



Local Enterprise Support Project

Micro and Small Enterprise (MSE) Survey

Results for Irbid Governorate

Tuesday, March 15, 2016 (Version 2)

DISCLAIMER

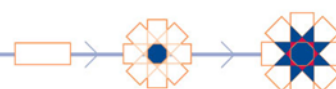
The USAID Jordan Local Enterprise Support (LENS) Project is funded by the United States Agency for International Development (USAID) and implemented by FHI 360. This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of FHI 360 and do not necessarily reflect the views of USAID or the United States Government.

ACKNOWLEDGEMENTS

This report was written by Bryanna Millis and Rafael Piliard-Hellwig, with contributions from Faisal Awartani, Muin Khoury, Edmund Morris, and Jonathan Peters. The report was translated by Dania Mousa and Shadi Al Rawashdeh.

ERRATA

The current version of the reports for Amman, Irbid, and Zarqa contain graphs and figures that differ slightly from an initial release of the governorate reports. This is due to a post-stratification re-weighting of the survey data that adds accuracy and brings the methodology in line with that used in the Aqaba, Karak, and Tafilah reports.



Highlights

19,906
MSEs

MSES ARE THE MAJORITY > There are an estimated 19,906 micro and small enterprises in Irbid. Roughly half of all MSEs are single-person businesses, and just under half operate in retail and trade.

8.5%
WOMEN

MSES ARE MALE-DOMINATED > Only 8.5% of Irbid's MSEs are female-owned. Women who have MSEs are more likely than men to earn less, to operate out home locations, and to work out of necessity.

3/4
ARE REGISTERED

MSES EXIST ON PAPER > Despite the fact that most MSEs do not pay tax and only half have employees, three quarters are nonetheless registered with the Ministry of Industry and Trade.

5 YEARS
IN EXISTENCE

MSES ARE NACENT > The typical MSE has been in business for five years. Three quarters of businesses in Irbid believe they will continue to operate for at least 3 years.

275 JD
PROFIT

MSES STRUGGLE TO GET BY > MSEs that make profit report a median bottom line of 275 JD per month (usually excluding the MSE owner's own salary). 59.4% of MSEs are losing money or struggling to live comfortably.

16% USE
COMPUTERS

MSES ARE DIGITALLY ABSENT > Only 16% of businesses use a computer in the course of their work. 13.4% uses social media either for work or personal purposes.

7%
PENETRATION

MSES LACK COLLECTIVE POWER > Memberships in associations are weak. With the exception of the chambers, the penetration rate for trade associations, business groups, and cooperatives is 7.1%.

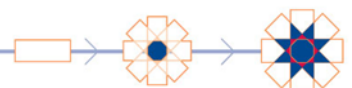
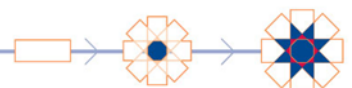


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Data was compiled using data file “**final_lens_spss.sav**” (SHA-1 digest c245f0c809)



Introduction

About USAID LENS

The USAID Jordan Local Enterprise Support Project (LENS) is a five-year project to encourage the long-term economic growth and development potential of underserved Jordanian communities. USAID LENS combines local economic development with private sector development initiatives to help create jobs and sustainable growth that is inclusive of women and youth.

LENS' systemic approach to local economic development is meant to catalyze inclusive local and regional economic networks in a business-enabling environment, while developing the competitiveness, sustainability and growth of micro and small enterprises.

About the Survey

Although Jordan's economy is dominated by micro and small enterprises (MSEs)¹, relatively little is known about them. To overcome this informational gap, USAID LENS conducted a survey of MSEs in 2014-2015 to better understand Jordanian enterprises and to assess the major barriers and opportunities for growth. The study covers general demographics, workforce trends, firm performance, access to finance, processes and networks, and the impact of the Syrian refugee crisis.

The survey consists of 86 questions in a double sampling design with stratification. The data gather representative information for all MSEs operating in the governorates of Amman, Zarqa, Irbid, Karak, Tafilah, and Aqaba.² Although the study is not intended to be national in scope, the target population of the six areas collectively capture 60% of the kingdom's population.

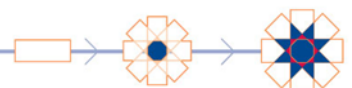
As a complex survey, the research design was undertaken using probability sampling in two phases. In the first phase, 977 geographic clusters were randomly selected from districts in each area. From these clusters, 97,347 households were contacted through door-to-door interviews, of which 10,197 reported owning a business. A sub-sample of 6,385 MSEs was then drawn, stratified by sector governorate. 4,721 of these MSEs were then successfully surveyed (651 in Irbid).

This report focuses exclusively on results from the governorate of Amman. Findings are taken from USAID LENS' MSE survey, and can reliably be generalized to all MSEs within this geographic boundary.³

¹ In this paper, micro- and small-enterprises are categorized in accordance with USAID LENS' definition. A business (formal or otherwise) having fewer than 10 full-time employees (excluding the owner) is classified as a microenterprise, whereas businesses with 10 to 49 full-time employees, are categorized as small.

² Throughout this paper, the area of "Amman" refers to the geographic area of Amman governorate, excluding the Greater Amman Municipality ("GAM") which was excluded from the study. The area of "Aqaba" refers to the Aqaba Governorate, excluding the Aqaba Special Economic Zone ("ASEZA").

³ Although results are representative of MSEs within each geographic area, results cannot be disaggregated on a more granular geographic level without compromising on acceptable sampling error rates. This is due to the clustering design in the first phase.



General Demographics

Firm Characteristics

Based on the survey research, there are an estimated 19,906 MSE owners in Irbid. Governorate⁴ An overwhelming majority of these are men (91.5%).

The proportion of male to female businesses is generally consistent with government figures. According to the Department of Statistics (DOS), women account for only 13.0% of the labor force nation-wide. According to the survey, just under one out of 10 businesses in Irbid either employs women or is managed by one.

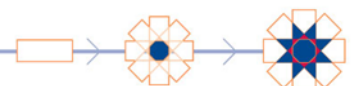
Demographics (Irbid)	Sample	Population Estimate ⁵	
	<i>n</i> = 651	<i>N</i> = 20,207	% of group
By Select Sector⁶			
Food Processing	110	3,262	16.4%
Tourism	58	1,694	8.5%
Transport	56	1,555	7.8%
ICT	39	571	2.9%
Other	388	12,823	64.4%
By Sex of the Owner			
Male	600	18,221	91.5%
Female	51	1,685	8.5%

Food Processing accounts for the largest of the four sectors above, representing 16.4% of all MSEs in Irbid. Tourism follows with 8.5%, Transport with 7.8%, and ICT with 2.9%. MSEs outside of these select sectors account for the remaining 64.4%.

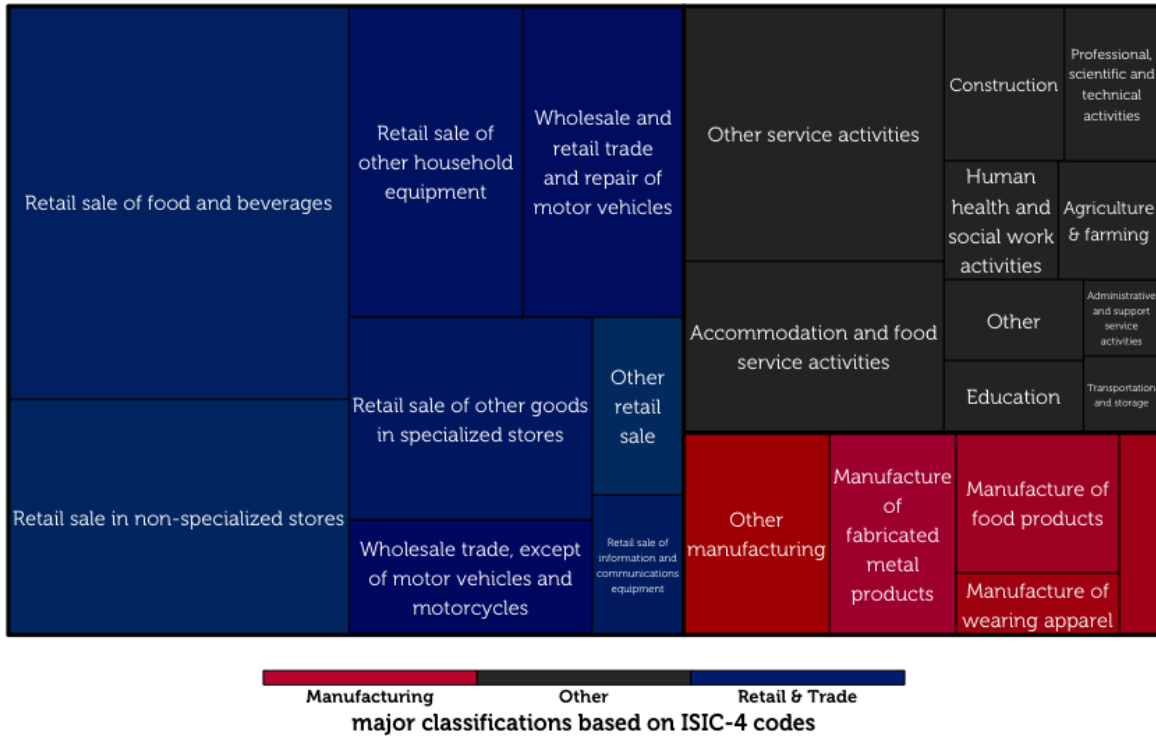
⁴ This total represents an estimate for the total number of MSE owners, without accounting for multiple-ownership. The survey reveals that 14.8% of business owners in Irbid have a second business. The total number of MSEs is therefore higher than the total number of MSE owners. Throughout this report, we relax this strict distinction and commonly use language such as “X% of MSEs...” when referring to data about MSE owners.

⁵ In this report, “Population Estimate” means the absolute number of MSE owners in Irbid, estimated using inclusion probabilities from the random sample. This statistical definition of “population” is not the same as the general understanding of the word in everyday language, which refers to the total number of people living within the boundaries of a nation state. Although many statistical publications use \hat{t} or Y when referring to these estimates, in this report we use the more intuitive notation N to denote population estimates, and n to denote unweighted sample counts.

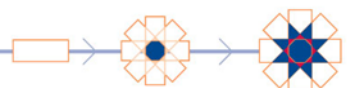
⁶ Four sectors are examined throughout this report: Tourism, ICT, Transport, and Food Processing. These groupings are created on the basis ISIC-4 classifications collected in the survey, and are the primary data to reflect the four target sectors used for interventions in the LENS project.



