981
37	owner	1985	11	3	15	Leather skirts and jackets			3	1985
38	proprietor	1978	6	3	12	women's skirts, shirts, pants, etc.	1	80	3	1982
39	partner	1986	4	4	6	blouses, dresses, pants, suits	1	100	3	1986
40	owner	1986	4			women's fashion, cotton clothes	1	90	2	1986
41	owner/partner	1979	3	1	15	women's shirts, skirts, pants, etc	1	100	3	1981
42	partner	1991	1	1	1	t shirts, shirts, jackets	1	80	3	1991
AVERAGE: SMALL AND MICRO		1982	30.65	7.52	50.77		1.00	58.96	2.88	1983

The potential for biases raises a more general point: statistics arising from firm-level surveys should be kept in perspective. Just as ignoring an important information source can result in costly errors of analysis and policy formulation, reification of statistics may yield errors as well. Once a serious constraint is identified, it is important to confirm independently that some institutional or policy failure is at its root, rather than the normal functioning of market forces.

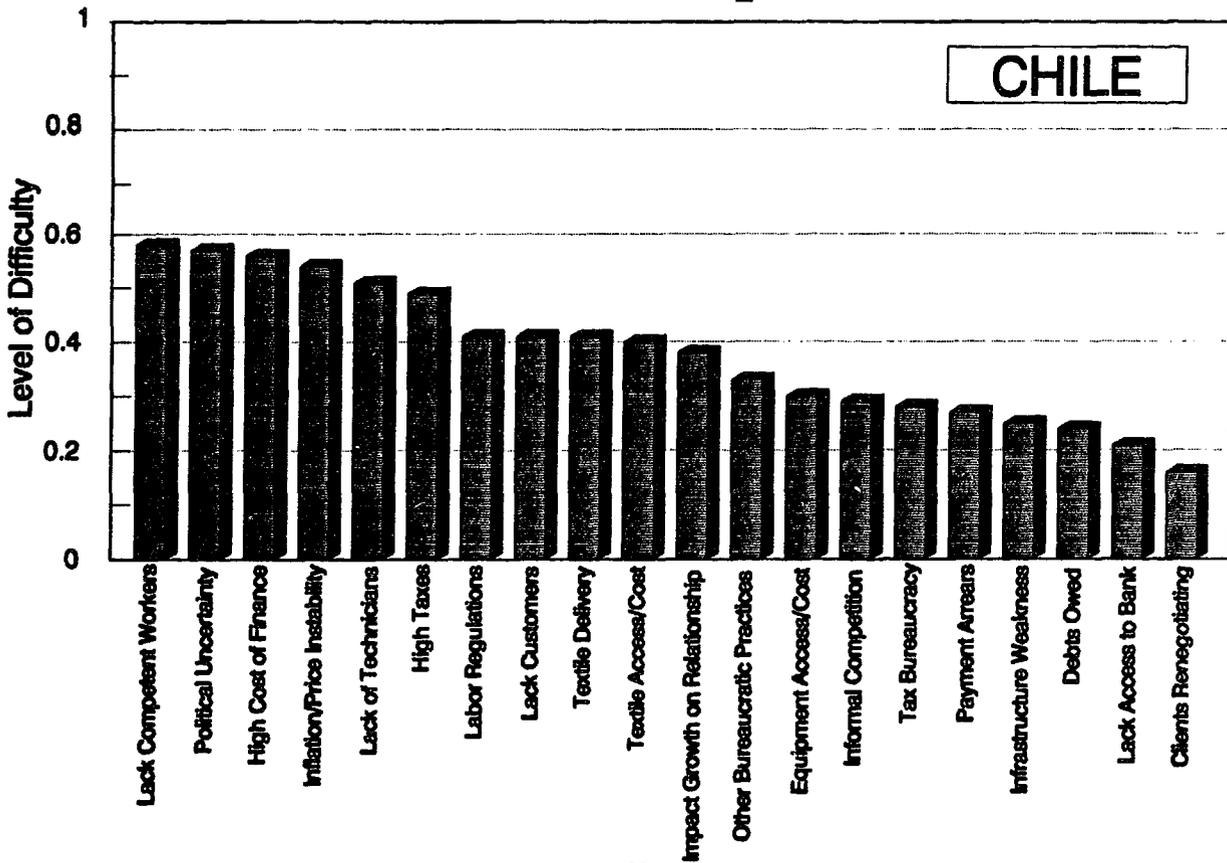
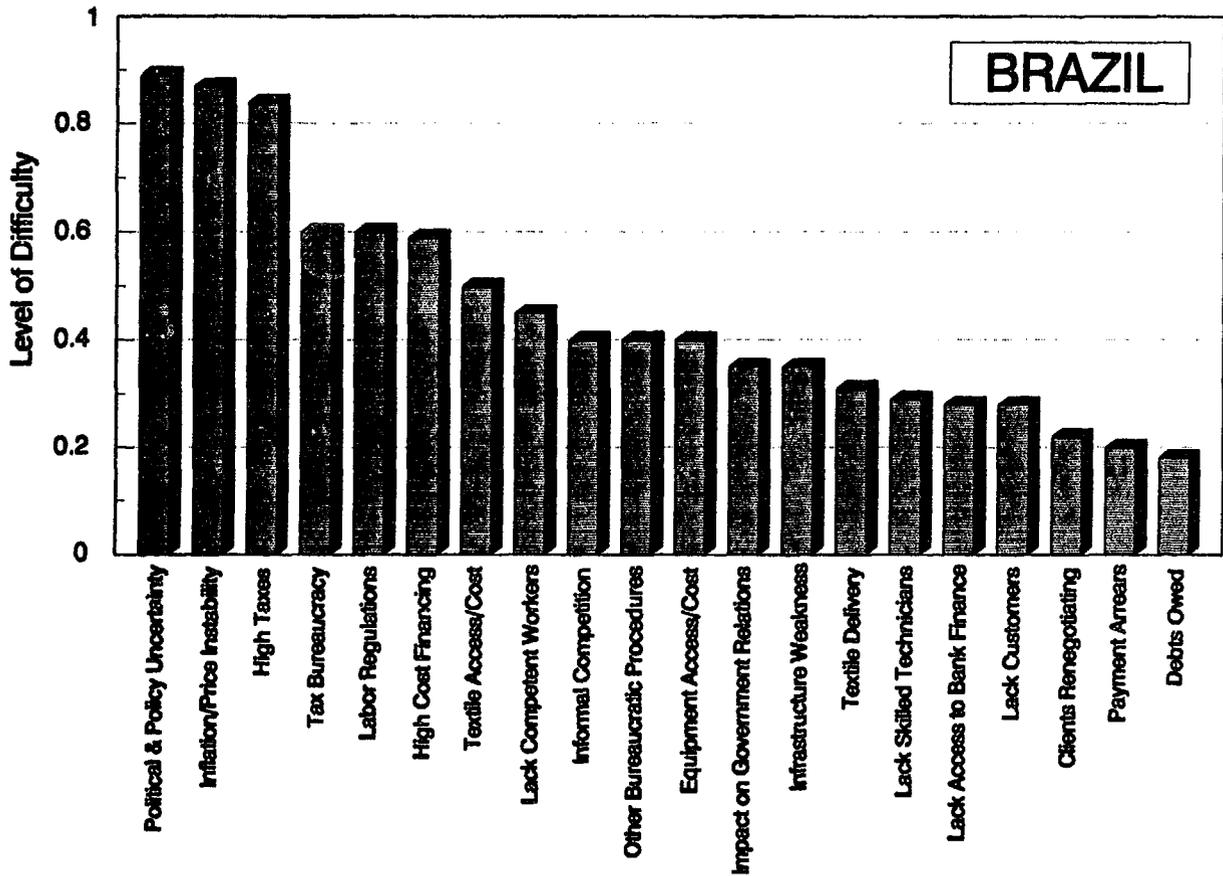
Strategic Implications of Survey Results Firm-level surveys feed into the recommendations of PSAs, hence into strategies for promoting PSD. We have found constraint scores to be strongly indicative of priorities for reform, at least from the private enterprise perspective. For example, in Brazil, where macro-policy management had made business transactions difficult, there was a powerful tier of three constraints identified as the greatest, all related to macro-reform (see TABLE V). Beyond these constraints stood a second tier of priorities, neatly grouped, all substantially higher ranked than the remaining ones. There, businesses had an urgent sense of priority. The relatively liberal and predictable policy environment of Chile, no one group of constraints stood out from others.

