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**Results of a  
Nationwide Survey  
on Micro, Small, and  
Medium Enterprises  
in Malawi**

*GEMINI Technical Report No. 53*

**GEMINI**

**GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS**  
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**DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International •  
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**Results of a Nationwide Survey  
on Micro, Small, and Medium Enterprises  
in Malawi**

by

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## EXECUTIVE SUMMARY

This report summarizes the results of a nationwide survey of micro, small, and medium enterprises (MSMEs) in Malawi. The survey was conducted over six weeks in June and July 1992, when 42,334 household or enterprise sites were visited. At these sites, 10,792 enterprises were identified and enumerated. An enterprise was defined as any non-agricultural activity undertaken for commercial ends with 100 or fewer employees.

The objective of the survey was to produce a statistically valid picture of the MSME sector by providing information on the magnitude, composition, and characteristics of enterprises. Information was also collected to identify constraints and growth patterns of enterprises, determine reasons for MSME closures, examine women's roles in the MSME sector, and provide information for donors and policy makers to target MSME assistance better.

The survey results show that the MSME sector in Malawi comprises approximately 570,000 enterprises, employing more than one million people. One-fifth of the population 15 years and older is engaged in the MSME sector. Most MSMEs — 90 percent — are located in rural areas.

Approximately two-thirds of MSMEs contribute 50 percent or more to household income in urban and rural areas. These figures are high; however, they are not surprising, given that MSMEs in Malawi are primarily full-time operations.

The industrial structure of the Malawian MSME sector consists principally of trade and manufacturing, representing 52 percent and 43 percent of all MSMEs, respectively. Most MSMEs in trade are retailers, constituting 97 percent of all trade activities. The predominance of trade activities in Malawi is striking compared with other countries in the region, where manufacturing is typically the dominant sector.

The average size of a Malawian MSME is 1.8 workers, including the proprietor. Most MSMEs, however, are operated by the proprietor alone. More than 60 percent of MSMEs are operated by one person, and 97 percent have one to three workers.

The average annual employment growth rate of Malawian MSMEs is 10.5 percent. Although the overall growth rate for Malawian MSMEs is positive, most Malawian MSMEs have not grown at all. About 75 percent of all MSMEs have experienced no change in employment, 3 percent have contracted, and the remaining 23 percent have expanded. The average annual employment growth rate of those MSMEs that have expanded is 48 percent.

Employment creation through expansion of MSMEs is greatest in MSMEs that begin as one-person operations. Three-quarters of all increases in employment are generated in this category. As the initial firm size increases, the amount of new employment generated decreases — and actually becomes negative in firms that start with 11 to 50 workers. One-person MSMEs also represent the highest percentage of employment in existing firms.

The average age of Malawian MSMEs is 7.4 years old. More than half of all MSMEs, however, are younger than three years old. This finding implies that the MSME sector is growing not only through expansion of firms but also through births of new firms. It also implies that death rates of MSMEs must be high if most firms are less than three years old.



Closed enterprises are also enumerated in the survey. More than three-quarters of closed enterprises in the sample had been engaged in trade activities. The average age of MSMEs at closure is 9 years, with the age at closure ranging from 1 to 52 years. About half of all MSMEs that close, however, are less than seven years old when they fold. The most frequently cited reasons for closure of MSMEs are marketing problems, personal reasons, and lack of availability of operating funds. About one-third of proprietors from closed MSMEs are now unemployed, and more than half operate a new MSME.

Constraints on MSMEs are reported most frequently in input problems. The prevalence of input problems in Malawi is striking compared with other countries in the region. Marketing and working capital constraints are also cited frequently.

Access to credit since start-up operation is low in the MSME sector. More than 80 percent of all MSMEs have never received any loans. Only 1.2 percent of MSMEs have received loans from a formal credit institution.

Women represent 46 percent of all MSME proprietors in Malawi. This statistic is surprisingly low compared with neighboring countries, where women typically represent 67 to 75 percent of MSME proprietors.

The income contribution to the household from MSMEs owned by women is significantly lower than from MSMEs owned by men. Fifty-nine percent of female proprietors indicated that their enterprises contribute 50 percent or more toward household income, compared with 86 percent of male proprietors.

Female-owned MSMEs grow at an annual average employment rate of 8.9 percent, compared with 11.6 percent for male-owned MSMEs. Considering only those firms that expand, fewer female-owned MSMEs grow than male-owned firms; however, those female-owned firms that do grow exhibit higher growth rates.

MSME constraints do not vary by the gender of the proprietor. The constraints reported most frequently by both male and female proprietors are input problems, marketing problems, and finance constraints. Also, access to credit does not differ substantially by the gender of the proprietor. A slightly higher percentage of male proprietors has never received credit; however, this finding is partially explained by the fact that more women have received credit from family members or friends.

A regional comparison of MSMEs in Malawi indicates that more than half of all MSMEs are located in the Southern Region. The highest density of MSME activity, however, is in the Northern Region. Eighteen percent of the population in the north is engaged in MSME activity, compared with only 10 percent in the Central Region and 14 percent in the south. The industrial structure of MSMEs in Malawi also varies on a regional basis. Trade is the dominant sector in the north and the south, and manufacturing is the dominant sector in the Central Region.

The level of training and assistance received by proprietors is low throughout Malawi. Ninety-two percent of all proprietors have never received technical training such as management, bookkeeping, or marketing. Only 6 percent of proprietors have received assistance during operation from a government or donor organization.

MSMEs in the refugee camps are also enumerated, from a sample of 5,989 households visited in six refugee camps. Twenty-seven percent of open households are engaged in MSME activity. Trade

is the dominant activity, representing 54 percent of all refugee MSMEs. Manufacturing represents the second highest group, accounting for 41 percent of MSME activity. More than half the MSMEs in the refugee camps generate 50 percent or more of their income from MSME activity; one-third are entirely dependent on MSMEs for income.

The average size of an MSME in the refugee camps is 1.3 three workers, including the proprietor. More than 95 percent of MSMEs have one or two workers. The average age of an MSME in the refugee camps is four years; however, 43 percent of firms are less than one year old.

Almost two-thirds of proprietors in the refugee camps are men. Female proprietors, representing 35 percent, participate in manufacturing, trade, and services.

The most widely cited constraint in the camps is with input problems. Financial and marketing problems are also frequently reported.

Eighteen percent of proprietors in the camps have received credit during their operation. This is similar to the rest of the country, where 19 percent have received credit.

## SECTION ONE

### INTRODUCTION

This report summarizes the results of a nationwide survey of micro, small, and medium enterprises (MSMEs) in Malawi. The survey was conducted over six weeks in June and July 1992, when 42,334 household or enterprise sites were visited. At these sites, 10,792 enterprises were identified and enumerated.<sup>1</sup> An enterprise was defined as any non-agricultural activity undertaken for commercial ends with 100 or fewer employees.<sup>2</sup>

The objective of the survey was to produce a statistically valid picture of the MSME sector by providing information on the magnitude, composition, and characteristics of existing enterprises. Specifically, information was collected to:

- Identify constraints and problems faced by micro, small, and medium enterprises at different stages in their evolution;
- Provide information on past growth patterns of micro, small, and medium enterprises;
- Identify categories of economic activities where women play a major role;
- Provide a baseline from which patterns of change within the sector can be monitored;
- Identify non-assisted enterprises that might be displaced by a particular assistance program;
- Identify factors that have led enterprises to close down; and
- Help policy makers, donors, development agencies, and business organizations better target future assistance.

Based on the high population growth rate and rising unemployment rates, the Government of Malawi has recognized the MSME sector as one avenue of employment creation. The results of the 1987 population census indicated that the population was 7,998,507, with a high annual growth rate of 3.7 percent. The labor force has correspondingly exhibited significant growth rates over the past two decades. Between 1966 and 1977, the labor force grew at an annual rate of 2.8 percent, increasing to 3.6 percent between 1977 and 1987.

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<sup>1</sup> Although 42,334 households or enterprise sites were visited, only 10,792 enterprises were enumerated. The remaining 31,542 households and sites were divided between households reporting no MSME activity (17,098), and households where no one was home at the time of the survey (14,444). An explanation of the way closed households were incorporated into the survey is included in Section Two of this report.

<sup>2</sup> Non-agricultural activities include transactions involving agricultural commodities if the seller did not produce the commodity himself or herself, or if the seller produced the commodity and transformed it into another form before selling it (for example, maize into maize flour).

Government recognition of the MSME sector has increased steadily since the 1970s. During that time, Malawi's agricultural sector — and the economy as a whole — displayed an impressive performance, as indicated by average annual gross domestic product (GDP) growth rates, which increased by 4.6 percent between 1970 and 1975 (Malawi Government, 1988). This was largely because of the rapid expansion of estate production of tobacco and, to a lesser extent, of sugar and tea. Despite its success in the 1970s, the estate sector had weaknesses such as undercapitalization and management problems.

In the wider economy, public sector deficits, falling world prices for exports, rising oil prices, higher interest rates, and increasing disruption of external transport routes through Mozambique undermined the economy. As a result of these events, an economic crisis occurred between 1979 and 1981 (Gulhati, 1990; Sahn et al., 1990; Christiansen and Southworth, 1988).

In view of the economic crisis, the government sought assistance from the International Monetary Fund (IMF) and the World Bank for a structural adjustment program. To date, the impact of the economic recovery measures has produced mixed results (Christiansen and Southworth, 1988). A number of concerns still remain in Malawi: more people are becoming landless (Mkandawire, 1991); employment on estates has been insecure and poorly remunerated (Nankumba, 1990; Nyanda, 1989); and the problem of Mozambican refugees has serious economic implications such as deforestation and the increasing costs of road maintenance.

In the mid-1970s, after realizing the inability of the large-scale enterprise sector to solve the problems of off-farm employment and income generation, the government began changing its emphasis from large-scale enterprises to small and medium non-farm enterprises (READI, 1989).<sup>3</sup> Current policy dialogue centers on the theme "growth through poverty reduction." This theme will be implemented by the government through a nationwide program in collaboration with the United Nations Development Programme (UNDP). Policy elements include the increase of employment opportunities and labor productivity, the enhancement of agricultural productivity of smallholder producers, heavy investment in human resources, and income transfers. The small- and medium-scale enterprise sector has been identified as an important element of this development strategy. Unfortunately, however, the government lacked relevant and usable data on small- and medium-scale enterprises (Malawi Government/UNDP, 1992; Sahn et al., 1990; READI, 1989; Malawi Government, 1988).

This study, by providing basic statistics on the MSME sector, should assist policy makers, development agencies, and business organizations in determining appropriate strategies to improve the sector. Section Two provides a summary of the survey approach, including the sampling technique, extrapolation of results, and the enumeration method. Section Three reports the results of the primary questionnaire that was administered to 10,792 enterprises. Results from a supplementary questionnaire, administered to a subsample of enterprises, are reported in Section Four. Section Five gives the results of MSME characteristics from a sample drawn from refugee camps. Finally, conclusions are offered in Section Six.

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<sup>3</sup> The Rural Enterprise and Agrobusiness Development Institutions (READI) project, under the auspices of USAID/Malawi, was phased out in October 1991.

## SECTION TWO

### SURVEY APPROACH

This survey of micro, small, and medium enterprises in Malawi was financed by USAID/Malawi, with technical input from the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) project of the Agency for International Development.<sup>1</sup> Technical assistance was also provided by the Malawian government through the Ministry of Trade and Industry (MTI).

The definition of micro-, small-, and medium-scale enterprises, as presented in Section One, is any non-agricultural activity, undertaken for commercial ends, with 100 or fewer employees. This includes one-person enterprises, such as vendors, as well as more organized, larger operations. Although there are many other methods to define MSMEs, such as by sales volume, profit rates, or capital investments, the number of employees is a much more accurate definition for a single-visit survey. In addition, using the definition of 100 or fewer employee concurs with MTI's definitions of microenterprise (1-4 employees), small enterprise (5-20 employees), and medium enterprise (21-100 employees).<sup>2</sup>

Similar to other GEMINI MSME studies in southern Africa, the Malawi MSME survey consists of three parts: a primary questionnaire that provides a broad overview of the MSME sector in Malawi; a supplementary questionnaire that examines some socioeconomic issues in greater detail on a smaller number of firms; and a closed enterprise questionnaire, analogous to the primary questionnaire, which explores issues relating to enterprises that have not operated for at least one year.<sup>3</sup> Because of the similarities of MSME studies in surrounding countries, some comparisons of these studies with the Malawi results are made throughout the report. Results from previous studies on the Malawi MSMEs are also included.

### SAMPLING APPROACH

The sample for the MSME survey was selected by using a stratified one-stage cluster sampling technique. This involved geographically stratifying the country into areas with similar population density, followed by a random selection of enumeration areas (EAs) within each stratum.<sup>4</sup> Each of these steps is described below.

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<sup>1</sup> GEMINI is an A.I.D. collaborative assistance program for micro- and small-scale enterprises, subcontracted to a consortium of development institutions, including Michigan State University. Development Alternatives, Inc. (DAI), in metropolitan Washington, D.C., is the prime contractor.

<sup>2</sup> The MTI definition of enterprise size, reference number CES/195, also includes capital investment and turnover in Malawi Kwacha. It was not possible to collect this information, however, in the single-visit survey.

<sup>3</sup> Other countries in the region where GEMINI has conducted MSME studies include Botswana, Zimbabwe, Swaziland, Lesotho, and South Africa. The first four surveys were nationwide; the South Africa survey was limited to two townships.

<sup>4</sup> Enumeration areas are geographic areas defined by the Malawi National Statistics Office for the national census. An EA typically has a population of about 1,000 individuals.

Stratification by population density is based on the premise that areas with similar population densities will have the same basic structure of MSME activities. Rural areas with low population densities, for example, are likely to have MSMEs with fewer employees on average than urban MSMEs. The range of MSME activities is also likely to be much smaller in rural areas. By maintaining similarity within strata and diversity among strata, the required sample size to achieve a given margin of error is reduced.

Table 1 shows the stratification used in the Malawi MSME survey and the locations of respective strata. Within the urban and secondary towns strata, all markets, commercial areas, and industrial areas are enumerated completely to avoid a bias in population estimates. For example, if a market fell into the random sample, the number of MSMEs in the market would be multiplied by the extrapolation factors described below. This assumes that all other EAs in the area have the same number of MSMEs as in the market place. Because markets have an unusually high number of MSMEs, the results would overestimate the number of MSMEs in the population. Alternatively, if the markets were not included in the survey, the number of MSMEs would be underestimated.

After stratification, EAs are randomly selected from each stratum. The locations of the selected EAs are illustrated in Figure 1. Every household, place of business, and mobile enterprise within the selected EAs is visited. If an enterprise exists or used to exist, the proprietor is interviewed.

For the supplementary questionnaire, every fifth household or enterprise site was asked to respond to supplementary questions. This method maintained the random nature of the sample; of course, a much smaller sample resulted for the supplementary questionnaire.

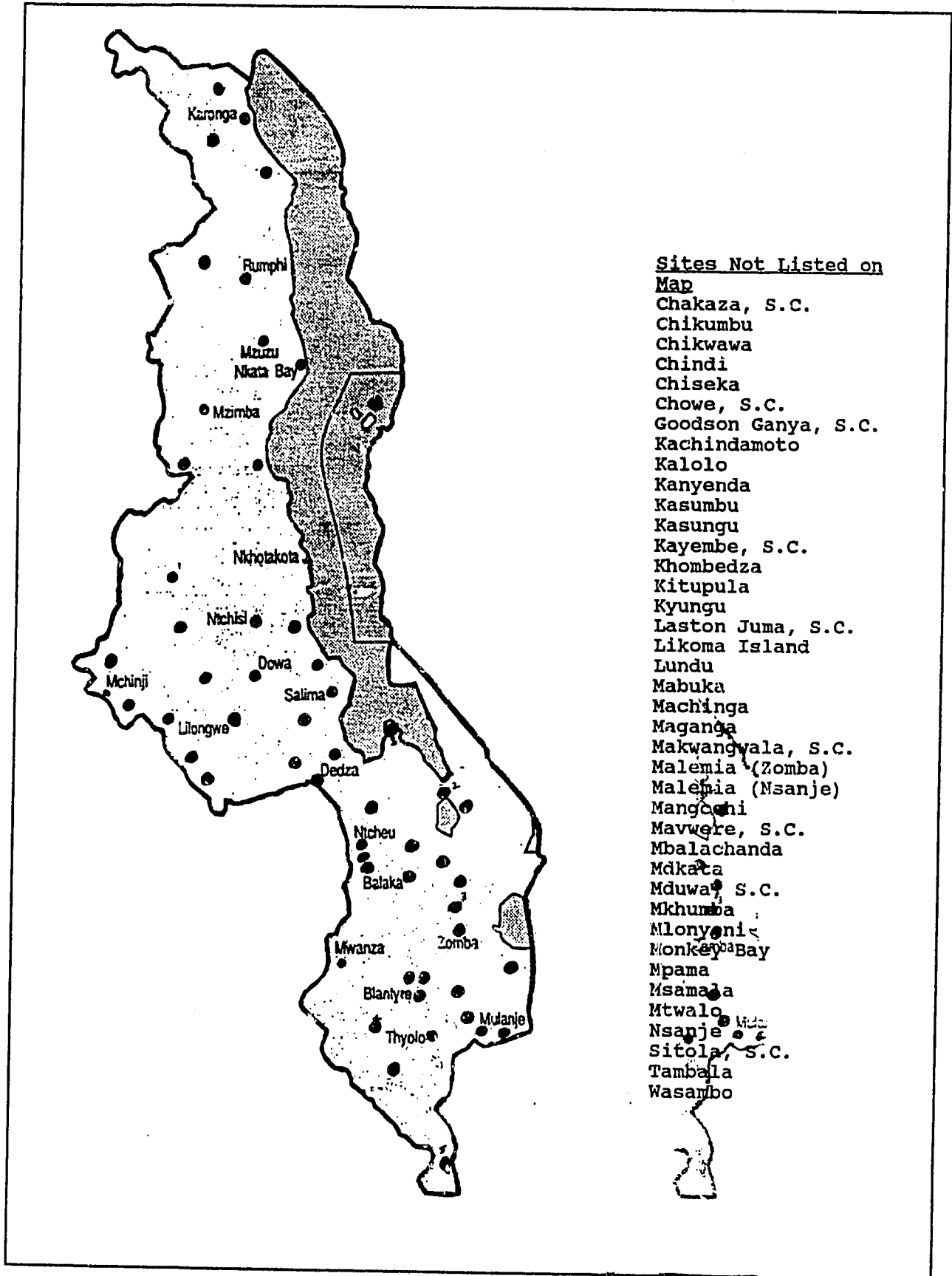
TABLE 1  
SAMPLE STRATIFICATION  
MALAWI MSME SURVEY, 1992

Stratum	Location	Population Range*
Urban	Lilongwe and Blantyre	223,000 to 333,000
Secondary Towns	Mzuzu and Zomba	43,000 to 45,000
Large Rural Settlements (Gazetted)	Nsanje, Salima, Kasungu, Nkhotakota, Mangochi, and Dedza, Karonga	10,000 to 20,000
Medium Rural Settlements	Chitipa, Nkhata Bay, Rumphu, Ntchisi, Dowa, Mponela, Mulanje, Mchinji, Ntcheu, Monkey Bay, Balaka, Liwonde, Chiradzulu, Mwanza, Thyolo, Luchenza, Chikwawa, and Ngabu	3,000 to 9,000
Rural Areas	All Remaining Areas	< 3,000
Refugee Camps	**	**

\* Population figures are based on the 1987 census.

\*\* Information on the refugee camps is included in Section Five.

Figure 1  
 Enumeration Areas Selected in 1992 MSME Survey.



## EXTRAPOLATION OF RESULTS

Sample data collected in this survey were extrapolated to represent the Malawi MSME sector nationwide. This required estimating weights for each stratum based on the probability of each EA being selected and the probability of a respondent being home to answer the questions. The weights were calculated as:

$$WT_i = \left[ \frac{TEA_i}{SEA_i} \right] \left[ \frac{IN_i + CL_i}{IN_i} \right]$$

where:

WT	=	weight
i	=	stratum
TEA	=	total number of enumeration areas in the stratum
SEA	=	number of selected enumeration areas in the stratum
IN	=	number of households interviewed with or without MSMEs
CL	=	number of closed households

The first term in the equation is the reciprocal of the probability of being selected, since each EA has an equal probability of being selected. For example, if there are nine Eas in a stratum and three are selected for the sample, the probability of each EA being selected is 3/9, or 1/3. The reciprocal, or the first weighting factor, is then 3/1. All results for that stratum are multiplied by three to extrapolate the sample results to represent the nine enumeration areas.

The second term is based on the assumption that closed households are identical to open households. This assumption is supported by findings in Kenya where repeated visits to closed households revealed that MSME activities were not significantly different than those of households that were enumerated (Parker and Dondo, 1991). For this term, the numerator is the sum of all households (households closed, households without MSME activity, and households with MSME activity), divided by all households that were interviewed (households with and without MSME activity). For example, assume that there are eight households in an EA: two with MSME activity, two with no MSME activity, and four that are closed. The value of this term in the weighting formula is then 8/4 or 2. Sample results for that stratum are then multiplied by two (that is, two of the four closed households are assumed to have MSME activities, just as two of the four open households have MSME activities).<sup>5</sup>

## DATA COLLECTION METHOD

Data collection was carried out by 25 enumerators and three supervisors. Enumerators and supervisors were trained for one week, followed by field pre-tests of the questionnaires and the

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<sup>5</sup> The worksheet to determine the weights for each stratum is presented in Appendix A.



enumerators. Thirty-nine enumerators attended training, but only 25 were selected for the fieldwork, based on written test scores and performance during training.

To complete the primary questionnaire, enumerators went from street to street and from house to house, checking and recording the presence or absence of MSMEs in the sample localities. Completed questionnaires were then coded and checked before they were sent to the office for computer entry. Questionnaires were then checked again by the data entry personnel for accuracy. In addition to the manual verification, the data were entered twice into the computer — once for initial entry and a second time for verification.

## SECTION THREE

### RESULTS OF THE PRIMARY SURVEY

#### MAGNITUDE AND INCOME CONTRIBUTION TO HOUSEHOLDS

The MSME sector in Malawi consists of approximately 570,000 enterprises, employing more than one million people.<sup>1</sup> Table 2 illustrates these figures, as well as population estimates from the 1987 census. Overall, 21 percent of the population 15 years old and above is engaged in the MSME sector. These statistics are quite high compared with estimates in previous reports. For example, a report in 1988 estimated that only 179,000 people were employed in the small-scale sector (A.I.D., 1988). Two reports in 1989 estimated higher figures; however, they were still below the current estimate. These included O'Regan et al. (1989), who estimated 600,000 employees in the MSME sector, and Mead et al. (1989), who estimated 190,000 to 215,000 people employed in the MSME sector, not including unpaid family members. Some of this variation may reflect differences in MSME definitions; however, the gap between the estimates of previous studies and the findings of this study is quite high.

The distribution of MSME activity in rural and urban areas is also illustrated in Table 2. About 90 percent of MSMEs are located in rural areas, with the remaining 10 percent in urban areas. This principally reflects that 92 percent of the population lives in the rural areas. The percentage of MSMEs in rural areas, however, is higher than in neighboring countries such as Botswana, Zimbabwe, Swaziland, and Lesotho, where 68 percent, 68 percent, 77 percent, and 80 percent of MSMEs are located in rural areas, respectively (Daniels and Fisseha, 1992; McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991).<sup>2</sup>

The magnitude and density of the MSME sector can also be illustrated by the density of MSMEs and MSME employment per 1,000 inhabitants. Assuming a 3.7 percent population growth rate since the 1987 census, there are currently 60 MSMEs per 1,000 inhabitants, or 113 MSMEs per 1,000 inhabitants 15 years old and above. And 110 persons out of 1,000 inhabitants are employed in the MSME sector — or 206 persons out of every 1,000 inhabitants over the age of fourteen.

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<sup>1</sup> The results presented in Sections Three and Four of this report do not include information on the refugee camps. This information is reported separately, in Section Five.

