

A Survey of Microenterprise in Urban French West Africa



Marc-André Roy
(206048029)

Prepared for Dr. David Wheeler
Schulich School of Business
BSUS 6900
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Background

This report is a follow-up to a previous study on microfinance, entitled «The Role of Microfinance in Development ». This previous study, which can be found online at www.sustainablelivelihoods.ca/Resources/resources.htm, provides an overview of the microfinance sector, its history and structure, and explores the role of microfinance and microenterprise in development.

This follow-up study leverages and extends the learnings from this previous study, as well as experiences and insights gained during a thirteen-week internship in the microfinance sector in Benin during the summer of 2003.

Primary research for this study, conducted in July and August 2003, consists of interviews, both formal and informal, with microentrepreneurs and persons working in the microfinance sector in French West Africa. Four countries were targeted for the field research component of this study, namely Benin, Burkina Faso, Niger and Togo.

Objective and Scoping

Unlike the initial study which focused on the role of microfinance in development, the focus of this paper is on *microenterprise*. More specifically, this study seeks to identify the nature and structure of the microenterprise environment (or informal economy) in urban French West Africa (FWA), the characteristics of microentrepreneurs and microenterprises, as well as their key success factors, limitations and other issues impeding their growth and success.

Theoretical psychology, business and economics models are used to anchor this study and to help explain the nature and structure of the microenterprise sector in FWA, the motivations and behaviour of microentrepreneurs, their key success factors, and issues impeding their success. The role and contribution of microfinance is also explored vis-à-vis the development of the microenterprise sector in urban FWA.

This report is structured in five parts:

- An overview of the microenterprise sector in urban FWA
- An analysis of microentrepreneurs' needs, motivations, and implications for microenterprise
- An overview, analysis and comparison of the key microenterprise sectors in urban FWA
- An analysis of the key success factors of microenterprises in urban settings as well as the factors impeding their success
- Conclusions

Methodology

This study, conducted in July and August, 2003, draws on primary and secondary research material.

Primary research, consisting primarily of a series of formal and informal interviews, was conducted during July and August, 2003 in urban centres in Benin, Burkina Faso, Niger and Togo. Both microenterprises and microfinance institutions (MFIs) (representing two polar actors in the microenterprise sector), were targeted during field research to prevent one-sided, or biased data. Two questionnaires were developed for the field-research component of this study. The first, to facilitate data collection during interviews with microentrepreneurs (see appendix 1), and the second, used during interviews with personnel in the microfinance sector (usually MFI directors of senior loan agents) (see appendix 2). In total, 40 microenterprises were formally interviewed, 10 in each of the four above-mentioned countries, as well as 12 MFIs or microfinance related non governmental organizations (NGOs), 3 in each of the four above-noted countries. Dozens of informal discussions and interviews with microentrepreneurs and MFI personnel were also useful in informing this study, as were general observations made throughout the duration of the author's stay in FWA (May-September, 2003).

In terms of data analysis, collected primary data was analysed using a Microsoft Access database application, developed by the author to facilitate the manipulation and analysis of data and to help identify various correlations among collected data.

A number of secondary research resources were also helpful in preparing this analysis and study. Secondary research material included: online material from various sources (e.g. government, NGO, academic websites, etc.), previous microenterprise/microfinance studies and training material (e.g. prepared by academia, government, NGOs, etc.), theoretical/ academic psychology / organizational behaviour, business and economic texts, and MFI activity reports, collected during the author's internship in Benin and travels to Burkina Faso, Niger and Togo.



Cloth sales in the Grand Marché (Big Market) in Lomé, Togo

Research Overview

Profile and Statistics of Interviewees

In all, 40 microenterprises were formally interviewed: 10 in Cotonou (Benin), 10, in Ouagadougou (Burkina Faso), 10 in Niamey (Niger), and 10 in Lomé (Togo)¹.

Those microenterprises interviewed were targeted so that the diversity of the informal sector was represented in this study. Of the 40 microentrepreneurs interviewed 25 were male, and 15 were female, the age of interviewees ranged from 23 to 60+, 15 had been educated and/ or trained as apprentices or in formal settings (the balance having been educated or trained informally at home, in the community or through experience), roughly half were literate, and their poverty level ranged greatly. In terms of activity sectors, the breakdown of interviews aimed to approximately represent the relative importance of the different activity sectors in urban FWA. The breakdown of interviews by activity sector is as follows:

Sector of Activity	Number of interviews
Commerce	10
Small industry	6
Agriculture*	2
Animal raising / Fishing*	1
Food preparation / Spot (Small bar)	8
Services	9
Arts & Crafts	4
Total	40

*Agriculture and Animal raising / Fishing are marginal activities in urban FWA, hence the limited focus on these two sectors.

In terms of interviews with MFIs, 12 institutions were visited and interviewed during this study, three in each of the above-noted cities. Interviews were usually held with senior personnel (director or senior loan officer). Types of institutions visited included mutual or cooperative model MFIs, direct credit MFIs, government departments involved in the microfinance sector and other microfinance / microenterprise related NGOs.

¹ Cotonou, Ouagadougou, Niamey and Lomé are the largest cities and economic capitals of Benin, Burkina Faso, Niger and Togo, respectively.

Overview of the Informal Sector and Microenterprise in Urban FWA

Countries in FWA are characterized as having low, if not negative economic growth, inadequate and shrinking public budgets, high population growth rates, and increasing urban migration, all of which contribute to high and growing unemployment². The formal sector does not have the capacity to absorb this growing demand for jobs³, and so, many have had to look for alternative means to generate a livelihood. Participation in the informal sector is often the only option available to provide a source of revenue, and so the informal sector has absorbed much of the unemployed neglected by the formal sector in the region.

