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A Dynamic
Study of
Jamaican
Micro- and
Small-Scale
Enterprises

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**A Dynamic Study of Jamaican
Micro- and Small-Scale Enterprises**

by

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INTRODUCTION

THE APPROACH AND SCOPE OF THE STUDY

This report presents the findings of a 1992 dynamic tracer study of 142 Jamaican micro- and small-scale enterprises (MSEs) that had been surveyed by the author in 1980.¹ The report examines the major changes that occurred in these 142 MSEs between 1980 and 1992. Its aim is not only to find out what changes have taken place and why, but also to document new insights on the life cycle of MSEs — specifically, the commonly held notion that MSEs close primarily because of business failures. The 1992 study provides information on major enterprise changes, detailing and distinguishing between economic and personal reasons for business closure or decline.

This report further examines whether MSEs tend toward a long or a short life after they survive the critical start-up years. Finally, in the context of overall growth, the report explores whether some Jamaican MSEs could become large-scale enterprises.

The study does not describe yearly changes of enterprise or business characteristics, nor does it provide information on total births and deaths of MSEs within a given area over a given period. Although the study focuses on a specific group of MSEs between 1980 and 1992, the results may be applicable to other enterprises that were part of the Jamaican economic scene in the early 1980s.

SAMPLING CHARACTERISTICS

Earlier studies were conducted by the University of the West Indies and Michigan State University, with funding from the Government of Jamaica and the U.S. Agency for International Development (USAID). Figure 1 shows the link between the random MSE sample in the 1992 study and the random samples for studies on Jamaican MSEs carried out beginning in 1978.

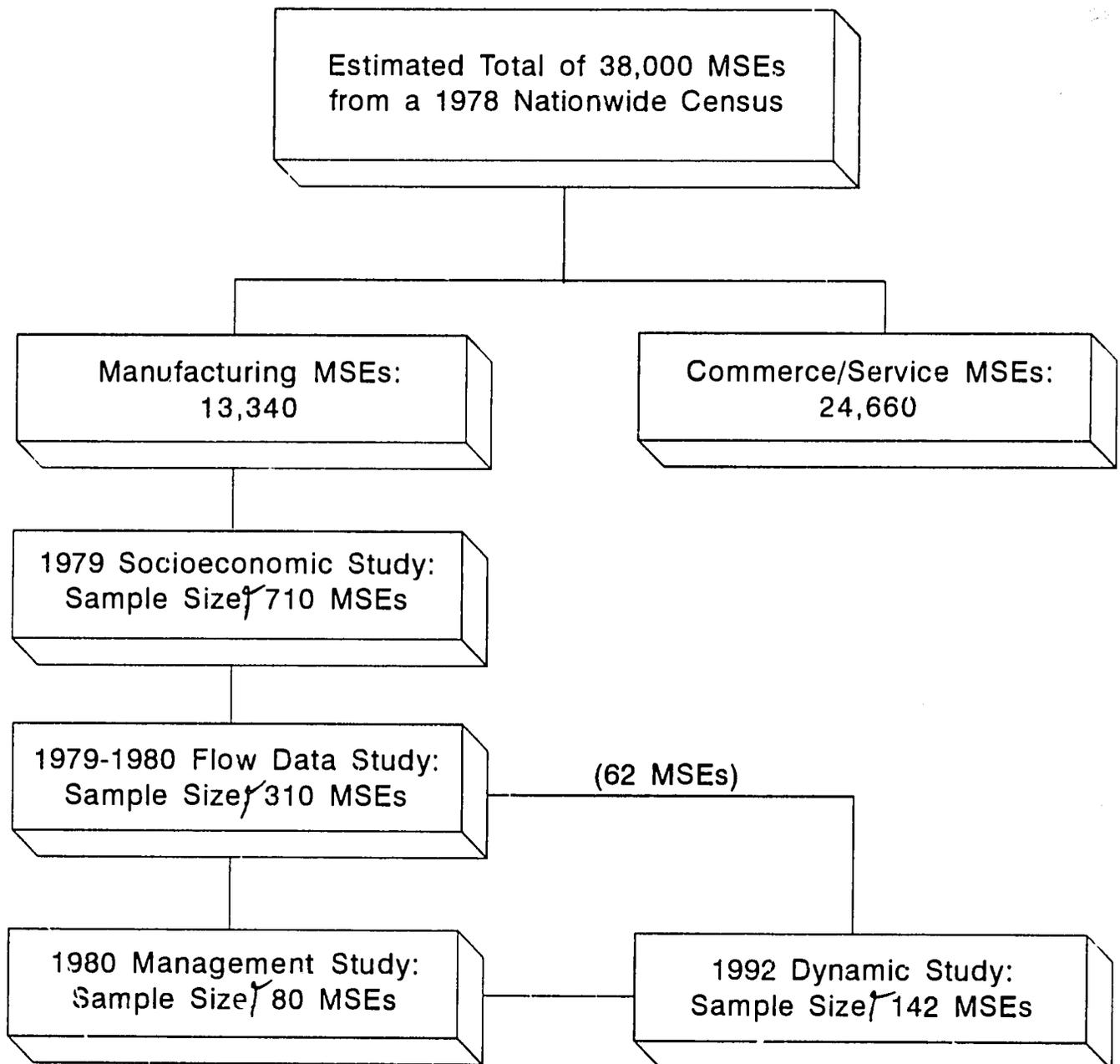
The first study was a nationwide census of MSEs, using a stratified random sample of urban and rural localities.² It revealed that there were fewer than 38,000 MSEs in Jamaica, employing about 80,000 people, including proprietors and family members. About one-third of these enterprises were in manufacturing, the balance distributed between commerce and trade enterprises and service enterprises.

The census study was followed by a socioeconomic study in 1979 based on a sample of 710 manufacturing MSEs randomly drawn from the census list. It focused on key variables including

¹ In the Jamaican context, MSEs were defined as manufacturing, commerce, and service enterprises whose total labor force was no more than 25, including the proprietor and participating family members; excluded were higglers and vendors (both stationary and mobile), as well as activities that were branch outfits or subsidiaries of large entities.

² For a detailed discussion of the MSE census data findings, see Davies et al., 1979. Occasionally the 1978 survey is compared with the 1980 management study and the 1992 dynamic study to observe changes.

FIGURE 1

THE SAMPLING RELATIONSHIPS BETWEEN THE
JAMAICAN STUDIES, 1978-1992

characteristics of the entrepreneur, constraints faced by proprietors, and business practices employed in the subsector.³

A random sample of 310 manufacturing MSEs was chosen from the MSEs in the 1979 socioeconomic study for a year-long (1979-1980) flow data study. Most enterprises were visited twice a week (some were visited once a week, depending on individual MSE circumstances) to collect, in a comprehensive and systematic manner, information on business operations including flow of expenses, sales, investments, and labor hours. Major findings of this study have been incorporated into several papers.⁴ In 1980, a random sample of 80 MSEs was drawn from the flow data sample of 310 for in-depth study of management characteristics and practices.⁵

For the 1992 study, all 80 enterprises in the 1980 management study were included, along with an additional 62 enterprises randomly selected from the remaining firms in the 1979-1980 flow data study. To find these MSEs for the 1992 dynamic study, a systematic tracing of the 142 MSEs was carried out early in 1992, using addresses from the early studies.⁶

A formal or structured interview was then undertaken to collect information from the proprietors who had owned the MSEs in 1980. When proprietors could not be located, information about their enterprises was collected, whenever possible, from other people who knew about them.