<sup>2</sup> Baseline studies were conducted in several countries in the region, including Zimbabwe, Swaziland, Lesotho, Botswana, and South Africa. Unlike these baselines (with the exception of Botswana), the Malawi baseline collected full information on both primary and secondary enterprises. These secondary enterprises, constituting only 12.9 percent of all MSMEs, are included in the statistics in this report. Also, the Malawi baseline focused on MSMEs with 100 or fewer workers, whereas the Zimbabwe, Swaziland, Lesotho, and South Africa baselines defined MSMEs as enterprises with 50 or fewer workers. Botswana used the definition of 10 or fewer workers. Although these differences mean that the Malawian results are not directly comparable, 99.8 percent of all MSMEs sampled with 100 or fewer workers fall into the category of 50 or fewer workers. For this reason, some comparisons to other baselines are made in this report where appropriate. (Definitions of primary and secondary enterprises and workers are located in Appendix D.)

TABLE 2  
POPULATION, NUMBER OF MSMEs, AND MSME EMPLOYMENT

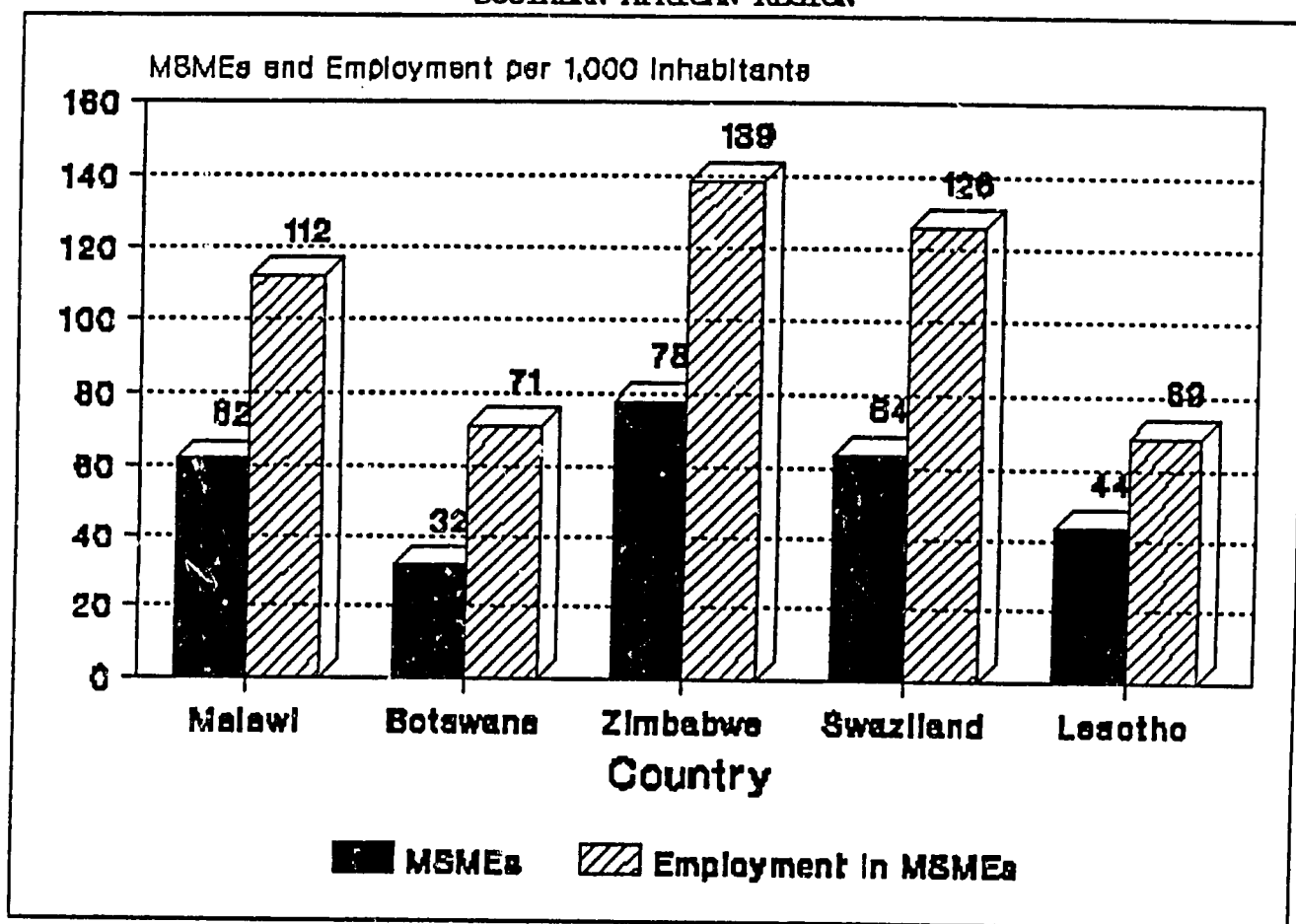
Stratum	Total Population 1987		Extrapolated Number of MSMEs and Employment for the Country			
	Population	Percent of Pop.	No. of MSMEs	Percent of All MSMEs	Employment in MSMEs	Percent of MSME Employment
<b>Urban Areas, Total</b>	<b>643,905</b>	<b>8.1%</b>	<b>60,030</b>	<b>10.5%</b>	<b>133,380</b>	<b>12.7%</b>
Urban Residential	542,342	8.8%	43,550	7.6%	98,519	9.2%
Urban Industrial	10,339	0.1%	1,102	0.2%	6,498	0.6%
Urban Commercial	3,757	0.05%	1,110	0.2%	4,498	0.4%
Urban Central Markets	n.a.	n.a.	2,214	3.7%	3,881	0.3%
Urban Locational Markets	n.a.	n.a.	3,571	0.4%	5,532	0.5%
Secondary Town Residential	83,853	1.0%	6,759	1.2%	12,319	1.2%
Secondary Town Industrial	2,798	0.03%	269	0.05%	1,104	0.1%
Secondary Town Commercial	816	0.01%	219	0.04%	1,143	0.1%
Secondary Town Markets	n.a.	n.a.	1,326	0.2%	2,137	0.2%
<b>Rural Areas, Total</b>	<b>7,354,602</b>	<b>91.9%</b>	<b>513,274</b>	<b>90.0%</b>	<b>917,391</b>	<b>87.3%</b>
Large Rural Settlements	94,617	1.2%	4,846	0.8%	10,980	1.0%
Medium Rural Settlements	101,689	1.3%	15,792	2.8%	28,178	2.7%
Rural EAs	7,158,296	89.5%	492,636	85.9%	878,253	83.6%
<b>TOTALS</b>	<b>7,998,507</b>	<b>100.0%</b>	<b>573,304</b>	<b>100.0%</b>	<b>1,050,771</b>	<b>100.0%</b>

Population data are based on the 1987 census (National Statistics Office, 1991).

\* Population data for enumeration area 87 in Lilongwe Urban Area (one of four commercial enumeration areas) were not available.

To compare these densities with those of surrounding countries, it is necessary to consider primary enterprises with 50 or fewer workers. Using this definition, the number of enterprises in Malawi is 53 MSMEs per 1,000 inhabitants, with 102 out of every 1,000 inhabitants employed by the MSME sector. Figure 2 illustrates these statistics, as well as the corresponding figures in nearby countries. Malawi's density of MSMEs falls in the middle of the five countries, with Zimbabwe and Swaziland having higher densities and Botswana and Lesotho having lower densities.

FIGURE 2  
MSMEs and MSME EMPLOYMENT PER 1,000 INHABITANTS  
SOUTHERN AFRICAN REGION



The importance of MSME activities to household welfare was assessed by the respondent's estimation of income contribution to the household. Table 3 indicates that approximately two-thirds of MSMEs contribute 50 percent or more of household income in both urban and rural areas. These figures are high but are not surprising, given that MSMEs in Malawi are primarily full-time operations. On average, a Malawian MSME operates 10.6 months per year and 21.9 days per month.

TABLE 3  
PERCENTAGE OF HOUSEHOLD INCOME  
CONTRIBUTED BY MSME

Percentage of Household Income Provided by MSME	Urban Areas	Rural Areas	Total
100%	47.3%	41.8%	42.4%
Between 50% and 100%	12.9%	17.8%	17.3%
50%	9.3%	8.0%	8.2%
Less Than 50%	27.7%	30.5%	30.2%
Don't Know	26.8%	1.9%	2.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Although 10.6 months per year in operation may be considered full-time, this statistic is relatively low compared with other countries in the region. MSMEs typically operate more than 11 months per year in neighboring countries.

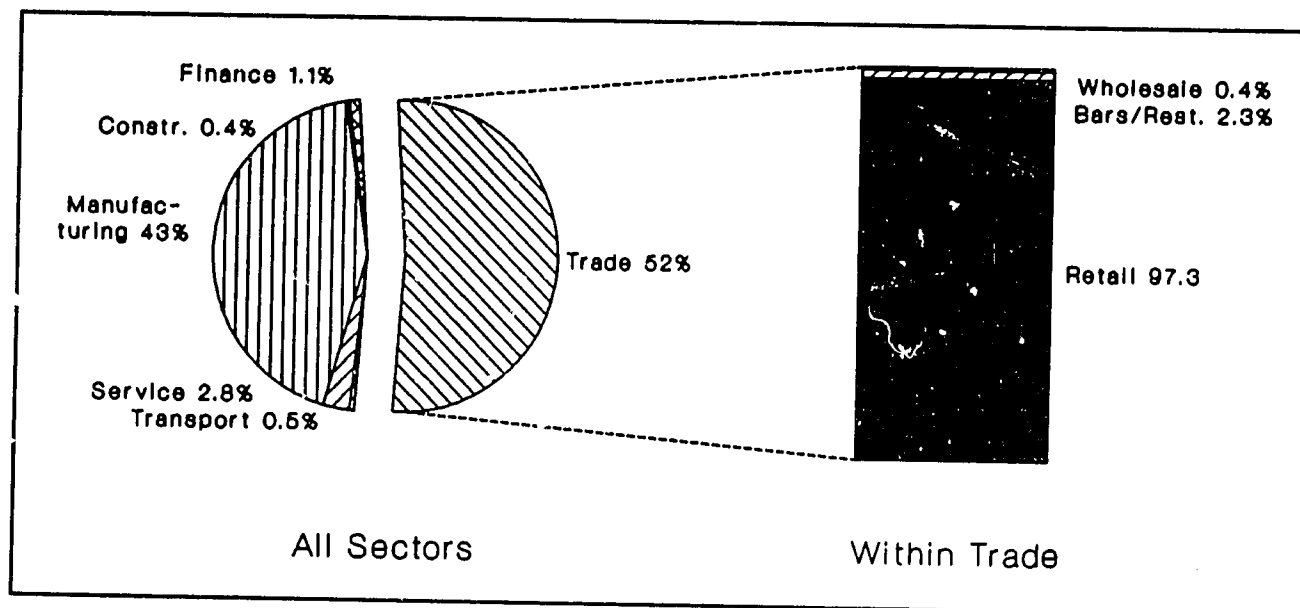
### INDUSTRIAL STRUCTURE

The industrial structure of the Malawian MSME sector is dominated by trade and manufacturing, as illustrated in Figure 3. Of those MSMEs engaged in trade, the overwhelming majority are retail traders, with only a small portion in wholesale trade and hotels, bars, and restaurants. The predominance of trade activities in Malawi is striking, compared with other countries in the region, where manufacturing is the dominant sector. Only 23 percent of Zimbabwean MSMEs are engaged in trade, 32 percent in Swaziland, and 30 percent in Lesotho (McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991). Alternatively, the pattern in Malawi is very similar to that of Botswana, where 53 percent of firms are engaged in trade, with the majority in retail trade (Daniels and Fisseha, 1992).

Food, beverage, and tobacco production and wood and wood product production are the most important sectors within manufacturing, representing 45 percent and 25 percent of all manufacturing, respectively. In both sectors, the percentage is much higher in rural areas, as shown in Table 4. In food, beverage, and tobacco production, the difference can be explained by the higher level of local beer production in rural areas. Wood and wood production is higher in rural areas because a higher percentage of proprietors engage in grass, cane, and bamboo work.

The low percentage of MSMEs in the textile industry should also be noted in the manufacturing sector. Ettema's study (1983) found results to the contrary. In his study, tailoring and textiles were the most prominent activities in the manufacturing sector. This difference is probably because of the different sampling techniques used in the two studies.

FIGURE 3  
INDUSTRIAL STRUCTURE  
MALAWI, 1992



The low percentage of MSMEs in textiles is also notable, compared with other countries in the region. For example, in urban areas in Zimbabwe, 54 percent of MSMEs are in the textile industry, compared with only 10 percent in urban areas of Malawi (Liedholm and Mead, forthcoming).

Comparing the industrial sector results with a 1989 study indicated that the informal sector in urban areas was clustered in eight subsectors: tailoring, metalwork, transport, fishing, retailing, repairs, woodwork, and hotels and restaurants (O'Regan et al., 1989, p. vi). The current findings indicate that textiles, metalwork, retailing, wood and wood products, and food and beverage manufacturing represent the largest sectors in the urban areas. Transport, repairs, and hotels and restaurants, however, represented much smaller portions of urban MSMEs. These findings are presented in Table 4, at the International Standard Industrial Classification (ISIC) two-digit level.<sup>3</sup>

### SIZE DISTRIBUTION

The size of MSMEs in Malawi was measured by the total number of workers, including working proprietors, unpaid family members, paid workers, and trainees. By this definition, a Malawian MSME has 1.8 workers, on average. The difference between the sizes of rural and urban MSMEs was not statistically significant.

<sup>3</sup> Enterprises are classified throughout this report using ISIC one-digit and two-digit levels. Appendix B reports statistics at the ISIC four-digit level.

TABLE 4  
 SECTORAL DISTRIBUTION OF MSMEs  
 IN MALAWI, 1992

Sector	Sectoral Distribution		
	Urban Areas	Rural Areas	Total
<b>Manufacturing Total</b>	<b>32.8%</b>	<b>44.3%</b>	<b>43.1%</b>
Food, Beverage, Tobacco Production	11.8%	20.4%	19.5%
Textile, Wearing Apparel and Leather	10.0%	6.0%	6.4%
Wood and Wood Processing	4.4%	11.6%	10.8%
Paper, Printing, Publishing	0.1%	**	**
Non-Metallic Mineral Processing	1.6%	3.5%	3.3%
Fabricated Metal Production	3.0%	1.7%	1.8%
Other Manufacturing	1.9%	1.2%	1.2%
<b>Construction</b>	<b>0.7%</b>	<b>0.4%</b>	<b>0.4%</b>
<b>Trade Total</b>	<b>57.7%</b>	<b>51.5%</b>	<b>52.1%</b>
Wholesale Trade	0.2%	0.2%	0.2%
Retail Trade	56.5%	50.0%	50.7%
Restaurant, Hotels, and Bars	1.0%	1.3%	1.2%
<b>Transportation</b>	<b>1.3%</b>	<b>0.4%</b>	<b>0.5%</b>
<b>Renting Rooms or Flats</b>	<b>5.2%</b>	<b>0.6%</b>	<b>1.1%</b>
<b>Services</b>	<b>2.5%</b>	<b>2.9%</b>	<b>2.8%</b>
<b>TOTAL, ALL SECTORS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*\* less than 0.1%

Although the size of MSMEs does not vary by location, the average number of workers does vary by sector, as illustrated in Table 5.<sup>4</sup> The transport sector had the highest average number of workers followed by construction and services. The trade, manufacturing, and service sectors all had fewer than two workers, on average.

TABLE 5  
AVERAGE NUMBER OF WORKERS  
PER MSME

Sector	Average Number of Workers per MSME		
	Urban	Rural	Total
Manufacturing	2.6	1.7	1.8
Construction	10.1	2.3	3.6
Wholesale and Retail Trade	1.9	1.8	1.8
Transport	3.6	6.4	5.7
Renting Rooms and Flats	1.7	1.5	1.6
Services	3.5	2.1	2.3
TOTAL	2.2	1.8	1.8

Figure 4 illustrates the size distribution of MSMEs in Malawi. More than 60 percent of Malawian MSMEs are operated by the proprietor alone. As the size of the firm increases, the number of MSMEs decreases dramatically. Using the government definitions of micro-, small, and medium enterprises, micro enterprises — with one to four employees — constitute 96.4 percent of the MSME sector. Small enterprises — with five to 20 workers — constitute 3.3 percent, and the remaining 0.3 percent are medium enterprises — with 21 to 100 workers.

Although the survey results presented in this report represent only firms with 100 or fewer employees, information was collected on all firms, regardless of size. Nineteen firms with more than one hundred workers were identified in the sample. The sizes of these firms ranged from 100 to 500 workers. Eleven of the 19 firms had 100 to 200 workers, four firms had 201 to 300 workers, one firm had 301 workers, and the remaining two firms had about 502 workers.<sup>5</sup>

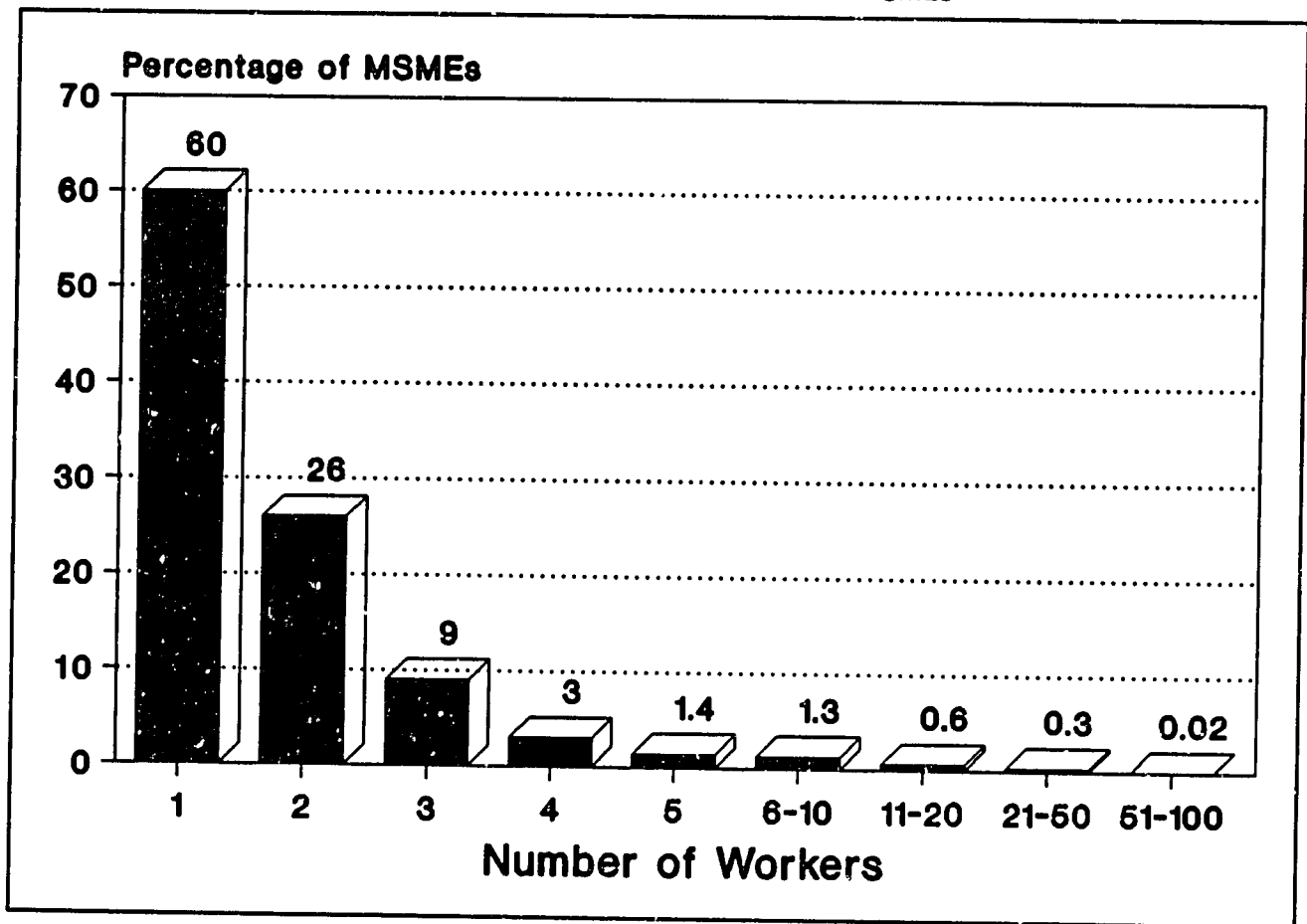
<sup>4</sup> The F statistic was used to test the null hypothesis that the means do not vary across sectors. The null hypothesis was rejected at the .001 level. This indicates that the probability of obtaining these results if the means were equal is less than 0.1 percent.

<sup>5</sup> Because all commercial and industrial areas in the country were enumerated, the 19 firms could represent most firms with more than 100 workers. For an additional 109 firms, however, information on the number of employees was not available. This often occurs when an enumerator meets an employee of a large firm who cannot give an estimate of the total employment.



FIGURE 4

## SIZE DISTRIBUTION OF MALAWIAN MSMEs



## MSME LABOR FORCE

In both urban and rural areas, the MSME labor force in Malawi consists principally of proprietors. As illustrated in Table 6A, proprietors represent almost half the urban MSME labor force and about 60 percent of the rural labor force. Urban areas have a much higher percentage of paid workers, while rural areas have a higher percentage of unpaid family members. The fact that more than 80 percent are proprietors or unpaid family members is characteristic of the region.

Table 6B illustrates the percentages of females, children, and part-time workers in the total MSME labor force. Compared with other countries in the region, females represent a surprisingly low percentage of the total MSME work force. For example, the corresponding estimates of female representation in the total work force for Botswana, Zimbabwe, Swaziland, and Lesotho are 71.7 percent, 57.1 percent, 78.1 percent, and 76.2 percent, respectively (Daniels and Fisseha, 1992; McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991). Gender issues in the Malawian MSME sector are discussed further below.

The estimates of children and part-time employees in the MSME work force are minimal, as in other countries in the region.

TABLE 6  
LABOR FORCE COMPOSITION OF MSMEs, 1992

Table 6A  
Worker Composition

Worker Type	Urban Areas		Rural Areas		Total	
	Avg. # of Workers	% of Total	Avg. # of Workers	% of Total	Avg. # of Workers	% of Total
Proprietor	1.1	47.8%	1.1	59.2%	1.1	57.7%
Unpaid Family	0.4	17.4%	0.4	23.6%	0.4	22.8%
Hired	0.7	32.8%	0.3	16.3%	0.3	18.3%
Trainees	*	2.1%	*	1.0%	*	1.1%
<b>TOTAL</b>	<b>2.2</b>	<b>100.0%</b>	<b>1.8</b>	<b>100.0%</b>	<b>1.8</b>	<b>100.0%</b>

\* Less than 0.1 workers

Table 6B  
Other Worker Characteristics  
(Percentage of Total Work Force)

Worker Type	Urban Areas	Rural Areas	TOTAL
Females	30.6%	41.0%	39.4%
Children	6.3%	6.0%	6.0%
Part-time	3.3%	2.7%	2.8%

Males constitute 60.6 percent of the work force.

### ACCESS TO CREDIT

Access to credit from formal institutions was relatively low in the MSME sector. Table 7 compares access to credit by characteristics of MSMEs. A slightly higher percentage of urban MSMEs have received credit; however, most of this is from family and friends. Expanded and no-growth MSMEs also did not exhibit any major differences in access to credit. Finally, MSMEs with five or more workers appear to have a slight advantage in access to credit from a formal institution. Again, however, the differences are marginal.

The amount of credit received across sectors was also fairly low and uniform. For example, the proportion of proprietors that received credit from a formal credit institution ranged from 0.4 percent in the services sector to two percent in the construction sector. The percentage of proprietors that had never received loans ranged from 81.8 percent in manufacturing to 95.6 percent in construction.

These statistics indicate that, in general, credit is not readily available or accessible to MSMEs. Although many organizations are involved in MSME activities, very few MSMEs have received assistance through credit mechanisms.

TABLE 7  
CREDIT SOURCES OF MSMEs

Credit Source	Urban MSMEs	Rural MSMEs	No-Growth MSMEs	Expanded MSMEs	MSMEs with > 5 Workers	Total
Never Received Loans	74.7%	81.8%	81.5%	79.8%	78.9%	81.0%
Loans from Family or Friends	16.2%	12.5%	12.8%	13.0%	14.3%	12.9%
Moneylender	4.0%	2.5%	2.7%	2.4%	0.7%	2.6%
Formal Credit Institution	1.3%	1.2%	0.9%	2.0%	3.2%	1.2%
Other	3.9%	2.1%	2.2%	2.8%	2.9%	2.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Information on credit received from specific institutions and start-up capital is reported in Section Four, on the supplementary questionnaire results.