The informal sector can be defined as consisting of unregistered production units, or microenterprises, that "typically operate at a low level of organization, with little or no division between labour and capital, and on a small scale"⁴. Microenterprises are usually owned and operated by one individual, or household, and seldom engage in formal contractual agreements, with banks, supplier, customers, or other.



Clothes washing enterprise, Benin

In developing country contexts, the informal sector is an important source of employment. A recent study revealed that one third to three-quarters of total employment in most developing countries is in the informal sector⁵. In FWA, the size of the informal sector is as significant. It makes up for over 80% of all enterprises, accounts for 50% of all employed, generates 20% of the regional GDP⁶, and is the primary source of employment (and livelihood) for the poor, especially among women.

The informal sector is characterised by a very broad range of activities, products, and approaches to revenue generation. "The informal sector is highly heterogeneous, encompassing production units of different features and in a wide range of economic activities...as well as people working, producing and selling under many different types of arrangements"⁷.

Although the informal sector is subject to the same laws and principles of economics and markets (i.e. supply and demand) as the formal sectors, it has a number of different characteristics. The following table, taken from Santos⁸, adapted by Fidler and

² Webster, L., Fidler, P., *The Informal Sector and Microfinance Institutions in West Africa*, World Bank, 1996.

³ Ezekiel, Emeka, *Development of Informal Sector Solution to Poverty, Unemployment, Nigeria*, August 15, 2003

⁴ International Statistical Definition of the informal sector, International Labour Organization, Fifteenth International Conference of Labour Statisticians (ICLS), January 1993

⁵ Webster, L., Fidler, P., *The Informal Sector and Microfinance Institutions in West Africa*, World Bank, 1996.

⁶ PRODIA (Promotion de Développement Industriel, Artisanal, et Agricole), MFI, Burkina Faso, 2003

⁷ Anonymous, *Skills Development in the Informal Economy*, International Labour Organization, <http://www.ilo.org/public/english/employment/skills/informal/who.htm>

⁸ Santos, Milton. 1979. *The Shared Space: The Two Circuits at the Urban Economy*

Webster⁹, and adapted once again by the author, provides a good overview of the differing nature and different characteristics of the formal and informal sector.

Characteristics	Formal sector	Informal sector
Entry barriers	High	Low
Technology	Capital-intensive	Labour-intensive
Management	Bureaucratic	Individual or family-based
Capital	Abundant, accessible	Scarce, not accessible
Work hours	Regular	Irregular
Wage labour	Normal	Limited
Inventories	Large	Small
Diversification	Often	Limited
Differentiation	Significant	Limited
Prices	Often fixed	Usually negotiable
Financial services	Banks	Personal, informal
Customer relations	Impersonal	Personal
Sales locations	Dispersed and multiple	Local (often next/close to home)
Fixed costs	Large	Negligible
Advertising	Necessary	Little to none
Government subsidy	Often large	None
Markets	Often export	Rarely export
Barriers to exit	High	Low
Level of cooperation among production units	High	Low

The “4P’s of Marketing” in FWA - alive and well, but a very different beast!

Marketing principles are as applicable and relevant in FWA as in the West¹⁰, but are characteristically very different. Take the “4 P’s of Marketing” for example:

- **Price** – Virtually all prices must be negotiated, and they fluctuate regularly depending on demand and supply conditions. Motorcycle-taxi (or Zemijan) ride rates, for example, must always be negotiated (an often time consuming, and annoying process), and rates change depending on weather and time of day. Late at night, when supply of Zemijans is low, and customer demand high (at 2:00am, after a night at the bar, one absolutely wants to get home!), prices are much higher.
- **Place** – For most microenterprises, very little thought goes into selecting a place to sell their products. Most microenterprises set up their shop /stand either right next to their home (close to 60% of those surveyed in this study) or on the side of a busy road close to home (most microentrepreneurs avoid paying rent for their ‘shop’ this way), in a large designated market place, such as the Dantokpa market in Cotonou. Often ‘shops’ are mobile, whereby a microentrepreneur walks around with goods balanced on top of his/her head, pushes a cart or carries a suitcase loaded with products, etc.

in Underdeveloped Countries. London: Methuen Press.

⁹ Webster, L., Fidler, P., The Informal Sector and Microfinance Institutions in West Africa, World Bank, 1996.

¹⁰ “West”, here, and throughout this paper refers to the developed world (i.e. North America, Europe, etc)

- Promotion** – Very few microentrepreneurs engage in promotion or advertising activities (often due to lack of funds to do so or knowledge of marketing / advertising basics) (less than 10% of those surveyed engage in advertising or publicity). Often, the only form of marketing is displaying goods by the side of the road, in a market, or balanced on top of one's head. Word of mouth is another common informal form of promotion, as is shouting or ringing a bell to attract attention.



Barber shop billboard. Benin

- Product** – For those engaged in commerce, products sold are often whatever they can get their hands on at a decent price (often very little consistency of products offered over time). Manufactured products are often simply purchased over the border in cheaper countries (Nigeria in the case of Benin) by “wholesalers” (read: people with access to cars or trucks) and resold to microenterprises in markets, who then resell in their neighbourhoods. Products are typically of very low quality (or expired in the case of medication), undifferentiated and unpackaged (other than in black plastic baggies).