Cost data can be extremely useful in making the case for policy reform. In this regard, surveys may afford an efficient source of information on firm-level costs of regulation. The evidence from the Brazil-Chile study, presented on page 2, demonstrates the resource cost of regulation, not simply in fees, but also in the time cost of entrepreneurs and their employees. Similarly, comparative data on the cost of entry in Brazil and Chile confirmed anecdotal evidence that Brazilians have found an effective institutional substitute for their complex formal process of registration.

Perhaps our most important caution is directed toward those who want a PSD strategy before (or without) carrying out a private sector assessment, including a firm-level survey. The firm-level survey is based on the premise that firms have unique insights into the problems of private enterprise from their daily confrontation with their country's policy and institutional environment. As noted at the outset, empirical findings of past surveys have often challenged assumptions about constraints to PSD. These surprises suggest the importance of these surveys in focusing attention and limited resources on the most constraining features of that environment. Therefore, policy reform should be predicated on an assessment of needs and priorities that includes the perspective of the private sector. A private sector strategy can emerge from the subsequent analysis.

TABLE V

OBSTACLES TO ENTERPRISE GROWTH
(normalized)



SUMMARY:
CHECKLIST OF LESSONS LEARNED ABOUT TARGETED FIELD SURVEYS IN PSAs

I. Why use targeted field surveys?

- A. To obtain the perspective of businesses confronting constraints and their perceived need for support.**
- B. To understand the impact of and interaction between policies in their institutional environment.**
- C. To measure costs, benefits and other magnitudes that require empirical data known by firms.**

II. How should surveys be focused and designed?

- A. Surveys should be used to fill gaps in knowledge and add the firm-level perspective. By their nature, they are not long enough to cover all issue areas in depth. Consult previous work and operational staff (and where relevant, Ministerial staff) to identify priority areas where information is lacking.**
- B. Choose those industries and survey sites that are most likely to shed light on important issues. The breadth and depth of the sample population -- in terms of the number of firms, sectors and locations -- is highly dependent on the resources available to you for the study.**
- C. Surveys should focus on individual firm experience of constraints and costs.**
- D. The survey should be open-ended enough to allow unforeseen responses. Questions should never be leading in either wording or context.**
- E. To the extent that you want to compare your study with other country studies, replicate their questions to facilitate comparisons.**

III. What types of questions work best in targeted firm-level surveys?

- A. Short answer, open-ended, multiple choice and ranking questions each play an important role in surveys.**
- B. Major categories of inquiry should begin with open-ended questions, before other questions can bias responses.**
- C. Most questions should be either multiple choice or require a quantitative response -- to reduce ambiguity and facilitate data coding, processing and analysis.**

- D. Surveys should contain at least one summary question that allows the importance of constraints to PSD to be weighed against each other, including constraints not covered in detail. We have found rankings questions to serve this purpose well.**

IV. How can surveys be oriented towards their target population?

- A. Each survey should be preceded with an explanation of the survey's purpose, its ultimate value to the respondent, and the confidentiality of responses.**
- B. Language should be readily comprehensible to the people surveyed.**
- C. Language and discussion of issues specific to the group being sampled may increase their enthusiasm for the interview process.**
- D. Information requested must be readily available to the respondent within the period of an interview, and not demand time-consuming research.**