## LOCATION

Most Malawian MSMEs are located in the home, as illustrated by Figure 5. This distribution, however, varies between urban and rural areas. In the urban areas, only 42 percent are located at the home, compared with 55 percent in rural areas. A higher percentage of urban MSMEs, 29 percent, is located in the markets, compared with 18 percent in rural areas.

Compared with neighboring countries, the percentage of MSMEs in Malawi located at home is relatively low. In Botswana, Zimbabwe, Swaziland, and Lesotho, 70 percent, 77 percent, 68 percent, and 60 percent of all MSMEs are located in the home (Daniels and Fisseha, 1992; McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991).<sup>6</sup>

## FORWARD AND BACKWARD LINKAGES

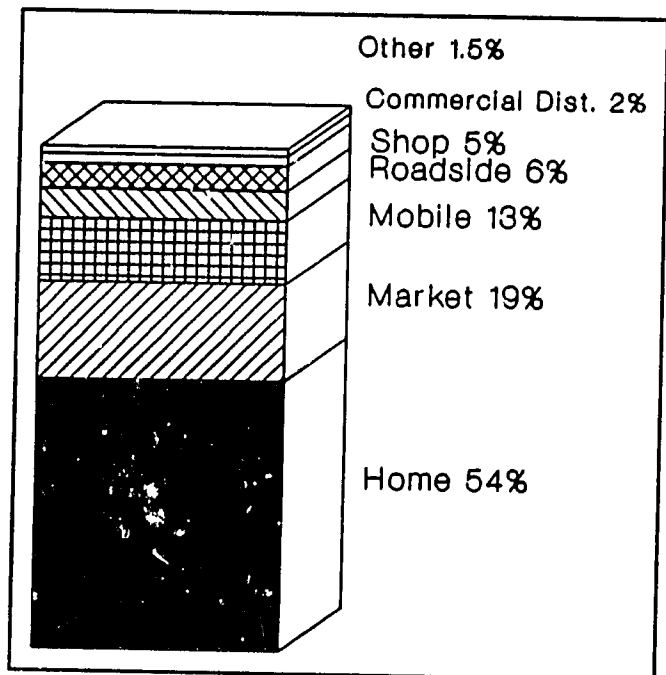
Ninety-eight percent of all Malawian MSMEs sell their products directly to the final consumer. The proportion is over 90 percent in every sector except chemicals and plastics and wholesale trade, which sell to other commercial or manufacturing enterprises.

Those firms with forward links to enterprises exhibit both higher growth rates and higher employment levels than firms that sell directly to the consumer. For example, firms that sell directly to the final consumer grew at an annual average rate of 10.3 percent, while forward-linked firms grew at 19.9 percent. Also, the average number of workers in firms selling to consumers is 1.8 workers, compared with 4.8 workers for forward-linked firms.

Backward linkages were relatively common, with 71 percent of enterprises purchasing unprocessed, semi-processed, or finished products. Only 25 percent of MSMEs made or gathered their own inputs. These patterns varied, however, across sectors. Manufacturing was the sector that most often purchased semi-processed inputs, while trade MSMEs purchased finished products for resale most frequently.

FIGURE 5

### LOCATION OF MSMEs



## PATTERNS OF CHANGE

### Measure of Change

The average annual growth rate of enterprises was measured by the change in the size of the MSME labor force. This is calculated as:

<sup>6</sup> More detail on location of enterprises by stratum is presented in Table B-3.

$$GR_i = \frac{\left( \frac{WE_i - WS_i}{WS_i} \right)}{YRS_i}$$

where:

GR	=	growth rate
i	=	an individual enterprise
WE	=	number of workers currently employed in MSME
WS	=	number of workers when MSME started
YRS	=	years MSME has been in operation

This measure provides an indication of MSME employment growth rates over time. Although it has its limitations, this measure is one of the few dynamic variables that can be calculated accurately from a single-visit survey.<sup>7</sup> Although sales or profits may be a preferable measure of change over time, a recent study in Kenya showed that for two subsectors in the manufacturing sector, employment growth is not only positively correlated with real sales, but also that growth in real sales exceeds employment growth (Parker, 1991).

### Growth Patterns

The average annual employment growth rate of Malawian MSMEs was 10.5 percent. Urban MSMEs grew at a faster rate, 15.9 percent, than rural MSMEs, which grew at a 9.6 percent growth rate. These rates are slightly higher than growth rates of MSMEs in Botswana, Zimbabwe, Swaziland, and Lesotho, where MSME growth rates were 8 percent, 7 percent, 7 percent, and 6 percent, respectively (Daniels and Fisseha, 1992; McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991).

Although the average MSME grew at 10.5 percent, growth rates varied considerably across sectors, as illustrated in Table 8. Chemicals and plastics had the highest growth rate — 124.1 percent. This was caused primarily by one firm that grew from 8 to 20 workers in one year. The lowest growth rate occurred in the renting of rooms and flats; this subsector exhibited a negative growth rate.

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<sup>7</sup> One of the limitations of the growth calculation is that it does not consider those firms that have closed.

TABLE 8  
 AVERAGE ANNUAL EMPLOYMENT GROWTH RATE  
 MALAWI, 1992

Sector	Employment Growth Rate Among All MSMEs		
	Urban Areas	Rural Areas	Total
<b>Manufacturing Total</b>	17.8%	7.8%	8.7%
Food, Beverage, Tobacco Production	9.2%	7.7%	7.8%
Textile, Wearing Apparel, and Leather	11.5%	5.8%	6.8%
Wood and Wood Processing	36.7%	8.6%	10.0%
Paper, Printing, and Publishing	7.3%	*	7.3%
Chemicals and Plastics	124.1%	*	124.1%
Non-Metallic Mineral Processing	47.3%	11.2%	13.0%
Fabricated Metal Production	19.2%	2.5%	5.3%
Other Manufacturing	30.3%	11.1%	14.2%
<b>Construction</b>	71.0%	0.05%	14.8%
<b>Trade Total</b>	14.4%	11.7%	12.0%
Wholesale Trade	13.4%	20.2%	19.6%
Retail Trade	14.4%	11.3%	11.7%
Restaurant, Hotels, and Bars	13.3%	22.7%	21.9%
<b>Transportation</b>	29.4%	8.9%	14.1%
<b>Renting Rooms and Flats</b>	0.9%	-1.0%	-0.04%
<b>Services</b>	33.4%	11.4%	13.7%
<b>TOTAL, ALL SECTORS</b>	15.9%	9.9%	10.5%

\* No observations found

Growth rates also varied across urban and rural areas within sectors. The largest disparities occurred in the construction, non-metallic mineral processing, and wood and wood production sectors. Urban MSMEs grew 71 percent, 36 percent, and 28 percent faster than rural MSMEs in respective sectors. The only sectors where rural MSMEs grew faster than urban MSMEs were restaurants, hotels, and bars and wholesale trade, which grew 9.4 percent and 6.8 percent faster, respectively.

Although Table 8 exhibits relatively high growth rates for most sectors, the majority of Malawian MSMEs have not grown at all. As illustrated in Figure 6, only 23 percent of Malawian MSMEs have expanded. Examining the characteristics of the expanded firms may help identify MSMEs with high growth potential. Policies or assistance may then be targeted toward these types of firms. Table 9 compares characteristics of firms that have expanded with characteristics of no-growth firms (those MSMEs that remained the same or contracted).

Growth rates of expanded MSMEs in all sectors are quite high, with growth rates above 40 percent in four of six sectors. The overall average number of workers at start-up is lower — at a statistically significant level — in expanded firms than in no-growth firms.

The average age of expanded firms ranges from 6.2 to 25.6 years. In contrast, the average age of no-growth firms ranges from 4.9 to 13.8 years. Overall, the average age of expanded firms is higher than that of no-growth firms, at a statistically significant level. This may indicate that expanded firms have a longer life span, assuming that many no-growth firms have closed before reaching a later age. It also indicates, again, that expanded MSMEs are more successful and should be targeted with assistance.

Finally, the proportion of MSMEs that received credit from a formal financial institution is not remarkably different. This is surprising, compared with the Botswana results, where 22 percent of expanded firms received credit compared with only three percent of the no-growth firms (Daniels and Fisseha, 1992).

### **Employment Creation**

The growth patterns described above indicate that employment in the MSME sector changes over time. Within existing firms, expansion provides additional employment, but contracting firms reduce employment. Figure 7 illustrates the amount of employment generated according to the initial size of the firm. It is clear that the greatest amount of employment is generated in firms that begin with one worker. In fact, three-quarters of all increases in employment were in enterprises that started out as one-person activities.

One-person firms generate the greatest amount of new employment through expansion, and they represent the highest percentage of employment in existing firms. One-third of all MSME workers operate as one-person firms.<sup>8</sup>

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<sup>8</sup> These estimates are biased by the fact that they include only existing MSMEs. If a one-person firm disappears, it is not included in this analysis. However, if the number of workers in a larger firm decreases, this decrease is counted as negative employment growth.

FIGURE 6

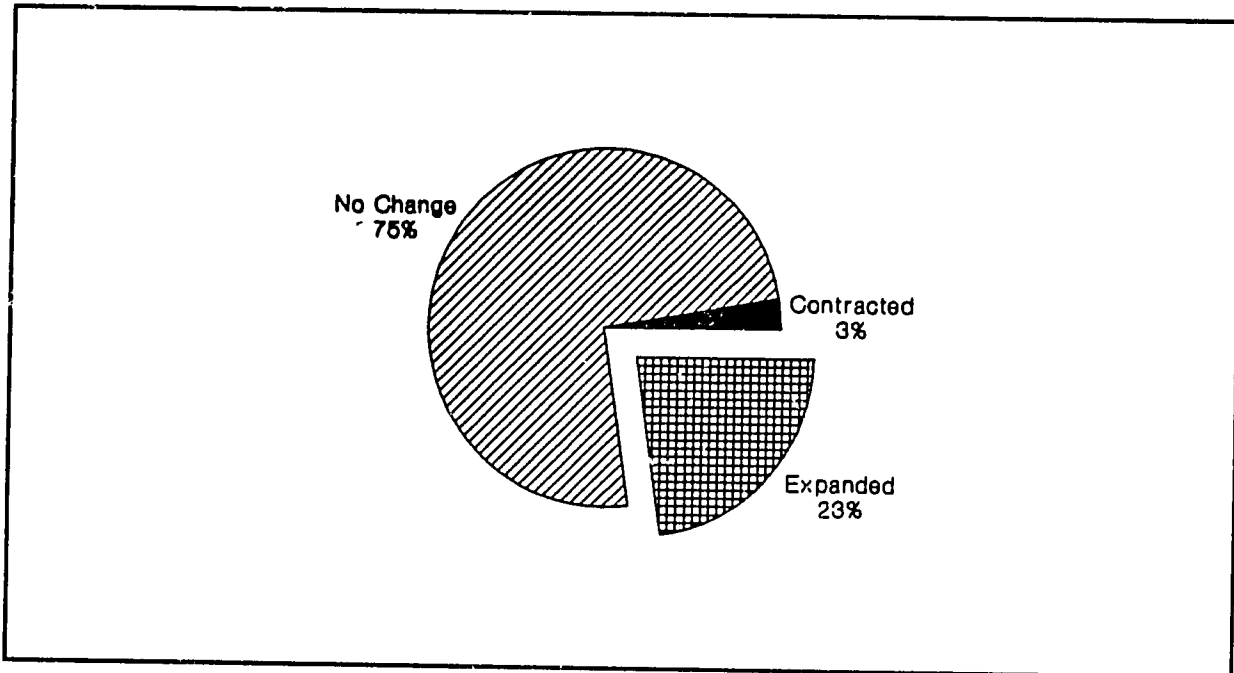
CHANGE IN NUMBER OF WORKERS SINCE BIRTH  
OF EXISTING ENTERPRISES

TABLE 9

## COMPARISON OF EXPANDED AND NO-GROWTH MSMEs

Sector	Growth Rate		Average Number of Workers at Start-Up		Average Age of MSME		% That Received Credit from Formal Institution	
	MSMEs That Expanded	No-Growth MSMEs	MSMEs That Expanded	No-Growth MSMEs	MSMEs That Expanded	No-Growth MSMEs	MSMEs That Expanded	No-Growth MSMEs
Manufacturing	42.5%	-0.5%	1.4	1.4	9.8	9.2	3.2%	0.8%
Construction	47.5%	-3.6%	1.6	5.8	25.6	5.6	5.6%	0.0%
Wholesale and Retail Trade	53.0%	-0.5%	1.4*	2.4*	7.0*	4.9*	1.2%	0.9%
Transport	30.2%	-0.2%	4.3	2.4	6.2	5.1	1.4%	1.6%
Renting Rooms or Flats	21.5%	-1.5%	1.9	10.5	13.2	7.6	6.6%	0.9%
Services	41.4%	-0.3%	1.9	1.5	13.8	13.8	0.3%	0.5%
Total	48.0%	-0.5%	1.5*	2.0*	8.5*	5.4*	2.0%	0.9%

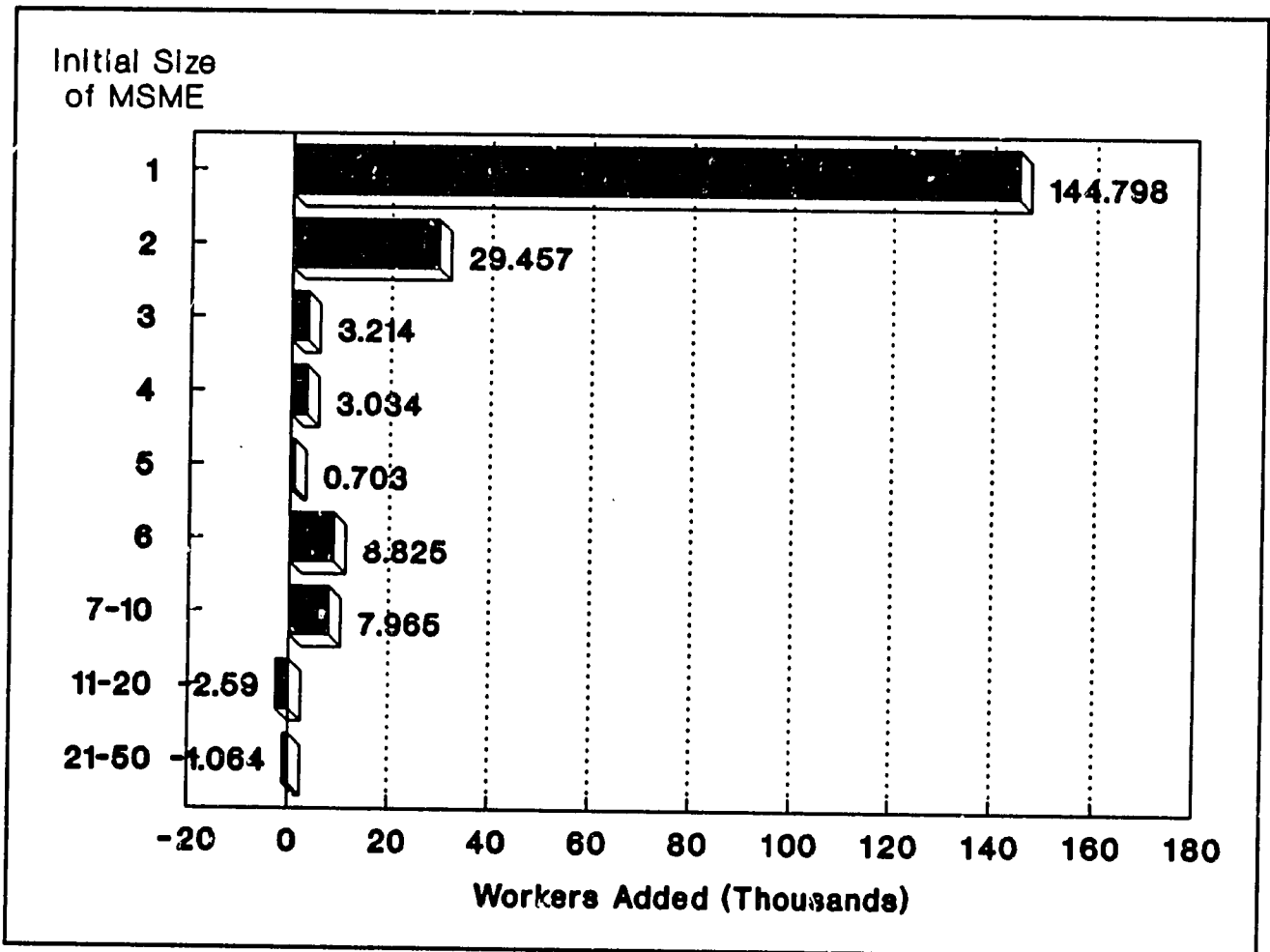
\* Statistically significant difference between expanded and no-growth firms at the .05 level.



High employment creation in one-person firms has implications for MSME assistance. If employment creation is a goal of MSME assistance, then one-person firms should be targeted. One-person firms, however, also have high mortality rates during the first three years. As illustrated in a later section, 27 percent of closed MSMEs in Malawi folded within four years of starting.

FIGURE 7

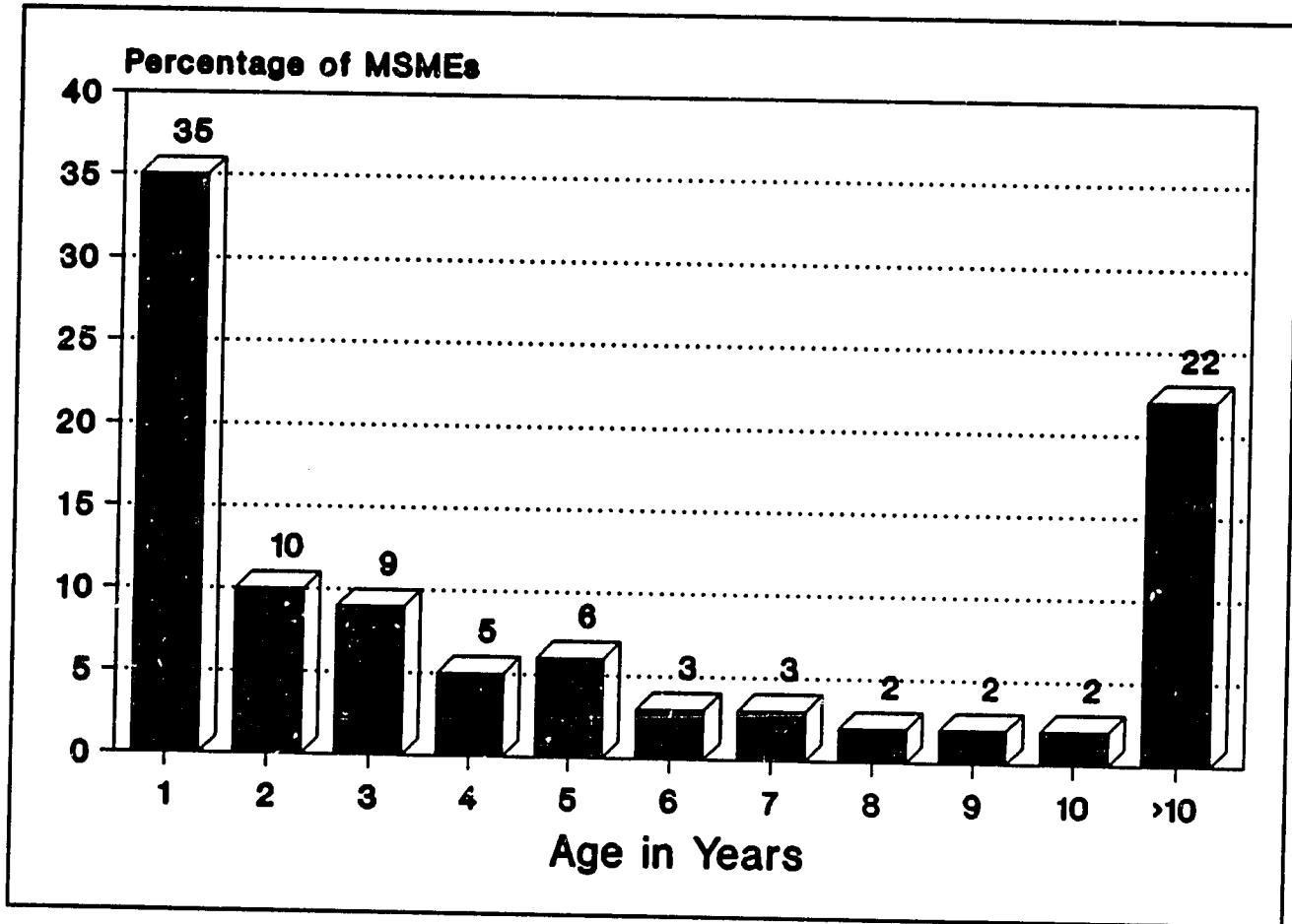
EMPLOYMENT CREATION BY INITIAL SIZE OF MSME  
(WORKERS ADDED)



### Age Profile of Malawian MSMEs

The average age of a Malawian MSME is 7.4 years. More than half of all MSMEs, however, are less than three years old, as illustrated by Figure 8. Sixty-five percent are less than five years old and 79 percent are less than ten years old. This implies that the MSME sector is growing not only through expansion of existing firms, but also through births of new firms. It also implies that death rates of MSMEs must be high, because the majority of firms are less than three years old. This is discussed further below.

FIGURE 8  
AGE DISTRIBUTION OF EXISTING MSMEs  
MALAWI, 1992



### Disappearance of MSMEs

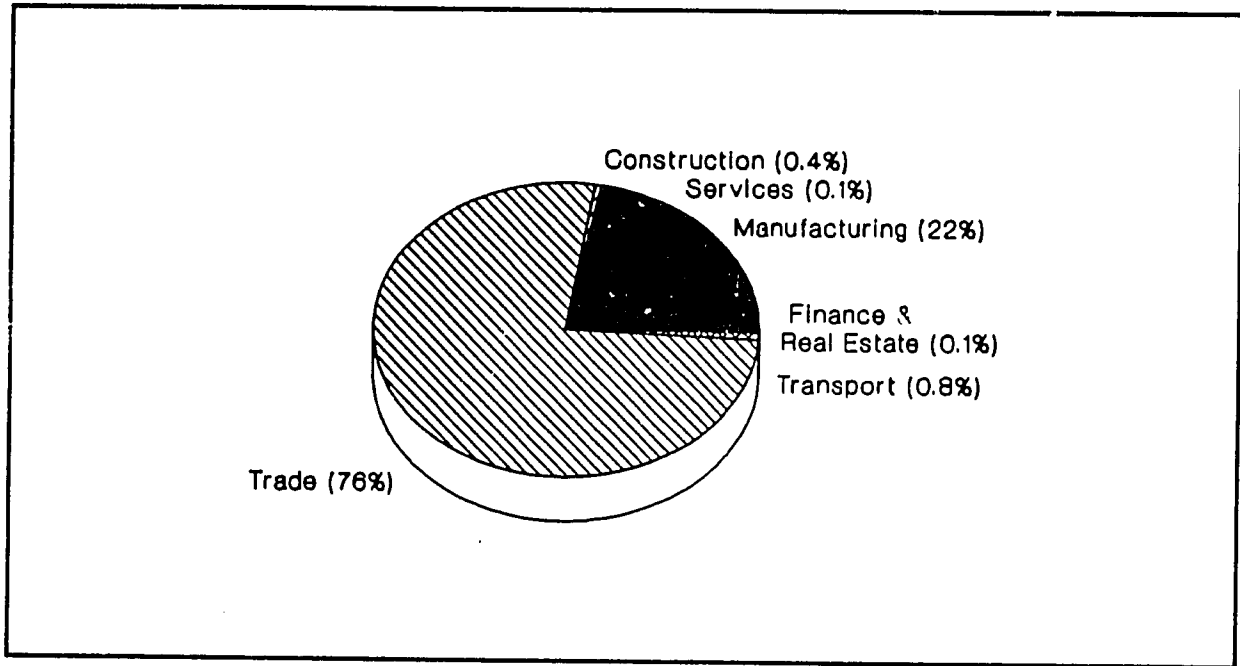
#### Coverage

As discussed in Section Two, a third questionnaire was administered to all households that had at one time operated an MSME that was no longer working.<sup>9</sup> A total of 2,809 of these enterprises were enumerated. This represents 6.6 percent of all households enumerated in Malawi. This percentage is relatively high compared with 1.5 percent in Botswana and 5 percent in Swaziland (Daniels and Fisseha, 1992; Fisseha and McPherson, 1991). Regardless of the sample size, however, the closed enterprise questionnaire does not adequately portray the history of MSMEs in any country. Respondents may not recall all MSMEs that they have operated during their lifetime or MSMEs of other members of the

<sup>9</sup> Closed MSMEs were enumerated only if they had not been working for at least one year. This was to avoid counting MSMEs that may have closed temporarily because of seasonal fluctuation.

household who are not present to answer the questions. For this reason, the statistics in this section represent only the sample responses; they are not extrapolated to represent the country as a whole

FIGURE 9  
INDUSTRIAL STRUCTURE OF CLOSED MSMEs  
MALAWI, 1992



**Industrial Structure.** The distribution of closed MSMEs is illustrated in Figure 9. Three-quarters of all closed MSMEs were in the trade sector. Within that sector, 74 percent were in the retail trade business. These statistics portray the rapid changes taking place in the trade sector. Because trade represents the largest sector in Malawi and because it has the highest number of closures, the turnover within trade must be very high.