Characteristics of Microentrepreneurs in the Informal Sector

Other than socio-economic considerations, there is no specific demographic characteristic for microentrepreneurs in urban FWA. Women and men alike engage in microenterprise activities (although the nature of their activities often differ), as do young and old. Many have been trained or educated, although often informally through apprenticeships or at home, some are literate, even just at a basic functional level, and others are not. Among those interviewed, for example, roughly half were considered to be literate (roughly 20% higher than the national average of 30% - which is understandable in urban centres), although male literacy was 18% higher than female literacy. Most microentrepreneurs come from and/or have large families, which are typical in FWA, where many still practice polygamy.

Obviously, the majority of those who engage in the informal sector are relatively poor, and have significant borrowing constraints due to their lack of property rights, capital to use as guarantees, or support from salaried co-signors, thus placing the financial services of commercial banks (and often MFIs) out of reach. Many must therefore rely on small loans from family and friends, or borrow from exploitative money lenders that charge astronomical interest rates¹¹, thereby often aggravating their financial situation, or at the very least, making it difficult for them to escape poverty and improve their standard of living. Nevertheless, many continue to use such loans to operate in the growing and overcrowded informal sector as this is often their only recourse.

¹¹ Webster, L. Fidler, P. *The Informal Sector and Microfinance Institutions in West Africa*, World Bank, 1996

Motivation and Reasons for Engaging in the Informal Sector

The size and importance of the microenterprise sector in FWA begs the questions: why do so many people start microenterprises and engage in the informal sector. For most, the answer is simply a lack of any other viable option to generate a livelihood. Relative to the entire population in FWA, few have or have access to salaried jobs¹² (e.g. work in the public sector, small, medium or large companies, etc.), and so, they must find an alternative means to make ends meet – microenterprise is often the answer. The majority of the microenterprises interviewed indicated that the primary reasons for engaging in the informal economy was to put food on the table (i.e. to feed themselves and their household), to put a roof over their heads, and to help pay for other household expenses such as the health care and education of children (in the best of cases). In other words, the majority of microentrepreneurs in FWA are entrepreneurs by necessity, not by choice or because they have an entrepreneurial “fire in the belly” as we often hear of entrepreneurs in the West. It is not all that are excluded from the formal sector, however, that opt to start and develop microenterprises. Some, either lacking the resources, capacities or motivation to engage in microenterprise activities, resort to other sources of income or revenue generating activities such as begging, petty theft, or prostitution (which is rife in FWA).

Needs Analysis of Microentrepreneurs in FWA

Generally speaking, microentrepreneurs are motivated by their needs. Indeed this is why most of the poor in FWA start and develop microenterprises. Abraham Maslow’s hierarchy of needs framework (see below) provides a useful model for explaining the motivation and behaviour of the majority, if not all, microentrepreneurs in FWA vis-à-vis their engagement in the informal sector.



Source: Kunk, Norman, *The Need to Belong: Rediscovering Maslow's Hierarchy of Needs*, <http://www.normemma.com/armaflow.htm>

¹² This is due to a number of factors which may include lack of education or training (rendering them ‘unemployable’), resources to market themselves, lack of connections or relations in the formal sector, national or regional socio-economic issues, few available jobs in the formal economy, etc.

Maslow's hierarchy of needs theory explains that "human beings are motivated by unsatisfied needs, and that certain lower needs need to be satisfied before higher needs can be satisfied"¹³. The lower order physiological and safety needs of many of the poor in FWA are not adequately met, nor secured, and so, the primary motivation of most microentrepreneurs is to first provide for his/her physiological needs and that of his/her family and then to provide a home (or at the very least roof) and security for the household. As these needs are too often inadequately met in FWA, despite the efforts of microentrepreneurs, many, if not most, continue to be motivated by physiological and safety needs rather than higher order needs such as the need to belong, self-esteem and self-actualization. For this reason, the most important objective for most microentrepreneurs is to make sufficient money, so that they can meet, at least in part, their lower order needs and that of their households. For all microenterprises interviewed, money was the number one objective of their efforts. Given that the physiological and security needs of most microentrepreneurs in FWA are either unmet or insecure, this importance placed on making money is justified.

Microenterprise profile :

"Maman Hakim", Cotonou, Bénin

Maman Hakim has never been to school and never learned how to read and write. Feeling that her job prospects were limited, she decided, three years ago to start a small food preparation enterprise in which she could apply the cooking skills that she learned at home from her mother in her childhood and youth. Maman Hakim started by preparing and selling a simple bean-based dish topped with 'gari' (a flour made from manioque, popular in Benin), from a small stand on the side of the road. Reinvesting her modest profits, Maman Hakim has been able to grow her business steadily since she started three years ago. She now prepares and sells half a dozen different dishes and has set up a small seating area next to her stand. Maman Hakim has developed her business independently without the help of microfinance and now works with two apprentices which help her buy ingredients in the market, prepare food, and wash dishes.



It is interesting to note that in the West, a number of surveys have revealed that wages and benefits (i.e. money) are not the primary motivators or indicators of job satisfaction. One study revealed that "wages [and] benefits...had little to no impact on employee satisfaction"¹⁴. Similarly, a survey of final year MBA's from 25 countries, conducted by Instituto de Empresa in Spain, Manchester Business School in the UK and Tuck in the USA in 2003, revealed that money was ranked only fourth as a motivator in

¹³ Gwynne, Robert, *Maslow's Hierarchy of Needs*, <http://web.utk.edu/~gwynne/maslow.HTM>, 1997

¹⁴ Hurley, T, Oraze, P, Kliebenstein J, Miller, D., *Work Environment, Time Off Lead Job Satisfaction List*, National Hog Farmer, 2001

job selection¹⁵. Some of the most important motivators for workers in the West can be described with the following statements: my work gives me a sense of accomplishment, my job is exciting, my work is satisfying, I'm really doing something worthwhile in my job, etc¹⁶. The motivators of work in the West can also be explained using Maslow's hierarchy of needs theory. In the West, most have already satisfied their lower order needs, and as a result, are motivated by their higher order needs such as those needs associated with self-esteem and self-actualization. Indeed, most entrepreneurs in the West start their businesses as a means to develop themselves professionally (self-actualization), because they want a new challenge, or because they want the recognition of having their own-business (self-esteem).