The industrial composition of the 142 MSEs is displayed in Table 1. Of the 142 MSEs in the 1992 study, about one-third were from the garment group, and one-fifth were from the woodworking group.⁷ Together, these two groups account for about 60 percent of the MSEs surveyed. The predominance of these two groups is not surprising; the 1978 survey showed that they account for about 80 percent of Jamaican MSEs in manufacturing and 65 percent of the corresponding employment. The tracer study, however, includes relatively more male entrepreneurs and urban enterprises than indicated by the national census of 1978. About three-fourths of the sample MSEs in the tracer study are owned by men. This high rate of male ownership is mostly because the 1979 socioeconomic study was relatively biased in favor of urban MSEs (see Figure 1). Because MSEs owned by women are generally smaller and highly concentrated in rural locations and in activities such as garments and crafts, they seem to display more homogeneity of characteristics than do the urban MSEs, which are larger and have more diverse activities. To capture the effects of such diversity, a relatively bigger share of urban MSEs was included in the 1979 socioeconomic sample. Thus, the percentage of urban MSEs in the 1992 dynamic sample is 28.9 percent, compared with the 18.8 percent overall share of urban MSEs in the national census of 1978.

³ The details of this study are described in Fisseha and Davies, 1981.

⁴ See, for example, Fisseha, 1982, and Fisseha, 1985.

⁵ Fisseha and Davis, 1981.

⁶ Tracing the proprietors was successful, but it was difficult in urban areas, particularly in Kingston. Tracing was aided by correct detailed addresses from 1980. In addition, information on proprietors' nicknames, friends, and relatives was exceptionally helpful. More than 90 percent of the MSEs in the 1980 study were successfully traced to their locations in 1992.

⁷ Only the garment and woodworking groups had numbers of respondents big enough to permit disaggregated analyses at an industrial level.

TABLE 1

DISTRIBUTION OF MSEs AMONG INDUSTRIAL GROUPS IN THE 1992 DYNAMIC STUDY SAMPLE,
BY GENDER OF OWNER AND LOCATION

MSEs Groups in Dynamic Study	All MSEs In the Sample		MSEs Owned by Men		MSEs in Urban Areas	
	No.	%	No.	%	No.	%
Garment	51	35.9%	36	70.6%	15	29.4%
Woodworking	34	24.0%	29	85.3%	10	29.4%
Metal	8	5.6%	8	100.0%	3	37.5%
Craft*	9	6.3%	1	11.1%	2	22.2%
Repairs	12	8.4%	12	100.0%	3	25.0%
Shoes/Leather	17	12.0%	15	88.2%	4	36.4%
All Others	11	7.8%	9	81.8%	4	36.4%
Total	142	100.0%	110	77.5%	41	28.9%

* This group consists primarily of straw work.

DISCUSSION

BRIEF OVERVIEW OF MANAGEMENT CHARACTERISTICS

Earlier studies describe in detail the characteristics and management styles of Jamaican MSE proprietors (see Davies et al., 1981, and Fisseha, 1982). Only a few of the key characteristics relevant to the dynamic changes that have taken place among the MSEs will be mentioned at this point.

About 95 percent of the MSEs in the dynamic study are under sole ownership; partnerships account for only 4 percent. Furthermore, 64.5 percent of the proprietors have never been away from their enterprises for any extended period of time, and 14.5 percent said they were absent from the business because of a trip outside Jamaica. Also, 65.4 percent said that they do not have any other person who could help run or manage the business; among those who have somebody helping run the business, 13.5 percent said they have their own child working there and another 19.2 percent said a worker (or nonrelative) was helping in the management of the business. All these factors may be important in indicating whether the MSE could continue without the personal presence of the owner.

About 72.1 percent of proprietors would encourage their child to go into the business because of the potential income (27.1 percent), the employment (22.9 percent), or the skill acquired (6.3 percent), or because the MSE is a family business (8.3 percent). Similarly, when asked if they were optimistic about the future business environment, 60.7 percent said they were, and 25.0 percent said they were not. Most proprietors, 70.9 percent, had no immediate plans to hire new workers.

The only source of income for 38.5 percent of the proprietors was the MSE; the rest had other sources of income as follows: agriculture, 24.6 percent; outside employment, 27.7 percent; help from relatives, 21.5 percent; and gifts, 6.2 percent. In a few cases, they had a combination of income sources; for example, of those with income from farming, 37.4 percent also had income from outside employment and 18.7 percent had help (remittances) from relatives.

About 21.2 percent of the proprietors had moved to another town or locality since the time they had first started or acquired their MSEs. There were many address or street changes within a given town or locality. Thus, while 31.7 percent stayed in the same place from the beginning, a little less than half (45.0 percent) of the proprietors moved at least once since launching their enterprises, and the rest made two or more changes. About one-third of the changes were forced by landlords; another 28.0 percent were made to avoid paying rents by moving to their own structures; the rest were searching for better market locations.⁸ The preferred location for product market is at the roadside, and not necessarily downtown or in the business area.

1992 STATUS OF MSEs TRACED FROM THE 1980 STUDY

Table 2 shows the current status of the 142 MSEs examined in the 1992 study. It is noteworthy that more than 90 percent of the enterprises were successfully traced. The table shows the relative difficulty of tracing urban MSEs; more than three times as many MSEs in the major urban centers as in the rural and other less urban areas could not be located (status "Unknown").

⁸ About 45.2 percent of the proprietors were renting business premises in 1992.

TABLE 2
STATUS OF MSEs IN THE DYNAMIC STUDY, BY LOCATION

Current Status of MSEs	Urban		Rural		National	
	No.	%	No.	%	No.	%
Open*:	22	53.6%	59	58.4%	81	57.0%
Full-time	13	31.7%	30	29.7%	43	30.3%
Part-time	4	9.8%	13	12.9%	17	12.0%
Sold	2	4.9%	7	6.9%	9	6.2%
Inherited	3	7.3%	9	8.9%	12	8.5%
Closed	12	29.3%	37	36.6%	49	34.5%
Unknown	7	17.1%	5	5.0%	12	8.5%
Total	41	100.0%	101	100.0%	142	100.0%

* Full-time and part-time are defined in relation to an individual MSE's normal working hours.

It is important that almost three-fifths (57.0 percent) of the 142 sample enterprises still exist in one form or another after 12 years. However, of the original 142 MSEs, only one-third could be considered open and operated on a full-time basis by the same owners as in 1980; another 12.0 percent are operated on a part-time basis, 8.5 percent have been passed on to heirs, and 6.2 percent have been sold to other owners.

The MSEs that have completely closed down account for one-third (34.5 percent) of the total sample. The remaining 8.5 percent (the balance of 57.0 percent and 34.5 percent) could not be traced. Even if the MSEs that could not be traced can be assumed to have closed, the maximum average annual closure rate is only 3.6 percent over the 12-year period.⁹ This does not seem a high rate of business closure. Given the economic situation in Jamaica over that period, a higher rate would not be surprising. Indeed, the staying power of MSEs is greater than generally assumed.¹⁰

The average age of the enterprises is 20.3 years. When broken down by group mean averages, the average age profile for the different statuses is: for full-time open MSEs, 21.9 years; closed, 22.0 years; part-time, 15.9 years; sold, 11.8 years; and inherited by (passed over to) heirs, 18.7 years. We will discuss later the reasons the average ages of MSEs that are open and MSEs that are closed are similar.

⁹ Furthermore, if one also includes the sold enterprises as "closed" enterprises (that subsequently became new "start-ups"), the annual closure rate will still be only 4 percent (that is, [6.2 percent sold + 34.5 percent closed + 8.5 percent unknown]/12 years = 4.1 percent).