Turnover within sectors can be measured by an MSME death rate. This is calculated as:

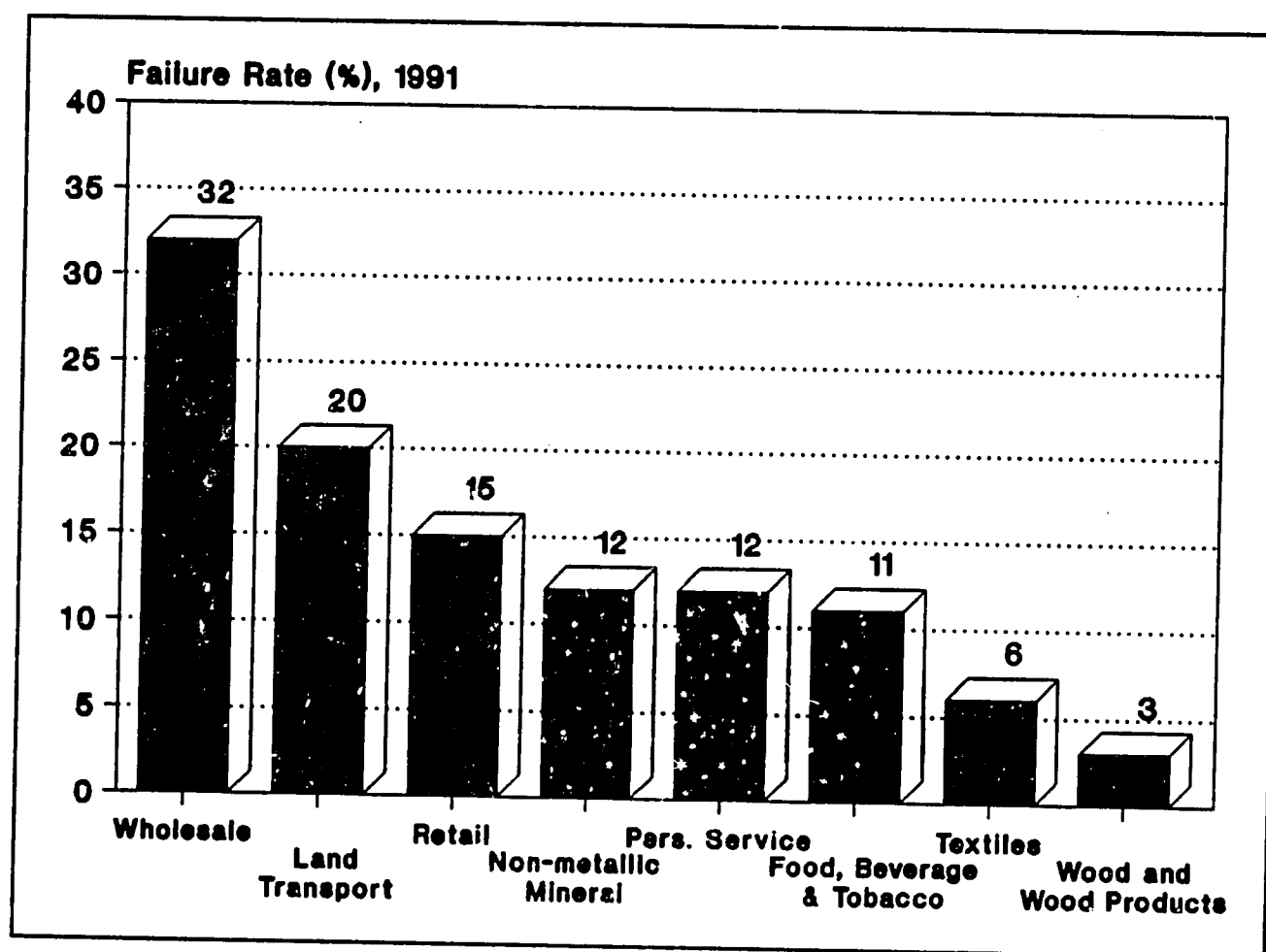
$$DR_{it} = \frac{\sum Deaths_{it}}{\sum MSMEs_{it}}$$

where:

- i* = subsector
- t* = time period
- Deaths = the number of MSME deaths in subsector *i* during time *t*
- MSMEs = the number of MSMEs in subsector *i* at the beginning of time *t*

Using this death rate, Figure 10 shows MSME death rates for individual sectors in Malawi in 1991.<sup>10</sup> These figures can be interpreted as the percentage of firms that did not survive in 1991. The highest death rate occurred in the wholesale sector, followed by land transportation and retailing. This is a surprising result, which should be investigated further to determine the cause of high death rates in the wholesale sector.

FIGURE 10  
MSME DEATH RATES  
MALAWI, 1991



It is worth examining, at a more disaggregated level, the three most common types of MSMEs in Malawi: brewing of local beer, vending and retail of farm products, and vending of prepared foods. These types of MSMEs are also the most common among MSME births in the last three years. The second and third categories, vending of farm products and vending of foods, also have the highest

<sup>10</sup> The year 1991 was selected because it reduces the possibility of poor respondent recall. Also, the data were extrapolated to the national level to calculate death rates.

percentages of MSME deaths of all subsectors. In contrast, beer brewing has a very low percentage of deaths. These patterns, illustrated in Figure 11, again indicate the rapid turnover within the trade sector. The subsectors examined in trade have the highest percentage of births, existing enterprises, and deaths of all subsectors. In contrast, beer brewing has the highest percentage of existing MSMEs, the highest percentage of births in the last three years of existing MSMEs, and one of the lowest percentages of deaths. This indicates that beer brewing should not be overlooked as a source of income for Malawian households. It also indicates that MSMEs engaged in trade activities have a higher probability of closing than beer brewing MSMEs.

In general, the sectoral distribution of closed MSMEs indicates that proprietors are not closing their businesses after failed attempts in new or unexplored trading opportunities. Instead, most businesses are failing in the most common subsectors, implying high turnover rates. It also has other implications. For example, these subsectors may be saturated and cannot absorb a large number of new enterprises each year. Also, the ease of entry and exit into the trade sector may explain the high turnover in this area.

FIGURE 11

A COMPARISON OF THE PERCENTAGE OF BIRTHS, EXISTING MSMEs, AND DEATHS OF MSMEs IN THE THREE LEADING SUBSECTORS

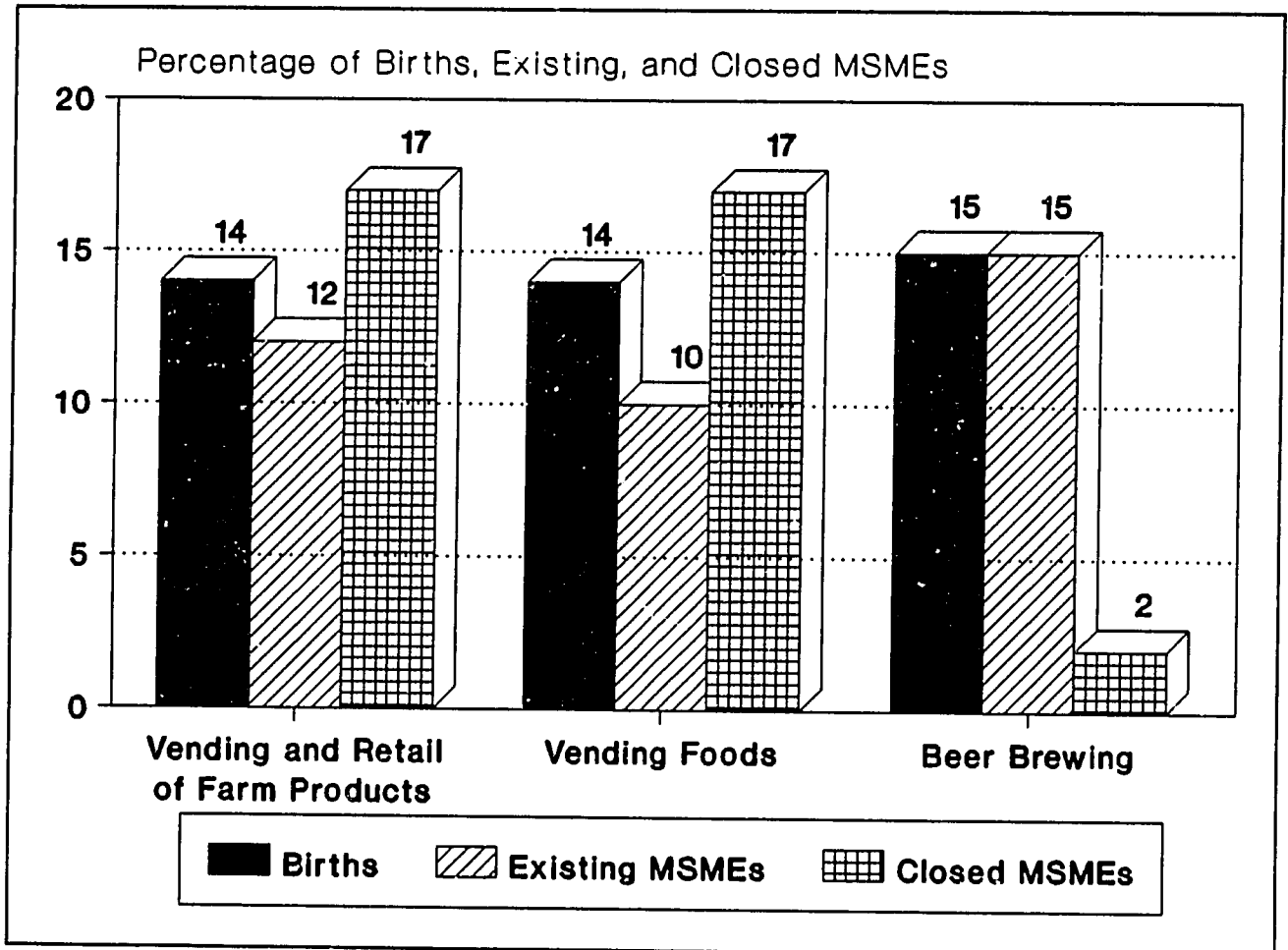
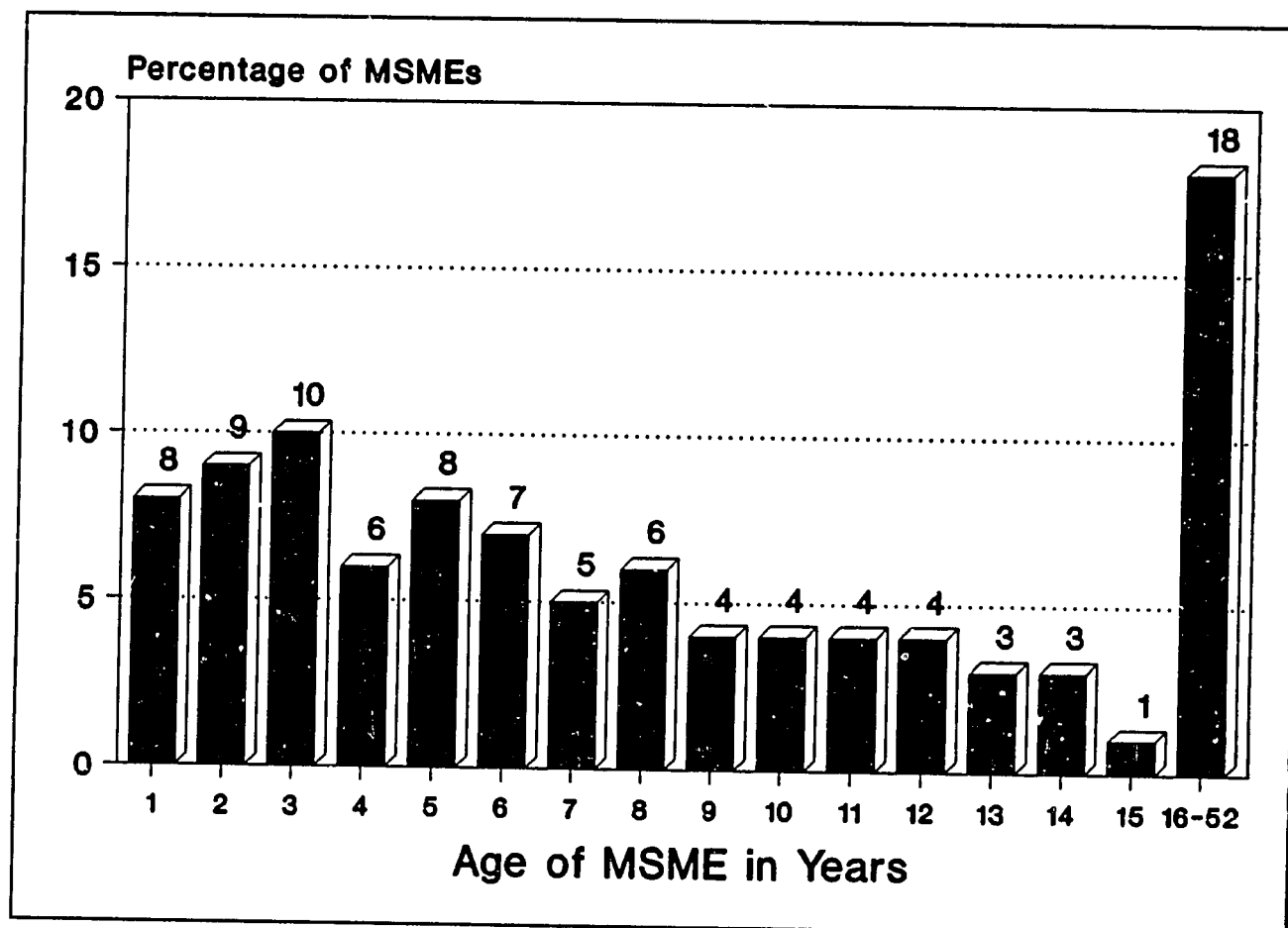


FIGURE 12  
AGE OF MSME AT CLOSURE  
MALAWI, 1992



**Life Span.** The average life span of a closed MSME was nine years, with the age at closure ranging from one to 52 years. Figure 12 illustrates the distribution of MSME life spans. The age at closure for Malawian MSMEs is substantially lower than for MSMEs in neighboring countries. For example, in Swaziland and Zimbabwe, more than 50 percent of firms closed by the end of the third year, compared with only 27 percent in Malawi (Liedholm and Mead, forthcoming).

**Reason for Closure.** The most frequently cited reasons for closure include lack of availability of operating funds (26 percent), personal reasons (21 percent), and market problems (19 percent). Only 1.7 percent closed for a new job, and 6.3 percent started a new MSME. Combining operating and marketing problems, 45 percent of MSMEs in Malawi failed due to business conditions. This is similar to other countries in the region, where 47 percent and 56 percent of MSMEs failed because of business conditions in Zimbabwe and Swaziland, respectively.

**Current Activity.** More than half the proprietors currently operate a new MSME — 9 percent in a similar type of business and 45.6 percent in an unrelated MSME. Thirty percent of the former proprietors are now unemployed.

## CURRENT MSME CONSTRAINTS

More than 90 percent of MSME proprietors perceived constraints in their business. Of proprietors reporting constraints, those constraints cited most frequently were input problems, marketing problems, and working capital constraints, as illustrated in Table 10.<sup>11</sup> The patterns of reported constraints were fairly consistent across urban and rural areas.

The most frequently cited constraints varied within sectors. Proprietors in manufacturing and trade cited input problems most frequently. Market problems were reported most often in construction, transport, and the renting of rooms and flats. The service sector reported working capital constraints most frequently.

The high percentage of reported input problems in Malawi is striking. About one-third of Malawian MSMEs report input problems, but only 8.2 percent, 7.5 percent, and 6.3 percent of proprietors in Botswana, Swaziland, and Lesotho report input problems (Liedholm and Mead, forthcoming). The percentage of MSMEs reporting input problems in Zimbabwe, 27.4 percent, is more similar to the pattern in Malawi.

A more detailed breakdown of the input problem in Malawi is provided in Table B-5. Eighteen percent of proprietors report that inputs are expensive, and 12 percent indicated that inputs are not available. The highest percentages of MSMEs reporting expensive inputs as a constraint are in vending foods (21 percent), beer brewing (19 percent), and retailing fish and other products (14 percent). Of those reporting that inputs are unavailable, beer brewing MSMEs are most common (37 percent) followed by retailing of fish and other products (14 percent).

Although inputs are reported most frequently as the primary constraint, problems vary by firm size. An analysis of the largest sector, trade, reveals some of these patterns. For example, input and marketing problems are cited most frequently in firms with one to four workers. In larger firms, however, input and marketing problems are reported less frequently as illustrated by Figure 13. In contrast, working capital constraints are much more prevalent for larger firms.

These patterns indicate that constraints vary by size and should be considered by government policy makers or organizations providing assistance. For example, if employment creation is the primary objective of assistance to the MSME sector, then firms with one to two workers should be considered, as illustrated in the previous section. These firms face input and marketing problems more frequently than working capital. Although many aid project focus on credit, perhaps input problems should be given higher priority.

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<sup>11</sup> The problems reported in this section are aggregated into 10 categories. A more complete breakdown of problems is provided in Appendix B.

TABLE 10  
PRIMARY CURRENT CONSTRAINTS OF MSMEs

Constraint	Percentage of Proprietors Reporting Constraints		
	Urban Areas	Rural Areas	Total
Input Problems	28.2%	30.6%	30.4%
Market Problems	25.8%	24.8%	24.9%
Working Capital	17.2%	17.5%	17.5%
Other Finance Problems	10.6%	6.8%	7.2%
Government/Regulatory	3.9%	5.4%	5.3%
Transport	4.7%	4.8%	4.9%
Miscellaneous	2.9%	5.1%	4.9%
Tools/Machinery	3.2%	2.4%	2.5%
Technical Problems	1.1%	0.9%	0.9%
Labor Problems	1.0%	0.8%	0.9%
Shop/Rental Space	1.0%	0.5%	0.5%
Utility Problems	0.6%	0.1%	0.2%
Total	100.0%	100.0%	100.0%

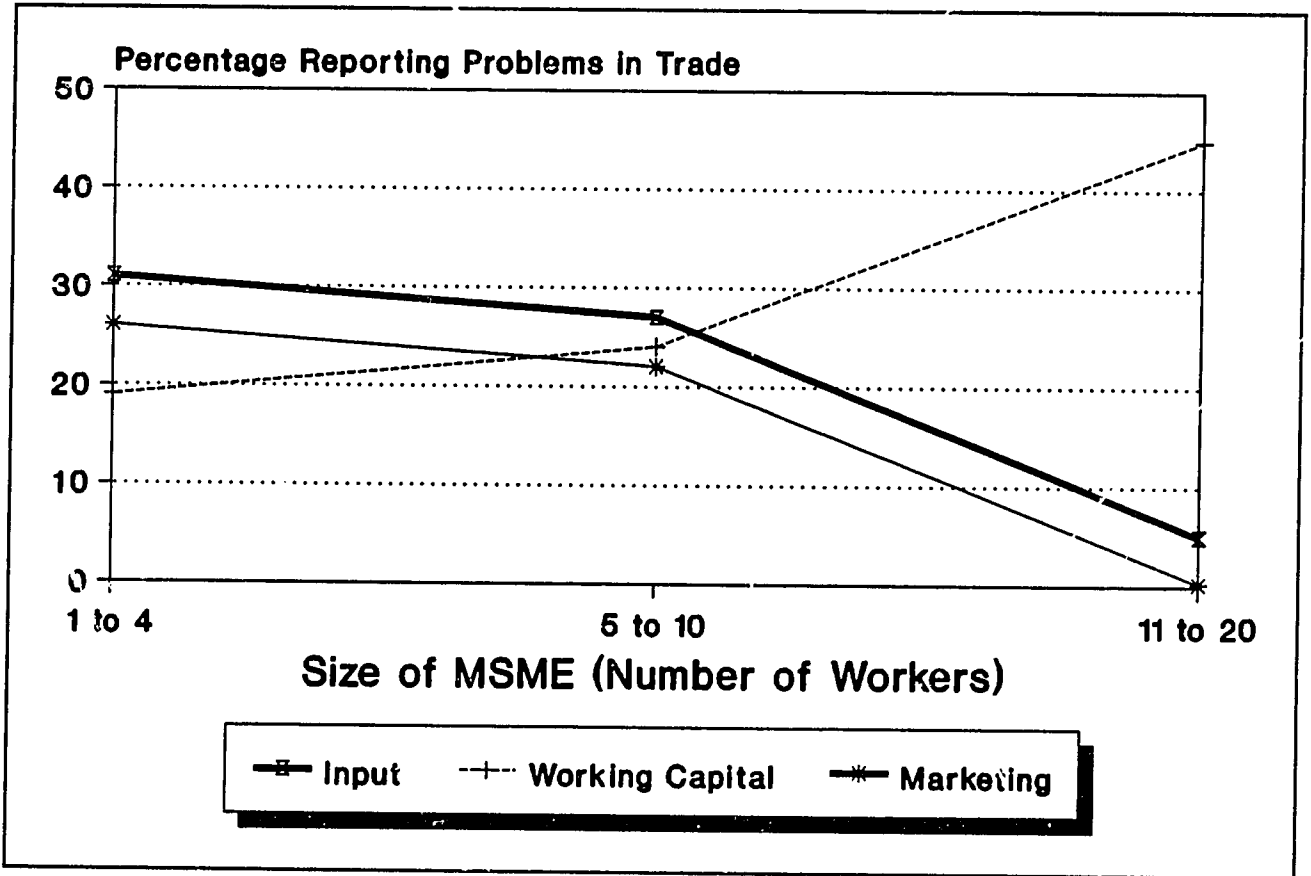
### GENDER AND MALAWIAN MSMEs

Women represent 45.5 percent of all MSME proprietors in Malawi. This percentage is surprisingly low compared with surrounding countries, where the majority of proprietors are women. In Botswana, Zimbabwe, Swaziland, and Lesotho, women represent 75 percent, 67 percent, 78 percent, and 76 percent, respectively, of all MSME proprietors (Daniels and Fisseha, 1992; McPherson, 1991; Fisseha and McPherson, 1991; Fisseha, 1991). As a percentage of the work force in the Malawian MSME sector, women represent 39.4 percent, as illustrated in Table 6B in the previous section. Again, this is the lowest percentage of female participation in the MSME sector of all countries in this region where the same survey was conducted.



FIGURE 13

PERCENTAGE OF MSMEs IN THE TRADE SECTOR  
REPORTING CONSTRAINTS, BY SIZE OF MSME



As illustrated by Table 11, women represent about half of the proprietors in manufacturing and trade, and less than a third in services and the renting of rooms and flats. They are practically nonexistent in construction and transportation. Of all women in MSME activities, the highest percentage (29 percent) is engaged in beer brewing activities. Vending of foods and vending of farm products were the second and third largest categories, representing 19 percent and 10 percent of all female-owned MSMEs, respectively.