V. How should surveys be implemented?

- A. Selection of firms should be done in as neutral and unbiased a manner possible -- hence the biases of each source of information (government Ministries, trade associations, yellow pages) should be carefully considered and efforts should be made to compensate for them.**
- B. Questionnaires must be tested to assure that questions elicit desired information, are comprehensible to respondents, do not take too long, and do not arouse negative reaction.**
- C. Interviewers must be trained to pose questions in a professional, friendly and neutral manner and record responses accurately and objectively. They should be knowledgeable enough and sufficiently trained to follow up interesting points that arise in the course of the interview.**
- D. Completed questionnaires should be monitored to ensure consistent and legible completion.**
- E. The confidentiality of firms sampled must be protected and assured: under no circumstances should any government agency be aware of the identity of respondents or should any government agent be present at the interview. Similarly, the identity of firms must be excluded from any reporting of results. Firms must be assured of the confidentiality of their responses both in writing and verbally at the outset of the survey. This approach is vital to receiving candid and accurate responses.**
- F. Interesting anecdotes and firm characteristics should be recorded by interviewers, so that helpful details are not lost.**

VI. How can responses be analyzed and utilized?

- A. Responses should be coded and entered into a statistical software quickly, with checks on accuracy of entry and consistency of responses.**
- B. Ranked responses can be used for comparing relative responses, but the absolute value of a ranked response cannot be interpreted as having a meaning.**
- C. Sample size and distribution will determine the extent to which statistically valid inferences can be made about the sample and subsets within.**
- D. Simple summary statistics (mean and standard deviation) may be quite useful (and the only statistics possible with small samples) but the distribution of responses should be checked to assure that they validly summarize the data. Summary statistics alone may be inadequate to identify relationships between variables or identify causality.**
- E. Consider respondents inherent biases in interpreting results and drawing policy conclusions (e.g. businesses often don't like competition and almost always want interest rates to be lower).**
- F. Do not reify statistics -- while they may yield surprises, they should be weighed against other sources of information and common sense.**

References: Recent Studies Using Firm-Level Surveys

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ANNEX 1

SAMPLE PRIVATE ENTERPRISE SURVEY

The purpose of this survey is to better understand constraints that hinder the development of private businesses like yours. This study is being conducted by the World Bank to assist it in advising the government on ways to change policies that impose a burden on private firms and may assist in developing new projects and programs that strengthen support for enterprise growth. It is not connected to any current project. The information obtained here will be treated strictly confidentially, and neither your name nor the name of your firm will be used in any documents based on this survey.

A. BASIC INFORMATION ABOUT THE COMPANY

I. OVERVIEW

1. Name of Enterprise/Entrepreneur: _____

2. Year of Start-up: _____

3. Location of firm: _____

	<u>Full Time</u>	<u>Part Time</u>	<u>Casuals</u>
4. a) How many people were employed by your firm when it was first started?	_____	_____	_____
b) How many people are employed now?	_____	_____	_____
c) What is the peak number your firm employed?	_____	_____	_____

5. Leading Items Produced: _____
(include intermediate goods) _____

6. Do you subcontract? YES NO
If so, what percentage of production do you subcontract? _____ %

7. What is your firm's legal status?

- | | |
|------------------------------|---------------------|
| 1. Single proprietorship | 2. Partnership |
| 3. Limited liability company | 4. Other (specify): |

What are the advantages of your current legal status ?