¹⁰ Annual closure rates in other studies typically exceed 10 percent (see Liedholm and Mead, 1993). Peter Kilby's 1993 results for Nigeria, however, are similar to those for Jamaica. Some of the differences may be because samples may represent different target populations. For example, Liedholm and Mead's samples represent more comprehensive coverage of MSE types (that is, MSEs dealing with commerce, services, and manufacturing activities, including very small ones such as vendors); the 1992 study and Kilby's study both deal with larger MSEs, primarily manufacturing, and also with fairly established ones (see Figure 1 and Table 8 of this report and page 2 of Kilby, 1993).

The Urban-Rural Dichotomy and Changes in MSE Status

At first glance, rural MSEs seem to have been more adversely affected over the period than have their urban counterparts.¹¹ In the absence of more information on the MSEs that cannot be traced, more rural MSEs than urban MSEs have closed, are operating on part-time basis, or have sold, resulting in fewer of them operating on a full-time basis. In fact, 36.6 percent of rural MSEs closed, compared with 29.3 percent of urban MSEs (see Table 2). However, it is not clear whether the difference is real or an aberration because of the relatively higher rate of untraceable MSEs in the urban areas. If a larger number of the unknown urban enterprises are in fact closed, then the difference or gap between the two locations may not be as big as it seems. This reasoning is plausible, given that almost the same percentages of MSEs are open in urban (31.7 percent) and rural areas (29.7 percent). A similar outcome is shown for those MSEs operated on part-time basis (9.8 percent of urban and 12.9 percent of rural). About the same proportions of full-time and part-time MSEs are open in urban and rural areas, 41.5 percent and 42.6 percent, respectively.

Gender of Owner and Status of MSEs

Table 3 shows that the closure percentage for MSEs owned by women (40.6 percent) is slightly higher than the percentage for MSEs owned by men (32.7 percent). Part of this difference may be because of the high percentage of closure among craft works — more specifically, straw weaving, which is dominated by women. It is also true that women-owned MSEs are smaller and face more market-related problems than do MSEs owned by men. This paper's discussion on business closure will confirm these statements. Using data from earlier studies, women-owned MSEs pay lower average returns to family labor than do their men-owned counterparts (J\$1.22 per hour of family work in MSEs owned by women, compared with J\$5.64 for MSEs owned by men).¹² In other words, MSEs owned by men pay returns to family labor more than 4.5 times the returns that women-owned MSEs pay.¹³ "Family work" means hours spent by the proprietor and the nonpaid family members. Because this is the case, any

¹¹ The definitions for "rural" and "urban" are those used by the United Nations: a locality with a population greater than 20,000 is considered urban.

¹² The income returns mentioned here refer to estimates from the flow data collected by visiting MSEs once or twice a week in 1979-1980. It should be noted that, at the end of the flow data collection, a follow-up survey based on a one-time visit was conducted to collect estimates for flow data such as expenses, sales, and incomes. Comparison between data from the one-time visit and the year-long cumulative collection showed gross discrepancies. One cannot help but conclude that trying to collect flow data from a one-time visit results in erroneous estimates or calculations (much different and inconsistent figures compared with what is achieved through the regular and short visits); see Fisseha, 1982. Hence, no attempt was made during the 1992 study to collect figures or estimates for flow data, given that the values would be unreliable.

¹³ Similarly, the hourly returns to family labor were J\$7.22 for urban MSEs and J\$3.70 for rural MSEs. The rates for open and closed MSEs were J\$5.90 and J\$3.03.

income from women-owned MSEs may be too small for the owner to justify continued operation even on a part-time basis.¹⁴

TABLE 3
STATUS OF MSEs IN THE DYNAMIC STUDY, BY GENDER OF PROPRIETOR

Current Status of MSE	Male-Owned		Female-Owned		Total	
	No.	%	No.	%	No.	%
Open*:	65	59.1%	16	50.0%	81	57.0%
Full-time	32	29.1%	11	34.4%	43	30.3%
Part-time	16	14.5%	1	3.1%	17	12.0%
Sold	7	6.4%	2	6.3%	9	6.3%
Inherited	10	9.1%	92	8.3%	12	8.5%
Closed	36	32.7%	13	40.6%	49	34.5%
Unknown	9	8.2%	3	9.4%	12	8.5%
Total	110	100.0%	32	100.0%	142	100.0%

* Full-time and part-time are defined in relation to an individual MSE's normal working hours.

The Industry-Level Picture

Most enterprise groups in the sample lost about one-third of their MSEs from 1980 to 1992 (see Table 4). Indeed, except for repairs (primarily garages), every group lost at least one-third of its MSEs. Although repairs lost only one-fourth of the firms, it should be noted that one-half were sold to new proprietors. Thus, there would seem to be a lot of churning (changing hands) among garage owners.

Both crafts (primarily straw work) and garments (primarily dressmakers) seem to have lost a substantial number of their MSEs over the years. One noticeable characteristic of straw work, however, is that it is almost always operated on a part-time basis in rural areas.¹⁵ Dressmakers were losing to cheap imported makes over the years; so much that the industry was in serious decline in the late 1970s and early 1980s. For the MSEs in the dynamic study, there are clear signs that enterprises that survived the competition are gradually recovering from decline. Many are hiring or training apprentices again, which bodes well for the future of the industry. Two other enterprise types that seem to show decline are shoemaking and sawmilling. The situation for sawmilling is probably irreversible because the natural raw material source is greatly depleted. With shoemaking, quality improvement and strategic pricing may arrest the market decline and even gain some lost ground.

¹⁴ In traditional economic analysis, labor is considered a variable input that can be turned on and off at will in response to market situations. In an earlier study (Fisseha, 1982), empirical evidence indicated that, in a one-person MSE activity, one's own labor input may be considered a fixed input. Namely, because the person has to survive, he or she will continue to operate the business even at low returns as long as he or she gets a rate of return adequate for socially and personally acceptable survival; on the other hand, if return to one's labor is so low that it is inadequate to maintain one's survival, the person will close the business and will not operate it even on a part-time basis. The above scenario is plausible if alternative outside opportunities are severely limited or unavailable.

¹⁵ See Davies et al., 1979, and Fisseha, 1982.

TABLE 4

STATUS OF MSEs IN THE DYNAMIC STUDY, BY ENTERPRISE GROUP (INDUSTRIES)

Current Status of MSE	Types of MSE Groups in the Dynamic Sample						
	Garment	Wood Works	Metal Works	Craft Works	Repair Works*	Shoes/Leather	All Others
Open:	56.8%	50.0%	50.0%	44.4%	75.0%	64.7%	63.6%
Full-time	33.3%	35.3%	12.5%	44.4%	16.7%	29.4%	30.3%
Part-time	13.7%	8.8%	12.5%	—	8.3%	17.6%	12.0%
Sold	2.0%	—	—	—	50.0%	5.9%	6.3%
Inherited	7.8%	5.3%	25.0%	—	—	11.8%	8.5%
Closed	33.4%	35.3%	37.5%	44.4%	25.7%	35.3%	34.5%
Unknown	9.8%	14.7%	12.5%	11.1%	—	—	8.5%
Total	100.0%	100.0%	100%	100.0%	100.0%	100.0%	100.0%

* Repair works include garages, bike repairs, and other mechanical repair shops or works.

MAJOR FACTORS AFFECTING THE CHANGED STATUS OF MSEs

Respondents were asked to explain the reasons they were no longer operating on a full-time basis, their answers are summarized in Table 5. The table excludes MSEs whose status is listed above as "Unknown" and those operated full time by the original owners (as in 1980). Of the seven reasons given in the table, four are personal to the proprietor or owner: death, emigration (primarily to the United States or Canada), old age, and health. As the table shows, more than two-thirds of the MSEs changed status because of personal reasons of the owner.¹⁶ Thus, economic nonviability may not always be the main reason MSEs close. This is another instance contrary to general perception, a perception that ascribes economic causes as the dominant factor for MSE closures. In fact, in this particular case, death and emigration of owner-operator are the two most important reasons for the closure or part-time operation of MSEs. Each of these reasons accounts for about one-third of the MSEs that are closed. Also, each affects about one-fourth of the MSEs that are operating on a part-time basis or have been transferred to new owners.