TABLE 11  
GENDER OF PROPRIETOR

Sector	Female	Male	Mixed Gender	Total
Manufacturing	52.2%	45.2%	2.6%	100.0%
Construction	0.0%	100.0%	0.0%	100.0%
Wholesale and Retail Trade	42.4%	55.2%	2.4%	100.0%
Transport	0.1%	99.5%	0.5%	100.0%
Renting of Rooms and Flats	29.6%	54.0%	16.4%	100.0%
Services	18.9%	78.6%	2.5%	100.0%
Total	45.5%	51.9%	2.6%	100.0%

Labaree (1991), while interviewing organizations involved in the MSME sector, identified several possible explanations for the low participation of women. Some of these include limited access to capital; limited access to technologies; insufficient market knowledge; a lack of basic literacy and numeracy; a weak entrepreneurial culture and a slow change in the Malawian perception that business is not a career to value highly, especially for women; a lack of understanding among women that business is separate from other daily activities and should incorporate more economic rather than social objectives; and a complacent attitude among rural women to accept their position and resist change. As discussed below, lack of access to capital and lack of basic numeracy and literacy are not unique to women. A higher percentage of men than women had never received any loans. Also, the difference for men and women in education beyond primary school was marginal. Four percent of female proprietors had gone beyond primary school, compared with 7.3 percent of male proprietors.

Although the percentage of female entrepreneurs in Malawi is low compared with that of neighboring countries, it is high compared with estimates from previous reports on the MSME sector in Malawi. For example, the 1986 READI survey reported, "One of the apparently indisputable findings of the READI Project survey of small- and medium-scale enterprises was that the participation of women in the sector was negligible."<sup>12</sup> Only seven percent of the proprietors sampled for the READI survey were women. The READI results further indicate that "if one considers the economic activity status of women in Malawi as a whole it is clear that they are almost exclusively engaged in subsistence farming."<sup>13</sup> By contrast, the findings from this study indicate that 11 percent of the female population over the age of 14 owns or operates an MSME, while 18 percent is employed in the MSME sector. Furthermore, MSMEs operated by women are primarily full-time operations. On average, female-owned MSMEs operate 11 months per year and 22.3 days per month.

The income contribution to the household from female-owned MSMEs is significantly lower than from male-owned MSMEs. Fifty-nine percent of female proprietors indicated that their enterprise contributes 50 percent or more toward household income, compared with 86 percent of male proprietors.

<sup>12</sup> READI, 1989, p. 54.

<sup>13</sup> Ibid.

Male-owned MSMEs had more employees than female-owned MSMEs in all sectors except transport. On average, male-owned MSMEs had 2.1 workers and female-owned MSMEs had 1.5 workers, which represents a statistically significant difference at the .001 level.

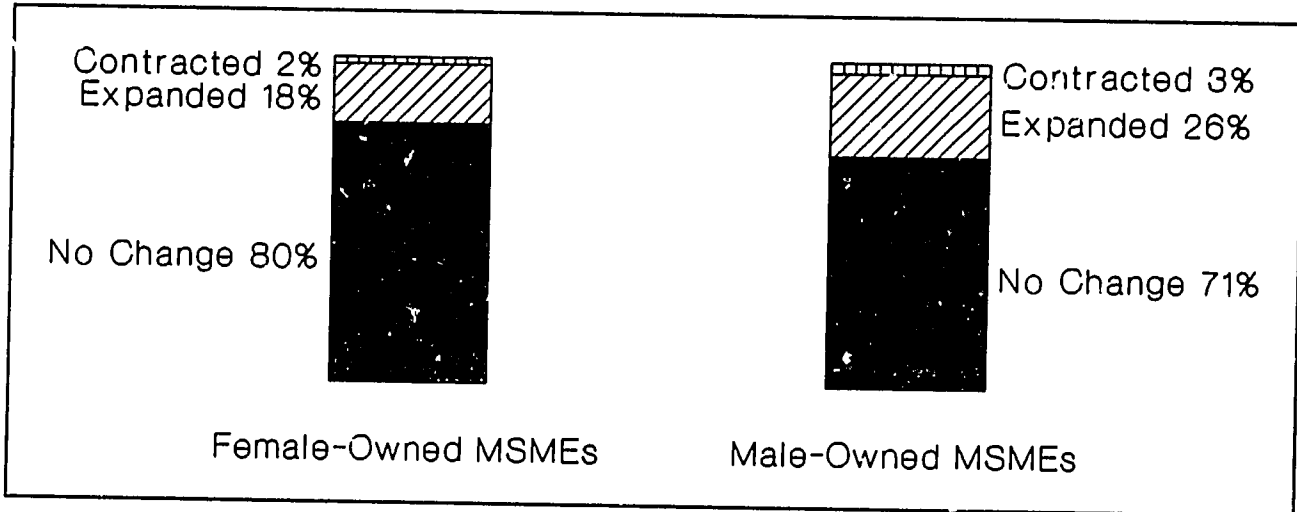
Average annual employment growth rates of female- and male-owned MSMEs are reported in Table 12. Although the overall growth rate is not remarkably different between male- and female-owned MSMEs, female-owned MSMEs grew faster than male-owned MSMEs in four out of five sectors. The percentage of firms that expanded, however, is slightly lower for women than for men, as illustrated by Figure 14.

TABLE 12  
AVERAGE ANNUAL EMPLOYMENT GROWTH RATE  
BY GENDER OF PROPRIETOR

Sector	Female	Male	Mixed Gender	Total
Manufacturing	5.4%	11.9%	20.8%	8.7%
Construction	*	14.8%	*	14.8%
Wholesale and Retail Trade	12.5%	11.3%	20.3%	12.0%
Transport	21.4%	14.1%	3.6%	14.1%
Renting of Rooms and Flats	0.1%	-0.3%	5.9%	-0.04%
Services	14.3%	14.0%	0.5%	13.7%
Total	8.9%	11.6%	18.4%	10.5%

\* No observations in this category

FIGURE 14

CHANGE IN NUMBER OF WORKERS SINCE BIRTH  
OF EXISTING ENTERPRISES, BY GENDER

Considering only those MSMEs that have expanded, female-owned MSMEs had a higher overall growth rate than male-owned MSMEs, as illustrated in Table 13. Within individual sectors, female-owned MSMEs had higher growth rates in trade, finance, and services, while male-owned firms grew faster in manufacturing and transport. In sum, a smaller percentage of women-owned firms grew, but those that did expand grew more rapidly than those owned by men.

TABLE 13

AVERAGE ANNUAL EMPLOYMENT GROWTH RATES  
OF FIRMS THAT HAVE EXPANDED, BY GENDER

Sector	Female	Male	Mixed Group	Total
Manufacturing	34.5%	49.1%	40.4%	42.4%
Construction	*	47.5%	*	47.5%
Wholesale and Retail Trade	63.7%	46.8%	45.6%	53.0%
Transport	21.4%	30.4%	3.6%	30.1%
Renting of Rooms and Flats	26.3%	19.3%	25.0%	21.5%
Services	43.1%	41.1%	29.3%	41.4%
Total	50.2%	46.9%	42.7%	47.9%

\* No observations in this category

The average age of male- versus female-owned MSMEs was significantly different. Male-owned MSMEs were 8.2 years old on average, while female-owned firms were 6.5 years old.<sup>14</sup>

The three constraints reported most frequently by both male and female proprietors are input problems, marketing problems, and finance problems. Considering only those sectors where women represent at least 40 percent of all proprietors — manufacturing and trade — men and women report the same constraints, with some variation in the proportion of proprietors. For example, input problems are reported as the primary constraint by 40 percent of female proprietors in the manufacturing sector, compared with only 21 percent of male proprietors. Alternatively, the highest percentage of male proprietors (26 percent) in manufacturing report marketing as their primary constraint, compared with 22 percent of female proprietors. These differences may reflect different participation levels of male and female proprietors at the subsector level.

In the trade sector, the highest percentage of both male and female proprietors — 33 percent and 30 percent, respectively — report input problems as their primary constraint.

Access to credit by male and female proprietors does not differ substantially, as illustrated by Table 14. A slightly higher percentage of male proprietors have never received credit; however, this is partially explained by the fact that more women have received credit from family members or friends. Patterns of credit sources do not vary significantly across sectors for male and female proprietors.

TABLE 14  
CREDIT RECEIVED, BY GENDER OF PROPRIETOR

Source of Credit	Female	Male	Mixed Gender	Total
Never Received Loans	78.1%	83.9%	75.0%	81.0%
Loans from Family/Friends	15.3%	10.5%	18.6%	12.9%
Moneylender	3.3%	1.9%	5.2%	2.6%
Formal Credit Institution	0.8%	1.5%	0.3%	1.2%
Other	2.5%	2.2%	0.9%	2.3%
Total	100.0%	100.0%	100.0%	100.0%

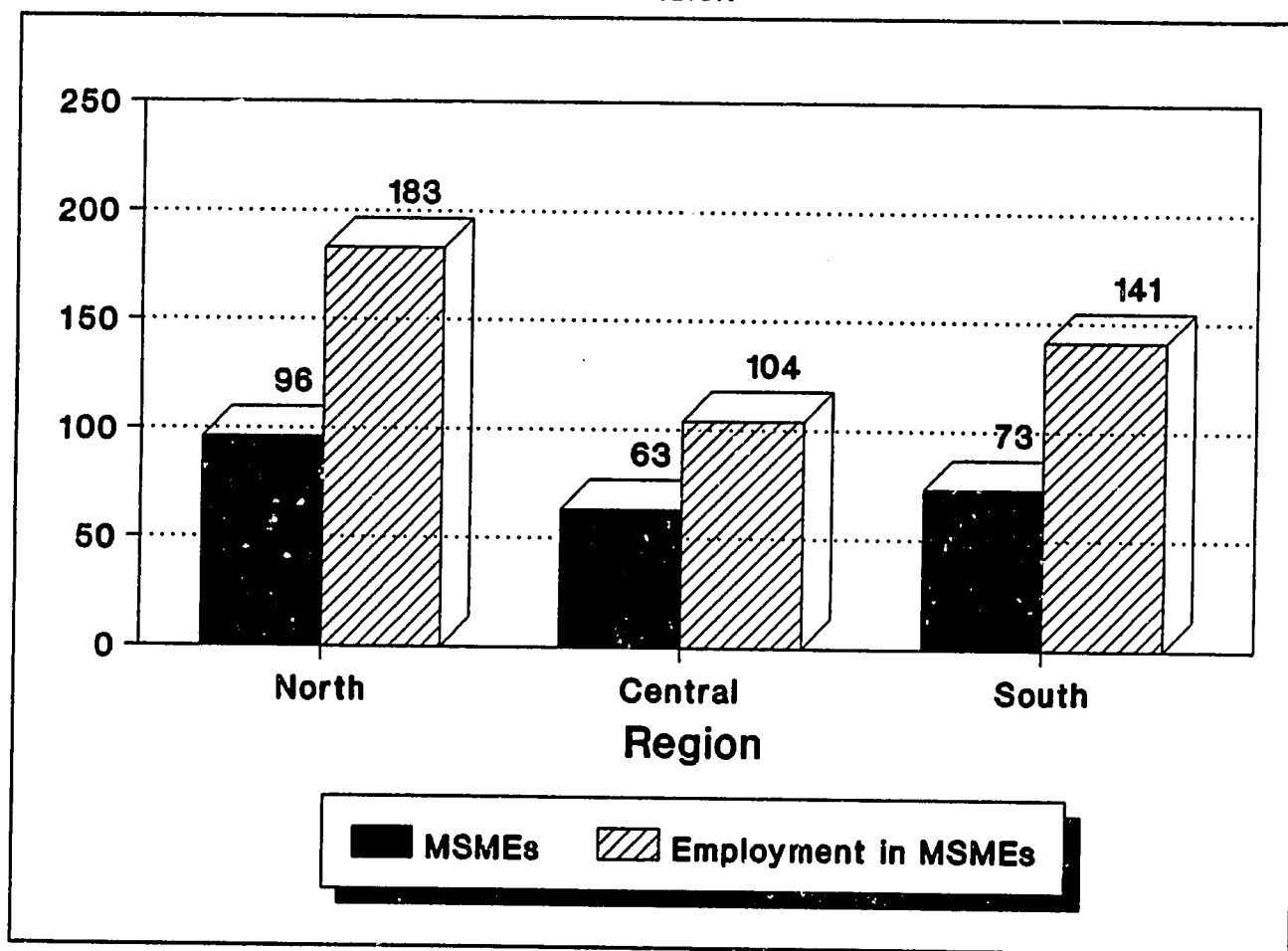
<sup>14</sup> This difference was statistically different at the .001 level.

### REGIONAL COMPARISON OF MALAWIAN MSMEs

As stated earlier, more than one million people are employed in the MSME sector in Malawi. Of these, 54 percent are employed in the Southern Region, 31 percent in the Central Region, and 15 percent in the Northern Region. These estimates closely reflect the spatial distribution of the population in Malawi. According to the 1987 census, 50 percent of the population lives in the Southern Region, 39 percent in the Central Region, and 11 percent in the Northern Region (National Statistics Office, 1991).

FIGURE 15

#### MSMEs AND MSME EMPLOYMENT PER 1,000 INHABITANTS BY REGION



Although the smallest proportion of MSME employment is in the Northern Region, the density of MSME activity is highest in the Northern Region, as illustrated by Figure 15. The Northern Region has the highest number of MSMEs per 1,000 inhabitants and the highest number of persons employed in MSMEs per 1,000 inhabitants.

The industrial structure of MSMEs in Malawi varies from one region to another, as illustrated by Table 15. Although the majority of MSMEs in Malawi are in the wholesale and retail trade sector, manufacturing is the dominant sector in the Central Region, with a much smaller percentage engaged in trade.

At a more detailed level, the highest proportion of MSMEs in the Northern Region are engaged in beer brewing (23 percent), followed by fish retailing (22 percent) and food vending (10 percent). In the Central Region, the three leading subsectors are beer brewing; grass, cane, and bamboo work; and the vending of foods, which represent 17 percent, 16 percent, and 8 percent of all MSMEs in the region, respectively. Vending of food, brewing of beer, and vending of farm products are the leading subsectors in the Southern Region, each representing 11 percent of all MSMEs in the south.

The contribution of MSMEs to household income is greatest in the Southern Region, where 72 percent of MSMEs contribute at least half of household income. Sixty-seven percent of MSMEs in the Northern Region and 62 percent in the Central Region contribute at least half of household income.

The average age of MSMEs did not vary significantly by region. MSMEs were 8.7, 7.5, and 6.9 years old in the Northern, Central, and Southern regions, respectively.

The average number of workers also did not vary significantly by region. The average number of workers was 1.9, 1.6, and 1.9 in the Northern, Central, and Southern regions, respectively. These averages are quite different from those in a 1989 report that estimated that MSMEs in the Southern Region have 4.6 workers and MSMEs in the Northern Region have only 1.1 workers (READI, 1989, p. i). The difference probably arises from the sampling method of the 1989 report, which included primarily MSMEs on lists provided by SEDOM, INDEFUND, DEMATT, and business licensing authorities.<sup>15</sup> Larger firms are probably overrepresented on these lists. (See Annex C for a more detailed comparison of the READI survey and this report's survey.)

Female-owned MSMEs are somewhat more common in the Northern Region, and male-owned MSMEs are more predominant in the Central and Southern regions. The differences are not that great, however, with females representing 50, 46, and 44 percent of proprietors in the Northern, Central, and Southern regions, respectively.

MSME employment growth rates did not differ substantially between regions. The percentage of firms that expanded, however, did differ significantly. In the Southern Region, 11 percent of firms expanded at a 51 percent growth rate. Eight percent of firms expanded in the Central Region, at a 48 percent growth rate. The Northern Region had the lowest percentage of firms that grew (3.5 percent) and had the lowest growth rates among expanded firms (37 percent).

Constraints were reported by more than 90 percent of proprietors in all three regions. Of those MSMEs reporting constraints, input problems were most often cited in all three regions. The second most frequently reported constraint was finance in the Northern Region and marketing in the Central and Southern regions.

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<sup>15</sup> The Investment and Development Fund (INDEFUND) of Malawi is a subsidiary of the Investment and Development Bank of Malawi. SEDOM is the Small Enterprise Development Organization of Malawi, and DEMATT is the Development of Malawi's Traders' Trust.

TABLE 15  
INDUSTRIAL STRUCTURE OF MSMEs, BY REGION

Sector	Percentage of MSMEs by Region			Total
	North	Central	South	
Manufacturing	40.3%	57.8%	34.0%	43.1%
Construction	0.5%	0.4%	0.3%	0.4%
Wholesale and Retail Trade	55.9%	38.0%	60.6%	52.1%
Transport	0.1%	0.9%	0.4%	0.5%
Renting of Rooms and Flats	0.7%	0.6%	1.4%	1.1%
Services	2.6%	2.3%	3.2%	2.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



## **SECTION FOUR**

### **RESULTS OF THE SUPPLEMENTARY SURVEY**

#### **COVERAGE**

As discussed in Section Two, a primary questionnaire was administered to all current enterprises and a supplementary questionnaire was administered to every fifth enterprise. A total of 1,603 enterprises were interviewed with the supplementary questionnaire. The results from the supplementary questionnaire, extrapolated to represent the population of MSMEs in Malawi, are reported in this section.

#### **ENTREPRENEUR AND HOUSEHOLD CHARACTERISTICS**

The average age of a Malawian proprietor is 37 years, with little to no variation in the average age across subsectors. In both urban and rural areas, the proprietor's household had 6.2 members, on average.

Prior to operating their current MSMEs, 37 percent of proprietors were unemployed, and 20 percent had some type of wage employment. The remaining proprietors were engaged in other activities, as illustrated in Table 16. A higher percentage of proprietors in rural areas, compared with urban proprietors, were unemployed prior to their MSME operation. Considering prior activities of proprietors by sector, the highest percentage of proprietors in construction (99.6 percent) and transport (34 percent) were previously engaged in some type of wage employment. The highest percentage of proprietors in manufacturing (41.4 percent), wholesale and retail trade (34.7), and the renting of rooms and flats (41.9 percent) reported that they were previously unemployed.

Prior experience was measured by the number of years the proprietor was engaged in the current type of activity. The overall average was 7.2 years, with service proprietors having the highest average, 10.5 years. This was followed by proprietors in the renting of rooms and flats (10.4 years), manufacturing (8.2), transportation (7.5), construction (6.9), and wholesale and retail trade (6.2).

The education level of proprietors was low, as illustrated by Table 17. Ninety-four percent of proprietors had not gone beyond primary school. A higher percentage of proprietors in urban areas than in rural areas had completed junior and upper secondary school.

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TABLE 16  
 PROPRIETOR ACTIVITY PRIOR TO CURRENT MSME OPERATION

Prior Activity	Urban	Rural	Total
Ran a Similar Business	11.1%	7.4%	7.8%
Employed in Another MSME	13.1%	8.3%	8.8%
Unemployed	29.2%	37.9%	36.9%
Too Young to Work	1.1%	4.0%	3.7%
Wage Employment	28.0%	19.6%	20.4%
Other	17.6%	22.8%	22.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

TABLE 17  
 PROPRIETOR EDUCATION LEVELS

Education Level	Education Level of Proprietors		
	Urban	Rural	Total
Less than Primary School	17.3%	27.2%	26.2%
Primary School	61.7%	68.7%	68.0%
Junior Secondary	12.0%	3.0%	3.9%
Upper Secondary	8.0%	1.0%	1.7%
University	0.3%	0.1%	.01%
Other	0.8%		0.1%
<b>Totals</b>	<b>100 0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*No observations

## BUSINESS HISTORY AND OPERATION

Most Malawian MSMEs are first-generation enterprises. Ninety-one percent of all proprietors started the MSME themselves, with 86 percent drawing on family or personal savings. The only exceptions were in the transport and construction sectors. Thirty-six percent of transport MSMEs had inherited their business. This may reflect a transfer of vehicle ownership within the family. In the construction sector, 94 percent of MSMEs had received advanced credit to start their MSMEs. This occurs when an organization pays a lump sum of money in advance of service.

READI (1989) also found that 91 percent of the proprietors in its sample used their own savings to open their MSMEs. A second study in 1989 found that savings from agriculture, previous formal sector jobs, and rotating credit societies provided start-up capital for MSMEs (O'Regan et al., 1989). The results from the current study, however, indicate that 34 percent of proprietors received no income from agriculture, with only 24 percent receiving more than half of their income from agriculture.

Proprietors were asked about the amount of time that they spend at the MSME during the year. This question was included to test the hypothesis that MSMEs fail because the proprietor spends too much time away from the business while letting someone else run it. Over 85 percent of proprietors in both urban and rural areas, however, indicated that they managed the MSME throughout the year.

Proprietors were also asked whether they kept records for their MSME or used a bank for their MSME savings. Only 20 percent of urban proprietors and 10 percent of rural proprietors kept records. Banks were used by only 19 percent of urban proprietors and 8 percent of rural proprietors.

Seasonal variations in MSME activity were reported by 57 percent of proprietors. This pattern varied, however, by sector. Approximately half of manufacturing firms and two-thirds of trade and transport MSMEs reported seasonal variations. A much lower percentage of proprietors in the remaining sectors reported variations. These included 22 percent of construction proprietors, 12 percent in renting of rooms and flats, and only 3 percent in the service sector.

## CONSTRAINTS AT START-UP AND DURING GROWTH PERIODS

Constraints on Malawian MSMEs vary across firm size and across sectors, as discussed previously. In addition to current constraints, proprietors in the subsample were asked to report constraints at start-up and during growth spurts. Although the majority of proprietors experienced some problems, 12 percent reported no problems at start-up and 21 percent reported no problems during growth spurts. Also, only 31 percent of proprietors experienced a growth spurt during their history. The information in this section represents only those proprietors reporting problems.

As illustrated in Table 18, the three most frequently cited problems at start-up were marketing, finance, and working capital. During growth spurts, however, input problems become the second most frequently reported problem, and working capital problems were reported less frequently.

Proprietors were also asked about specific government-related problems at start-up. As illustrated by Table 19, over 80 percent of proprietors in all sectors reported no government-related problems at start-up. Of those that did report problems, taxation was reported most frequently, particularly in services, transport, and trade. Registration was reported frequently in the transport sector.

TABLE 18  
CONSTRAINTS AT START-UP AND DURING GROWTH PERIODS

Problem	Period or Time Problem Occurred	
	At Start-Up	During Growth
Market Problems	24.6%	24.2%
Other Finance	19.3%	16.4%
Working Capital	14.5%	11.9%
Inputs	12.7%	20.8%
Transport	8.7%	10.7%
Miscellaneous	8.1%	6.0%
Government Policy	4.6%	5.5%
Technical	3.9%	0.2%
Tools/Machinery	3.3%	0.5%
Shop/Rental Space	0.3%	2.9%
Labor	0.1%	5.0%
Utilities	**	0.2%
Total	100.0%	100.0%

\*\* Less than one percent

TABLE 19  
REPORTED CONSTRAINTS IMPOSED BY GOVERNMENT  
AT START-UP

Sector	Percentage of Proprietors Reporting Specified Problems					
	Licensing	Zoning	Registration	Taxation	Other	None
Manufacturing	8.9%	0.1%	1.2%	6.9%	3.4%	82.6%
Construction	*	0.0%	0.4%	0.4%	0.0%	99.2%
Trade	5.2%	0.4%	3.2%	11.6%	1.6%	80.3%
Transport	0.0%	0.0%	17.9%	16.8%	2.0%	80.1%
Renting Rooms/Flats	9.0%	0.0%	0.0%	9.0%	4.5%	77.6%
Services	13.0%	0.8%	1.3%	13.5%	0.1%	72.1%
Total	6.9%	0.3%	2.3%	9.7%	2.3%	81.1%

\* No observations found

Figures can add to more than 100 percent because proprietors could list more than one problem.

Finally, proprietors were asked specifically about competition as a constraint. Twenty-eight percent of proprietors reported no competition, but 60 percent reported MSMEs located nearby as their major source of competition. The remaining proprietor responses were divided between MSMEs located elsewhere, public enterprises, and other types of competition.

### PERCEIVED CHANGES OVER TIME

Respondents were asked to estimate their perceptions of growth based on changes in market demand, the number of competitors, and the sales volume of their own businesses over the past five years. As illustrated by Table 20, approximately two-thirds of MSMEs reported an increase in demand, and three-quarters of MSMEs reported an increase in the number of similar MSMEs. Only one-third of MSMEs, however, reported an increase in the volume of sales of their own MSME. These statistics seem to indicate that as demand increases, the number of MSMEs also increases to meet the demand. This follows economic theory that firms will continue to enter an industry if there are positive economic profits to be made. At the point of perfect competition, all firms make zero economic profits and new firms will not enter. In the case of Malawi, if demand is rising and creating profits, then new firms will enter the industry.