B. PROCUREMENT AND SALES

8. What percentage of your inputs are

- 1. Imported by you or an importer _____%
- 2. Produced domestically close to your site _____
- 4. Produced domestically at a distant location _____

9. What percentage of inputs do you buy from public institutions / parastatals ?

10. What percentage of your product/service is sold to:

- 1. Exports outside [this region's] countries _____%
- 2. Markets within [this region] _____
- 3. Distant Domestic Markets _____
- 4. Nearby Domestic Markets _____

12. What percentage of your products do you sell to public institutions / parastatals? _____%

13. a. If you import inputs, how much time does it take to clear goods through customs? _____ days

b. On average, how much do import duties/tariffs add to the price of your inputs? _____ %

14. a. If you export products, how much time does it take to clear goods for export? _____ days

b. On average, how much do your country's tariffs/duties add to the price of your product? _____ %

15. Are you selling everything that you produce?

- a. Yes
- b. No
- c. Not Applicable (specify): _____

16. How much more (compared to now) could you produce with your existing equipment?

17. If you could produce more (with your existing equipment), why don't you? Please give a "1" to the most important reason, a "2" to the second most important, and a "3" to the third.

- 1. Competition is too strong _____
- 2. Not enough qualified labor available _____
- 3. Market demand is insufficient _____
- 4. Can't ship everything because of lack of transport _____
- 5. I'm not interested in expansion _____
- 6. Administrative problems _____
- 7. Procurement problems _____
- 8. Restrictions on imports/exports _____
- 9. Other reasons (specify) _____

18. How severe are each of the following procurement or sales problems ?

	<u>No Obstacle</u>					<u>Very severe Obstacle</u>
1. Insufficient demand	1	2	3	4	5	
2. Raw materials availability	1	2	3	4	5	
3. Prices of raw materials	1	2	3	4	5	
4. Obtaining import licenses	1	2	3	4	5	
5. Reliability of supply of raw materials	1	2	3	4	5	
6. Tariffs on imports	1	2	3	4	5	
7. Lack of access to/High cost of equipment	1	2	3	4	5	
8. Restrictions, taxes on exports	1	2	3	4	5	
9. Scarcity of competent workers	1	2	3	4	5	
10. Lack of skilled technicians	1	2	3	4	5	
10. Others, Specify:	1	2	3	4	5	

C. REGULATION

18. In starting your business (or making it formal), which government requirements were the most difficult to meet?

19. In starting your business (or becoming formal), how much time passed from the time you decided to register until the time you successfully completed the regulatory process? _____ weeks

20. For which steps did you use a facilitator (please describe each one and the services performed)?

21. What was the approximate total cost of registration, licensing fees and payments to facilitators and officials? [Note to interviewer: try to get estimate in terms of a dollar figure.] \$ _____

22. In operating your business, which government authorities/agencies cause you the greatest difficulties? In each case, what is the nature of the difficulty?

a. NAME OF AGENCY: _____

NATURE OF DIFFICULTY: _____

Number of Visits in Last 12 Months: _____

b. NAME OF AGENCY: _____

NATURE OF DIFFICULTY: _____

Number of Visits in Last 12 Months: _____

c. NAME OF AGENCY: _____

NATURE OF DIFFICULTY: _____

Number of Visits in Last 12 Months: _____

23. How many licenses do you need each year to run your operations?

a) on a regular basis _____

b) for specific activities (e.g. import/export) _____

24. What is the total annual cost of these licenses? _____

25. Do you hire external agents to help you obtain these licenses? YES NO

26. Could you estimate the overall annual costs you incur for obtaining all the licenses you require, including all costs like agent fees, extraordinary payments, travel expenses, etc.? _____

27. Do you hire an outside firm to manage your tax payments? YES NO

If yes, what is the approximate current monthly cost? _____

28. Do you hire an attorney or other professional to assist you with regulations or tax requirements?

If yes, what is the approximate current monthly cost? _____

29. i) What percent of the proprietor's (or senior management's) time is spent each month dealing with taxes and other government regulations or officials? _____ %

ii) If you add it all up, what percent of your other employees' time is spent in dealing with tax requirements and other government regulations or officials? _____ %

30. Is your business affected by any price controls? (circle one)

a. Yes, most of my products/services are subject to price controls.

b. Yes, most of my inputs (materials, labor, services) are price-controlled.

c. Yes, most of my inputs and outputs are price controlled.

d. No, price controls do not affect my business very much.