Individual needs are as good an indicator of motivation and behaviour in the West as in FWA, nevertheless, the needs of workers and entrepreneurs in the FWA are much different than those in the West, and so their motivations and behaviour vis-à-vis entrepreneurship differ greatly, as noted above, and as will be outlined throughout this paper.

Key Motivators of Microentrepreneurs in Microenterprise/ Activity Selection

As outlined, most of the poor excluded by the formal sector start microenterprises out of necessity, motivated by the need to satisfy their lower order physiological and

Microenterprise profile:

Amadou, Niamey, Niger

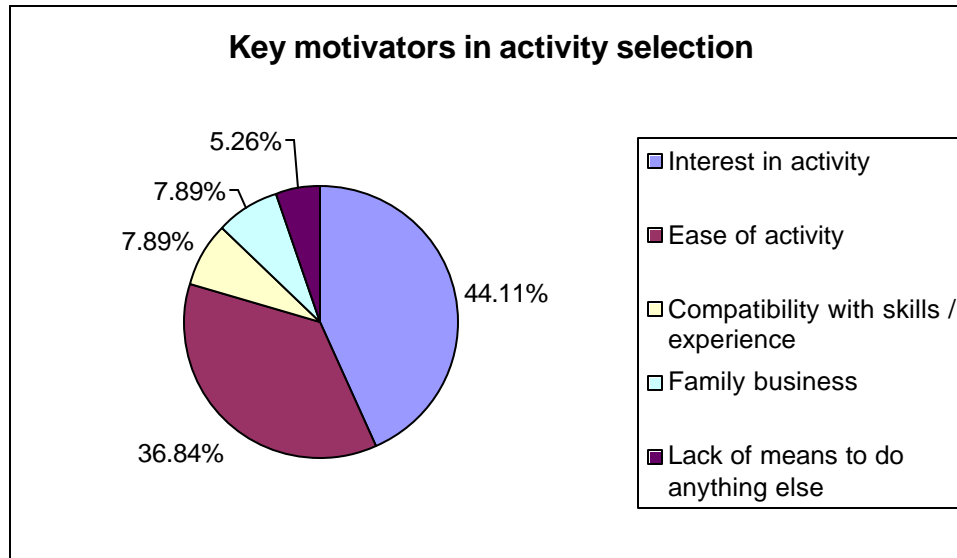
Amadou Mamadou always enjoyed looking at photographs. When he left home seven years ago, he decided to invest all his savings in a camera so that he could work as an independent freelance photographer. He quickly learned how to take pictures, both through experience and from a friend who was already a photographer. Amadou started his microenterprise by sneaking into private functions and parties, snapping pictures of those in attendance, then running back to the one-hour photo lab to have his pictures printed. He would then return to the function or party to try to sell his pictures to those he had taken pictures of. After a few years, Amadou developed a reputation as photographer and was often hired on contract to photograph various events by local institutions, families and NGOs. Today, Amadou is saving up to buy a new, better quality camera.

safety needs, and that of their household. In terms of activity selection (i.e. what activity they select as the basis of their microenterprise), it was found that most microentrepreneurs put very little thought into which activity they will pursue. Certainly, very few conduct any type of formal market research or competitive analysis of the market(s) in which they wish to venture or are considering. Indeed, not one of the microenterprises interviewed had conducted a market survey before starting their enterprise (not even to evaluate the feasibility of their own enterprise). It was found that selection is usually guided on intuition and is based on a

¹⁵ Anonymous, "Ethics, family and job satisfaction more important than money for new generation of MBAs", http://www.mbs.ac.uk/news/html/ethics_family_and_job_satisfa.cfm, June 2003

¹⁶ DeVaney, S., Chen, Z., *Job Satisfaction of Recent Graduates in Financial Services*, US Department of Labour, <http://www.bls.gov/opub/cwc/cm20030522ar01p1.htm>, 2003

combination of interest in the activity, difficulty of work, past training and experience (both formal and informal), current financial capacity, and a haphazard opportunity cost evaluation which seeks to answer the question: “How can I make the most money in the short-term given my resources and capabilities?”. Among interviewees, key reasons for selecting a particular activity sector were interest in the activity sector (44.11%), ease of activity (36.84%), compatibility with skills and past experience (7.89%), similar to parents / family business activities (7.89%), and lack of means to do anything else (5.26%) (e.g. in the case of peanut vendors).



Risk and Microenterprise Activity Selection

Risk is also a very important factor in the activity selection process. For the most part, given their economic situation, most microentrepreneurs in FWA are risk averse, and so most select activities that are characterised by little or limited risk. This is understandable given that most can’t afford to suffer economic loss, which would further impede their ability to meet their lower order physiological and safety needs. By contrast, entrepreneurs in the West are often much less risk averse as failure usually only implies a loss of savings, or having to take out a second mortgage, rather than not being able to eat for a week or put a roof over head, as is the reality for many microentrepreneurs in FWA. In this way, risk, or willingness to take risks, can be viewed largely as a function of one’s position with regards to Maslow’s hierarchy of needs. This issue of risk aversion among microentrepreneurs is an important characteristic of the microenterprise sector in FWA and has implications beyond activity selection, as will be outlined later in this paper.