TABLE 20  
PERCEIVED CHANGES AMONG MALAWIAN MSMEs  
OVER THE PRECEDING FIVE YEARS

Magnitude and Direction of Change	Percent of Proprietors That Reported Specified Change		
	Market Demand	Number of MSMEs	Own Business Volume
Much Increase	42.8%	50.6%	10.0%
Little Increase	26.6%	24.2%	24.2%
No Change	15.5%	13.7%	39.4%
Little Decrease	6.6%	5.3%	16.9%
Much Decrease	2.4%	2.1%	7.1%
Do Not Know	6.0%	4.0%	2.3%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## TRAINING AND ASSISTANCE RECEIVED

As mentioned earlier, two-thirds of all proprietors did not go beyond primary school. Proprietors were also asked about formal training received outside school, such as training in management, technical training, bookkeeping, or marketing. Over 92 percent, in all categories, had not received any training. When asked what type of training they would like to receive to improve their business, approximately one-third of proprietors indicated none. Twenty-two percent would like management and marketing training, 20 percent technical training, and only nine percent would like bookkeeping training.<sup>1</sup>

The percentage of proprietors that received assistance during operation was low, as illustrated by Table 21. Only six percent of proprietors had received assistance from any of the organizations listed. MSMEs most frequently assisted included grass, cane, and bamboo work; carpentry; and vending of foods and farm products. Of those who had received assistance, 88 percent were in rural areas and 12 percent in urban areas. These percentages closely reflect the distribution of MSMEs in urban and rural areas.

TABLE 21

### PERCENTAGE OF PROPRIETORS THAT RECEIVED ASSISTANCE DURING OPERATION

Source	Urban Areas	Rural Areas	Total
No Assistance Received Prior to Operation	93.5%	95.3%	94.0%
INDEFUND	**	*	**
SEDOM	0.4%	0.5%	0.5%
DEMATT	0.6%	0.9%	0.9%
Mahaweli Entrepreneurs Development Fund (MEDI)	0.2%	**	**
Rural Trade School (RTS), in Salima District	*	0.4%	0.4%
Parastatals	*	*	*
Nongovernmental Organizations (NGOs)	0.3%	**	*
Rural Group Cooperatives	*	0.4%	0.4%
Mahaweli Union of Savings and Credit Cooperatives (MUSCCO)	4.3%	0.9%	1.3%
MUDZI*	*	1.3%	1.3%
Government	0.3%	0.4%	0.4%
Other	0.4%	*	0.1%

\* "Mudzi" is vernacular for "village"; it also has a connotation for "rural." The Malawi Mudzi Fund, under the Office of President and Cabinet, is an experimental replication of the Grameen Bank of Bangladesh. It began in 1990 and is in its pilot phase in Chiradzulu and Mangochi districts only.

- \* No observations found
- \*\* Less than 0.1 percent

<sup>1</sup> The percentages for training desired do not add up to 100 percent because proprietors were allowed to indicate multiple choices for this question.

Forty-nine percent of proprietors who received assistance were women, again closely reflecting the actual percentage of women in the MSME sector. This contradicts the hypothesis that women are neglected by MSME programs.

The size distribution of firms that received assistance also resembled the distribution of existing firms. While 60 percent of MSMEs are one-person operations, 58 percent of MSMEs that received assistance were run by the proprietor alone. Only one percent of firms that received assistance had five or more workers.

Thirty-four percent of firms that received assistance had expanded during the firm's lifetime. It is not possible to determine from the questionnaire whether these firms expanded before or after they received assistance. In either case, firms that have expanded and firms with the potential to expand should be assisted if employment creation is a goal of MSME assistance. Identification of these firms may be difficult. Firms that begin with one person, however, are more likely to expand than others, as discussed earlier. Most assistance efforts seemed aimed at these firms, given that approximately three-quarters of firms that received assistance started with one worker.

When facing problems, almost half of all proprietors contacted relatives for assistance, while 19 percent did not seek assistance. Nine percent contacted a moneylender, two percent went to a formal credit institution, and only 0.1 percent sought assistance from the government.

## SECTION FIVE

### THE MSME SECTOR IN REFUGEE CAMPS IN MALAWI

#### INTRODUCTION

The population of Mozambican refugees in Malawi is officially estimated at 1.2 million, which is equivalent to well over 10 percent of the national population of Malawi. For at least five years, the refugee population has been growing. Currently, half of the districts in Malawi are hosts to refugees. These include Nsanje, Mwanza, Mulanje, Chikwawa, Thyolo, Mangochi, and Machinga in the Southern Region; Dedza, Ntcheu, Lilongwe, and Mchinji in the Central Region; and Nkhata Bay in the Northern Region. Nsanje District has the greatest concentration of refugees, representing 56.7 percent of the total district population. The areas least affected, by refugee concentration are Nkhata Bay, Lilongwe, and Machinga, with refugees accounting for 2.7 percent, 3.3 percent, and 4.4 percent of the respective populations.<sup>1</sup> Some of these refugees have been grouped into camps, and others have been integrated into villages.

The Malawian government has attempted to integrate the refugees into the economy; this has had serious socioeconomic implications. For instance, there has been an environmental impact, such as deforestation and land degradation. Social services such as health and education have deteriorated because of "stretching" of public resources. Physical infrastructure, particularly roads, has suffered from the impact of the heavy traffic in shipping of relief items. As *The Malawi Financial Post* reports, in 1990 the World Bank estimated that 16 percent of the total recurrent budget for road maintenance and 10 percent of the total recurrent budget for road rehabilitation was spent on incremental maintenance arising from refugee traffic on secondary roads.<sup>2</sup> As for primary roads, an annual maintenance cost of MK 1.3 million is incurred due to relief traffic, which is not funded by any international organization.

Because of the wider economic implications of the presence of refugees in Malawi, the MSME survey included the refugee community in order to examine the nature and extent of its participation in the informal sector.

#### METHODOLOGY OF SELECTING REFUGEE CAMPS

In attempting to produce a statistically representative sample of households in the refugee camps, the lack of a uniform sampling frame was a major constraint. This arose from the fact that various institutions are involved in compiling refugee statistics. These statistics are rarely, if at all, reconciled. For instance, information on the number of refugee camps from the National Statistics Office (NSO) differs from that held by the United Nations High Commission for Refugees (UNHCR). Population figures from the UNHCR offices differ from those held by other relief organizations, such as those of the International Rescue Committee (IRC).

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<sup>1</sup> *The Malawi Financial Post*, August 14-27, 1992

<sup>2</sup> *Ibid.*



Given these contradictions, the survey used figures from the NSO on the number of camps and the enumeration areas (EAs) that contained refugee camps. This choice was made to achieve consistency in the source of the sampling base. For both the national population and the refugee population, NSO sources were used.

Six EAs were randomly selected from 45 EAs designated by NSO as areas with large refugee camps. An EA in this case represents a refugee camp or settlement. This sampling frame excludes refugee communities in integrated villages. The six EAs visited were:

1. Nyamithuthu 3 (Nsanje District)
2. Mankhokwe (Nsanje District)
3. Kamphata (Nsange District)
4. Chifunga (Mwanza District)
5. Mphati (Dedza District)
6. Ndaula (Lilongwe District)

Within each EA, a varying number of "sections," depending on the population size of an EA, were again randomly selected for enumeration.<sup>3</sup> In each section selected, all households were visited. A total of 5,989 households were visited.

Because of the lack of a sampling frame that adequately represents the refugee population, the results in this section are based on the sample. They are not extrapolated to represent the entire refugee population.

### **SIZE AND STRUCTURE OF THE MSME SECTOR IN THE REFUGEE CAMPS**

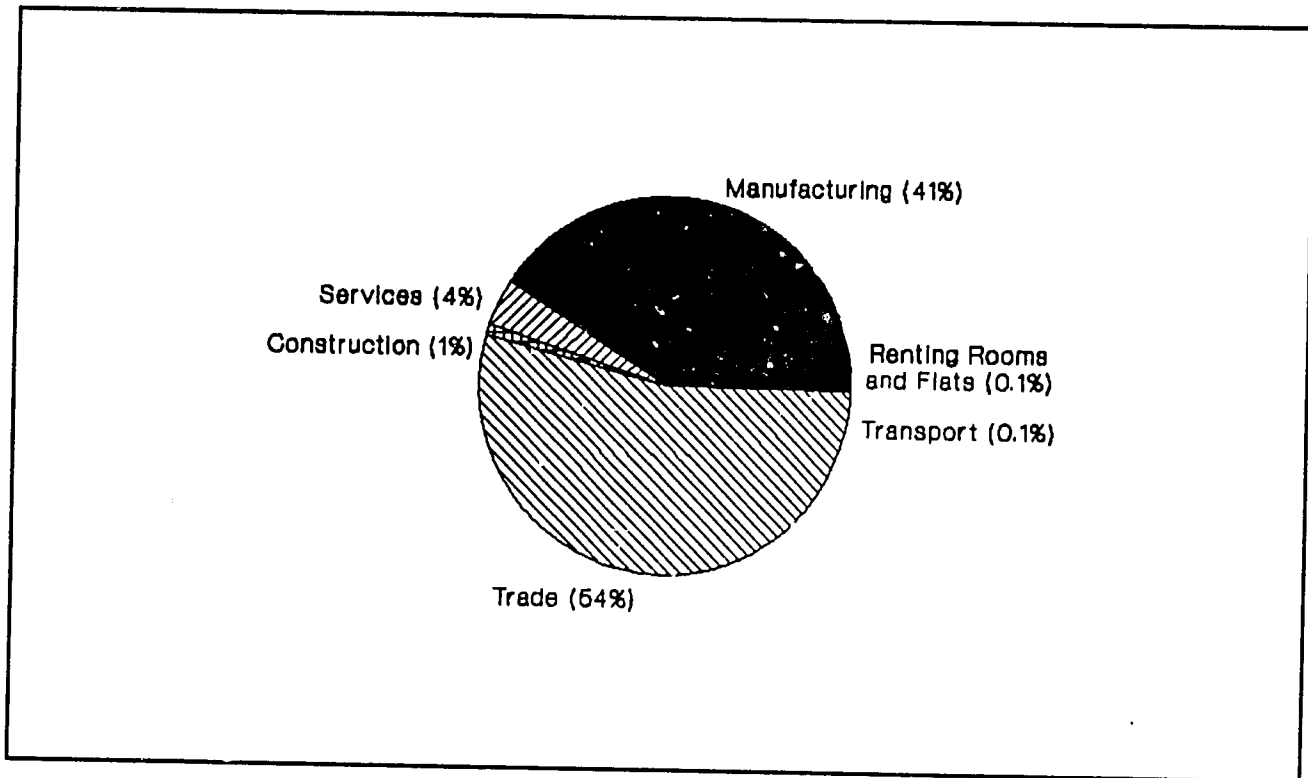
As mentioned above, 5,989 households were visited in refugee camps. Of these, 3,299 households reported no MSME activity, 1,809 were closed, and 881 MSMEs were enumerated. This represents 26.7 percent of open households in the sample. Trade was the dominant activity, representing 54 percent of all enterprises in the sample. Manufacturing represented the second highest group, accounting for 41.4 percent of the MSME sector. The remaining enterprises were divided between the renting of rooms and flats, transport, and construction. These statistics, illustrated in Figure 16, closely resemble the structure of MSME activity for the rest of the country.

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<sup>3</sup> A section is a subdivision of a camp.

FIGURE 16

**INDUSTRIAL STRUCTURE OF MSMEs  
IN THE REFUGEE CAMPS**



The high percentage of trade activities in the refugee camps may reflect the ease of entry into the trade sector. According to field observations, entry is facilitated by sales of relief packages, such as flour and cooking oil, offered to refugee families. The high percentage of manufacturing activities may also be facilitated by relief organization activities. For instance, the Christian Council of Malawi provides training and start-up capital in carpentry, bakery, tinsmithing, and poultry keeping. Other organizations include the Evangelical Alliance and Development Aid (which promotes vegetables and women's development), Social Welfare Development (which is concerned with the pre-school group and the disabled), and the Lutheran Church (which distributes wood-saving stoves). Construction and transport have a marginal representation. This probably reflects the temporary nature of the camps. People are unwilling to invest in permanent structures if they do not own the land and they do not anticipate settling in the areas.

**INCOME CONTRIBUTION TO HOUSEHOLDS**

Fifty-three percent of the households visited generate at least half of their income from the MSME sector. Over one-third of the households were entirely dependent on MSME activities for their income. These figures, illustrated in Table 22, are slightly lower than the corresponding figures for the rest of the country, where 42 percent of respondents received 100 percent of their income from MSME activity.

TABLE 22  
PERCENTAGE OF HOUSEHOLD INCOME  
CONTRIBUTED BY MSMEs

Percent of Household Income Provided by MSME	Response
100%	35.0%
Between 50% and 100%	17.6%
50%	12.9%
Less than 50%	31.6%
Don't know	2.8%
<b>TOTAL</b>	<b>100.0%</b>

### SIZE DISTRIBUTION

The average number of workers per MSME was 1.3, indicating that most of the enterprises are very small. Over 95 percent of all enterprises had one or two workers. This pattern, illustrated in Table 23, is very similar to that found in the rest of the country.

TABLE 23  
SIZE DISTRIBUTION OF MSMEs  
IN REFUGEE CAMPS

Number of Workers per MSME	Percentage of Enterprises
1	76.2%
2	18.8%
3	3.5%
4	1.2%
5	0.2%
<b>TOTAL</b>	<b>100.0%</b>

## PATTERNS OF CHANGE IN REFUGEE-OWNED MSMEs

### Growth Patterns

Using the change in the number of employees over time as a measure of growth, the manufacturing and trade sectors experienced growth rates of 10.6 and 8.8 percent, respectively.<sup>4</sup> The manufacturing growth rate was higher in the camps than in the rest of the country, where MSMEs grew at 8.7 percent. Alternatively, the growth rate of trade MSMEs in the camp was three percentage points lower than MSMEs in the rest of the country. Growth rates of MSME activities in the camps are illustrated in Table 24.

TABLE 24  
AVERAGE ANNUAL EMPLOYMENT GROWTH RATES  
OF MSMEs IN REFUGEE CAMPS

Sector	Growth Rate
Manufacturing	10.6%
Construction	0.0%
Wholesale and Retail Trade	8.8%
Transport	0.0%
Renting of Rooms and Flats	0.0%
Services	-0.6%
<b>TOTAL</b>	<b>9.0%</b>

Although growth rates were positive in most sectors, only 15 percent of MSMEs actually expanded. The average annual growth rates of expanded firms in manufacturing and trade MSMEs were 70 and 67 percent, respectively. These rates are remarkably high compared with expanded MSMEs in the rest of the country, where manufacturing and trade experienced 43 percent and 53 percent growth rates.

### Age Profile of MSMEs

The average enterprise age was 4.16 years. The average age among sectors varied from three years in the renting of rooms and flats to six years in the service sector. Most firms, however, are less than one year old, as illustrated in Table 25. This is consistent with the fact that most refugees have been in camps only a few years.

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<sup>4</sup> See Section Three for a more complete description of growth measurement.

**TABLE 25**  
**AGE DISTRIBUTION OF MSMEs**  
**IN REFUGEE CAMPS**

Age Category	Percentage Distribution
1 year and less	43.0%
1 to 2 years	11.8%
2 to 3 years	14.7%
4 to 10 years	24.1%
More than 10 years	6.3%
<b>TOTAL</b>	<b>100.0%</b>

### **Disappearance of MSMEs**

A total of 1,809 closed enterprises were identified in the camps during the survey. Seventy-one percent of the closed enterprises were in the trade sector. This was followed by 27 percent in the manufacturing sector and one percent in the services sector.

The reasons for closure included personal reasons (27 percent), lack of operating funds (15.5 percent), unavailability of stock or raw materials (13.1 percent), and market problems (11.9 percent).

### **GENDER OF PROPRIETOR**

Close to two-thirds of MSME proprietors in the refugee camps were men. Women represented 35 percent of proprietors and participated in three sectors, manufacturing, trade, and services. These statistics are illustrated in Table 26.

TABLE 26  
GENDER OF PROPRIETORS  
IN REFUGEE CAMPS

Sector	Female	Male	Mixed Group	Total
Manufacturing	38.6%	59.7%	1.6%	100.0%
Construction	0.0%	100.0%	0.0%	100.0%
Wholesale and Retail Trade	32.0%	66.9%	1.1%	100.0%
Transport	0.0%	100.0%	0.0%	100.0%
Renting Rooms and Flats	0.0%	100.0%	0.0%	100.0%
Services	32.2%	61.8%	0.0%	100.0%
<b>TOTAL</b>	<b>34.9%</b>	<b>63.9%</b>	<b>1.3%</b>	<b>100.0%</b>

### CONSTRAINTS AND CREDIT

The most widely cited problem of all MSMEs in the camps was in inputs, reported by 27.5 percent of proprietors. Marketing and working capital problems were the second and third highest categories, as illustrated in Table 27. Again, these results are striking in Malawi, where input problems are reported most frequently throughout the country.

Access to financial assistance was relatively low, with only 18 percent of proprietors reporting that they had received credit. This is consistent with the rest of the country, where 19 percent of proprietors had received credit. Only one percent of proprietors in the camps had received credit from a formal institution. This is typical of the MSME sector in general. The low levels of credit could be exacerbated, however, by the uncertainty of permanent residence for refugees.

TABLE 27  
 CONSTRAINTS REPORTED BY MSME PROPRIETORS  
 IN REFUGEE CAMPS

Problems	Total
Input Problems	27.5%
Marketing Problems	16.5%
Lack of Working Capital	13.4%
Government/Regulatory	12.9%
Other Financial Problems/Rental Space	5.8%
Tool/Machinery	3.7%
Transport Problems	3.5%
Technical Problems	0.5%
Shop/Rental Space	0.1%
Utility Problems	0.2%
No Problems	12.4%
<b>TOTAL</b>	<b>100.0%</b>

## SECTION SIX

### CONCLUSIONS

With a high population growth rate and rising unemployment rates in Malawi, the MSME sector cannot be overlooked as a source of employment and income generation. One-fifth of the population 15 years and older is engaged in MSME activities. To assist this growing sector, it is necessary to understand the composition of enterprises, their growth patterns, and constraints. This report provides some of this information.

The MSME sector in Malawi comprises 570,000 enterprises, employing more than 1 million people. Two-thirds of these MSMEs account for at least half of household income.

The industrial structure of the Malawian MSME sector consists principally of trade and manufacturing, representing 52 and 43 percent of all MSMEs, respectively. Compared with other countries in the region, the percentage of trade activities is quite high.

The MSME sector is growing at an average annual employment rate of 10.5 percent. Although the average growth rate was positive, most Malawian MSMEs have not grown at all. Approximately three-quarters have experienced no change, while three percent have contracted. Of the 23 percent that did expand, the average growth rate was 48 percent.

To facilitate employment growth in the MSME sector, it is necessary to identify those firms with growth potential. The results from this study indicate that firms that expanded during their lifetimes had fewer workers at start-up and were older than firms that did not expand. The results also indicated that credit was not received significantly more often in expanded firms.

Employment creation through expansion of firms was greatest in firms that began with one worker. In contrast, firms with 11 or more workers actually decreased the number of persons engaged in MSME activities.

Employment in the MSME sector has grown not only through expansion of firms, but also through births of new firms. Again, the one-person firms currently employ the greatest number of people in the MSME sector. These statistics indicate that attention should be focused on microenterprises as a substantial source of employment generation.

Constraints on MSMEs were reported most frequently in input problems, marketing problems, and working capital. The high proportion of proprietors reporting input problems in Malawi is striking. About one-third of proprietors indicated input problems as their primary constraint. Further research is necessary to determine the nature of the input, particularly at the subsector level.

Women represent 46 percent of all MSME proprietors in Malawi. This proportion is surprisingly low, compared with those of neighboring countries, where women typically represent two-thirds to three-quarters of MSME proprietors. While fewer female-owned MSMEs grew than male-owned firms, those firms that did expand had a higher growth rate than male-owned MSMEs. These patterns indicate that female-owned MSMEs provide an important source of household income and employment in Malawi.



Although this report provides a basic picture of the MSME sector in Malawi, it provides only limited information on prospective questions. Further research is needed to determine potential for growth and ways to facilitate that growth. In particular, more detailed information at the subsector level is needed to determine appropriate development strategies. Donors and policy makers may use the information provided in this report as a base to improve MSME assistance and plan for more detailed analyses in the future.

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**ANNEX A**

**WORKSHEET TO DETERMINE EXTRAPOLATION FACTORS**

TABLE A-1

## WORKSHEET TO DETERMINE EXTRAPOLATION FACTORS

Stratum	(1) EAs in Population	(2) EAs in Sample	(3) = (1)/(2) First Weight Factor	(4) Households with MSMEs	(5) Households with No MSMEs	(6) Closed Households	(7) = (4) + (5) + (6) Total Households	(8) = (7)/((4) + (5)) Second Weight Factor	(9) = (3) * (8) Final Weight
Urban Residential	401	28	14.3	1,584	4,880	3,930	10,394	1.6	23
Urban Industrial	9	9	1	613	945	788	2,346	1.5	1.5
Urban Commercial	5	5	1	682	496	633	1,811	1.5	1.5
Urban Central Markets	3	3	1	1,653	59	374	2,086	1.2	1.2
Urban Locational Markets	22	4	5.5	321	25	303	649	1.9	10.3
Secondary Town Residential	58	5	11.6	266	801	684	1,751	1.6	19
Secondary Town Industrial	3	3	1	148	299	211	658	1.5	1.5
Secondary Town Commercial	1	1	1	134	127	120	381	1.5	1.5
Secondary Town Markets	4	4	1	930	46	322	1,298	1.3	1.3
Large Rural Settlements	58	7	8.3	311	647	586	1,544	1.6	13.4
Medium Rural Settlements	103	10	10.3	878	1,249	1,098	3,225	1.5	15.6

**A & B**

**ANNEX TABLES**

TABLE B-1  
SECTORAL DISTRIBUTION BY STRATA

Stratum	Manufacturing	Construction	Wholesale and Retail Trade	Transport	Renting Rooms and Flats	Services
Urban Residential	35.6%	0.7%	53.0%	1.6%	6.6%	*
Urban Industrial	28.4%	0.7%	61.1%	1.2%	2.2%	*
Urban Commercial	35.2%	0.3%	56.2%	1.0%	0.3%	0.1%
Urban Central Markets	10.1%	*	87.6%	0.2%	*	*
Urban Locational Markets	9.5%	*	89.9%	*	*	*
Secondary Town Residential	38.9%	1%	55.2%	0.6%	2.8%	*
Secondary Town Industrial	38.3%	1.6%	47.0%	1.6%	4.4%	*
Secondary Commercial	37.3%	*	56.7%	*	*	*
Secondary Town Markets	6.3%	*	91.5%	*	0.4%	*
Large Rural Settlements	49.3%	0%	43.0%	0.6%	3.3%	*
Medium Rural Settlements	29.5%	0.4%	65.1%	0.2%	2.2%	*
Rural EAs	44.7%	0.4%	51.1%	0.4%	2.8%	*

TABLE B-2  
COMPARISON OF MSME CHARACTERISTICS ACROSS SPECIFIC STRATA

Stratum	% of MSMEs That Provide 50% or More of Household Income	Average Number of Workers in MSME	Average Number of Females in MSME	Average Annual Growth Rate of Employment	% of MSMEs with Female Proprietors	% of MSMEs That Received Loans from Formal Institutions
Urban Residential	67.0%	2.2	0.7	15.9%	47.0%	1.4%
Urban Industrial	67.4%	5.9	0.9	23.0%	39.9%	5.0%
Urban Commercial	86.9%	4.0	0.6	15.6%	17.7%	4.3%
Urban Central Markets	91.0%	1.7	0.2	12.8%	16.1%	0.3%
Urban Locational Markets	90.8%	1.5	0.3	13.1%	26.9%	*
Secondary Town Residential	60.5%	1.8	1.0	17.4%	68.5%	0.0%
Secondary Town Industrial	71.3%	4.1	0.9	22.9%	43.7%	5.5%
Secondary Commercial	85.8%	5.2	1.0	22.4%	24.3%	14.1%
Secondary Town Markets	90.6%	1.6	0.4	10.5%	25.9%	0.3%
Large Rural Settlements	73.6%	2.3	0.9	15.1%	50.1%	2.8%
Medium Rural Settlements	74.4%	1.8	0.7	12.8%	46.5%	0.5%
Rural EAs	67.3%	1.8	0.7	9.7%	45.4%	1.2%