31. If your business is affected by price controls, have input prices increased much faster than output prices within the last year? (circle one)

YES NO

32. If the prices of your products are controlled, do you hire external agents for dealing with the price review process? (circle one)

YES NO

33. What percent of your labor force is paid the legal minimum wage? ____

What percent of your labor force is paid more than the minimum wage? ____

34. Which of the following factors are most burdensome in profitably operating your business?

	<u>No Obstacle</u>				<u>Very Severe Obstacle</u>
	1	2	3	4	5
A. Minimum wage rates	1	2	3	4	5
B. Restrictions on hiring foreigners	1	2	3	4	5
C. Regulations about working conditions (hours, maternity leave, health benefits, vacation, occupational safety)	1	2	3	4	5
D. Strikes or other labor union actions	1	2	3	4	5
E. Rules against performance pay	1	2	3	4	5
F. Restrictions on hiring or firing local workers	1	2	3	4	5

35. a. Is new investment by your firm subject to government approval? YES NO

b. If yes, what is the average time required to have an investment approved? ____ weeks

c. Have you ever decided not to make an investment because of delays in government approval? . .

YES NO

36. If you wanted to temporarily reduce your production, please rank the following obstacles in reducing the number of workers you employ:

	<u>No Obstacle</u>				<u>Very severe Obstacle</u>
	1	2	3	4	5
A. Trade union rules concerning layoffs	1	2	3	4	5
B. Government rules concerning layoffs	1	2	3	4	5
C. High financial cost of layoffs	1	2	3	4	5
D. Other (specify):	1	2	3	4	5

37. How many times have you sought government approval to merge with or acquire another enterprise, and how many of these requests were denied?

Number of Requests:

Number Granted:

Number Denied:

38. When you have disagreed with an official or an agency decision, have you ever attempted to have the ruling changed? YES NO NOT APPLICABLE

i) If yes, did you:

Negotiate with the official YES NO

Go to official's superior

a) Informal Contact YES NO

b) Official Protest YES NO

Use a trade association YES NO

Sue in court or use other formal appeal process. YES NO

Details, examples of "YES's":

39. How severe is each of the following problems relating to government regulation of your business?

	<u>No</u> <u>Obstacle</u>		<u>Moderate</u> <u>Obstacle</u>		<u>Very Severe</u> <u>Obstacle</u>
1. Number of licenses needed	1	2	3	4	5
2. Costs of licenses	1	2	3	4	5
3. Getting production licenses	1	2	3	4	5
4. Import regulations	1	2	3	4	5
5. Export regulations	1	2	3	4	5
6. Price controls of inputs	1	2	3	4	5
7. Price controls of outputs	1	2	3	4	5
8. Govt labor regulations	1	2	3	4	5
9. Trade union restrictions	1	2	3	4	5
10. Tax-related regulations	1	2	3	4	5
11. Investment regulations	1	2	3	4	5
12. Others, specify:	1	2	3	4	5

INFRASTRUCTURE AND SUPPORT SERVICES

40. What are your firm's three biggest problems relating to infrastructure (including power, water, roads, transport, ports, etc.) or support services (including insurance, banking, market information, technical assistance, etc.)?