Among the economic factors for business closures, lack of adequate demand is the most frequently cited reason. The small percentage reporting lack of working capital as a problem is interesting; bad credit sales, with its expected adverse impact on maintaining sound working capital, is not mentioned at all. There may be two reasons economic problems may not play a prominent role in people's perception of explaining business problems: First, there is something final and overriding related to problems that lead to death, such as old age; other problems would not be perceived as significant compared with such an inevitable and drastic ending. Second, the adventurous, frontier spirit to go beyond the waters and try one's luck has so much allure that it may outweigh any sensitivity to other major causes of emigration, such as adverse business developments at home. But, in fact, the

¹⁶ Emigration could reflect both personal and economic forces, but, in Jamaica, deeper probing of respondents seems to indicate that it is driven primarily by personal reasons.

TABLE 5

REASONS MSEs ARE CLOSED OR NO LONGER OPERATED FULL-TIME*

Current Status of MSEs That are Part-Time or That Have Changed Ownership	Reasons for Current Status of Sample MSEs								
	Economic (Business) Reasons			Owner's Personal (Non-Economic) Reasons					Grand Row Total
	Poor Demand	Machinery Problem	Lack of Funds	Owner Death	Emigration	Old Age	Poor Health	Other Reasons	
Part-Time or New Owner:	14.7%	2.9%	2.9%	26.5%	11.8%	17.6%	8.8%	14.7%	100.0%
Part-Time	11.8%	5.9%	5.9%	5.9%	23.5%	23.5%	11.8%	11.8%	100.0%
Sold	33.3%	—	—	33.3%	11.1%	—	11.1%	11.1%	100.0%
Inherited	—	—	—	41.7%	8.3%	16.7%	33.0%	33.0%	100.0%
Closed	12.2%	6.4%	2.0%	30.6%	30.6%	2.0%	4.1%	12.7%	100.0%
Total	13.6%	4.9%	2.5%	29.6%	21.0%	8.6%	6.2%	13.5%	100.0%

* This table displays the reasons for MSE closure, change of ownership, management, or operation on a part-time basis. Full-time MSEs still under original owner are excluded.

appeal of emigration is so strong that there seems a better chance that an MSE proprietor would opt for emigration even if given a chance to make a sound income in Jamaica from the business.

What happens to the MSE when the owner dies or emigrates? Almost two-thirds (62 percent) of the MSEs whose owners died closed, and about three-fourths (76 percent) of the enterprises whose owners migrated closed; similarly, 57 percent of the MSEs that were run by proprietors who are now too old to run them are closed. There is evidence that the high level of such firm closure is strongly and conversely linked to the degree of the involvement of other family members in the MSE's activities. The prevalence of limited other family member involvement in Jamaican MSEs was noted in the 1980 management study, which also showed that very few MSE owners continued working in the same type of MSE as their parents.¹⁷ In the 1992 study, it became apparent from the outset that the presence of children (relatives) in the business seems to greatly increase the survival (continuity) of an MSE, as well as provide it with new flexibility to grow.

The 1992 study also indicates the relationship between the size of the enterprise labor force and the rate of business closure. The data show that, the smaller the enterprise, the more likely it is to close or to operate on part-time basis. For example, the average MSE labor force sizes for the different groups are as follows: MSEs inherited by relatives, 6.0 workers; open and under the same owner, 4.0; sold, 2.7; operated on part-time basis, 1.8; and closed, 1.3 workers. Again, those MSEs with family members working in them tend to be not only inherited by a relative, but also comparatively larger in size.

Among all the proprietors, those who transferred MSEs to a relative seem to be older, with an average age of 58. Advanced age of the proprietor does not seem to be the most significant contributor to closure of the enterprise. For example, the average age of proprietors among the open MSEs is about 52, which is the same as the average age of proprietors of the closed MSEs at the time of closing.¹⁸

The sample size is not large enough for rigorous analysis or discussion within each enterprise type. It is noteworthy to mention, though, that death of the owner was a factor in closing for one-fifth (out of a sample size of 20) of the proprietors for tailoring, one-fourth for woodwork (out of 12), and almost 60 percent for shoemaking (out of 12).

It should also be noted that, although demand problems are slightly more serious for women-owned MSEs and for MSEs in rural areas, the dominance of the two major problems -- death and emigration -- remains unaffected when the variables of location and owner gender are taken into consideration (see Table 6).

Finally, what were the temporal patterns of enterprise closures? In terms of particular years, 1988-1989 and 1991-1992 were periods of high MSE closures. For example, almost one-fourth of the MSEs that closed did so in 1991 and parts of 1992, and almost one-fifth closed in 1988-1989. The 1992 study does not investigate possible links, but these closures occurred in the years when Hurricane Gilbert hit (1988) and when there was a major devaluation of the Jamaican dollar (1991). About 22 percent of the MSEs closed when they were about 15 years old; another 20 percent closed when they were about 22 years old. Another study indicated that MSEs are generally prone to closure in the first 3 years;¹⁹

¹⁷ Fisseha, 1982.

¹⁸ Not only do both male and female proprietors have the same average age -- 52 years -- but the average ages for male- and female-owned MSEs are also very close: 20 and 22 years, respectively.

¹⁹ Liedholm and Mead, 1993.

another earlier study showed that growth in the labor force occurs when the enterprise is 5 to 10 years old, and decline may start when the firm is 15 to 20 years old.²⁰

ENTERPRISE STATUS AND BUSINESS PRACTICES

An examination of business practices or characteristics reveals a remarkable association between business closure (or sale) and various business practices. Some of these practices are listed in Tables 7 and 8. The tables show that none of the closed or sold MSEs was licensed or registered; for the open unsold MSEs, 51.6 percent are licensed and 12.6 percent are registered. The closed MSEs were also smaller than MSEs that remained open; hence, work force size (or just size, however it may be measured) may be an important factor or reason for this difference. Not unrelated to enterprise size is the fact that none of the closed and sold MSEs paid any General Consumption Tax (GCT) or participated in the National Insurance Scheme (NIS). However, 25 percent of the open unsold MSEs participated in the GCT and 31.6 percent participated in the NIS. Moreover, none of the closed or sold MSEs kept any business records, compared with 16.8 percent for their open unsold counterparts.

Finally, none of the proprietors of the closed MSEs saved or set aside funds for future purchase of tools or machinery, and none separated business money from nonbusiness uses. Everything was kept in the same pocket, so to speak.

TABLE 6
REASONS MSEs ARE CLOSED OR NO LONGER OPERATED FULL-TIME,
BY GENDER OF PROPRIETOR AND MSE LOCATION

Reasons for Present Status of MSEs	Gender of Proprietor		Location		Total
	Male	Female	Urban	Rural	
Non-Economic Reasons:					
Death of Owner	30.4%	16.7%	28.6%	27.3%	27.6%
Emigration ^a	23.2%	27.8%	28.6%	22.7%	24.1%
Old Age	8.7%	5.6%	4.8%	9.1%	8.0%
Poor Health	5.8%	5.6%	4.8%	6.1%	5.7%
Subtotal	68.1%	55.7%	66.8%	65.2%	65.4%
Economic Reasons:					
Low Demand	11.6%	16.7%	9.5%	13.6%	12.6%
Machinery Problems	4.3%	5.6%	9.5%	3.0%	4.6%
Lack of Equipment	2.9%	—	—	3.0%	2.3%
Other Employment	1.4%	—	—	1.5%	1.1%
Subtotal	20.2%	22.3%	19.0%	21.1%	20.65
Other Reasons ^b	11.6%	22.2%	14.3%	13.6%	13.8%
Total ^c	100.0%	100.0%	100.0%	100.0%	100.0%

^a See text for why emigration is considered a non-economic factor.