Key Microenterprise Sectors in FWA

For the purposes of this study, microenterprises have been classified into seven activity sectors: commerce, small industry, agriculture, animal raising / fishing, food preparation, services, arts and crafts. The table below briefly defines and provides examples of each activity sector.

Activity Sector	Description	Example(s)
Commerce	Buying and reselling physical goods	Cloth sales in market, “mobile” watch sales
Small Industry	Transforming raw or semi-processed materials into finished goods	Carpentry (e.g. furniture manufacturing), tailoring of clothes
Agriculture	Growing agricultural products	Farmer who sells to wholesaler, by side of road
Animal raising / fishing	Self-explanatory	Cattle herding, fishing
Food preparation	Transformation of food stuffs (ingredients), food and drink services	Restaurateurs, Bar (Spot) owners, “mobile” food sales
Services	Work performed using time and labour to satisfy a public demand or need	Shoe repair, motorcycle repair, transportation, toe nail clipping
Arts and crafts	Transforming various materials creatively into artistic goods	Sculpting, painting, musical instrument making

Repartition of Microenterprises by Activity Sector in Urban FWA

There is a very wide range of microenterprise activities in urban FWA, although not evenly spread across the different activity sectors. An analysis of the borrower portfolios of 14 microfinance institutions in Benin between 2000 and 2002 (comprising over 542 000 borrowers portfolios) has revealed that commerce is by far the most significant microenterprise activity sector. Other sectors, however much less significant, also constitute an important part of the informal sector, most notably, small industry and food preparation. The breakdown of microenterprises by activity sector in Benin, averaged over a three-year period between 2001 and 2003, revealed the following repartition¹⁷:

Activity Sector	2001-2003 average
Commerce	83.93%
Small Industry	5.67%
Agriculture	2.11%
Animal Raising / Fishing	0.67%
Services	1.91%
Food Preparation	3.98%
Arts and Crafts	1.73%
Total	100%

An ad hoc comparison of statistics from other microfinance institutions in other FWA countries, namely Burkina Faso, Niger and Togo, has revealed that the breakdown

¹⁷ Note that this breakdown does not necessarily represent the actual breakdown of microenterprises by activity sector in Benin, but rather represents the breakdown of MFI loans by activity sector.

of microenterprises by activity sector (according to breakdown of MFI loans by activity sector) is consistent with the findings in Benin. Observations and informal discussions with microenterprises and microfinance personnel have also confirmed the findings in the table above.

Reasons for the Importance of Commerce as an Activity Sector in FWA

As determined, commerce, as an activity sector, represents the greatest share of microenterprises in urban FWA – by far. The importance of commerce in the informal sector can be attributed to a number of factors. First, this sector requires the least amount of training or skills compared to other activity sectors. Second, the commerce sector has low barriers to entry. Whereas other sectors require tools, equipment, and/or land, with which to work (e.g. a food preparation microenterprise requires pots, pans, cooking equipment, etc), which often necessitates a relatively high capital investment, commerce merely requires products that can be sold (often on commission) from a stand on the side of the road, on top of a vendor’s head, or in a mobile cart. Third, commerce is the least physically and mentally challenging microenterprise activity. At the very least, once goods are purchased or acquired for resale, one just has to sit next to his/her goods. At the very most, he/she will walk around with the products and try to convince/entice people to buy. Fourth, margins for most physical products sold in the microenterprise sector are relatively high¹⁸ compared to other activity sectors. Fifth, product turnover for most commerce microenterprises is



“Mobile” clothing sales, Bénin



Shoe sales, Bénin

quite rapid, allowing for a relatively consistent and constant revenue flow. The perceived success of those involved in commerce is a sixth reason for the popularity of this sector (re: people look for the easiest approach to making money, without putting much thought into microenterprise activity selection). Indeed, 83.3% of those interviewed perceived commerce to be the most successful activity sector (followed by food preparation (10%) and other (6.7%)). This entices many to engage in commerce activities.

¹⁸ Most microenterprises involved in commerce in FWA either buy their goods in large quantities and thus benefit from lower per unit cost (which allow them to realize a margin) or buy their goods in low cost neighbouring countries such as Nigeria or Togo (in the case of Benin) (which also allow them to realize a margin).

Relative Success and Growth of Microenterprise Sectors in FWA

Not all microenterprise activity sectors are characterized with the same level of success or growth. As in the West, certain sectors are characterized by higher levels of success and growth than others. As part of this study, the relative success and perceived growth rates of different microenterprise activity sectors in FWA were compared and evaluated. Two differing approaches were used for evaluating the relative successes of different activity sectors. First, MFI loan agents were asked what sectors typically had the highest loan repayment rates (an indicator of success, or at least sustainability) and experienced the most rapid growth (characterized by increasing loan amounts, higher sales, etc.). Second, the success and level of growth of those microenterprises interviewed were evaluated and compared across activity sectors. It is interesting to note that these two approaches yielded similar, but slightly different results.

The survey of MFI loan agents revealed that commerce was the most successful activity sector (according to 81.1% of those interviewed), followed by small industry and services (9.09% each), the success of the other sectors in this study were considered to be marginal.