Main sectors in Irbid Governorate

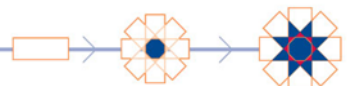
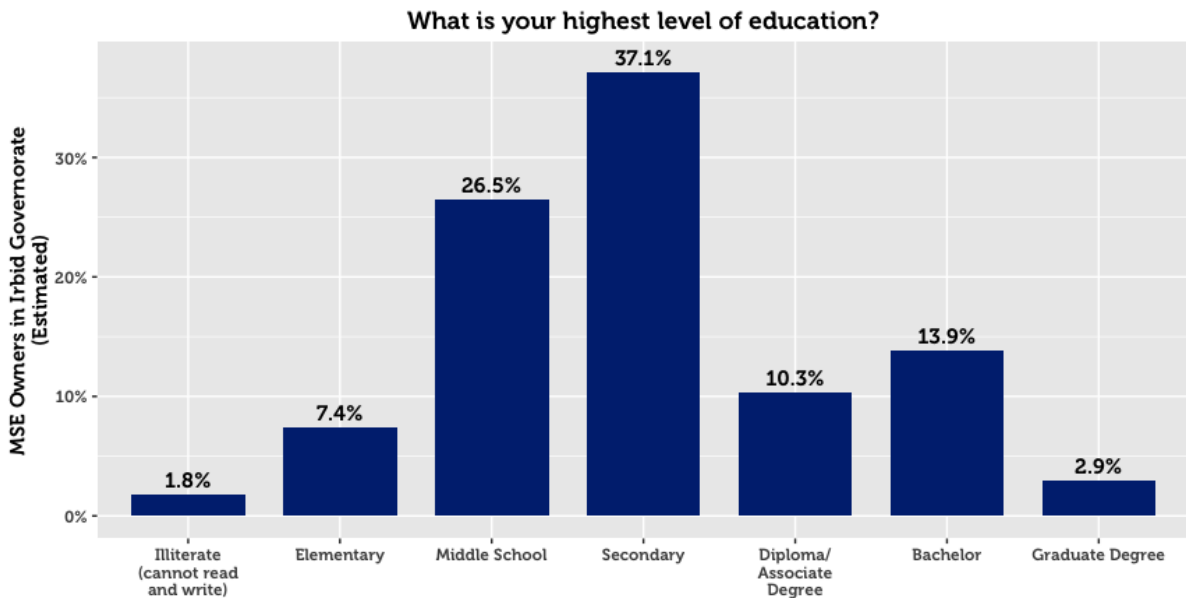
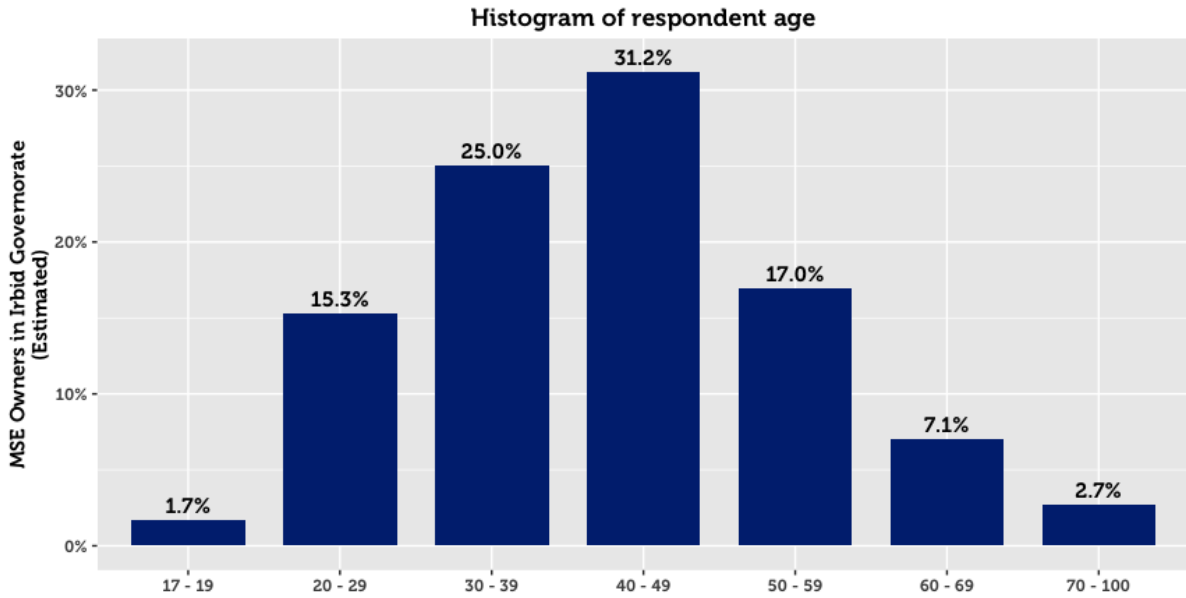


The treemap diagram above shows the relative sizes of each business category, as classified by ISIC-4 codes. Retail and trade dominates as the largest sector (58.7%), followed by manufacturing (13.3%).

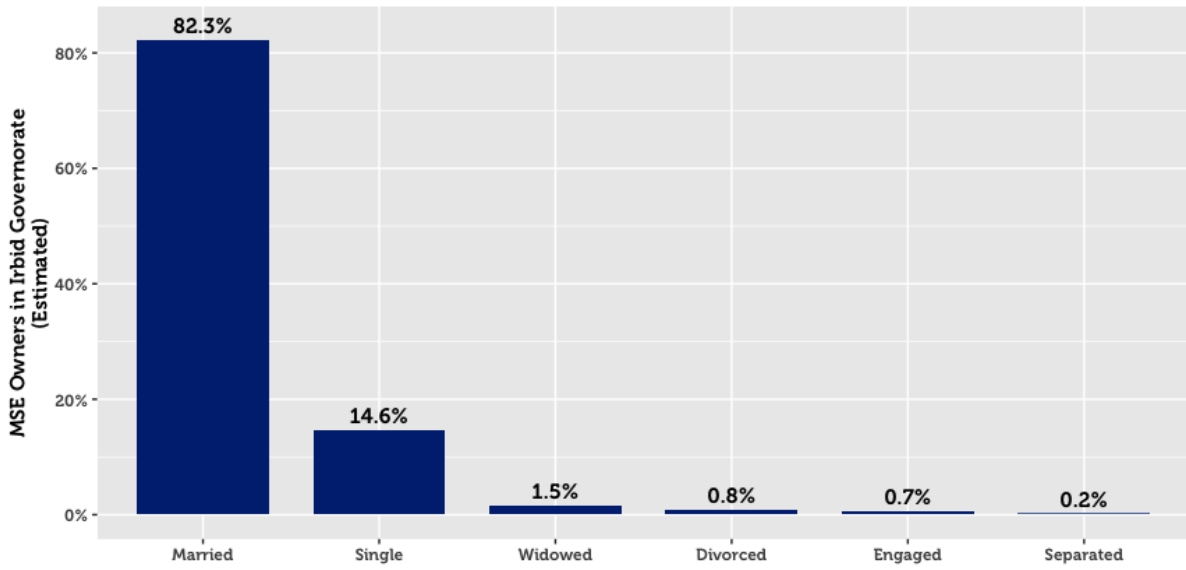


Respondent Characteristics

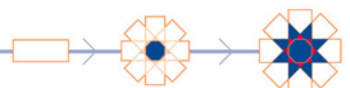
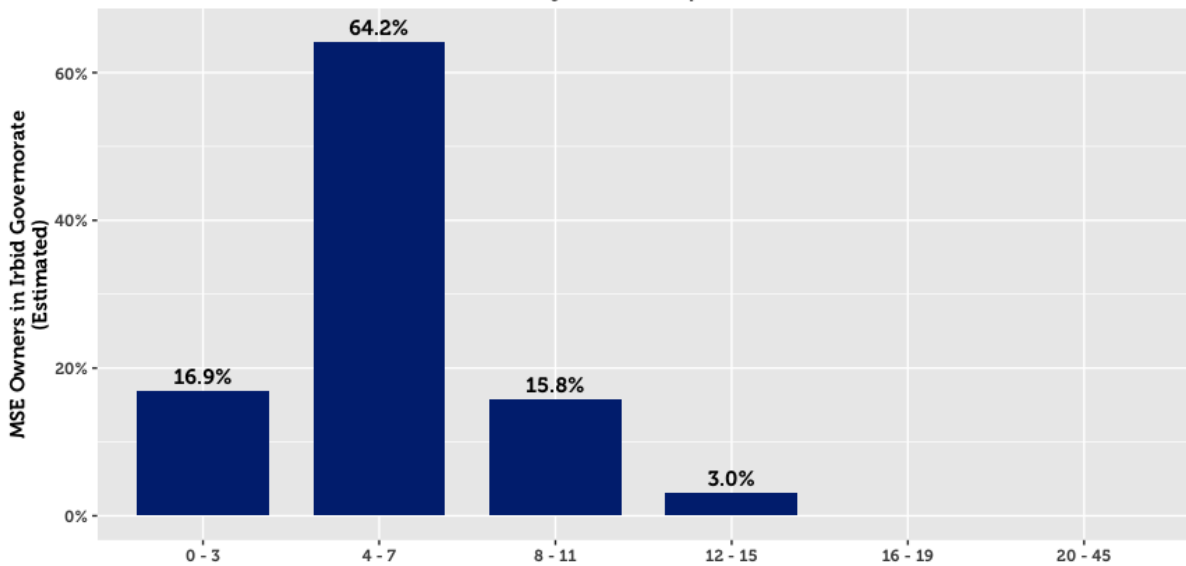
The typical MSE owner in Irbid is a married, 41-year old male with secondary school as his highest level of education. Nearly two thirds of these owners have families of moderate size (4 – 7 members). Male business owners are typically the primary earners of their household, in sharp contrast to female MSE-owners, who are rarely the breadwinners for their families.

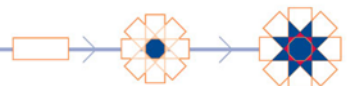
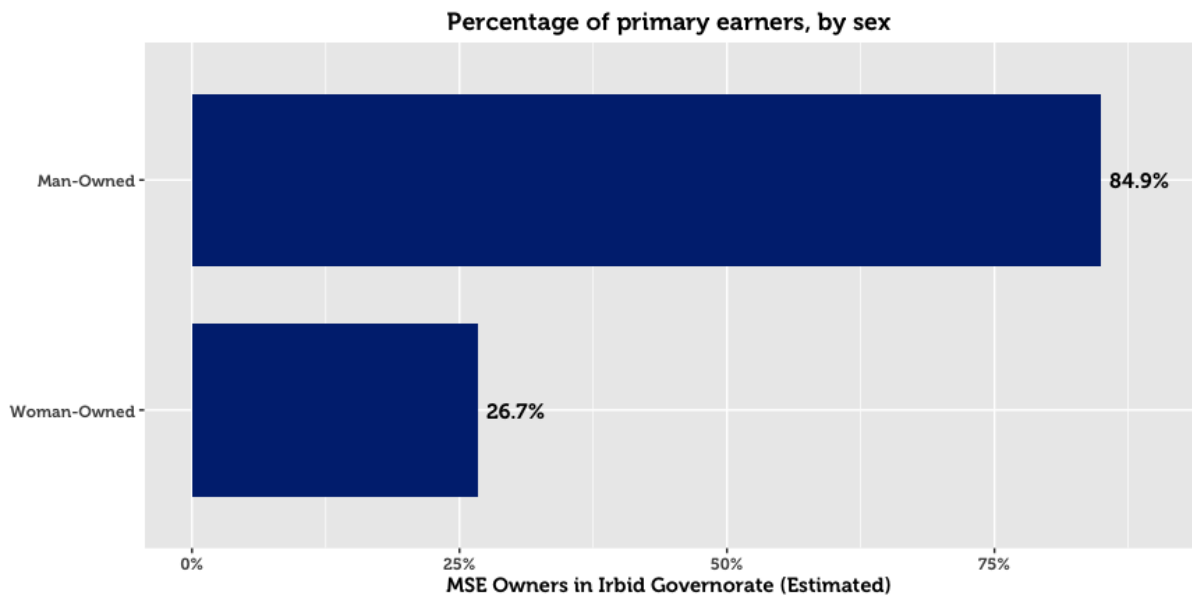


What is your marital status?