\* No observations found



TABLE B-3  
MSME LOCATION BY SECTOR

Stratum	Home	Market	Commercial District	Shop by Roadside	Roadside	Mobile	Other
Urban Residential	47.6%	21.5%	4.1%	6.8%	7.7%	9.5%	2.8%
Urban Industrial	23.6%	16.4%	27.6%	5.1%	13.8%	11.9%	1.5%
Urban Commercial	2.9%	7.1%	60.7%	9.4%	13.5%	5.8%	0.6%
Urban Central Markets	0.5%	96.1%	0.1%	0.1%	1.2%	1.8%	0.2%
Urban Locational Markets	*	96.8%	*	1.4%	0.3%	1.4%	*
Secondary Town Residential	58.4%	11.4%	1.7%	8.3%	8.3%	13.1%	2.9%
Secondary Town Industrial	48.0%	9.0%	15.2%	12.4%	12.4%	9.6%	1.1%
Secondary Commercial	6.1%	8.8%	78.4%	2.0%	2.0%	1.4%	0.7%
Secondary Town Markets	5.3%	93.2%	0.1%	*	*	1.2%	0.2%
Large Rural Settlements	55.0%	11.9%	2.2%	7.5%	7.5%	11.9%	0.6%
Medium Rural Settlements	35.1%	41.3%	4.4%	6.2%	6.2%	8.2%	1.5%
Rural EAs	55.7%	17.5%	1.5%	4.9%	8.2%	13.3%	1.4%

TABLE B-4  
 SECTORAL DISTRIBUTION OF MSMEs  
 IN MALAWI, 1992

Sector	ISIC Code	Urban Areas	Rural Areas	Total
<b>Manufacturing Total</b>	<b>3</b>	<b>32.8%</b>	<b>44.3%</b>	<b>43.1%</b>
Butchery	3111	0.8	0.9	0.9
Flour Milling	3116	0.4	0.9	0.8
Bread, Biscuits, and Cake Baking	3117	2.3	2.7	2.7
Other Food Processing	3121	0.2	0.1	0.1
Beer Brewing	3133	8.0	15.8	15.0
Other Beverage Making	3134	0.1	**	**
Dressmaking	3221	0.1	0.1	0.1
Tailoring	3222	6.0	2.1	2.5
Knitting	3223	2.7	1.6	1.7
Other Textiles	3224	**	*	**
Weaving	3225	0.2	1.6	1.4
Other Leatherwork	3233	0.1	0.1	0.1
Shoework and Repairs	3240	1.0	0.5	0.5
Grass, Cane, Bamboo	3312	0.4	7.8	7.0
Coal and Wood Production	3313	1.0	0.3	0.4
Wood Carving	3319	0.2	0.6	0.5
Carpentry	3320	1.8	1.8	1.8
Furniture Making	3321	0.8	0.6	0.6
Other Woodworking	3322	0.2	0.6	0.5
Printing Work	3420	0.1	*	**
Plastic Work	3513	**	*	**
Chemical Production	3520	**	*	**
Pottery	3610	0.1	1.5	1.4
Brick Making	3690	1.3	1.5	1.4
Other Masonry	3699	0.2	0.1	0.1
Tinsmithing	3814	2.4	1.6	1.7
Other Metalwork	3818	0.2	0.1	0.1

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Sector	ISIC Code	Urban Areas	Rural Areas	Total
Welding	3819	0.5	**1	0.1
Art or Artifact Production	3904	0.1	**	**
All Other Manufacturing	3909	0.4	0.4	0.4
Bike Repair	3910	0.1	0.4	0.3
Auto Repair	3911	0.3	**	**
Electrical Repair	3912	0.2	*	**
Radio/TV Repair	3913	0.5	0.3	0.3
Clock, Watch, or Jewelry Repair	3914	0.3	0.1	0.1
Other Repair	3915	0.2	**	**
<b>Construction</b>	<b>5000</b>	<b>0.7%</b>	<b>0.4%</b>	<b>0.4%</b>
<b>Trade Total</b>	<b>6</b>	<b>50.9%</b>	<b>53.%4</b>	<b>52.6%</b>
Wholesaler	6110	0.2	0.2	0.2
Vending Food	6201	13.0	9.7	10.1
Vending Drinks	6202	2.4	0.9	1.1
Vending Farm Products	6203	9.1	8.9	9.0
Vending Garments	6204	3.6	1.4	1.7
Vending Forest-based Products	6205	2.5	3.1	3.0
Vending Hardware	6206	0.3	0.1	0.2
Other Vending	6208	6.8	7.5	7.4
Grocery	6213	3.5	4.5	4.4
Bottle Store	6215	0.7	0.1	0.2
Retail Livestock	6216	0.9	0.7	0.7
Retail Farm Products	6217	4.0	2.5	2.7
Retail Garments	6220	1.9	0.4	0.6
Retail Leather or Shoes	6221	0.1	*	**
Retail Forest-Based Products	6230	0.4	0.4	0.4
Stationers/Bookstore	6240	0.2	0.1	0.1
Filling Station	6250	**	*	**
Retail Hardware	6280	0.3	**	**
General Trader/Dealer	6290	0.5	0.5	0.5
Other Retail	6291	6.2	9.2	8.9

Sector	ISIC Code	Urban Areas	Rural Areas	Total
Hotel	6309	**	0.4	0.4
Restaurant	6310	0.6	0.4	0.4
Bar/Pub/Shebeen	6311	0.5	0.5	0.5
<b>Transport Total</b>	<b>7</b>	<b>1.3</b>	<b>0.4</b>	<b>0.5</b>
Bus or Taxi Service	7113	0.5	0.1	0.1
Goods Transport	7114	0.8	0.4	0.4
<b>Renting Rooms or Flats</b>	<b>8310</b>	<b>5.2</b>	<b>0.6</b>	<b>1.1</b>
<b>Services Total</b>	<b>9</b>	<b>2.4</b>	<b>2.8</b>	<b>2.8</b>
Traditional Healer	9331	0.5	1.0	0.9
Dry Cleaner	9521	**	*	**
Hair Salon or Barber	9591	1.0	0.1	0.2
Photo Studio	9592	0.2	0.1	0.1
Other Services	9599	0.8	1.7	1.6
<b>TOTAL, ALL ENTERPRISES</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* No observations found

\*\* Less than 0.1 percent

TABLE B-5  
PERCEIVED PROBLEMS OF MSME PROPRIETORS, 1992

Perceived Problem	At Start-Up	During Growth	Currently
<b>Finance</b>	<b>33.8</b>	<b>28.4</b>	<b>24.7</b>
Lack of Investment Funds	16.6	3.1	2.7
Lack of Operating Funds	14.5	11.9	17.5
Unavailable Credit	**	*	0.2
Customers Not Repaying Credit	2.5	13.2	4.0
Foreign Exchange Constraints	*	*	*
Other Finance Problems	0.2	0.2	0.3
<b>Tools/Machinery</b>	<b>3.3</b>	<b>0.5</b>	<b>2.4</b>
Tools/Machinery Unavailable	1.8	0.2	1.0
Tools/Machinery Expensive	0.1	*	0.5
Spare Parts Unavailable	0.7	**	0.3
Repair Service Expensive	**	0.1	0.4
Other Tools/Machinery	0.7	0.2	0.2
<b>Market and Demand Problems</b>	<b>24.6</b>	<b>20.1</b>	<b>25.0</b>
Not Enough Customers	12.2	0.6	14.0
Customers Don't Know About MSME	5.1	0.2	0.3
Don't Know What Customers Want	0.1	*	0.1
Number of Larger Competitors Increasing	0.1	0.3	0.3
Number of Same Size Competitors Increasing	0.8	3.2	2.0
Low Prices Received	0.2	5.0	5.4
Shoplifting	3.8	10.2	0.6
Orders Not Picked Up	**	0.2	0.3
Perishability	0.8	0.1	0.8
Other Market Problems	1.5	0.3	1.2
<b>Government Policy</b>	<b>4.6</b>	<b>5.4</b>	<b>5.2</b>
Business Taxes	0.9	2.6	1.5
Business Licenses	2.1	*	1.5

<b>Perceived Problem</b>	<b>At Start-Up</b>	<b>During Growth</b>	<b>Currently</b>
<b>Registration</b>	**	*	*
<b>Zoning Problems</b>	0.1	**	0.1
<b>Other Government Problems</b>	1.5	2.8	2.1
<b>Shop/Rental Space</b>	<b>0.3</b>	<b>2.9</b>	<b>0.5</b>
Shop Space Unavailable	0.1	0.1	0.1
Rent Expensive	**	**	0.1
Shop Space Inadequate	0.1	2.6	*
Poor Location	0.1	**	0.2
Lack of Shelter	**	0.1	*
Other Shop/Rental	**	0.1	0.1
<b>Inputs</b>	<b>12.6</b>	<b>20.8</b>	<b>30.3</b>
Raw Materials/Stock Unavailable	6.7	14.5	11.8
Raw Materials/Stock Expensive	5.2	5.9	17.5
Poor Quality Raw Materials/Stock	0.7	0.1	0.6
Other Input Problems	**	0.3	0.4
<b>Transport</b>	<b>8.8</b>	<b>10.6</b>	<b>4.8</b>
Public Transport Unavailable	4.2	7.4	2.0
Public Transport Expensive	2.3	2.6	2.1
Public Transport Inefficient	1.5	0.3	0.2
Need Own Transport	0.7	*	0.1
Poor Road Conditions	*	*	0.1
Other Transport Problems	0.1	0.3	0.3
<b>Labor</b>	<b>**</b>	<b>4.9</b>	<b>0.8</b>
Skilled Labor Unavailable	**	3.3	0.3
Skilled Labor Expensive	**	0.3	*
Unskilled Labor Unavailable	**	0.3	0.1
Unskilled Labor Expensive	**	0.2	0.1
Lack of Loyalty	**	0.3	0.2
Other Labor Problems	**	0.5	0.1

Perceived Problem	At Start-Up	During Growth	Currently
<b>Utilities</b>	**	0.2	0.2
Water/Electricity Unavailable	**	0.2	0.2
Telephone Service Unavailable	**	**	*
Unreliable Supply	**	**	*
<b>Technical</b>	3.9	0.2	0.9
Access to Training	0.1	*	**
Did Not Learn Needed Skills	0.8	*	0.2
Management Problems	3.0	**	0.5
Other Technical Problems	*	**	0.2
<b>Miscellaneous</b>	8.1	6.0	4.8
Personal Health	2.9	2.7	1.2
Old Age	*	*	0.3
Child Care	0.7	0.1	0.1
Household Responsibilities	3.6	0.5	2.3
Other	0.9	2.6	0.9

Problems at start-up and during growth are reported from the supplementary questionnaire, which had a smaller sample than the primary questionnaire. Current constraints are from the primary questionnaire.

- \* No observations found
- \*\* Less than one percent

**ANNEX C**

**COMPARISON OF 1986 READI SURVEY AND 1992 GEMINI SURVEY**



## ANNEX C

### COMPARISON OF 1986 READI SURVEY AND 1992 GEMINI SURVEY

A nationwide study of small- and medium-scale enterprises was conducted by the READI project in 1986. Information was collected on a total of 1,383 enterprises. The in-depth questionnaire, which included 254 questions, provided a wealth of information on the MSME sector in Malawi.

The current GEMINI study is also a nationwide survey of the MSME sector, with a larger sample but a much more limited questionnaire. A total of 10,792 enterprises were enumerated, with a questionnaire consisting of 31 questions. A supplementary questionnaire with 25 additional questions was administered to a subsample of 1,603 proprietors. Because of the differences in the methodology between the two studies, however, it is difficult to specify changes in the sector that have taken place during the intervening six years by directly comparing results from the two studies. Some of these differences are described below.

#### DEFINITION

The definitions of MSMEs used by the two surveys are as follows:

**READI Survey:** "...any business engaged in manufacturing, processing, assembling, provision of services, repairing or trading, owned and operated by Malawian private citizens." (p.35)

**GEMINI Survey:** "...any non-agricultural activity undertaken for commercial ends with 100 or fewer employees." (p.3)

#### SAMPLING TECHNIQUE

The READI survey used a "business-type quota base" to select MSMEs for its sample. The report indicates, however, that it was not strictly a quota sample, because the total number of proprietors of each type was unknown. Businesses were therefore selected from lists provided by SEDOM, INDEFUND, DEMATT, and business licensing authorities. Also, some firms were selected from local inquiries made by the supervisors upon arrival at each location. With this technique, the survey attempted to represent all major business types in the country.

The GEMINI survey used a statistically representative one-stage cluster sampling technique.<sup>1</sup> The results of the GEMINI survey are extrapolated from the sample to represent the entire country.

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<sup>1</sup> See Section Two of the report for more details on the sampling technique.

## COVERAGE

As a result of differences in sampling techniques described above, the two surveys included a somewhat different set of enterprises. These differences in coverage have at least four dimensions: sector, location, enterprise size, and gender.

### Sector

Table C-1 illustrates the percentage of firms in each sector included in the two surveys. Although the percentages are somewhat similar, they differ in some key areas. The total percentage of manufacturing MSMEs is about the same; however, there are different emphases within manufacturing. The READI sample included twice the proportion of clothing MSMEs and fewer enterprises in wood products and other manufacturing than did the GEMINI survey. Within the remaining sectors, the READI survey included a proportion ten times higher of hotels, restaurants, and bars than did the GEMINI survey, and more than three times the proportion of service MSMEs. Alternatively, a much higher percentage of trade MSMEs was included in the GEMINI survey.

TABLE C-1

A COMPARISON OF THE TYPES OF MSMEs  
INCLUDED IN THE GEMINI AND READI SURVEYS

Type of MSME	Percentage of MSMEs in GEMINI Survey	Percentage of MSMEs in READI Survey
Manufacturing, Total	32.4%	30.7%
Food Processing	4.5%	5.0%
Clothing	4.3%	9.0%
Wood Products	10.8%	8.0%
Other Manufacturers	12.8%	8.7%
Trade	60.2%	41.6%
Hotels, Restaurants, Bars	1.3%	11.1%
Services	4.4%	14.7%
Other	1.7%	1.7%

## Location

The READI survey chose half its sample from rural areas and the remaining half from urban areas. In contrast, 90 percent of the results from the GEMINI survey are based on rural MSMEs, with only 10 percent in urban areas.<sup>2</sup>

## Size

The average number of workers in an MSME and the size distribution of MSMEs differed in the two studies. In the READI survey, the average number of workers in an MSME was 2.5, compared with 1.8 in the GEMINI survey. Regarding the size distribution, the GEMINI survey collected information on MSMEs with up to 100 employees. Only 3.6 percent of the MSMEs, however, had more than five workers. In contrast, 14 percent of MSMEs in the READI survey had 5 or more workers. This difference could reflect the fact that the proportion of large MSMEs listed by SEDOM, INDEFUND, and DEMATT is greater than the actual proportion in the MSME population.

## Gender

Only seven percent of the proprietors in the READI survey were women, compared with 46 percent in the GEMINI survey. This could result from both the sampling technique and the type of MSMEs selected. For example, female-owned MSMEs may be less likely to be on lists provided by SEDOM, INDEFUND, and DEMATT. Also, the GEMINI survey showed that there is a higher percentage of women than men in the manufacturing sector. Within manufacturing, the READI survey enumerated a smaller percentage of MSMEs.

As a result of responses from a somewhat different group of enterprises, differences appeared in the problems reported by the enterprises and the extent to which they had benefitted from outside assistance. For example, the current primary MSME constraint reported in the READI survey was lack of funds, compared with input problems in the GEMINI survey. This difference is probably because of the higher percentage of manufacturers, which require more inputs, in the GEMINI survey, rather than because of any change over time. The percentage of proprietors that were trained was also much higher in the READI survey, with more than 20 percent of proprietors trained in six of eight sectors. In contrast, less than ten percent of proprietors in the GEMINI survey had received training.

Again, the above differences are most likely attributable to responses collected from a different group of respondents rather than to changes over time in the MSME sector.

The READI survey collected a great deal of useful and important information. Because of the survey technique used, however, it is impossible to know whether its findings for the 1,383 respondents

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<sup>2</sup> The GEMINI results reflect 90 percent of rural MSMEs after the sample responses are extrapolated to represent the entire country; the actual sample contained 72 percent of urban MSMEs and 28 percent of rural MSMEs. The higher percentage of MSMEs in the urban areas was selected because of the larger diversity of urban versus rural MSME activity. This is explained in more detail in Section Two of the report.

are representative of the whole universe of small enterprises, estimated here to consist of more than 500,000 producing units.

To determine the changes that have taken place in a particular group of enterprises (such as those covered in the 1986 survey), the best approach would be to return, with a similar survey instrument, to the same enterprises covered in the first survey. This approach was followed for a subset of enterprises in McPherson's 1991 study.<sup>3</sup>

The GEMINI study had both a different goal and a different approach. It was aimed at providing an overview of the magnitude, structure, and characteristics of MSMEs in the country, a goal the earlier study did not attempt. The GEMINI study also attempted to collect information on past patterns of growth in the universe of enterprises by collecting historical information from current enterprises. There is no valid method of directly comparing the responses of the two surveys to provide a measure of the extent of change among micro- and small enterprises during the intervening six years.

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<sup>3</sup> See McPherson, Michael A. "Growth and Change in Malawi's Small and Medium Enterprise Sector." GEMINI Technical Report No. 17. June 1991. Washington, D.C.: Development Alternatives, Inc.

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**ANNEX D**  
**VARIABLE DESCRIPTIONS**

## ANNEX D

## VARIABLE DESCRIPTIONS

**DESCRIPTION OF ENTRIES (VARIABLES) ON  
MSMEs ENUMERATION SURVEY QUESTIONNAIRE:  
EXISTING ENTERPRISES**

**Brief Description of Existing Enterprise Questionnaire**

The questionnaire has five distinct segments:

- Identification of area sampling unit (coded);
- Identification of enumerator and supervisor (uncoded);
- Indication of households that are not involved with MSMEs or whose premises are closed (tallied);
- A segment on status of questionnaire data entry (uncoded); and
- The basic data on MSME section (coded).

- 1-3. **Area Sampling Unit** (data are coded): The area sampling unit could have up to five levels of identification, such as province, district, locality, stratum, and substratum. In some cases, it may have only two — the town and the urban zone. All the entries for the area sampling unit should be coded (and computer-recorded or entered).

**Names of Enumerator and Supervisor** (data uncoded): Information on names of enumerators and supervisors are not usually coded but are written on the questionnaire to facilitate quick and close supervision of data quality and quantity.

**Households** (data tallied): The word "household" refers here to a group of people who pool their incomes, eat from the same pot or table, and share responsibilities. In the field, enumerators come across three types of household:

- **Households With No Activity** — a group not involved with any MSME activities. Data are tallied on the top of the questionnaire to make note of this fact;
- **Households Closed** — a second group of households not at home at the time of the visit to say whether they own any MSME activities or not. Data are also tallied, in the second set of spaces at the top of the questionnaire; and
- **A third group of households operating or owning MSMEs.** Data on these MSMEs are entered in the main body of the questionnaire (Item #5, above).

**Questionnaire Data Entry Status** (data not coded): Here dates are written on the questionnaire to show when data were proofed (manually), computer entered (punched in), and computer verified.

### **Basic Data on MSMEs**

This part has 31 columns containing the essential data for one MSME of a particular household on a single line. The data entries in the first four segments described above are common to a number of MSMEs in a given sampled area, while those in this segment are enterprise- or household-specific. For the most part, the data that are entered on this part of the questionnaire are numerical codes provided on separate code sheets or at the bottom of the questionnaire. The different columns are briefly described below.

**Sequence Number:** All MSMEs recorded by a given enumerator in a given sampled area are given sequential numbers. The numbering begins from 1 for each enumerator, for each locality of enumeration. These numbers are written by the enumerator. Such numbers are crucial in linking MSMEs which also have separate supplementary questionnaires.

4. **Unique ID Number:** Each MSME has a unique identification number given by the coder or data entry person at the office. There is only one set of numbers, written sequentially for all MSMEs in all locations, beginning with 1.
5. **Enterprise Type:** The enterprise type is written in words in this column. Again, all non-farm, non-fishing enterprises of market-oriented production, commerce, or service activity in the compound will be included. This will include activities dealing with the processing of agricultural products or fish products.
6. **Enterprise Code:** A numerical code is given for each MSME activity, to be used in identification of an enterprise. The code number given to the activity is found on a separate code sheet, and is written in this column.
7. **Primary or Secondary Business Type:** The primary business or MSME is the most important non-farm, non-fishing enterprise of market-oriented production, commerce, or service activity in the compound. Activities dealing with the processing of agricultural products or fish products will be included, but not the raising of wheat for milling. There are two crucial issues here: to find out whether a household is involved in MSME activities and, if involved in more than one such activity in the given area, to identify which one is the primary one as far as income is concerned. If there is only one MSME, then that activity is considered primary and will be recorded as "1." If there are two activities, the secondary activity, in terms of income, will be recorded as "2." If there are more than two enterprises, all enterprises other than the primary enterprise will be recorded as "2." Remember, all enterprises will be recorded on one line of the questionnaire, no matter how many there are in the household.
8. **Total Number of MSMEs per Household:** Some households own more than one MSME. The total number of MSMEs owned by each household is entered here, no matter where the enterprises are located.

9. **Percentage Share of All Household Income:** The percentage range or the share of family income contributed by the primary MSME is entered in this section. Family income is defined here as all sources of income, including farming, outside employment, gifts, remittances, or income from all MSMEs.
10. **Location of MSME:** Refer to the location code at the bottom of the page.
11. **Number of Months of Work per Year:** Here the total number of months in a year that the MSME is normally operated or kept open to do business is recorded.
12. **Number of Days of Work per Month:** The total number of days per month that the business is usually open for business goes in this column.

### Usual Types of Workers

This refers to the different types of people who work in the MSME on a regular basis during the months when it was open to do business. Regular does not necessarily mean full-time. Thus, a person who works only part of the time on a regular basis is counted. However, someone who drops in for a visit and does some work will not count. Depending on the nature of employment or remuneration, there could be four distinct types of workers in a MSME:

13. **Total Number of Workers:** This is the sum of the four labor types below. It includes the proprietor.
  14. **Working Proprietor:** An owner or operator who works in the MSME.
  15. **Unpaid Family Members:** The proprietor's family members who are not paid or not fully paid for their labor contribution in the MSME.
  16. **Paid Workers:** Those who are fully paid for their MSME work, whether family members or not.
  17. **Apprentices:** Those who are in the MSME primarily for the training they get and who are not fully paid (if they are paid at all) for their services or contribution.
- The number of workers for each of the above four labor types is entered in the relevant column; a zero is entered for a column where there is no relevant worker in it.
18. **Number of Female Workers:** This is asking for the total number of females among all four types of labor force mentioned above: the proprietor, the family members, the hired workers, and the apprentices or trainees.
  19. **Number of Part-Time Workers:** Any one of the four types or categories of workers who works less than the normal full work time (hours and days) will be considered a part-time worker.
  20. **Number of Child Workers:** Any worker less than 15 years old is considered a child.



21. **Current Major Problem of MSME:** The major problem that the proprietor currently faces is recorded in this column, in words. A list of problems with codes will be carried by the enumerator. The appropriate code will be filled into column 22 at the end of the day.
22. **Problem Code:** The appropriate code for the problem described in Column 21 is recorded in this column.
23. **Year of Business Start:** Year in which the MSME was started, bought, or came under the control of the present owner.
24. **Total Number of Workers at Start of MSME:** This number is similar to the "total number of workers" in column 13, except that this one is at the time when the MSME was started.
25. **Sells to whom?:** The codes indicate to whom an MSME's products are sold. If there are several buyers, then choose the one that is the most important in terms of the value of sales.
26. **Source of Inputs:** Here the code for the source of the most important input is entered. Importance is measured here by the total amount paid for the input.
27. **Non-Start-up Credit and Grant Source:** The codes at the bottom of the questionnaire are used to determine if the proprietor has received credit or grants after starting the business.
28. **Proprietor Gender:** The gender code of the proprietor, whether he/she works in the MSME, is entered here. See the codes at the bottom of the questionnaire.
29. **Proprietor's Name or Nickname, Business Name, and Address:** This should provide enough information to be able to locate the proprietor again, should this be necessary in any follow-up work.
30. **Supplementary Questionnaire:** If a supplementary questionnaire is filled out for this particular proprietor or household, then put "1"; if not, put a "2."
31. **Closed Enterprise Questionnaire:** If this proprietor had an MSME in the past that is now closed or has ceased operating for more than one year, then write "1" in this column; otherwise, put a "2."