The survey of microenterprises, on the other hand, revealed that the most successful activity sector (and also the sector with the higher level of growth) is food preparation, followed by commerce, small industry, services, and arts and crafts. The principal reason for which food preparation was not rated as the most successful activity sector by MFIs may pertain to the fact that food preparation enterprises comprise a very small portion of most MFI loan portfolios (e.g. less than 4% in Benin). In any case, the following table, derived from data gathered during microenterprise interviews, depicts the relative success and growth of these activity sectors¹⁹:



Food preparation, Togo

Activity Sector	Success (/10)²⁰	Growth (/10)
Food preparation	6.88	8.45
Commerce	6.22	6.95
Small industry	5.83	7.08
Services	5.33	6.40
Arts and crafts	5.25	5.63

N.B. Agriculture and Animal raising / Fishing activity sectors are omitted in this analysis as these sectors are relatively insignificant in urban settings.

The success of food preparation as a microenterprise sector in FWA is not surprising as it addresses an essential human need, which no one can live without: the

¹⁹ Significance level of .18 for level of success and .06 for level of growth. Although this is not statistically significant, it is expected that a larger study sample would confirm trend.

²⁰ Success and growth are rated on a 10 point scale in the survey (growth converted from 4 point scale in questionnaire (appendix 1) and are based on survey responses, which it is recognized, includes subjectivity.



Roasted corn sales. Benin

need for food and drink. This is particularly important in developing region contexts like FWA, where the majority of the population devote a large portion (if not all) of their income on fulfilling lower order needs such as nutrition. Indeed, the percentage of income devoted to nutrition is generally much higher for the poor than non poor.

Nevertheless, the commerce sector, which, for the most part, seeks to satisfy higher order needs, is also generally a very successful activity sector in urban FWA (and is characterized by relatively high levels of

growth relative to most other sectors). This can be explained by the nature of markets in urban settings, such as Cotonou, Ouagadougou, Niamey and Lomé. In urban settings, the large population concentration relative to rural regions warrants and can explain the success of many commerce microenterprises. Take the case of someone selling TV antennas by the side of the road in a major FWA city. Although most cannot afford, nor have a use for such a product (i.e. don't have a TV), there are enough prospective buyers (with money) that can warrant the sale of TV antennas by the side of a busy road in a city. Trying to sell the same product in a rural village, on the other hand, would undoubtedly be much less successful. In other words, in urban areas, there is adequate demand for manufactured goods such as TV antennas (which satisfy higher order needs) to warrant the sale of such products, even if the majority of the population cannot afford them, nor need them. Not surprisingly, those in the commerce sector that sell goods which are deemed to be more of a necessity (or important to satisfy lower order needs), such as clothing, soap, tooth cleaning sticks, tend to have more success than those that try to sell goods that fulfill higher order needs (e.g. watches, sunglasses, compact discs, etc.)

Key Success Factors of Microenterprises in FWA

In trying to identify the key success factors of microenterprises in FWA, a number of different factors were evaluated: level of training (both formal and informal) of microentrepreneurs, experience and number of years in operation, knowledge of the market, level of differentiation (in terms of price, quality or other) and diversification of products, access to the necessary resources and/or technologies, level of planning, vision for the future, level of poverty of microentrepreneurs, and gender.

Level of Training of Microentrepreneurs

Of those microentrepreneurs interviewed, only 37.5% had received a formal education, and/or participated in a semi-formal training program such as an apprenticeship for their trade or activity sector. All others had been educated and trained informally at home, by parents, older siblings, by other members of the community, or simply through observation of others in their sector. It was found that there exists a strong

correlation between level of formal education / training of microentrepreneurs and the level of success and growth of their microenterprises, as illustrated in the table below²¹:

Training Received	Success (/10)	Growth (/10)
Formal education / training	6.86	7.68
No formal training	5.87	6.88

Box 2 – Apprenticeship as an important approach to development of the informal sector

Apprenticeships are a common approach to learning a trade in FWA. Many microenterprises in various trades (e.g. tailoring, hair cutting/dressing, food preparation, carpentry, etc.) take on apprentices. In some cases, several apprentices can work for and learn from one ‘master’. A hairdresser, for example can have up to five apprentices. This practice is mutually beneficial as through apprenticeship programs, the microenterprise benefits from low cost, or more often free labour, and the apprentice benefits from free training. After apprentices “graduate”, they often start their own microenterprises, and in turn take on their own apprentices. In FWA, a region where the level of formal education is less than 35%, this approach to training is both sustainable, and beneficial to the development of the microenterprise sector. Secondary research confirms the importance of apprenticeship programs in the development of the microenterprise sector in FWA. Indeed, “apprenticeship is the main avenue to self-employment in microenterprises and thus a cornerstone of informal sector development in West Africa¹⁶”

A similar, but more significant correlation, was found between level of success/growth and literacy. Among those interviewed, roughly half were literate, male literacy rates being 18% higher than that of females. The following table illustrates the correlation between literacy and success/growth²³:

Literacy	Success (/10)	Growth (/10)
Literate	6.86	7.95
Illiterate	5.06	6.08

Most MFIs visited also confirmed these findings, substantiating that training and literacy are important determinants of success for microenterprises. Nevertheless, although training and literacy can increase the likelihood of success of

²¹ The data in this table shows a trend which confirms an earlier hypothesis that level of education / training is correlated with level of success and growth. Although data here is not statistically significant (significance of .072 for success, .263 for growth), it is expected that a larger study would yield statistically significant data (at a 95% level).

²² Fluitman, Fred, *Traditional Apprenticeship in West Africa: Recent Evidence and Policy Options*. Discussion Paper No. 34, CELCEE, Switzerland, 1992

²³ The findings in this table are statistically significant (significance level of .004 for level of success and .006 for level of growth), which confirms earlier hypothesis that level literacy is correlated with success and growth of microenterprises.