^b For example, family responsibilities.

^c Because of rounding of figures, the percentages may not add to 100 percent.

The only major practices that the closed MSEs seem to have adopted were the giving of commercial credit to customers — 100 percent of the closed MSEs had given credit — and the keeping of bank accounts — 40 percent used primarily savings accounts. Of all MSEs, 74 percent kept bank accounts. It is only in extending credit that the closed MSEs proportionally exceeded the open MSEs. The fact that all the closed MSEs gave credit makes one wonder whether such a practice might have contributed to enterprise closure because of bad debt.

TABLE 7
BUSINESS PRACTICES, BY MSE STATUS

MSE Features or Practices	Current Status					All MSEs
	Full-Time	Passed to Relative	Part-Time	Sold	Closed	
Licensed	33.3%	57.1%	10.0%	—	—	28.6%
Registered	2.9%	42.9%	—	—	—	7.0%
Pay GCT	11.8%	42.9%	10.0%	—	—	14.0%
Pay NIS	17.6%	42.9%	20.0%	—	—	17.5%
Full Records	10.6%	28.6%	—	—	—	9.3%
Sales Record	34.3%	14.3%	—	—	—	21.5%
Production Expenses	18.5%	14.3%	—	—	—	12.3%
Save for Tools or Equipment	27.0%	50.0%	8.3%	33.3%	—	23.8%
Keep MSE Funds Separate	26.3%	14.3%	25.0%	—	—	21.5%
Have Bank Account	84.2%	85.7%	41.7%	100.0%	40.0%	73.9%
Give Credit	100.0%	55.6%	54.5%	100.0%	100.0%	64.4%

TABLE 8
BUSINESS PRACTICES, BY GENDER AND LOCATION

MSE Practices	Gender of Proprietor		Location of MSE		All MSEs
	Male	Female	Urban	Rural	
Licensed	30.4%	20.0%	35.7%	26.2%	28.6%
Registered	8.5%	—	7.1%	7.0%	7.0%
Pay GCT	14.9%	10.0%	7.1%	16.3%	14.0%
Pay NIS	23.4%	10.0%	28.6%	18.7%	21.0%
Full Records	11.5%	0.0%	13.3%	8.0%	9.3%
Sales Record	23.1%	15.4%	20.0%	22.0%	21.5%
Production Expenses	13.4%	7.7%	20.0%	10.0%	12.3%
Keep MSE Funds Separate	25.0%	7.7%	26.7%	20.0%	21.5%
Have Bank Account	75.0%	69.2%	86.7%	70.0%	73.9%
Save for Equipment	26.0%	15.4%	28.6%	22.5%	23.4%

MSE STATUS AND EXTERNAL ASSISTANCE

It would be interesting to find out the impact of external assistance on enterprise survival. Two key points to consider are the extent of external assistance received by the MSEs, if any, and whether such assistance might have had an impact on the status of the MSEs. The data show that about 6 percent of the open MSEs received formal external training (public or otherwise) compared with 0 percent of the closed MSEs; similarly, 12 percent of the open MSEs received external funds in the form of loans, while none of the closed MSEs received such financial assistance. None of the MSEs (open or closed) received any technical assistance in production, marketing, or management. Because the differences in the figures are small, it is difficult to conclude with any reliability to what extent external services might help MSEs survive.

Over the years, MSE proprietors have shifted their attitudes toward and expectations from the government. Unlike earlier years, when they rushed to blame government for its policy or for its lack of programs to help them, one finds benign disregard of it now. The data show that two-thirds of the owners cannot name a government policy they consider harmful to their business. The most frequently cited negative policy was "harmful taxes," but only 9.4 percent listed it. When it comes to good policy, 82.7 percent of the proprietors could not name any. When they were asked in what ways the government could help, 28.6 percent said there was none. Another 18.4 percent suggested product market improvement (some said by improving the overall economic situation of the country, which would in turn boost the demand for their products), and another 10.2 percent indicated that providing easier access to foreign exchange would be a way the government could help.

It is significant that none of the owners mentioned a need for free government services or financial gifts. This is even more noteworthy because 91.1 percent of the MSEs have never received any kind of assistance from the government. There now seems a realization that the government's means are limited and that, realistically, there is no such thing as a free lunch — that is, no government handouts are forthcoming. Such a view was not prevalent 10 or 12 years ago. Also, when proprietors were asked what policy-induced advantage the large-scale enterprises have, about half, 51.4 percent, could not name any, and 32.4 percent mentioned financial and bureaucratic access to the import of raw materials.

INDICATORS OF MAJOR CHANGES IN THE JAMAICAN MSEs

A wide array of business indicators of change can be used to identify changes over time. These include the size, number, and quality of machines, buildings, and other assets or the size of revenues and profits. Unfortunately, time and budget constraints precluded collection of such information in the 1992 study. In the absence of such information, the analysis will focus on changes in the size of the labor force, along with subjective evaluations of change.

Change in the Size of the Labor Force

Table 9 portrays the mean work force sizes of MSEs during the three periods of data collection: 1978 for the MSE census, 1980 for the management study, and 1992 for the dynamic study. It should

be noted at the outset that the dynamic-study MSEs are larger at least by one-third than the census MSEs or the manufacturing-study MSEs, whose average size was only 2.2 workers per MSE.²¹

TABLE 9
AVERAGE WORK FORCE SIZES OF MSEs OPEN
FOR THE THREE PERIODS OF DATA COLLECTION
(number of workers)

MSE Group	MSEs Still Opening 1992					
	1978 Data		1980 Data		1992 Data	
	Full-Time Only	All Open MSEs*	Full-Time Only	All Open MSEs*	Full-Time Only	All Open MSEs*
Garment	2.7	2.4	1.9	1.7	2.4	2.1
Woodwork	4.1	4.5	4.7	4.1	7.6	6.0
Metal	^b	3.3	^b	4.0	^b	3.3
Craft	1.0	1.0	1.0	1.0	1.0	1.0
Repairs	5.0	3.5	6.0	3.5	4.0	4.0
Shoes/Leather	5.7	3.8	2.0	1.7	3.7	2.8
All Others	2.0	5.7	2.0	3.6	1.0	4.3
Total	3.4	3.5	2.7	2.6	3.7	3.4

* "All Open" refers to all MSEs that are open, whether operated full time or not in 1992.

^b Value is less than 0.05.

Table 9 shows that, among those MSEs that were still open in 1992, the work force declined by 25.7 percent between 1978 and 1980. Except for the metal works group, which raised its average work force by 21.2 during the period, all groups showed a decline in the size of the labor force.²²

Looking just at MSEs that are open full time in 1992, one finds that the changes in their work forces for 1978-1980 varied by industry group. Repairs and woodworking increased the average size of their work forces by 20.0 percent and 14.6 percent, respectively; shoemaking and garments declined by 64.9 percent and 29.6 percent, respectively; too many metalworking enterprises have closed or changed hands for meaningful analysis to be done on their changes in size. The rest of the MSE groups showed no change.

²¹ This is not totally unexpected. The 1992 study showed that size is inversely related to business closure. Therefore, one explanation for the 1992 cohort being larger on average than the census MSEs could be as follows: The dynamic-study MSEs survived from the census to the socioeconomic study and then to the flow study because they might have been, on average, slightly bigger initially than those that did not survive.