Family size of respondents

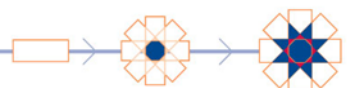
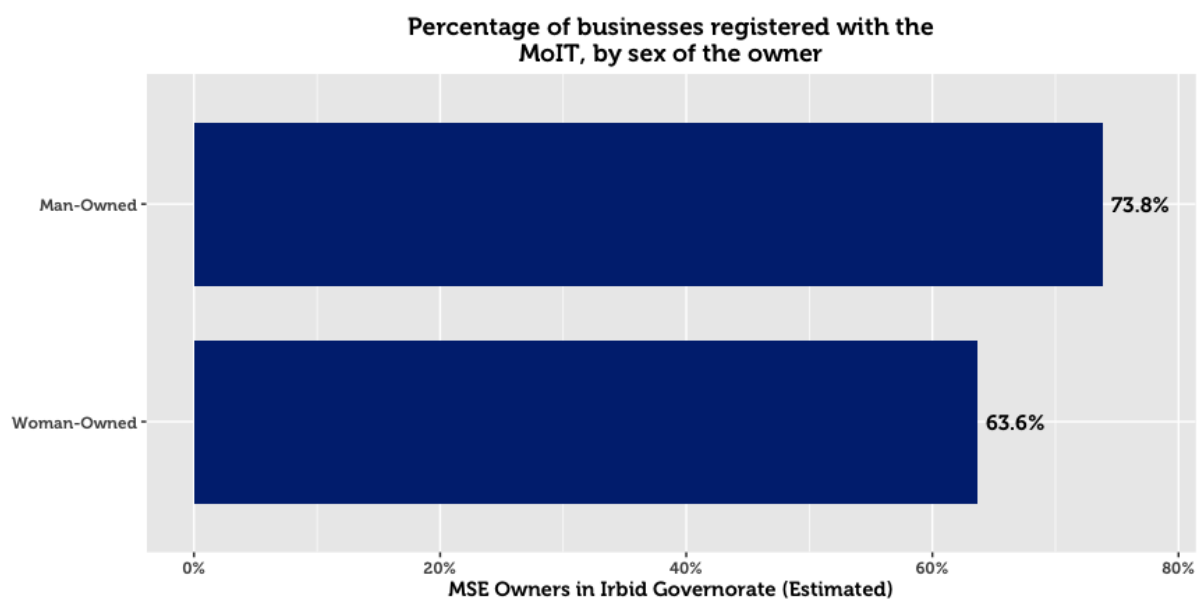




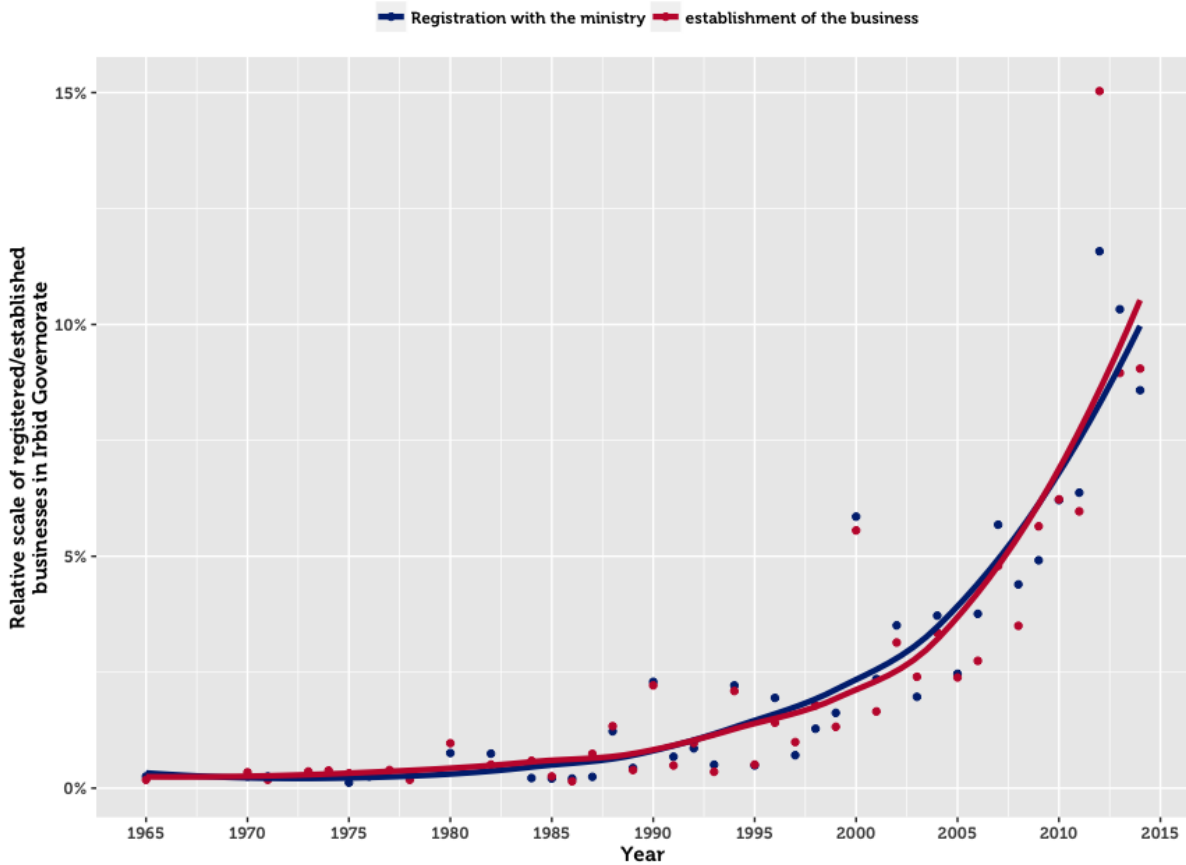
Establishment, Registration & Business Continuity

The survey reveals that roughly half of the MSEs in Irbid in existence today were established after 2008. Going back further, 75% of MSEs registered after 2000. 77.4% of all MSEs in Irbid believe that they will continue with the business over the next three years—a higher rate than in Amman or Zarqa.

A higher number of businesses are registered with the Ministry of Industry and Trade (MoIT) than anticipated. 73% of all MSEs in Irbid are registered with the Ministry, a figure that is dramatically higher for man-owned businesses (73.8% for men compared to 63.6% for women). Registered businesses tend to be older than unregistered businesses by an average of four years.



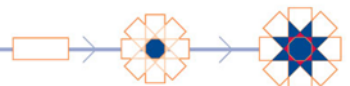
Establishment and registration of businesses in existence today



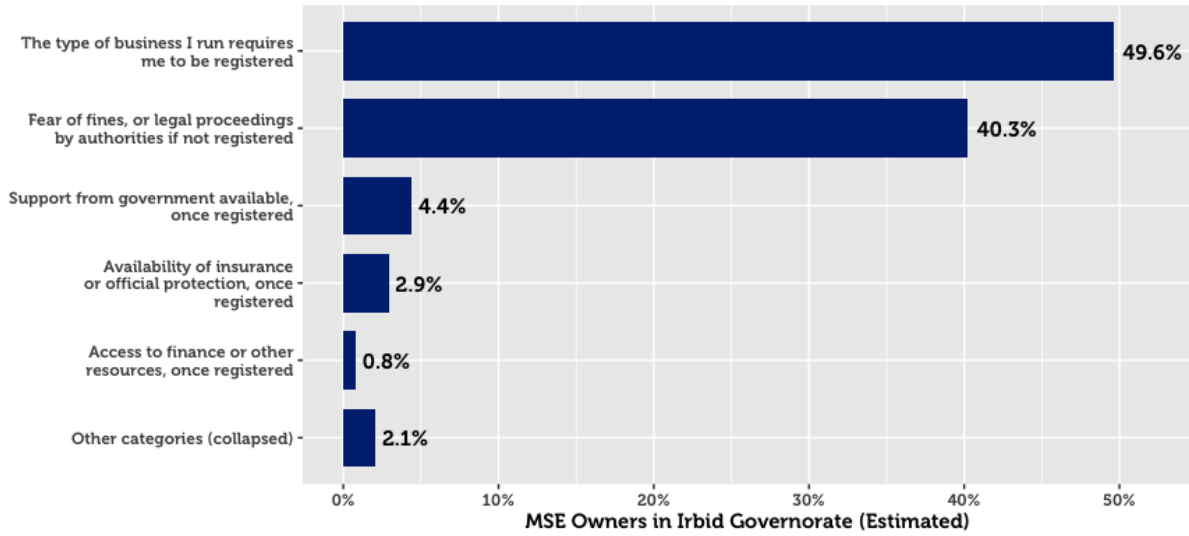
The above chart plots the frequency of business establishments and registrations by year. Almost all registered businesses were established and registered in the same year. The upward trend in registrations over time is explained by three factors: (1) growth in the population of Jordan, (2) initiatives by the government to increase awareness and simplify the registration process, and (3) survival rates. The third reason implies that businesses that existed in the past but no longer operate become excluded from the sample. Such business may have gone out of business for financial reasons, or ceased to exist due to the passing of the owner.

For those who chose to register, two main reasons emerge. The first reason is that registration is legally compulsory for their type of business (cited by 49.6%). The second is that MS owners fear fines or harassment by police and authorities (cited by 40.3%). The support available from the government once registered, availability of insurance or official protection, and access to finance were not considered to be important primary motivations for business registration.

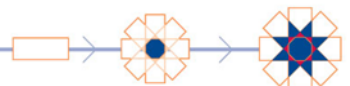
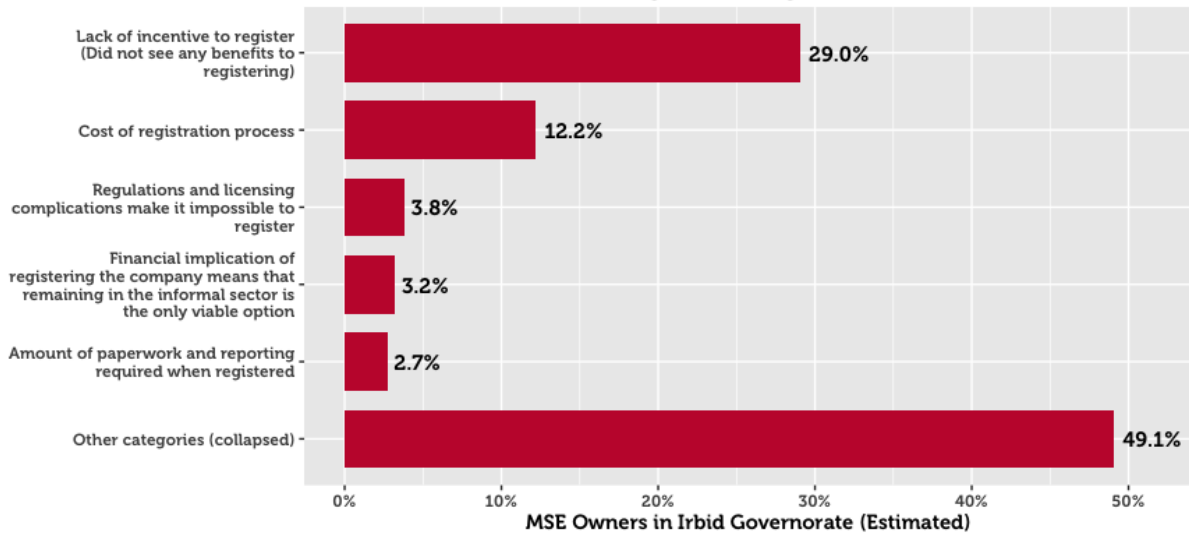
On the flip side, the dominant explanation given by half of the unregistered MSEs in Irbid is that they see no benefits from officially registering their business (29.0%). 49.1% of MSEs who did not register responded with the category "Other" when asked for a reason.