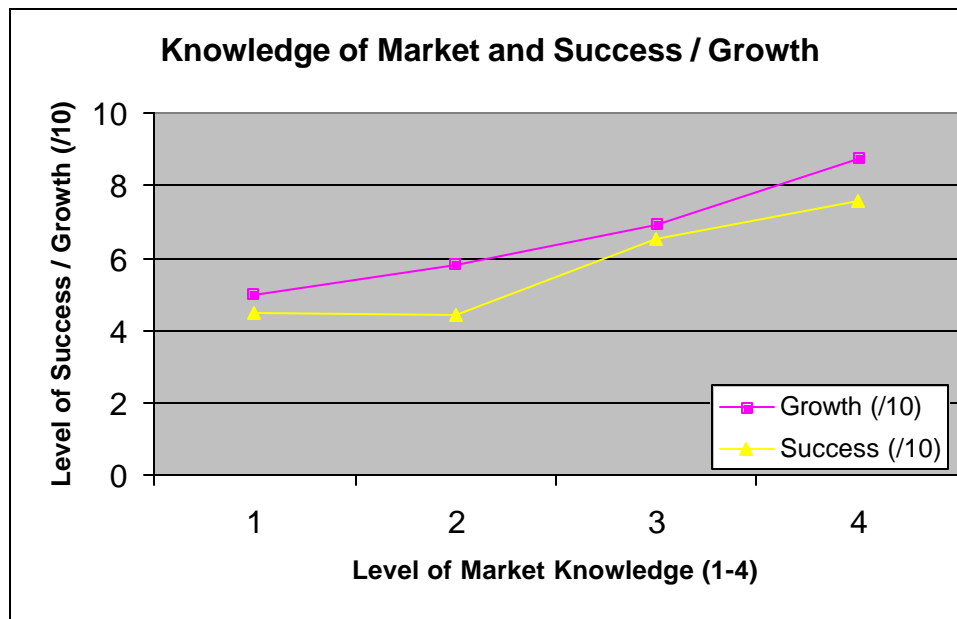
microentrepreneurs, this is not necessarily a critical success factor, nor will it ensure future success, particularly in commerce, as even with a very good education/training/literacy, one could still be a lousy salesperson.

Experience of Microentrepreneurs and Number of Years in Operation.

Among those MFI agents interviewed, level of experience was deemed to be one of the most important contributing factors for microenterprise success (much more important than level of education, training) (see appendix 3 for MFI key success factor ranking). Reasons included: entrepreneurs with more experience and who have been in operation for longer periods of time have a better understanding of the market in which they operate, better contacts and supplier/customer relationships, better understanding of what sells well, when and how, etc. Indeed, the survey of microenterprises conducted in this study reveals that there does exist a correlation between level of experience and level of growth and success, although weaker than with level of training / literacy, which is somewhat surprising. Perhaps this can be explained by the fact that most MFIs don't give out loans to start-ups, preferring to provide loans to enterprises with a proven track record to lower their risk exposure (which would not necessarily be more successful than new start-ups over time). This could imply that MFIs are biased towards level of experience in their survey responses.

Knowledge of the Market for their Products and Services

For microenterprises (and indeed, any enterprise), knowledge of the market for their products and services (i.e. customers, competitors, suppliers, etc.) is also an important success factor. Survey findings, which are corroborated by MFI agents interviewed, reveal that there is a strong correlation between level of market knowledge and success / growth of microenterprises, as illustrated in the graph below. (Pearson correlations of .699 and .611 between level of market knowledge and level of success and growth, respectively. Correlation is significant at the 0.01 level (1-tailed).



Market knowledge can be gained primarily through training (both formal and informal) or experience, gained working in a particular activity sector. It is interesting to note that the level of market knowledge is more strongly correlated with level of education, training and literacy, than with level of experience and years in operation. This seems to support the earlier finding that training, education and literacy are a better indicator of success than experience.

Level of Differentiation

On the whole, it was found that those microenterprises which continually try to differentiate their product offering do tend to have higher levels of success and growth. As supported by the survey results below, there does appear to be a correlation between level of differentiation and success / growth of microenterprises, thus supporting hypothesis and indicating a trend, although the data below is not statistically significant²⁴:

Differentiation	Success (/10)	Growth (/10)
Differentiated	6.67	7.92
Undifferentiated	5.86	6.83

Nevertheless, it was found that most products and services offered in the FWA microenterprise sector are largely undifferentiated in terms of price, quality, or other. A ridiculous number of microenterprises sell the exact same product, at the same price, in the same location. In less than an hour in the grand market of Lomé, the author was approached by no less than 16 leather belt vendors, all selling essentially the same thing, at the same price (to be negotiated, of course). In the Dantokpa market in Cotonou, hundreds of women sell African dress fabrics (or “pagnes”), all roughly of the same quality and at the same price. These findings are corroborated by the survey of microenterprises which revealed that less than 6.5% of those interviewed considered their products to be differentiated in terms of price, quality, or other from that of their competitors. This was especially true of those involved in commerce and food preparation sectors. Generally, those activity sectors which did have a higher level of differentiation were those in which products were unique by nature, such as in the arts and crafts and carpentry (small industry) sectors.



Jewellery maker, Niger

Among those MFI agents interviewed, most agreed that differentiation was a key success factor for microenterprises, but that in practice, very few actually attempt to differentiate their product offering or innovate.

²⁴ ANOVA analysis has revealed a significance level of .23 for level of success and .14 for level of growth. Although this is not statistically significant, it is expected that a larger study sample would confirm trend.