²² In 1978-1980, firms producing metal grills and fences and firms performing other security-related jobs were in high demand. This was a time marked by impassioned and vociferous ideological altercations, leading to the national election of 1980. Thus, at the time the 1980 management study was carried out, many enterprises outside metalworking were facing an extremely difficult business atmosphere not only because of the lack of raw materials, but also because of the uneasy political atmosphere. Some MSEs trimmed their work forces during this time. It should be noted that, although employment in individual MSEs was being trimmed, the evidence suggests that, overall, the number of MSEs was increasing in the economy. This is consistent with the presence of a sizable MSE sector in times of economic contraction as well as in times of expansion (for more detail, see Fisseha, 1982).

During the second period, 1980 to 1992, the average labor force size for all MSEs increased by 30.8 percent. Individual MSE groups also grew in size. For example, shoemaking grew by 64.7 percent, woodworking increased by 46.3 percent, garments increased by 23.5 percent, and the "All Others" category raised the size of the labor force by 36.8 percent. The situation for metalworking reversed from that of 1978-1980: its labor force declined by 30.8 percent for 1980-1992. Crafts did not change at all during the two periods, which is due more to the nature of such activity rather than to business performance — rural-based craft is basically a one-person straw-work operation that does not lend itself to individual enterprise growth through increased employment.

Finally, during 1980-1992, MSEs that were still open full time increased the average size of their labor force by only 20.6 percent. The average labor force size increased by 133 percent for inherited MSEs, and it declined by 22 percent for those open part time; also, the remaining two groups (those that were closed or sold) declined by 35 percent and 21 percent, respectively.

Although for MSEs as a group, the size of the work force decreased by about 26 percent during 1978-1980 and increased by 31 percent for 1980-1992, it is important to examine the magnitude of the variations in the work force at the individual firm level. The average percentage increase in work force size within an individual MSE between 1980 and 1992 was 30.0 percent, while the corresponding figure for 1978-1980 was -4.2 percent.²³ The percentage of MSEs that showed no change during both 1978-1980 and 1980-1992 was the same, 43.1 percent. During 1980-1992, 27.4 percent of the MSEs showed decline in the size of the work force (for 1978-1980, a decrease of 39.2 percent); for 19.6 percent of these, the work force declined at least by half (compared with 25.5 percent of the MSEs for 1978-1980). Also for 1980-1992, 5.9 percent of the MSEs increased the work force by half or less (3.9 percent of MSEs for 1978-1980), and 23.6 percent of the MSEs grew by more than half (13.8 percent for 1978-1980). Thus, 29.5 percent (17.7 percent for 1978-1980) of all MSEs increased the size of their labor force. It should be noted that 11.8 percent of the MSEs (2.0 percent for 1978-1980) more than doubled the size of their work force during 1980-1992. This discussion of labor force change at the individual firm level can be summarized as:

	<u>No Change</u>	<u>Increase</u>	<u>Decrease</u>	<u>Total</u>
1978 to 1980:	43.1%	17.7%	39.2%	100%
1980 to 1992:	43.1%	29.5%	27.4%	100%

The amount of change is summarized as:

	<u>Declined by 50% or more</u>	<u>Increased by 50% or less</u>	<u>Increased by more than 50%</u>
1978 to 1980:	25.5%	3.9%	13.8%
1980 to 1992:	19.6%	5.9%	23.6%

Of the 142 firms in the sample, 130 had full data on the labor force. There were a few instances of significant individual growth. One firm grew from 6 workers to 16, another from 9 to 18, and yet another from 4 to 13; yet none in the dynamic sample grew large enough to graduate from the micro-and small-scale category (that is, to grow larger than a work force of 25). On the other hand, of the 130 MSEs for which data were collected, 9 might continue to grow and even graduate. Out of the 9, about 6 show major growth in areas besides the size of the labor force — areas that include occupying stronger and bigger business buildings, hiring secretarial and administrative staff, owning transport vehicles, and expanding into a second shop or a display area. It is not unlikely that these 6 (constituting 4.6 percent

²³ The standard deviation is 99.945, indicating a wide variation in the rate of change among the MSEs.

of the 130 MSEs) could graduate from the MSE sector, particularly if the economy improves. If the economy had performed better, no doubt this percentage could have risen much higher.

Subjective Indication of Change Over Time

Proprietors were also asked to evaluate subjectively the following four indicators over the years:

- The number of MSEs in their surroundings engaged in similar kinds of activities;
- The overall market demand for products similar to theirs;
- The size or volume of their own sales; and
- The size or volume of their own incomes or profits from MSEs.²⁴

The responses for these four questions are shown beginning with Tables 10 and 11, which relate the statuses of MSEs and enterprise groups to the change in the number of MSEs. Proprietors were asked to describe any change by indicating it as an increase, a decrease, a static, or an unknown. Because the responses were subjectively estimated or evaluated by the proprietor, the interest is on indications of apparent or obvious general directions of change rather than on actual magnitudes of change.

Tables 10 and 11 show that, compared with those who think the number of MSEs declined by 1992, almost twice as many proprietors think the number increased. The perception of increase is common to both the urban and the rural proprietors: 62.5 percent and 56.6 percent, respectively. If there was an increase in the number of MSEs, it seems that it took place primarily in the major urban areas outside Kingston and in the rural towns (outside Kingston and outside the Rural Enumeration Areas). In fact, a very large portion (85.7 percent) of the proprietors in Kingston think the number of MSEs declined between 1980 and 1992. The conclusion is that, although nationally the number of MSEs must have increased for 1980-1992, the increase may have been uneven and primarily confined to the major towns (excluding Kingston) and the smaller or rural towns.

TABLE 10

GENERAL DIRECTION OF PERCEIVED CHANGE IN NUMBER OF MSEs FROM 1980 TO 1992, BY MSE STATUS

Status of MSEs	Change in the Number of MSE (% of Proprietors)							
	Increased		No Change		Decreased		# Total	
	No.	%	No.	%	No.	%	No.	%
Open:	36	59.0%	8	13.1%	17	27.9%	61	100.0%
Full-Time	24	63.2%	2	5.3%	12	31.6%	38	100.0%
Part-Time	6	46.2%	4	30.8%	3	23.1%	13	100.0%
Sold	1	50.0%	—	—	1	50.0%	2	100.0%
Inherited	5	62.5%	2	25.0%	1	12.5%	8	100.0%
Closed	4	50.0%	—	—	4	50.0%	8	100.0%
Total	40	58.0%	8	11.6%	21	30.4%	69	100.0%

²⁴ In some categories, the number of cases is small: as result, the reported percentages must be interpreted with this caution.

TABLE 11
GENERAL DIRECTION OF PERCEIVED CHANGE
IN NUMBER OF MSEs FROM 1980 TO 1992, BY MSE GROUP

MSE Groups	Change in Number of MSEs (% of Proprietors)				
	Increase	No Change	Decrease	Unknown	Total
Garment	62.5%	8.3%	29.2%	—	100.0%
Woodwork	82.4%	5.9%	11.8%	—	100.0%
Metal	—	66.7%	33.3%	—	100.0%
Craft	75.0%	—	25.0%	—	100.0%
Repairs	50.0%	16.7%	33.3%	—	100.0%
Shoes/Leather	22.2%	11.1%	66.7%	—	100.0%
All Others	50.0%	—	33.3%	16.7%	100.0%
Total	58.0%	10.1%	30.4%	1.4%	100.0%

There are variations in industrial or MSE group perceptions of change in the number of new firms (Table 11). For example, 82.4 percent of proprietors in woodworking, 62.5 percent in garments, and 75.0 percent in crafts report increases in the number of MSEs in their sectors. Yet half the proprietors in repairs and in the "All Others" category think the number of MSEs increased, and one-third in the categories think the number decreased. Finally, 66.7 percent of the proprietors in shoemaking or shoe repair report that the number of MSEs declined. In summary, there appears to be an increase in the number of firms in all groups except in shoes and leather working.