Primary reason for registering with the Ministry of Industry and Trade



Primary reason for not registering with the Ministry of Industry and Trade



Seasonal Business

An estimated 94.8% of MSEs operate all year round. Woman-owned businesses are 1.4 times as likely as man-owned businesses to be seasonal.

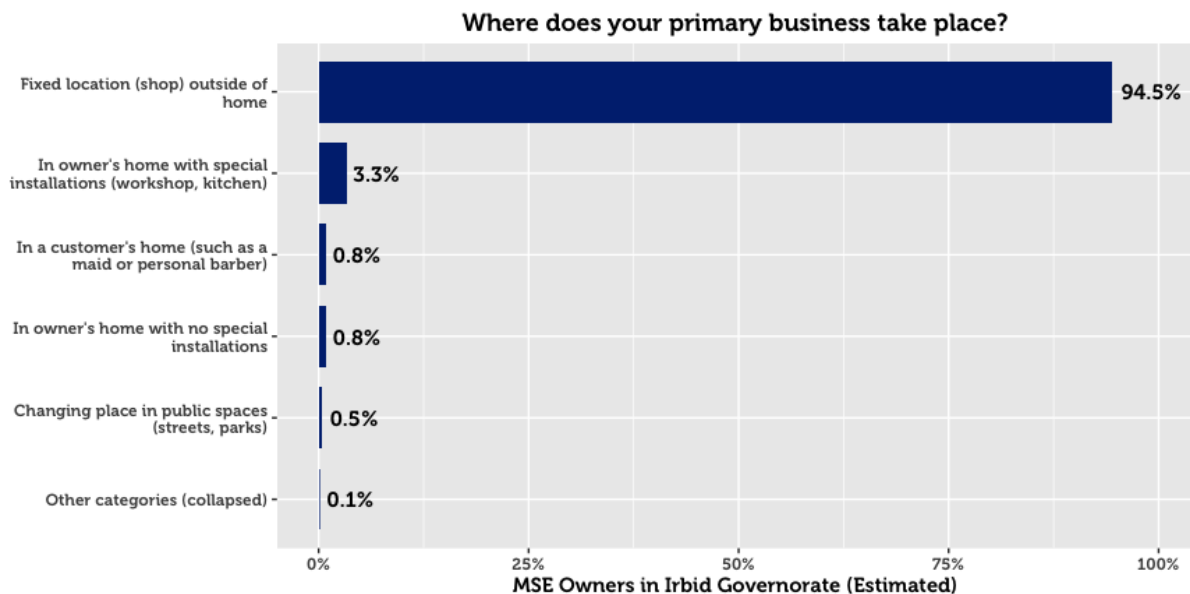
Working Hours

47.4% of business owners work over the recommended 49 hours a week. This trend of long work hours is particularly pronounced in the Food Processing, Transport, and Tourism sectors.

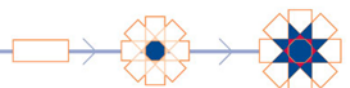
Location of Conducting Business

In Irbid, the majority of business is conducted from commercial location (94.5%). This is more pronounced for men than woman, as men are 1.3 times as likely to operate out of a fixed location out of the home.

In stark comparison, 4.1% of MSE are home-based⁷. Gender differences on this dimension are high, with 27.4% of woman-owned businesses operating from their own their own homes compared to 2.0% of man-owned businesses. Home-based businesses are most commonly found in animal production, retail sale in non-specialized stores and other personal service activities. Only 0.5% of all businesses are run at changing place public spaces (such as markets). Those who participate in these changing locations are almost exclusively male.

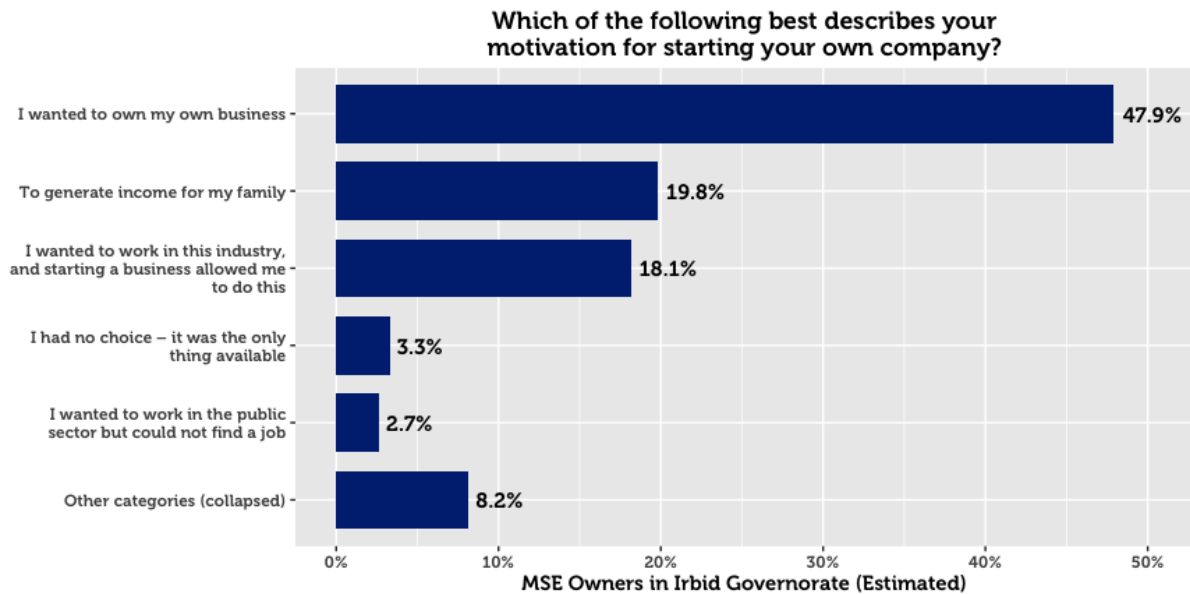


⁷ In this report, a home-based business is any enterprise or income-generating project that operates from the owner's home. As a result, this definition does not include MSEs operating in the homes of clients (maids, personal care, etc.).



Business Motivation

The main motivation for starting an MSE is the desire to become a business leader. 47.9% of MSEs state that this the main reason they started their business. The second most popular reason is to generate income for the family (19.8%). The third most frequent reason is an interest in the industry. Interestingly, this response was more common among female owners (28.7% of women cited this as their primary motivation, compared to 17.1% of men).

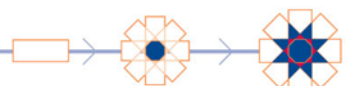


Conducting Other Business

A small number of MSE owners have more than one business or income-generating project (14.9%). Men are 1.2 times as likely as women to have another business.

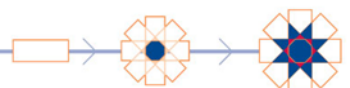
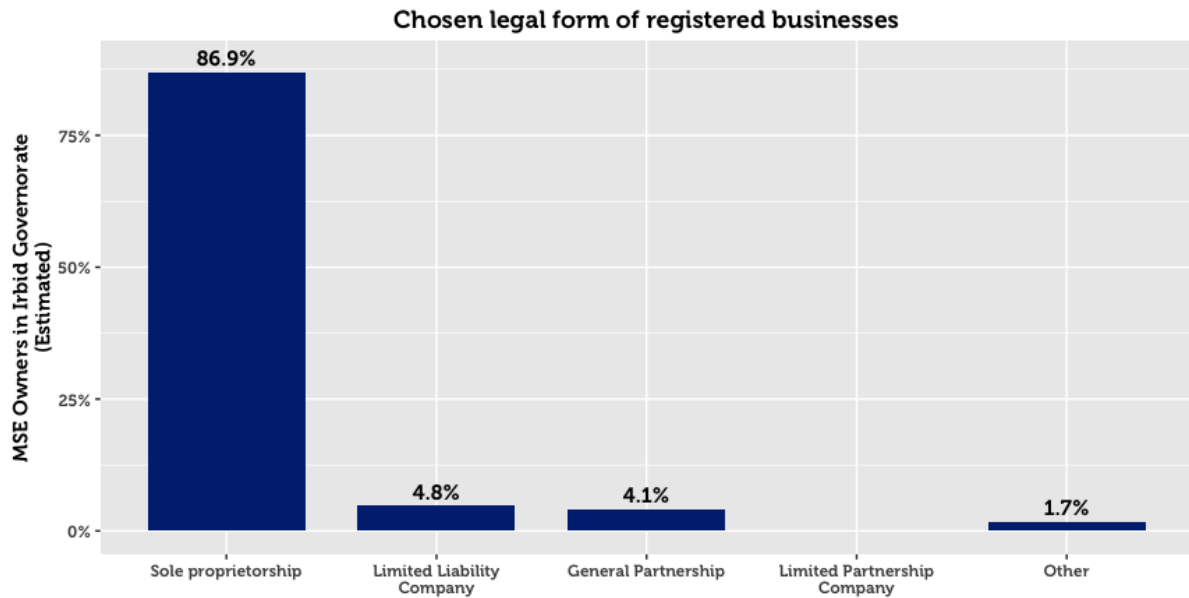
Legal Ownership of Business

78.1% of businesses in Irbid are self-owned. For the others, 6.7% are owned by a male family member, and 3.8% by a male non-family member.