41. What rights do you have to the land you are occupying?

1. Title deed 2. Lease 3. Other (specify):

42. How severe are each of the following problems related to infrastructure ?

	<u>No Obstacle</u>			<u>Very severe Obstacle</u>	
1. Problems to get land/industrial space	1	2	3	4	5
2. Power breakdowns	1	2	3	4	5
3. Voltage fluctuations	1	2	3	4	5
4. Telecommunications problems	1	2	3	4	5
5. Water supply problems	1	2	3	4	5
6. Problems in waste water disposal	1	2	3	4	5
7. Problems in the disposal of garbage/waste	1	2	3	4	5
8. Lack of external road transport services	1	2	3	4	5
9. Quality of roads	1	2	3	4	5
10. Quality of railway transport	1	2	3	4	5
11. Quality of ports	1	2	3	4	5
12. Other, specify	1	2	3	4	5

FINANCE

43. Does your firm have an account with a bank? YES NO

44. Have you received commercial loans? YES NO

If yes, what kinds of credit:

Investment loan (more than 6 months)? YES NO

Working capital/overdraft facility:

a) one week to six months YES NO

b) less than one week YES NO

45. If you were to undertake a substantial investment in buildings or machinery / equipment, what percent of the investment would you obtain from each of the following sources of funds:

0. 0% (None) 1. Less than 25% 2. 25% - 50% 3. 51% - 75% 4. More than 75%

1. Income from sales of your company _____
2. Commercial banks _____
3. Other financial institutions (specify main ones): _____
4. Local money lenders _____
5. Foreign sources _____
6. Family/friends _____
7. Suppliers _____
8. Other (specify): _____

46. If you needed additional short-term finance (e.g. to pay suppliers for additional materials), what percent of the finance would you obtain from each of the following sources:

0. 0% (None) 1. Less than 25% 2. 25% - 50% 3. 51% - 75% 4. More than 75%

1. Income from sales of your company _____
2. Commercial banks _____
3. Other financial institutions (specify main ones): _____
4. Local money lenders _____
5. Foreign sources _____
6. Family/friends _____
7. Suppliers _____
8. Other (specify): _____

47. Do you give credit to your customers?

1. YES 2. NO

If yes: 1. What proportion of your sales is sold on credit?

2. What interest rate do you charge? (per year)

3. For how long do you give credit? (days)

48.	How severe are each of the following obstacles in financing ?	Very Severe Obstacle				
		<u>No obstacle</u>				
A.	Collateral requirements of bank/financial institution	1	2	3	4	5
B.	Requirement to produce financial documents	1	2	3	4	5
C.	Level of interest rates	1	2	3	4	5
D.	Requirement to have a deposit/loan track record	1	2	3	4	5
E.	Don't have the right connections with bank/ financial institutions	1	2	3	4	5
F.	Lack access to non-bank investors/partners	1	2	3	4	5

GROWTH AND FUTURE OPERATION

49. Realistically, what size of business will you have two years from now?

CLOSE SMALLER SAME SIZE UP to 25% LARGER

26-50% LARGER 51-75% LARGER 76-100% LARGER MORE THAN DOUBLE

50. If you plan to expand, what steps have you taken for achieving your objective?

51. On a scale of 1 (no obstacle) to 5 (the very worst obstacles), which of the following are the most important obstacles to your future operation or expansion? [Please do not select more than 5 obstacles as the very strongest (5).]

	No Obstacle	Moderate Obstacle	Very Strong Obstacle		
a. Problems with Procurement of Inputs (including raw material, labor, equipment)	1	2	3	4	5
b. Problems Relating to Sales	1	2	3	4	5
c. Regulation of Trade	1	2	3	4	5
d. Tax Regulation	1	2	3	4	5
e. High level of Taxes	1	2	3	4	5
e. Labor Regulation	1	2	3	4	5
f. Other Regulation (antitrust, safety and environmental regulations)	1	2	3	4	5
f. Problems with Infrastructure	1	2	3	4	5
g. Problems of Access to Land	1	2	3	4	5
h. High Cost of Finance	1	2	3	4	5
i. Lack of Access to Finance	1	2	3	4	5
j. Political/Policy Uncertainty	1	2	3	4	5
k. Inflation/Price Instability	1	2	3	4	5
l. Problems with Foreign Exchange	1	2	3	4	5

52. Finally, what was your firm's approximate total level of sales over the past 12 months? _____

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