With respect to the change in the size of the overall product market (demand), half the proprietors think the overall market demand for their products increased, compared with a little more than one-third who think it declined (Tables 12 and 13). There appears to have been a slight increase in overall demand.

About half the proprietors of both closed and full-time open MSEs think the product demand decreased, and about the same percentage in these groups think it increased. This probably indicates that the market size remained about the same for both groups. More than 70 percent of the proprietors of inherited MSEs think the product demand increased.

Looking at the MSE enterprise groups, Table 13 shows that there might have been a decline in the market demand for shoes and leather working and for garments. Although the demand might have declined for both groups for most of the period, lately the market environment seems to have improved slightly for both groups. Demand for craft products may have increased substantially, too. In conclusion, it appears that the overall demand did not change at all, and, if it did change, it probably increased slightly. However, given that half the proprietors think that the demand has not changed or that it declined, the increase, if any, must be small.

TABLE 12

GENERAL DIRECTION OF PERCEIVED CHANGE IN THE OVERALL PRODUCT MARKET,
BY MSE STATUS

Status of MSEs	Change in the Size of the Product Market (% of Proprietors)									
	Increased		No Change		Decreased		Unknown		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Open:	29	52.1%	7	11.9%	20	33.9%	3	5.1%	59	100.0%
Full-Time	17	47.3%	1	2.8%	18	50.0%	—	—	36	100.0%
Part-Time	5	38.5%	6	46.2%	1	7.7%	1	7.7%	13	100.0%
Sold	2	66.7%	—	—	—	—%	1	33.3%	3	100.0%
Inherited	5	71.4%	—	—	1	14.3%	1	14.3%	7	100.0%
Closed	4	50.0%	—	—	4	50.0%	—	50.0%	8	100.0%
Total	33	49.3%	7	10.4%	24	35.8%	3	35.8%	67	100.0%

TABLE 13

GENERAL DIRECTION OF PERCEIVED CHANGE IN THE OVERALL PRODUCT MARKET,
BY MSE GROUP

MSE Groups	Product Market Change Among Groups (% of Proprietors)				
	Increase	No Change	Decrease	Unknown	Total
Garment	37.5%	12.5%	50.0%	—	100.0%
Woodwork	62.5%	12.5%	25.0%	—	100.0%
Metal	50.0%	—	50.0%	—	100.0%
Craft	75.0%	25.0%	—	—	100.0%
Repairs	50.0%	—	50.0%	—	100.0%
Shoes/Leather	37.5%	12.5%	50.0%	—	100.0%
All Others	66.7%	—	—	33.3%	100.0%
Total	50.0%	10.6%	36.4%	3.0%	100.0%

If the number of MSEs increased (as Tables 10 and 11 show), and if the overall product demand stayed unchanged or increased slightly, then the sales volume for products of individual MSEs in the dynamic study must have declined. That is, a static or slightly increased market demand was divided among a higher number of MSEs than before. A glance at Tables 12 and 13 supports this notion. About half the proprietors think that their own sales have declined; less than one-third think there was an increase. Because proprietors were responding to something they experienced in their businesses, the information in Tables 12 and 13 is less subjective and, hence, is probably more reliable than responses dealing with the number of MSEs and the overall market demand.

In Table 12, all the proprietors of closed MSEs reported that the demand for their own products declined; but, although economic reasons did play a major role, the most frequent reasons for MSE closures were shown to be personal and not necessarily economic or business in nature.

Two other major differences in the demand patterns between the open MSEs and the closed MSEs are indicated by other data collected in the survey. The first difference is that the products of the open MSEs were sold in multiple markets, including regional and sometimes even national levels, but the products of the closed ones seemed confined to local markets. The second difference is that, although the percentage of open MSEs that sold their products only on a customer-order basis continued to decline between 1980 and 1992 (from 75 percent to 63 percent), the corresponding percentage for the closed MSEs remained unchanged at 75 percent. A large portion of the proprietors reported that income or profits declined from 1980 to 1992 (see Tables 16 and 17). Only about one-tenth say that income or profits increased; about two-thirds report a decrease. Because of the small number of cases, it is not possible to make judgments about MSE group differences. No more than 15 percent of the proprietors in any industrial group report increases in income or profits. In other words, the decline was uniform across all groups. All the proprietors of the closed MSEs reported a decline in income or profits. The general conclusions generally hold true when comparing urban and rural locations. For example, those proprietors who think the number of MSEs has increased account for 62.5 percent and 56.6 percent in the respective urban and rural areas; the corresponding percentages for decline are 31.3 percent and 30.2 percent. So, in both locations, almost twice as many proprietors think the number of MSEs has increased as think it has declined.

TABLE 14

GENERAL DIRECTION OF PERCEIVED CHANGE IN OWN PRODUCT SALES, BY MSE STATUS

Status of MSEs	Change in the Size of the Product Market (% of Proprietors)									
	Increased		No Change		Decreased		Unknown		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Open:	20	34.5%	11	20.0%	25	43.1%	2	3.4%	58	100.0%
Full-Time	13	37.1%	5	14.3%	16	45.7%	1	2.9%	35	100.0%
Part-Time	3	23.1%	4	30.8%	6	46.2%	—	—	13	100.0%
Sold	—	—	1	50.0%	1	50.0%	—	—	2	100.0%
Inherited	4	50.0%	1	12.5%	2	25.0%	1	12.5%	8	100.0%
Closed	—	—	—	—	8	100.0%	—	—	8	100.0%
Total	20	30.3%	11	16.7%	33	50.0%	2	3.0%	66	100.0%

TABLE 15

GENERAL DIRECTION OF PERCEIVED CHANGE IN OWN PRODUCT SALES, BY MSE GROUP

MSE Groups	Change in One's Own Product Sales (% of Proprietors)				
	Increase	No Change	Decrease	Unknown	Total
Garment	30.4%	30.4%	39.1%	—	100.0%
Woodwork	35.3%	5.9%	52.9%	5.9%	100.0%
Metal	66.7%	—	33.3%	—	100.0%
Craft	—	33.3%	66.7%	—	100.0%
Repairs	16.7%	16.7%	66.7%	—	100.0%
Shoes/Leather	25.0%	12.5%	62.5%	—	100.0%
All Others	33.3%	—	50.0%	16.7%	100.0%
Total	30.3%	16.7%	50.0%	3.0%	100.0%

Proprietors in both locations also think that the overall market demand has increased. A smaller proportion of proprietors (46.0 percent) in the rural areas think so than do their counterparts in urban locations (62.5 percent). When it comes to one's own sales and income or profits, proprietors in both locations think that the levels have decreased. Exactly 50 percent in each location think that their own sales have decreased; similarly, 57.1 percent of urban proprietors and 58.7 percent of rural proprietors think their income or profit has declined.

PROPRIETORS' PRESCRIPTION FOR SURVIVAL

Proprietors of open MSEs were asked to identify the qualities of a good manager. In their responses, good treatment of customers was the principal trait, followed by quality of work and harmonious relation with workers. Cordial and businesslike relations with customers and workers seems to emerge as a crucial aspect of good management as perceived by proprietors.

The same proprietors were also asked to describe the reasons some MSEs survived over the years when others went under. The leading response was a proprietor's hard work. The second most frequent response was the treatment of customers; the third was quality of work, which, in effect, is another aspect of customer treatment. Both for MSE survival and as a sign of good MSE management, maintaining good client relations seems to have assumed crucial prominence since the early 1980s. This includes the production of quality products, the meeting of deadlines, and the ability to hold friendly discussions with old and new customers. For MSEs, a good relationship with customers is, in fact, the usual and perhaps the best means of publicizing products and maintaining clientele.