Form of Incorporation

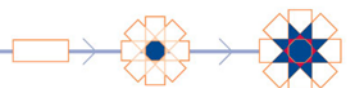
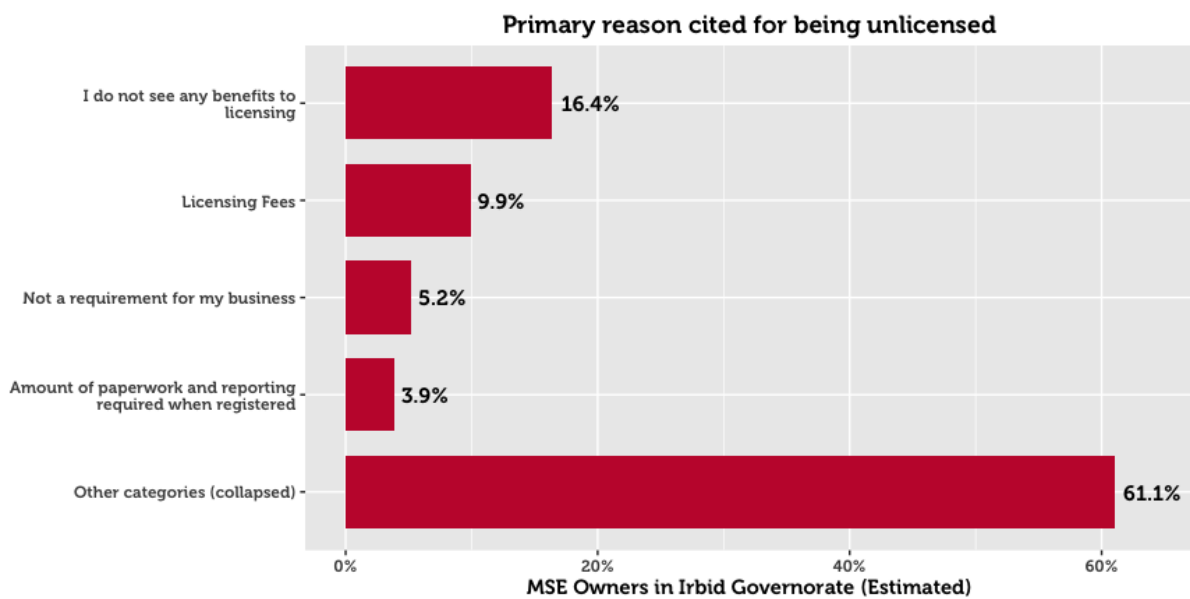
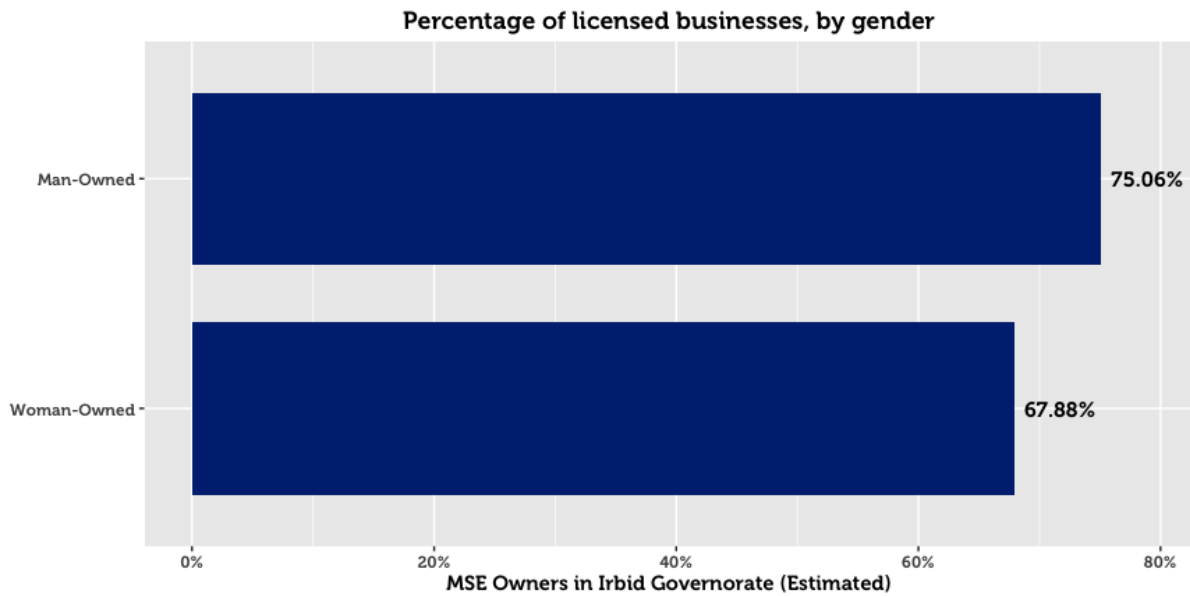
The majority of MSE owners who are formally registered exist as sole proprietorships (86.9%). Others are typically either Limited Liability Companies (4.8%) or General Partnerships (4.1%). These last two categories are more common among companies that have employees. This is not surprising; given we would expect multi-person enterprises to take advantage of these legal forms.



Licensing

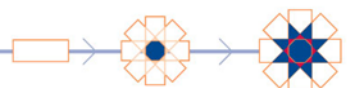
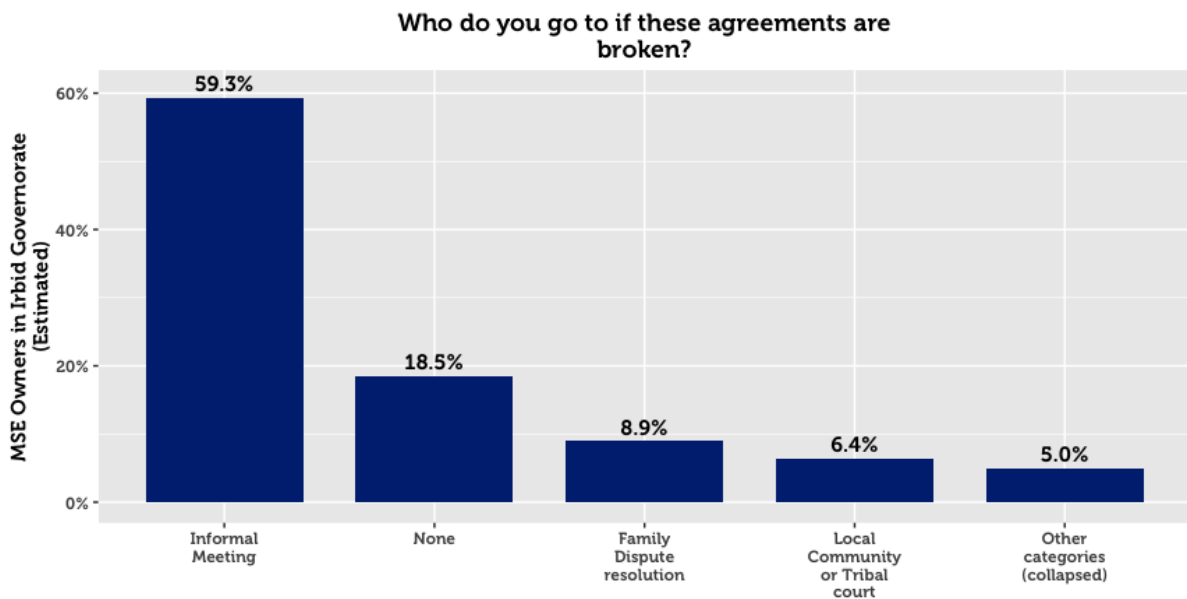
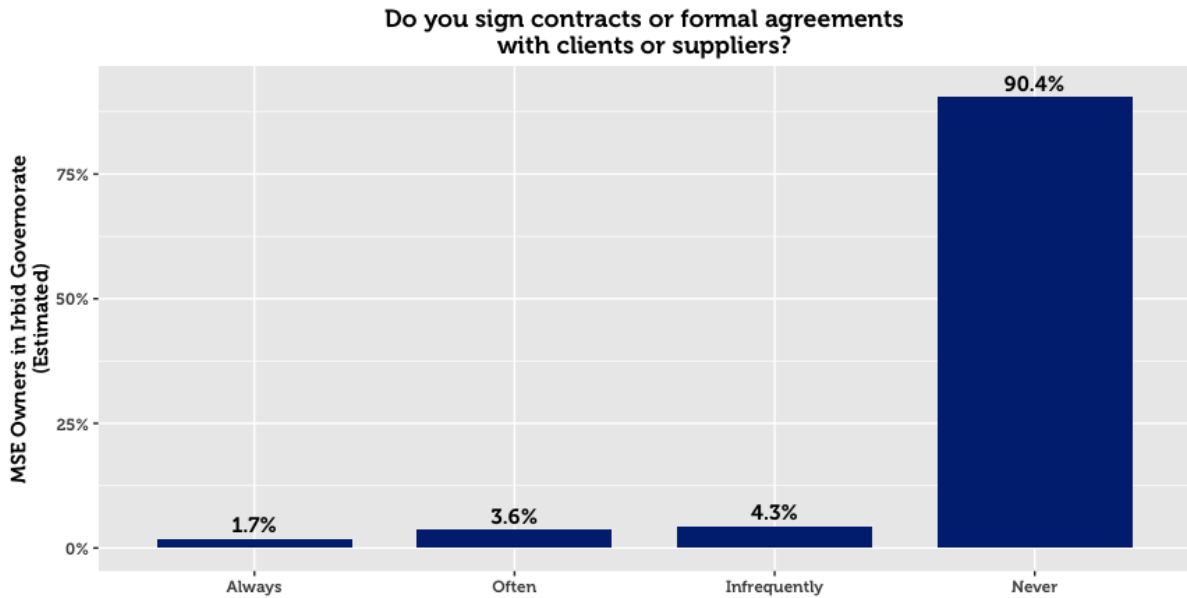
MSEs are by and large licensed with their municipalities. However, there exists a small subset that are registered but not licensed (1.9%), and a subset that are licensed but unregistered (3.9%). This may point to either a) misunderstanding of the question on behalf of the respondent, b) an expired license from the municipality, or c) an informal or illicit acquisition of a license from the municipality. As one might expect, home-based businesses have far higher chances of being unlicensed.

The two primary reasons cited by MSE owners for not being licensed are that they saw no benefits to doing so (16.4%), and they believe the licensing fees are high (9.9%). Over half of respondents cited “other reasons” perhaps due to reluctance to answer truthfully to a sensitive question.