**DESCRIPTION OF ENTRIES (VARIABLES) ON  
MSMEs ENUMERATION SURVEY QUESTIONNAIRE:  
CLOSED ENTERPRISES**

As enumerators come to each household or workshop, they will ask whether the proprietor had any other enterprise (MSME) which he or she has closed, for any reason. Such an MSME is considered "closed" if it has been closed for a year or more. Each such closed enterprise will be entered on a line on the Closed Enterprise Questionnaire (CEQ) of the enumeration survey. Sometimes a proprietor will have more than one closed MSME and each closed enterprise must be entered on a separate line.

**Brief Description of Closed Enterprise Questionnaire**

- 1-3. Same as Part I of the Existing Enterprise Questionnaire (EEQ)
 

**EEQ Sequence Number:** If you recorded information on the EEQ for a particular proprietor, and he or she also had an MSME that closed, write the sequence number from the EEQ in the first column.
4. **Unique Household ID Number:** This column will be completed by the coder. Enumerators do not fill in anything here. For a proprietor that has both an EEQ and a CEQ, this number is the same both in the EEQ (Col# 4) and CEQ. This number will help us to link proprietors in the analysis that have both existing and closed MSMEs. Enumerators should not write anything in this column.
5. **Unique Closed MSME ID Number:** Just as MSMEs in the EEQ (Col#4) have unique numbers, closed MSMEs will also have unique ID numbers. This number is filled by the code. Enumerators should not write anything in this column.
6. **Closed Enterprise Type:** Just as we write the type of the existing business in the EEQ (Col# 5 of EEQ), the type of the closed MSME is also written here in words.
7. **Closed MSME Code:** Using the MSMEs code list used in the EEQ (see Column 6 of EEQ), write the code number here for the activity.
8. **Percentage Share of All Household Income:** This is completed in the same manner as Col. 9 of the EEQ.
9. **Location Type:** The code for this column is the same as the one for Col. 10 of the EEQ. This is not asking for some indication of distance but the nature of the site or spot where the closed MSME was located.
10. **Location or Distance:** Note this is different from location type or site. This column is asking whether the place for the closed MSME was nearby or further away.
11. **Year Closed MSME Started:** Ask proprietors in what year the closed MSME was acquired or started. Use numbers to record (for example, "1973" becomes just "73").

12. **Number of Workers at Start:** Here put the total number of workers (including the proprietor, family members, hired and apprentices or trainees) that worked in the closed enterprise when it started (or was acquired).
13. **Year Closed MSME Stopped Operating:** Ask the proprietor in what year the MSME closed.
14. **Number of Workers at Close:** The information is similar to Col 12 but we are now asking the time the MSME closed.
15. **Highest Number of Workers:** During the life of the closed MSME, its number of workers may have gone up or down. We want to know the highest level it reached at any time.
16. **Year of Highest Number of Workers:** Same type of information as Col 13 and Col 15, except now we are asking for the time when the closed MSME had the highest number of workers.
17. **Reason MSME Closed:** Ask the proprietor why the closed MSME shut down and write down the answer as he or she states it. The answer must be specific and clear; you must understand the answer in order to be able to code it in Col 18.
18. **MSME Closure Code:** The code for the reason the closed MSME shut down (as given in Col 17) should be entered here. Codes are given at the bottom of the questionnaire; however, do not try to fit an answer to a code. If you can not find the answer in the codes, then ask your supervisor or the survey trainers.
19. **Present Occupation of Closed MSME Proprietor:** Ask the person what he or she is doing currently. But, you do not need to ask this question if the person already has an EEQ and he or she is working there. Again, be sure you understand the answer and write exactly what the person says. You may need to ask him or her more to find out exactly what he or she is doing. Do not accept general answers such as "I am working in the countryside."
20. **Current Activity Code:** The answer given in Col 21 should be coded here.
21. **Product Buyers:** To whom does the proprietor sell the product? If he/she has many products, take the one which is most important to his/her income. Codes are given at the bottom of the page.
22. **Source of Closed MSME Inputs:** As for the EEQ, this question explores the nature of the most important inputs. The codes are given at the bottom of the questionnaire. Again, if there are many inputs, ask for the most important one with regard to expenses.
23. **Credit or Grant Source:** As for the EEQ, this question explores the nature of credit. The codes are given at the bottom of the questionnaire.
24. **Gender of Proprietor:** The codes for this question are given at the bottom of the questionnaire.
25. **Proprietor's Name and Address:** The information sought here is similar to Col 29 of the EEQ. Read that part carefully.

26. **Existence of EEQ:** If you have completed an EEQ for this proprietor, then write "1"; if not, write "2."
27. **Last Closed MSME for Household:** Every time you finish entering information for a closed MSME, you will ask if there are more closed MSMEs to be recorded for that proprietor. If the answer is yes, then put "1" here; if the answer is no, then put "2" here.

## **FOUR DIFFICULT DECISION POINTS**

### **1. Is it one business or two?**

When you see that the respondent is carrying out two activities, you need to decide whether to count them as two businesses (and code them as PRIMARY and SECONDARY), or whether to count them as two parts of a single diversified business.

The decision rule is based on TIME and SPACE considerations.

- (a) If the two activities are undertaken in the SAME SPACE and at the SAME TIME,

Then the person has ONE diversified business.

- (b) If the two activities are undertaken in the SAME SPACE but at TWO DISTINCTLY DIFFERENT TIMES,

Then the person has TWO business activities.

- (c) If the two activities are undertaken at the SAME TIME, but in TWO DISTINCTLY DIFFERENT PLACES,

Then the person has TWO business activities.

### **2. Is it a production or a commerce activity?**

When you see that the respondent both produces and sells goods, should you code the business as a production/manufacturing activity, or a commerce activity?

The decision rule is the following:

- (a) If the person sells goods that he/she PRODUCES,

Then the business should be classified as a PRODUCTION/MANUFACTURING activity.

- (b) If the person sells goods that he/she PURCHASED,

Then the business should be classified as a COMMERCE activity.

- (c) If the person sells BOTH SELF-PRODUCED AND PURCHASED GOODS,

Then WHICHEVER DOMINATES the value of stock sold is used to determine the code (if the majority of stock sold is self-produced, classify the business as production/manufacturing; if the majority of stock is purchased, classify the business as commerce).

**3. Is the commerce activity vending, retail, or wholesale?**

When you see a respondent clearly selling goods that he/she did not produce, do you code the business as a vending, retail, or wholesale business?

The decision rule is based on **QUANTITY OF GOODS HELD FOR SALE.**

- (a) If the person has **ONLY LIMITED DISPLAYED** goods for sale (without stock to replenish the display),

Then the person is **VENDING.**

- (b) If the person has enough stock to both **DISPLAY AND REPLENISH** the display as customers buy,

Then the person is **RETAILING.**

- (c) If the person has **SUFFICIENT STOCK TO SUPPLY OTHER BUSINESSES** engaged in retailing those goods,

Then the person is **WHOLESALE.**

**4. Is the business a non-agricultural activity?**

When you find a person engaged in the sale of agricultural products, you need to determine whether the activity should be considered an agricultural or a non-agricultural activity. If the activity is agricultural, then the person **SHOULD NOT BE INCLUDED IN THE SURVEY.** If non-agricultural, then the person **SHOULD BE INTERVIEWED.**

The decision rule depends on **WHETHER THE PERSON PRODUCES THE GOODS** which are for sale.

- (a) If the person is engaged in producing the agricultural products that he or she is selling (such as eggs, chickens, or vegetables),

Then the activity is **AGRICULTURAL. (DON'T INCLUDE)**

- (b) If the person purchases the agricultural products on the market place,

Then the activity is **NON-AGRICULTURAL. (INCLUDE)**

- (c) If both (a) and (b) are true,

Then include the activity as **NON-AGRICULTURAL**, but information recorded must be for the non-agricultural part of the enterprise only.

**ANNEX E**  
**QUESTIONNAIRES**





CLOSED ENTERPRISE QUESTIONNAIRE: MALAWI, MAY-JUNE, 1992

( ) 1. District: \_\_\_\_\_ Date Completed: \_\_\_\_\_  
 ( ) 2. Stratum: \_\_\_\_\_ Page #: \_\_\_\_\_  
 ( ) 3. Enum Area #: \_\_\_\_\_ Enumerator: \_\_\_\_\_  
 Locality: \_\_\_\_\_ Supervisor: \_\_\_\_\_

Date Proofed: \_\_\_\_\_  
 Date Entered: \_\_\_\_\_  
 Date Verified: \_\_\_\_\_

E-4

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
			UNQ. BRANCH NUMBER																							
			UNIQUE ID NUMBER (same as prior unique ID)																							
			UNIQUE CLOSED ENTERPRISE ID NUMBER																							
			CLOSED ENTERPRISE TYPE AUTHORIZED IN MALAWI																							
			CLOSED ENTERPRISE CODE																							
			% SHARE OF ALL HH INCOME (a)																							
			LOCATION TYPE (b)																							
			LOCATION DISTANCE (c)																							
			YEAR MSE STARTED																							
			# WORKERS AT START (INCL. PROP., FAMILY, PAID, & APPRENTICES)																							
			YEAR MSE CLOSED																							
			# WORKERS AT CLOSE (INCL. PROP., FAMILY, PAID, & APPRENTICES)																							
			HIGHEST NUMBER OF WORKERS (INCL. PROP., FAMILY, PAID & APPRENT)																							
			YEAR OF HIGHEST NUMBER OF WORKERS																							
			REASON MSE CLOSED																							
			CLASSIFICATION CODE (d)																							
			WHAT ARE YOU DOING NOW?																							
			CURRENT ACTIVITY CODE (e)																							
			SOLE PRODUCT TO WHICH? (f)																							
			NUMBER OF CLOSED MSE INPUTS (g)																							
			CREDIT OR GRANT SOURCE (h)																							
			PROPRIETOR NUMBER (i)																							
			PROPRIETOR'S NAME, NICKNAME, ENTERPRISE NAME, PHYSICAL ADDRESS																							
			PHONE (THIS BOX FILL IN FIGS) (1-3 DIG, 3-5 DIG)																							
			LAST CLOSED MSE IN HH? (1 = Yes, 2 = No)																							

Codes

- a/ 1. Provided all of household income 2. Provided more than half of income 3. Provided less than half of income 4. Provided about half of income 5. Don't Know 1/ 1. Female, one proprietor, 2. Male, one proprietor
- b/ 1. Home/home stead 2. Market 3. Commercial district 4. Shop by the roadside 5. Roadside 6. Mobile 7. Other 3. Female, more than one proprietor 4. Male, more than one proprietor 5. Mixed-gender joint propr.
- c/ 1. On these premises 2. In this area/nearby 3. Elsewhere
- d/ 1. Market problems 2. Personal reasons 3. Unavailability of operating funds 4. Unavailability of stock or raw materials 5. Got a job 6. Started another MSE 7. Legal troubles/Gov't interference 8. Unable to Pay Back Loan 9. Other
- e/ 1. New Related MSE 2. New Unrelated MSE 3. Works for someone else 4. Nothing 5. Farming 6. Other
- f/ 1. Individuals 2. Urban commercial enterprises 3. Urban manufacturing enterprises 4. Rural commercial enterprises 5. Rural manufacturing enterprises 6. Agricultural enterprise 7. Export 8. Other
- g/ 1. Makes/gathers own 2. Buys unprocessed inputs 3. Buys semi-processed 4. Buys finished products for resale 5. Other
- h/ 1. Never received loans 2. Loans from family/friends 3. Moneylender 4. Formal Credit Institution 5. Other

**SUPPLEMENTARY QUESTIONNAIRE**  
**MALAWI MSE SURVEY, Chichewa Version**  
**May-June, 1992**

Enumerator: \_\_\_\_\_ Supervisor: \_\_\_\_\_  
 Date: \_\_\_\_\_

Enumeration Area: \_\_\_\_\_ ( ) Seq. #: \_\_\_\_\_ Page: \_\_\_\_\_ Unique ID#: \_\_\_\_\_

Proprietor's Name: \_\_\_\_\_ Business Type: \_\_\_\_\_ ( )

\*\*\*\*\*

**I. Characteristics of the Entrepreneur and Household**

1. *Muli ndi zaka zingati?* What is your age? \_\_\_\_\_ years . . . . .
2. *Maphunziro munalekeza kalasi yanji?* What is the highest level of school that you have completed? . . . . .  

_____ 1) No school	_____ 4) Upper Secondary
_____ 2) Primary school	_____ 5) University
_____ 3) Junior Secondary	_____ 6) Other _____
3. *Musanayambe bizinezi yino mumapanga chiyani?* What did you do before you started this business? \_\_\_\_\_  

_____ 1) Ran another business	_____ 4) I was too young to work
_____ 2) Worked in another SME	_____ 5) Mining
_____ 3) Was Unemployed	_____ 6) Salaried Employee
	_____ 7) Other
4. *Mwakhala mukayendetsa mabizinezi onga yimeneyi kuphatikiza yinoyi pa zaka zingati?* For how many years have you been engaged in this type of business, including this one? \_\_\_\_\_
5. *M'banja mwanu muli anthu angati?* How many persons are there in this household? \_\_\_\_\_

**II. Business History**

6. a) *Chiyambireni bizineziyi, ndichiwerengero chanji chokwera kwambiri cha ogwira ntchito munakhala nacho?* What was the largest number of workers your business has ever had, including: Proprietor, Family, Hired Workers and Apprentices \_\_\_\_\_
- b) *Chinali chaka chanji?* In what year did this occur? 19 \_\_\_\_\_

7. *Munaiyamba bwanji bizineziyi?* How did you acquire this business? \_\_\_\_\_
- |                               |                      |
|-------------------------------|----------------------|
| _____ 1) Inherited            | _____ 4) Rented      |
| _____ 2) Started from scratch | _____ 5) Gift        |
| _____ 3) Purchased            | _____ 6) Other _____ |
8. *Makamaka munazipeza kuti ndalama zoyambira bizinezi iyi?* What was the principal source of the money you used to start this business? . . . . . \_\_\_\_\_
- |                                    |                      |
|------------------------------------|----------------------|
| _____ 1) Family/Personal savings   | _____ 3) Moneylender |
| _____ 2) Formal credit institution | _____ 4) Other _____ |
| _____ 5) Advanced Credit           |                      |
9. *Musanakhazikitse bizineziyi, munayamba mwapeza chithandizo ku boma kapena mabungwe ena?* Did you receive government or formal private assistance prior to setting up this business? . . . . . \_\_\_\_\_
- \_\_\_\_\_ 1) yes                      \_\_\_\_\_ 2)
10. *Pa mabungwe nditchulewa, ndi ati anakuthandizani kukhazikitsa bizinezi yanu?* Did the following organizations give you ideas or encourage you to set up your business?
- |                     |                                    |         |
|---------------------|------------------------------------|---------|
| _____ 1) INDEFUND   | _____ 8) Rural Growth Centres Prj. | 1 _____ |
| _____ 2) SEDOM      | _____ 9) MUSCCO                    | 2 _____ |
| _____ 3) DEMATT     | _____ 10) MUDZI                    | 3 _____ |
| _____ 4) MEDI       | _____ 11) Government               | 4 _____ |
| _____ 5) RTS        | _____ 12) No                       |         |
| _____ 6) Parastatal | _____ 13) Other _____              |         |
| _____ 7) NGO        |                                    |         |

**III. Business Operation**

11. *Mubizinezi yanuyi, malonda amutsika ndi kukwera pachaka?*  
Does your business have a high and a low season? . . . . . \_\_\_\_\_
- \_\_\_\_\_ 1) Yes                      \_\_\_\_\_ 2) No
12. *Ngati ndichoncho, amakuyenderani bwino miyezi yanji?*  
If yes, what are the beginning and ending months of the high season?
- \_\_\_\_\_ Beginning month . . . . . \_\_\_\_\_
- \_\_\_\_\_ Ending month . . . . . \_\_\_\_\_
- Nthawi yimeneyi, bizinezi mumaiyendetsa masiku angati pamwezi?*  
How many days/month does your business operate during these seasons?
- \_\_\_\_\_ Days/month high season . . . . . \_\_\_\_\_
- \_\_\_\_\_ Days/month low season . . . . . \_\_\_\_\_

13. *Ngati muli ndi anthu okuyendetserani bizinezi, anuwache mumakhala nthawi yotani pa bizinezi pachaka?* If you have other employees to run the business, how much time do you spend at the business during the year? .....
- |   |   |
|---|---|
| <input type="checkbox"/> 1) Full twelve months  | <input type="checkbox"/> 4) Three to six months |
| <input type="checkbox"/> 2) Nine months or more | <input type="checkbox"/> 5) One to three months |
| <input type="checkbox"/> 3) Six to nine months  | <input type="checkbox"/> 6) Zero months         |

14. *Mumasunga mabukhu osonyeza kayendedwe ka bizinezi yanu?*  
Do you keep records for your business? .....
- 1) Yes       2) No

15. *Ndalama zochokera m'bizinezi yanuyi mumazisunga ku banki?*  
Do you use a bank for your earnings from your business? .....
- 1) Yes       2) No

**IV. Problems and Constraints**

16. *Ndi mabizinezi ati omwe mumapikisana nawo pamalonda?*  
Who are your major business competitors? .....
- |  |  |
|--|--|
| <input type="checkbox"/> 1) No competitors               | <input type="checkbox"/> 4) Public Enterprises |
| <input type="checkbox"/> 2) Businesses located nearby    | <input type="checkbox"/> 5) Other              |
| <input type="checkbox"/> 3) Businesses located elsewhere |  |

17. *Munayamba mwapeza vuto lililonse poyamba bizineziyi?*  
Did you face any problems when you first acquired this business? .....
- 1) Yes       2) No

**LIST MAJOR TWO IN ORDER OF IMPORTANCE**

1st \_\_\_\_\_

2nd \_\_\_\_\_

18. *Pamene munkayamba bizineziyi, panali vuto lililonse munapezana nalo kuchokera ku boma?* Did you face any government obstruction when starting this business? .....
- |  |  |
|--|--|
| <input type="checkbox"/> 1) No                 | <input type="checkbox"/> 4) Yes - zoning |
| <input type="checkbox"/> 2) Yes - registration | <input type="checkbox"/> 5) Yes - taxes  |
| <input type="checkbox"/> 3) Yes - licensing    | <input type="checkbox"/> 6) Other        |

19. a) *Chiyambireni bizineziyi, munayamba mwaona kukula kwa malonda a bizineziyi?*  
Have you ever experienced a period of major growth in sales of your business? .....
- 1) Yes       2) No

b) *Ngati ndichoncho, chinali chaka chanji?* If YES, in what year did it occur? 19 .....

c) *Munakumana ndi vuto lililonse nyengo yimeneyi?*  
Did you face any problems during this time?

## LIST MAJOR TWO IN ORDER OF IMPORTANCE

1st \_\_\_\_\_

2nd \_\_\_\_\_

20. *Mukapeza mavuto okhudza bizinezi, chithandizo mumafunsa kwa ndani?*

When you have had problems, from whom did you seek assistance to overcome them? 1 \_\_\_\_\_

- |                             |                                  |         |
|-----------------------------|----------------------------------|---------|
| _____ 1) Did nothing        | _____ 5) No assistance available | 2 _____ |
| _____ 2) Relatives/friends  | _____ 6) Moneylender             | 3 _____ |
| _____ 3) Formal institution | _____ 7) Other                   | 4 _____ |
| _____ 4) Government         |                                  |         |

21. *Mumalingaliro anu pazaka zisanu zapitazi panali kusintha kwanji kwa:*

In your perception, how have the following changed over the last five years?

a) *Kufunidwa kwa malonda anu?*

The overall demand for products like yours? \_\_\_\_\_

- |                          |                          |
|--------------------------|--------------------------|
| _____ 1) Much increase   | _____ 4) Little Decrease |
| _____ 2) Little increase | _____ 5) Much Decrease   |
| _____ 3) No change       | _____ 6) Do not know     |

b) *Chiwerengero cha ma bizinezi onga yanuyi m'dera lino?*

The number of businesses just like yours in your locality? \_\_\_\_\_

- |                          |                          |
|--------------------------|--------------------------|
| _____ 1) Much increase   | _____ 4) Little Decrease |
| _____ 2) Little increase | _____ 5) Much Decrease   |
| _____ 3) No change       | _____ 6) Do not know     |

c) *Kukula kwa bizinezi yanuyi? The volume of your own business?* \_\_\_\_\_

- |                          |                          |
|--------------------------|--------------------------|
| _____ 1) Much increase   | _____ 4) Little Decrease |
| _____ 2) Little increase | _____ 5) Much Decrease   |
| _____ 3) No change       | _____ 6) Do not know     |

22. a) *Munayamba mwapangapo kozi/maphunziro okhudzana ndi ntchito za m'bizinezi yanuyi?*

Have you had any organized training from a formal institution or individual consultancies for your business activities? \_\_\_\_\_

- |              |             |
|--------------|-------------|
| _____ 1) Yes | _____ 2) No |
|--------------|-------------|

b) *Ngati ndichoncho, yinali kozi/maphunziro anji?*

If yes, what type of training/advice did you receive? \_\_\_\_\_ 1 \_\_\_\_\_

- |                                  |                    |         |
|----------------------------------|--------------------|---------|
| _____ 1) Management              | _____ 4) Marketing | 2 _____ |
| _____ 2) Technical/production    | _____ 5) Other     | 3 _____ |
| _____ 3) Book Keeping/accounting |                    | 4 _____ |

23. *Ndi kozi yanji/maphunziro anji chithandizo chanji mungafune mutsogolo muno?*

What type of training/assistance would you like to receive in the future? . . . . . 1 \_\_\_\_\_  
 \_\_\_\_\_ 1) Management \_\_\_\_\_ 4) Marketing 2 \_\_\_\_\_  
 \_\_\_\_\_ 2) Technical/production \_\_\_\_\_ 5) Other \_\_\_\_\_ 3 \_\_\_\_\_  
 \_\_\_\_\_ 3) Book Keeping/accounting \_\_\_\_\_ 6) None \_\_\_\_\_ 4 \_\_\_\_\_

24. *Pa mabungwe awa, ndi mabungwe ati omwe munayamba mwalandirako chithandizo?*

From which of the following organizations have you received assistance? . . . . . 1 \_\_\_\_\_  
 \_\_\_\_\_ 1) INDEFUND \_\_\_\_\_ 8) Rural Growth Centres Proj 2 \_\_\_\_\_  
 \_\_\_\_\_ 2) SEDOM \_\_\_\_\_ 9) MUSCCO \_\_\_\_\_ 3 \_\_\_\_\_  
 \_\_\_\_\_ 3) DEMATT \_\_\_\_\_ 10) MUDZI \_\_\_\_\_ 4 \_\_\_\_\_  
 \_\_\_\_\_ 4) MEDI \_\_\_\_\_ 11) Government \_\_\_\_\_  
 \_\_\_\_\_ 5) RTS \_\_\_\_\_ 12) No \_\_\_\_\_  
 \_\_\_\_\_ 6) Parastatal \_\_\_\_\_ 13) Other \_\_\_\_\_  
 \_\_\_\_\_ 7) NGO \_\_\_\_\_

#### V. Income

25. *Pandalama zonse zomwe mumapeza m'banja mwanu pachaka, ndizochuluka bwanji zimachokera muulimi?* What part of your household's total income per year comes from agriculture? . . . . . \_\_\_\_\_

\_\_\_\_\_ 1) More than half \_\_\_\_\_ 3) About half \_\_\_\_\_  
 \_\_\_\_\_ 2) Less than half \_\_\_\_\_ 4) None \_\_\_\_\_

**-ZIKOMO KWAMBIRI POTITHANDIZA THANK YOU FOR YOUR ASSISTANCE!!-**

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