For some proprietors, however, the most important issue for survival was diversification of activities and products — in other words, one either produces different kinds of products in the same MSE or engages in activities in addition to the current MSE. Thus, the element of toil or travail (or perhaps "hassling") might have played a role in the survival strategy of many MSE proprietors.

Compared with the studies carried out in 1980, there seems a heightened awareness of the need to pay more attention to the marketing aspect of an enterprise. This realization may have been forced upon proprietors as a result of tough product competition from other MSEs or from imports.

TABLE 16

GENERAL DIRECTION OF CHANGE IN BUSINESS INCOME OR PROFIT, BY MSE STATUS

Status of MSEs	Change in Own Profit, 1980-1992									
	Increased		No Change		Decreased		Unknown		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Open:	7	13.2%	15	28.3%	28	52.8%	3	5.7%	53	100.0%
Full-Time	5	14.7%	11	32.4%	17	50.0%	1	2.9%	34	100.0%
Part-Time	1	8.3%	4	33.3%	7	58.3%	—	—	12	100.0%
Sold	—	—	—	—	1	50.0%	1	50.0%	2	100.0%
Inherited	1	20.0%	—	—	3	60.0%	1	20.0%	5	100.0%
Closed	—	—	—	—	7	100.0%	—	—	7	100.0%
Total	7	11.7%	15	25.0%	35	58.3%	3	5.0%	60	100.0%

TABLE 17

GENERAL DIRECTION OF CHANGE IN BUSINESS INCOME OR PROFIT, BY MSE GROUP

MSE Groups	Change in One's Own Business Income or Profit				
	Increase	No Change	Decrease	Unknown	Total
Garment	13.6%	31.8%	54.5%	—	100.0%
Woodwork	13.3%	40.0%	40.0%	6.7%	100.0%
Metal	—	—	100.0%	—	100.0%
Craft	—	—	50.0%	50.0%	100.0%
Repairs	—	16.7%	83.3%	—	100.0%
Shoes/Leather	14.3%	14.3%	71.4%	—	100.0%
All Others	20.0%	—	60.0%	20.0%	100.0%
Total	11.7%	25.7%	58.3%	5.0%	100.0%

CONCLUSIONS

The 1992 dynamic study was concerned with finding out what changes have taken place among 142 MSEs previously surveyed in 1980. To find the changes that had taken place, a thorough attempt was made to trace these MSEs, using addresses from 1980. More than 90 percent of the MSEs were successfully traced.

Of the 142 MSEs, 57 percent still exist in one form or another. The average age of these firms is 20 years. The life span of these MSEs is not only long, but, in addition, the annual closure rate averages only 4 percent.

About one-third of the MSEs could be considered run and owned by their former owners on a full-time basis. The rest are operated on part-time basis, have been sold, have been transferred to heirs, or have been closed; closed MSEs represent 34.5 percent of the total sampled enterprises. The rate of MSE closure is almost uniform across all enterprise groups; about one-third of all MSEs in each group had closed.

In general, the most important reasons for business closure are related to the personal situation or attributes of the proprietor rather than to economic reasons. For example, the two most important factors contributing to business closure are death or emigration of the owner. Each of these factors accounts for almost one-third of the business closures. A distant third factor is shortage of product demand, which accounts for only 12 percent of the closures. Thus, personal factors appear to play a bigger role than economic and business factors in determining the survival of an MSE in Jamaica.

This study indicates an empirical relationship between business survival or growth and approved business practices. An important difference that emerges between MSEs that have closed and those that are still open on a full-time basis is that the open MSEs tend to practice generally accepted and approved business practices. Such practices include keeping records, separating business and nonbusiness money, and keeping bank accounts. A key change that seems to have occurred between 1980 and 1992 is that proprietors no longer expect or demand free government assistance. Another important change from 1980 is that proprietors in 1992 seem to put a great deal of effort and recognition into customer satisfaction through product quality, job punctuality, or engagement in effective interpersonal communication. These factors were explicitly identified by proprietors as essential ingredients of their own survival.

Based on the proprietors' subjective evaluations, it seems that both the number of Jamaican MSEs and the market demand level for their products have increased between 1980 and 1992. However, it appears that the value of sales and the resulting income or profits have declined for some MSE owners.

Finally, between 1980 and 1992, the average size of the work force for all MSEs increased by almost one-third. At the enterprise group level, every category increased its work force by at least one-fifth except metalworking and crafts. At the individual enterprise level, about one-fourth of the MSEs increased their labor force by more than one-half, another two-fifths showed no change, and a little more than one-fourth showed decline. In aggregate, the labor force of the MSEs in the 1992 dynamic study grew at an average annual rate of 2.6 percent.

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68. "Study of the Financial Sector and SME Development in Poland." Bruce Heatly and Cynthia Lynn Chrzan-Lanigan. GEMINI Technical Report No. 68. February 1994. Volume One: Main Report \$5.00; Volume Two: Appendixes \$25.20.
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71. "Changes in the Small-scale Enterprise Sector from 1991 to 1993: Results of a Second Nationwide Survey in Zimbabwe." Lisa Daniels. GEMINI Technical Report No. 71.

Technical Notes:

Financial Assistance to Microenterprise Section:

- *1. Series Notebook: Tools for Microenterprise Programs (a three-ring binder, 1 and 1/2 inches in diameter, for organizing technical notes and training materials) and "Methods for Managing Delinquency" by Katherine Stearns. April 1991. \$7.50. Also available in Spanish and in French.
- *2. "Interest Rates and Self-Sufficiency." Katherine Stearns. December 1991. \$6.50. Also available in Spanish and in French.
- *3. "Financial Services for Women." C. Jean Weidemann. March 1992. \$5.00. Also available in Spanish and in French.
- *4. "Designing for Financial Viability of Microenterprise Programs." Charles Waterfield. March 1993. \$10.00 with diskette

*5. "Monetary Incentive Schemes for Staff." Katherine Stearns, ACCION International. April 1993. \$3.80.

Nonfinancial Assistance to Microenterprise Section:

*1. "A Field Manual for Subsector Practitioners." Steven J. Haggblade and Matthew Gamser. November 1991. \$4.65. Also available in Spanish and in French.

*2. "Facilitator's Guide for Training in Subsector Analysis." Marshall A. Bear, Cathy Gibbons, Steven J. Haggblade, and Nick Ritchie. December 1992. \$35.00

Field Research Section:

*1. "A Manual for Conducting Baseline Surveys of Micro- and Small-scale Enterprises." Michael A. McPherson and Joan C. Parker. February 1993. \$13.60

Special Publications:

*1. *Training Resources for Small Enterprise Development*. Small Enterprise Education and Promotion Network. Special Publication No. 1. 1992. \$11.00

*2. *Financial Management of Micro-Credit Programs: A Guidebook for NGOs*. Robert Peck Christen. ACCION International. Special Publication No. 2. 1990. \$19.00

*3. *The ADEMI Approach to Microenterprise Credit*. A. Christopher Lewin. Special Publication No. 3. 1991. \$15.00

*4. *Microempresas y Pequeñas Empresas en la República Dominicana. Resultados de una Encuesta Nacional*. Miguel Cabal. Michigan State University and FondoMicro. Special Publication No. 4. 1992. \$9.00

*5. "GEMINI in a Nutshell: Abstracts of Selected Publications." Compiled by Eugenia Carey and Michael McCord. Special Publication No. 5. 1993. \$10.00

*6. "GEMINI Publications Catalog." Special Publication No. 6. 1993.

Other Publications of General Interest:

1. "Expansion with Quality: Building Capacity in American Microenterprise Programs." Elisabeth Rhyne. Development Alternatives, Inc. July 1993. \$3.30.

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