Contracts

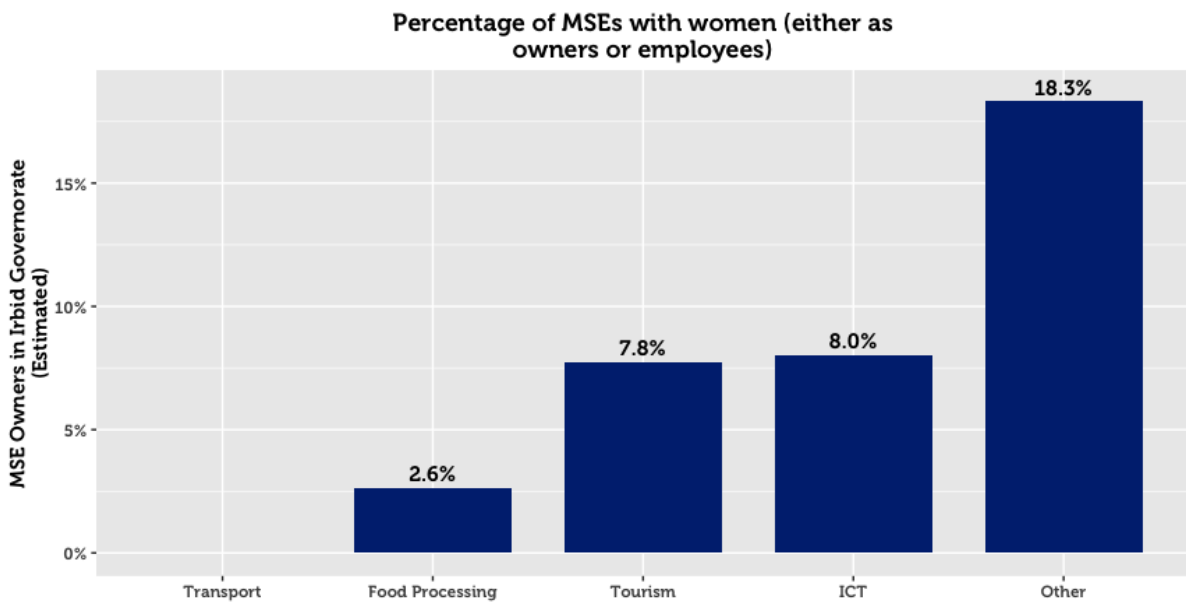
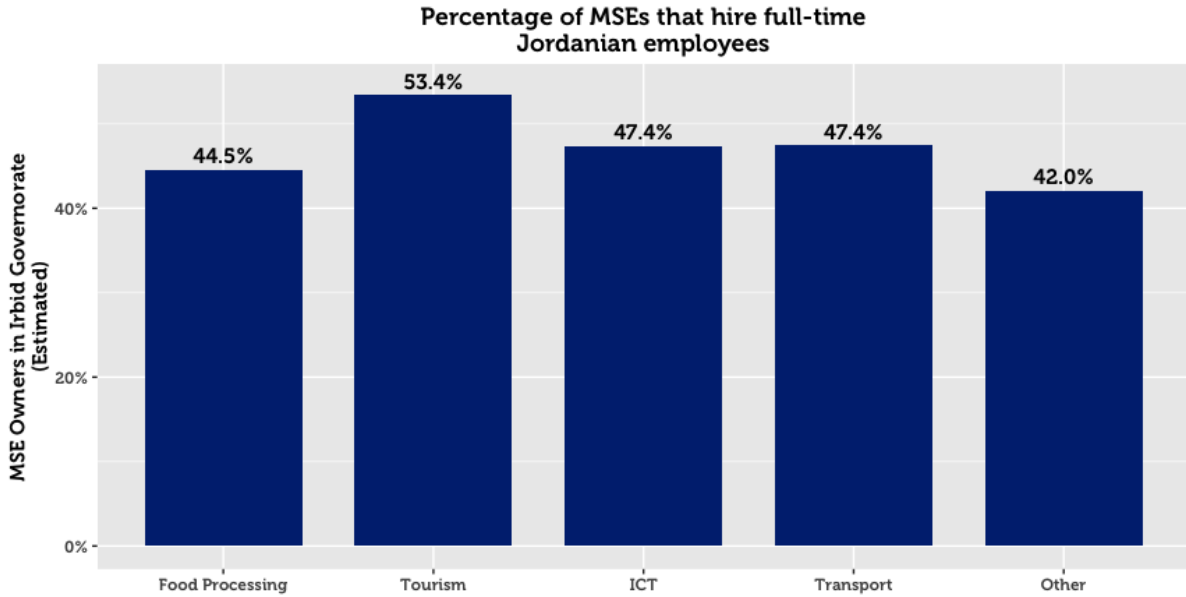
A large majority of surveyed enterprises never sign contracts: 90.4% of all MSEs. Only 5.3% report signing contracts either always or often. In the event of a dispute, almost no MSE owners opt to take legal proceedings. Approximately 2 in 3 will resort to an informal meeting or family intervention.



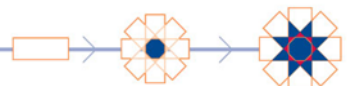
Workforce

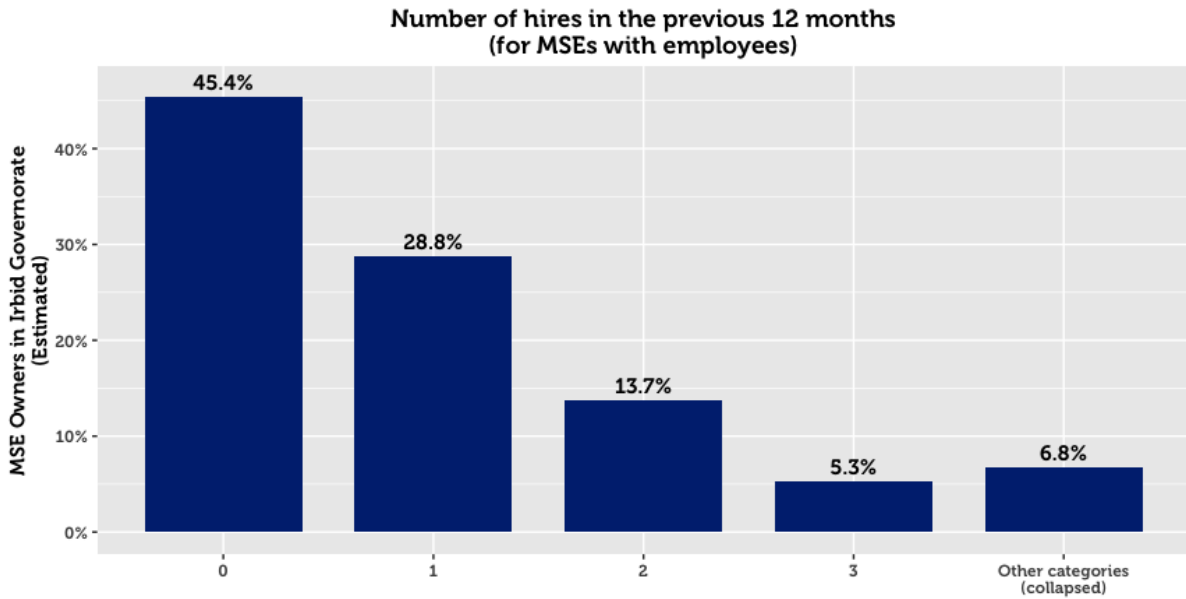
44% of Irbid's MSEs hire employees⁸. Two thirds of these enterprises employ less than three full-time workers across various sectors. Employment of women is rare, as only 8.2% of all MSEs in the governorate have female employees (13.1% for MSEs with employees).

45.4% of MSEs with employees in Irbid did not hire any new employees in the last year, and 28.8% hired exactly one employee. Only 5.6% of these enterprises report employing workers below the age of 18.



⁸ Part-time employees were not documented in the first round of the survey.

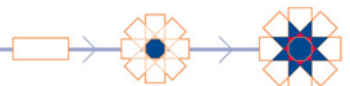




47.8% of enterprises hires between 1-3 workers. Of those that hire workers, 45.4% say that none left their business during the last 12 months. Of those that did experience talent loss, the major attributions are personal reasons, unsuitable working hours, employees leaving to start their own business, and employees being hired by a competitor for a better wage.

Primary Reason for Employee Loss (Irbid)	All N = 1,721 ⁹
Personal reasons	24.2%
Unsuitable working hours	15.4%
Employee left to establish own business	12.8%
Hired by a competitor for a better wage	10.8%
Employee moved abroad for work reasons	7.6%
Other reasons	29.3%

⁹ 1,721 out of 19,906 businesses in Irbid Governorate lost employees in the last 12 months.



Employee Training

Only 28.1% of MSEs with employees offer their workers in-house training. Those that do typically offer technical training, informal mentorship, marketing assistance, or business management training. External trainings for employees are less common at 12.0%.

MSEs that Offer Employee Training* (Irbid)	In-House	External
	28.2 % N = 2,456	12.0% N = 1,054
Technical training/advice in your industry	24.2%	9.0%
Informal advice/mentorship	20.5%	6.7%
Business Management training	12.7%	4.0%
Marketing assistance/market information	11.6%	4.2%
Recordkeeping	6.1%	3.0%
Human resources/soft skills training	4.2%	2.1%
Other	10.6%	6.1%

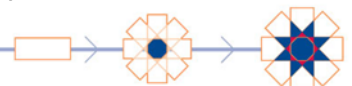
* Domain of analysis comprises only of companies with employees (8,751 total)

External Assistance

It is estimated that only 3.4% of MSEs in Irbid receive technical assistance.¹⁰ A very small proportion receive assistance¹¹ from a business service provider (2.3%), a private company (2.2%), or from informal networks such as friends and family (2.0%).

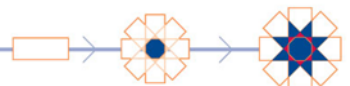
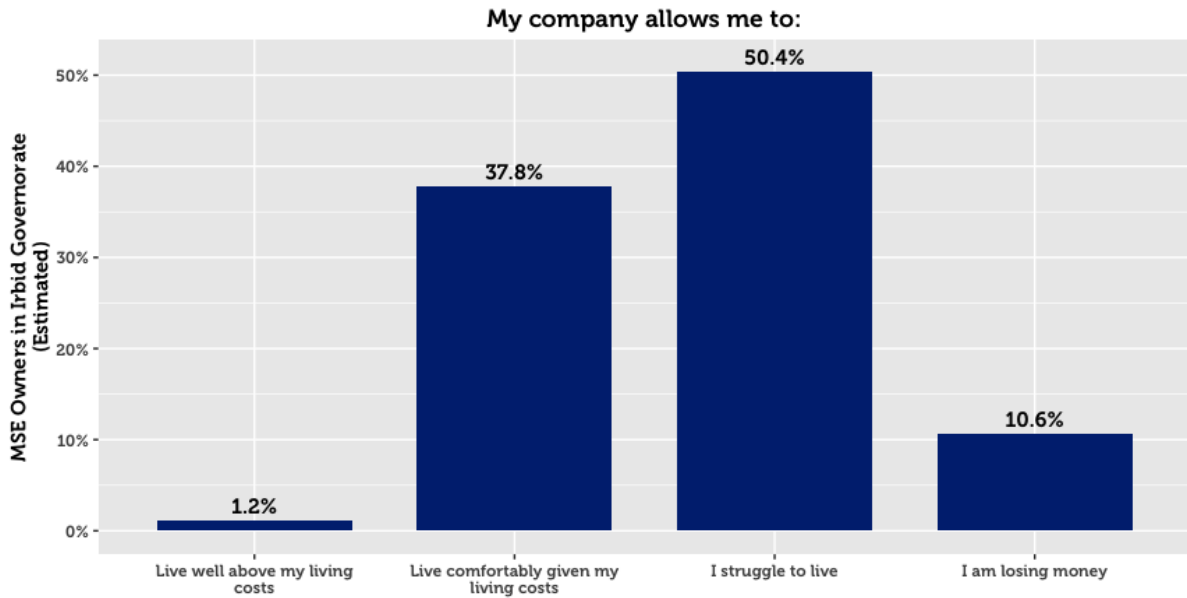
¹⁰ Due to an error in the tablet software used for interviews, questions concerning technical assistance were only posed to MSE owners with employees.

¹¹ Understood as financial or resource contributions from an international or local agency.



Firm Performance

61.0% of MSE owners report that they are either losing money or struggling to live comfortably. Only 37.8% of surveyed enterprises maintain that their business allows them to live comfortably, and 1.2% claim that their company allow them to live well above their living costs.

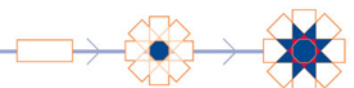


Barriers to Economic Growth for MSEs

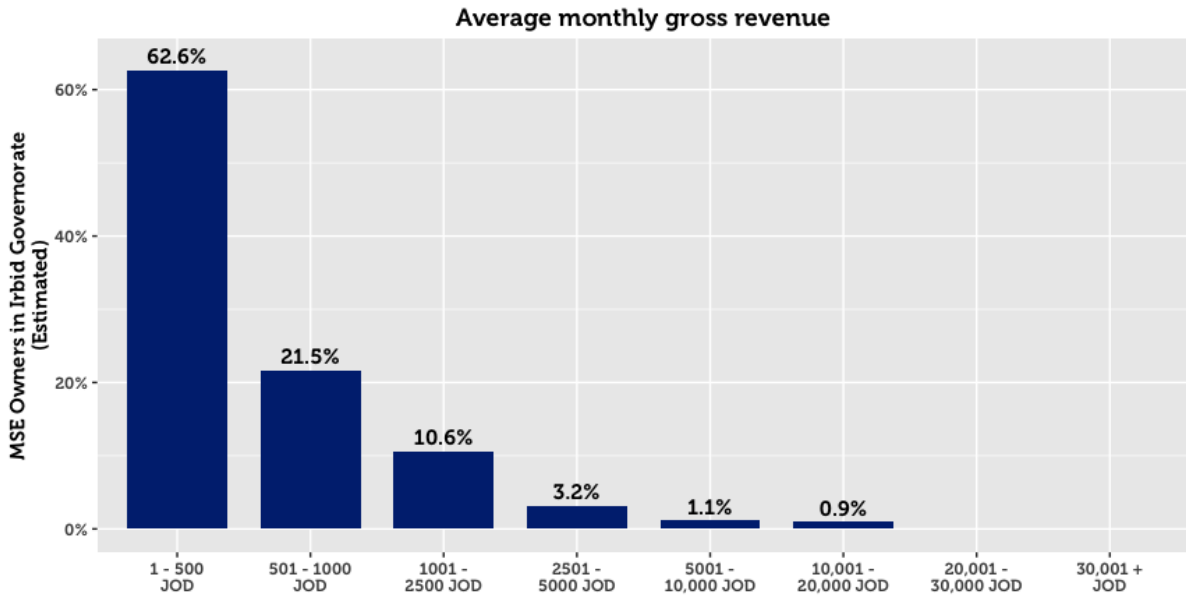
MSE owners were asked to state whether they agreed or disagreed that the following items represent barriers to the development their firms:

Barriers to Success (Irbid)	All	By Sex	
	N = 19,906	Men	Women
Low Demand	62.7%	64.1%	47.9%
Low Purchasing Power	56.6%	58.3%	39.1%
Cannot compete with quality of the products?	24.4%	24.9%	18.8%
Lack of family support	22.6%	23.6%	11.5%
Uncompetitive Products	22.0%	22.0%	22.7%
Lack of financial support	21.7%	21.7%	21.8%
Lack of human resource options	21.1%	21.6%	15.9%
Lack of appropriate suppliers	19.9%	20.1%	18.1%
Lack of management skills	18.1%	18.4%	14.5%
Lack of market information about the markets	17.7%	17.8%	16.3%
Unreliable transportation network	16.7%	16.8%	16.0%
Weak technical support or skills in this area	16.5%	17.1%	10.5%
Lack of proper marketing skills	16.5%	17.0%	10.5%

The majority of firms believe that the major barriers are macro-economic in nature. Low demand and low purchasing power top the list of barriers to success. Despite the fact that most MSEs lack many formal processes and mechanisms such as a bank account or trainings, most do not perceive this a major gap or barrier. Similar to the other two northern governorates, fewer MSEs in Irbid indicated that a lack of appropriate suppliers was a barrier to development compared to the governorates of the south (19.9%, compared to a combined average of 34.3% for the governorates of the south).



Financial Performance

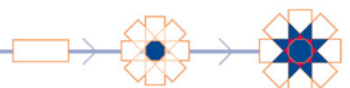


62.6% of MSEs in Irbid report a monthly turnover of JOD 500 or less. However, 19.9% either refuse to disclose the exact amount, or do not know the amount. On average, women-owned MSEs, non-registered or home-based business, and single-person enterprises report significantly lower gross revenue.

Profit is a more sensitive issue: Although 47.9% report finishing the previous month in the black, 12.1% refuse to disclose the amount, and 40.0% do not know the amount. Nevertheless, of those who make profit and are willing to share this information, the median profit is 275 JOD. The median amount of savings per month in Irbid is 204 JOD.

7.6%
 Of MSEs in Irbid make
 monthly savings

76.4%
 Of MSEs in Irbid make no
 monthly savings

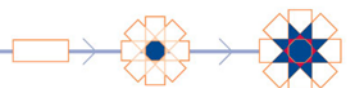
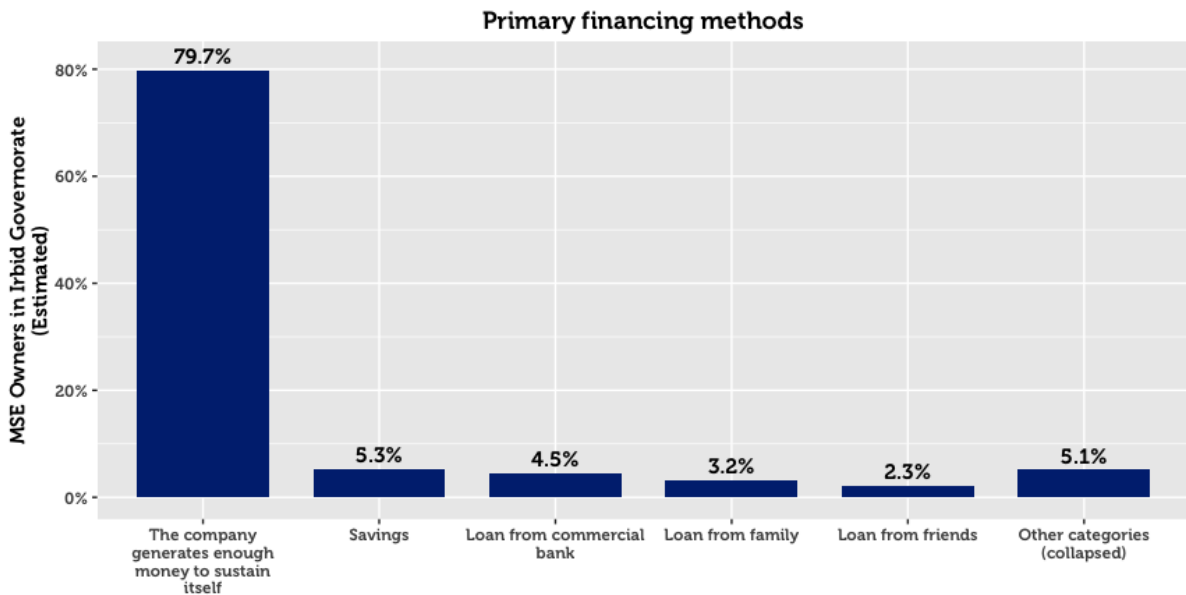


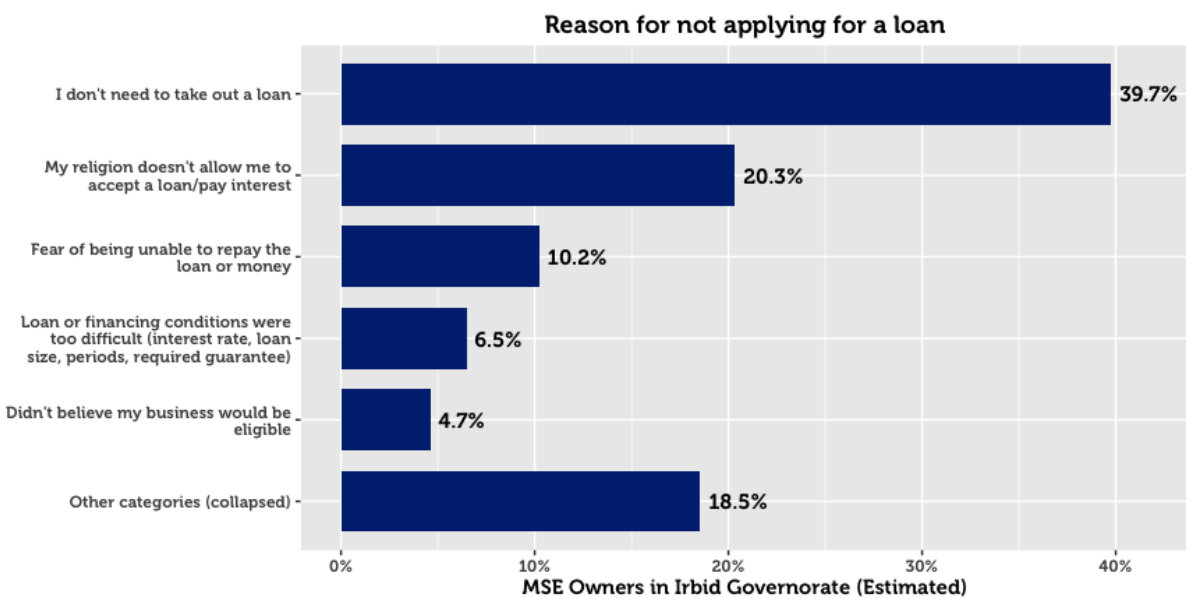
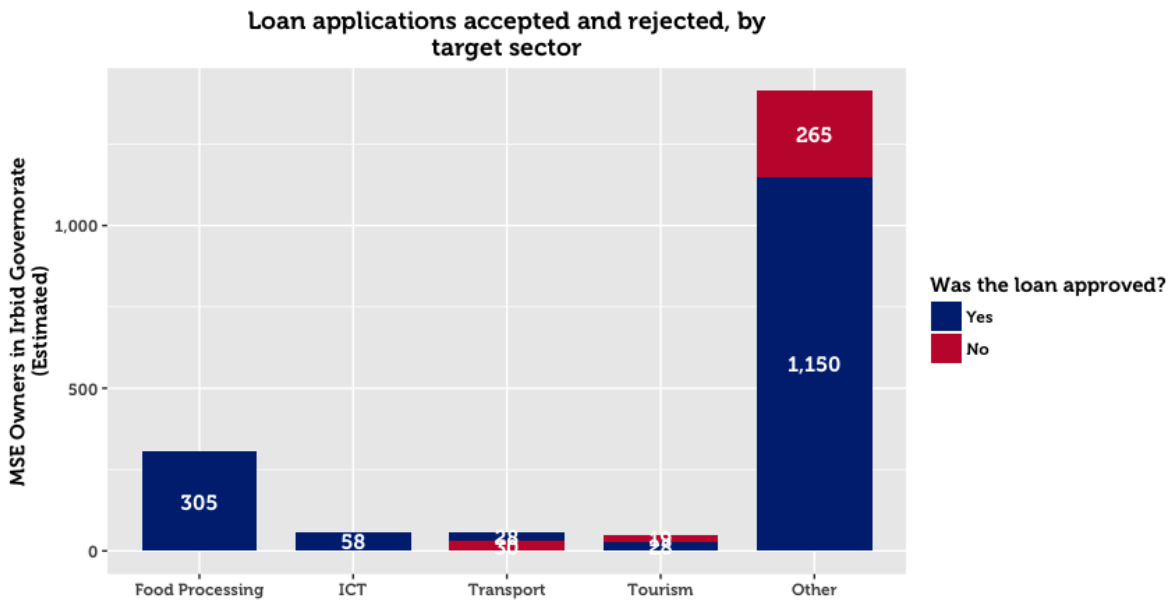
Access to Finance

Four in five micro and small enterprises in Irbid generate enough money to sustain themselves without outside financing. Although many MSE owners struggle to live comfortably, nearly 40% say that they do not need a loan. Accordingly, financial institutions play a minor role in the economic development of MSEs, evidenced by the fact that nine in ten MSEs have not applied for credit. Being in the Middle East, religious reasons also matter. Although the rise of Islamic Banking products makes this explanation less tenable, 20.3% of MSE owners cite religious prohibition as the main reason for not taking a loan.

The survey data suggests that MSE owners do not interact much with providers of credit, or even know about money markets. This is likely in view of the fact that most loan applications get approved (81.4% reported approval), that 16.6% believe that they only have one source of credit to their disposition, and that only 13.2% of MSEs have bank accounts. Of those those who do not have accounts, 39.5% explain that they do not need one as their business requires working in cash, and 23.3% that low sales volumes do not justify having one.

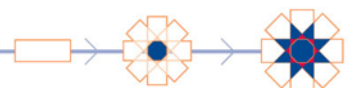
Approved loans are typically used for business purposes, primarily to buy more resources, add new products or business activities to the current business, or to improve or upgrade products already being sold. Only in limited cases (<13%) is financing use to purchase property or to pay off company and personal debts.





Of those who receive a loan, 44.6% receive it from a bank, and 37.8% from a microfinance institution. A less significant source is international donors or donor-funded projects (5.8%). A very small proportion reported financing from government programs (2.2%) or private money lenders (1.6%). When asked about the primary reasons for choosing a specific institution, 30.9% cite that their institution of choice offers the best financial prospects. 26.3% cite that they choose a particular avenue because they are easy to understand and follow simple procedures.

Men and women differ greatly in the amount of money requested in loan applications. Whereas men request an average of 3,000 JOD, women MSE owners are far more conservative at 1,150 JOD. These differences may be confounded by the fact that the sex of the business owner is strongly associated with the subsector and location of the business.



Systems, Processes and Networks

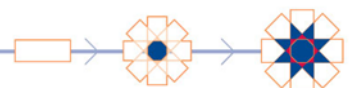
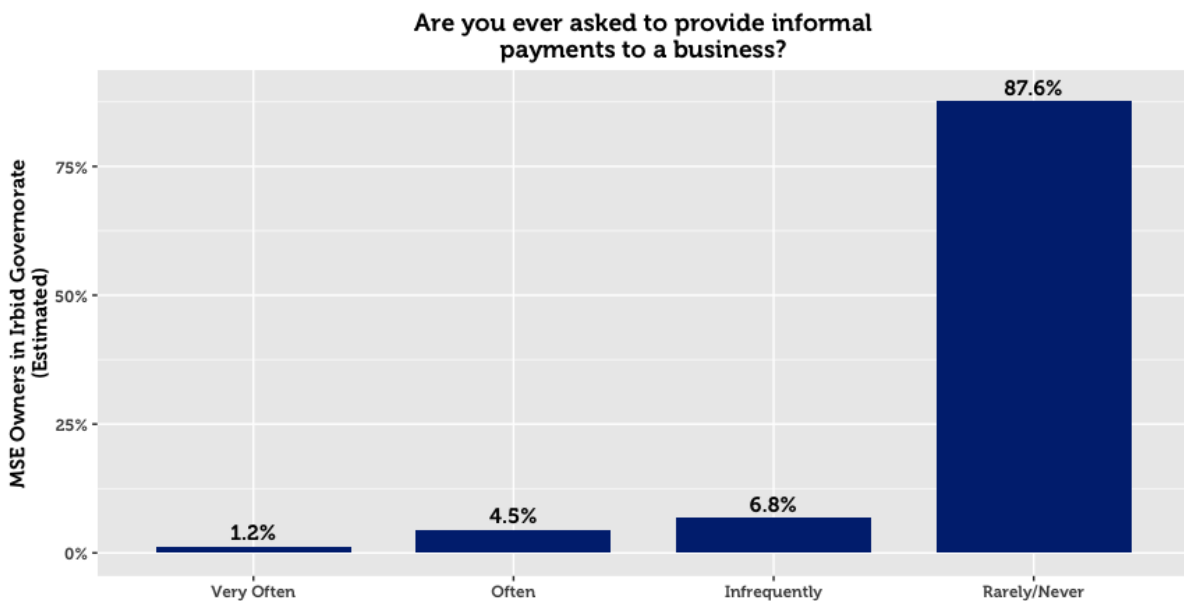
Online and offline use of computers within MSEs is minimal, at 16.1% of firms. The use of smart phones is also not very common. Ordinary mobiles, on the other hand, are widely used (62.3% penetration).

Resource Use (Irbid)	All	By Sex	
	N = 20,209	Men	Women
Mobile Phone	62.3%	62.4%	61.7%
Smart Phone	29.0%	28.2%	38.3%
Vehicle	19.2%	20.1%	9.6%
Computer (with internet)	11.7%	11.2%	17.3%
Computer (without internet)	10.0%	9.9%	10.5%
Social Media (work or personal)	6.1%	5.4%	13.3%
Email	5.0%	4.4%	12.3%
Public Internet Location	4.9%	4.7%	6.7%

Only 6.1% use social media as part of business operations. Naturally, this rate is more pronounced in the ICT sector, for which the digital environment is the main mode of work. The low number of social media users suggests that few MSEs understand social media, and that any target audience for social media is small. Email is even less ubiquitous, at 5.0%.

Corruption

With respect to bribery, 87.6% of enterprises report that they have rarely or never been asked for an informal payment.



Financial Planning

The majority of businesses keep some form of financial records (76.4%). However, the vast majority of these do on paper. Almost one quarter of businesses (23.6%) keep no financial records whatsoever. As one might expect, this is particularly the case for unregistered businesses. Less than half — 41.5% — compare their business performance against their financial goals.

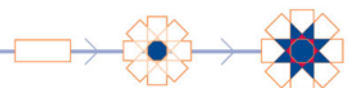
Memberships & Access

For the most part, MSEs in Irbid are not part of associations. With the exception of the Chambers of Commerce and Industry, no association garners more than 8% of MSEs in the governorate. These categories included professional or trade associations (7.1%), cooperatives (2.7%), ward or village committees (1.7%), youth groups (1.2%), women’s groups (1.0%), micro-finance groups (0.9%), NGOs (0.8%), or informal savings or loan groups (0.4%).

Despite the fact that few participate in formal networks, 56.4% maintain they can get a meeting with the Mayor. This is lower for female-owned businesses (40.3%).

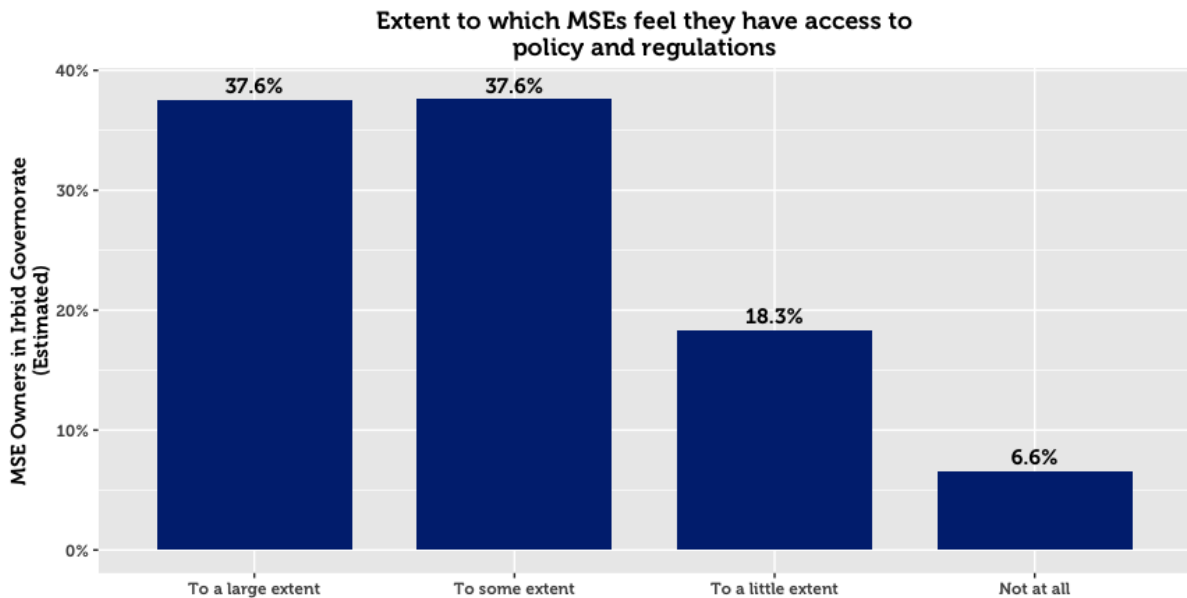
Memberships (Irbid)	All	By Sex of the Owner	
	N = 11,219 ¹²	Men	Women
Chamber of Commerce	14.8%	14.5%	18.1%
Chamber of Industry	11.9%	11.8%	12.6%
Formal trade, business, or professional association	7.1%	6.3%	15.5%
Cooperative	2.7%	2.9%	0.0%
Ward or village committee	1.7%	1.8%	0.0%
Youth group	1.2%	1.3%	0.0%
Women’s group	1.0%	0.9%	1.9%
Microfinance group	0.9%	0.9%	0.0%
NGO	0.8%	0.8%	0.0%
Informal savings or loan group	0.4%	0.5%	0.0%

¹² 11,219 businesses are in at least one business association



Policy and Regulations

37.6% of MSE owners in Irbid believe that they have access to policy and regulations to a large extent. 37.6% believe they have access to some extent, and 18.3% believe they have access to a little extent. 6.6% report not having any access to policy and regulations. As ‘digital literacy’ is relatively low, three in four resort to traditional sources of information. In particular, MSE owners go their municipality, friends and family, or lawyer for information. Only 6.9% refer to resort to government websites.



Policy Sources (Irbid)	All	By Sex	
	N = 19,906	Men	Women
Local municipality	30.9%	32.0%	19.1%
Family and friends	23.5%	23.6%	22.0%
No use for the information	12.7%	12.0%	19.4%
Lawyer	10.1%	10.2%	9.3%
Government website	5.9%	5.8%	7.7%
Do not know	4.7%	4.3%	9.5%
Local businesses and enterprises	3.0%	2.9%	3.9%
Business support center	2.0%	2.2%	0.0%
Refused to answer	0.3%	0.3%	0.0%
Other	6.9%	6.7%	9.2%