The reasons for this lack of differentiation in the microenterprise sector revolve largely around risk. To differentiate or to innovate is risky. Indeed, the stakes are much higher for a microentrepreneur in FWA (or any developing country for that matter), than for most entrepreneurs in the West. Should a differentiated product offering or new innovative product not sell well, the very livelihood of the differentiated microentrepreneur could suffer. To return to Maslow's hierarchy of needs, since many microentrepreneurs are struggling to provide for their lower order physiological and safety needs, many are not willing to take the risks associated with differentiation. It is much safer, although potentially much less profitable, to sell a product or engage in an activity which has already proven to work, or at least been marginally successful. This is also the reason why so many microentrepreneurs simply 'copy' what already works, further compounding the issues of lack of differentiation, thwarting innovation, and further contributing to the saturation of markets.

Nevertheless, it was found that there was a strong correlation between differentiation and level of success / growth, as noted. It is interesting to note, however, that the success of those first movers that do differentiate is often short-lived. When their differentiation strategy or innovative product offering is proven to be successful, it is often copied by all those other microentrepreneurs, eager to achieve the same level of success but who are too risk averse to be innovators or differentiators themselves. Take the case of tele-centres, for example. These microenterprises, which offer telephone and other communication services (usually at a low per minute rate), were few three years ago, but the huge success of the few prompted a number of imitators to open their own tele-centres. Today, these can be found at virtually every street corner. This increase in competition has led to market saturation, which in turn has pushed prices down for all tele-centres, fragmented the customer base, and ultimately caused a decrease in revenues for all tele-centres, including those innovators who took the initial risk to be different. Today, the same phenomenon is occurring with internet cafes in FWA. It is important to note that this process of imitation leading to eventual market saturation is not limited to FWA, nor is it a new concept. Indeed, this process can be described using the theory of product life cycle, initially developed for the West, but which is as applicable to FWA and the rest of the developing world. The level of imitation and market saturation in FWA (and most likely the rest of the developing world), however, is heightened as those engaged in the informal market, are quick to enter those sectors which are successful and exit those that are unsuccessful due to the lower barriers to entry and exit resulting from the limited capital investment and lack of regulatory controls required to start many of these businesses.

All the same, differentiation can be a key success factor, for those who are willing (and can afford re: ability to meet their lower order needs) to take a risk, but success of differentiation strategy is often very short-lived. To improve the likelihood of success and growth in the long run, microenterprises must seek to continuously differentiate. This, however, implies continuous risk, which many microenterprises may wish to avoid.

Level of Diversification and Implications for Competition

Most microenterprises consider diversification of products offering to be important to hedge their risks (not so much to attract customers), but few can afford to

have a truly diversified product offering. For example, those selling basic food products such as canned sardines and powdered milk by the side of the road, opt to buy these products in bulk quantities, to take advantage of lower per unit costs. The downside is that they don't have enough money leftover to diversify their product offering by buying other products to sell. For many, therefore, there is a direct trade-off between buying in bulk and diversifying. Nevertheless, many do prefer to diversify. This however, has negative implications for competition. Since there is a limited range of products for sale in FWA (relative to the West), many of those that diversify, end up selling the exact same products than that offered by other similar microenterprises. Four women in Ouagadougou, all selling the same fruits and vegetables from stands right next to each other, for example, indicating that diversification is much less risky than selling one product. Should the first woman sell tomatoes exclusively, the second carrots, the third yams, and the fourth mangoes, it is much more likely that one will not sell as well as the others, if for whatever reason, sales of tomatoes, carrots, yams or mangoes diminished, even if just temporarily. All the same, the fact that each of these women sell the same products largely limits their individual success to chance (i.e. one customer could just as easily buy his tomatoes from one woman over another). Seeing ten cheese vendors selling the same cheese, side by side on the edge of the highway near Parakou, Benin, the author could not help comparing the likelihood of each sale to a game of roulette, where luck is essentially the only factor at play.

Access to Necessary Resources and/or Technologies,

Another key success factor for microenterprises is access to the adequate resources and technologies (where necessary). For a food preparation enterprise, this would include access to the proper culinary tools and equipment (pots, pans, oven, cutlery, etc). At present, many if not most microentrepreneurs in FWA don't have access to the proper resources and technologies, and so, most have no other option but to rely on

Microenterprise profile:

Dedier, Ouagadougou, Burkina Faso

Growing up in a small village in Burkina Faso, Dedier worked with a carpenter as an apprentice and learned how to work wood and make furniture. He later moved to Ouagadougou and started his own woodworking enterprise. Dedier invested what little money he had in basic tools and some wood with which he could build furniture. His furniture, which is on display on the side of the road next to his home, is purchased by passers-bys. Dedier has been working from this location for over 10 years and has two apprentices. He still uses labour intensive hand tools as he can't yet afford power tools, but nevertheless, Dedier has developed a nice portfolio of furniture which he proudly displays in a photo album to those interested in his work.

inefficient, and usually labour intensive manual processes. Most small scale carpenters and furniture builders in FWA, for example, rely on the same types of tools that have been used for hundreds of years: handsaws, hand drills, etc...Those that have access to more efficient power tools are at an obvious competitive advantage, being able to output more and often higher quality products than those that are relying on manual, labour intensive tools and equipment. Of those interviewed, a significant number did not have access to

the necessary resources or technologies they required to grow or improve their microenterprises. The reason most often cited was lack of capital (or access to credit) to purchase the necessary resources to grow their enterprises.

Level of Planning

With any business of any size, research and planning are important. Those MFI agents that participated in this study agreed that effective planning and market research are important factors in the development of any business, including microenterprises. However, it was noted that very few microenterprises conduct any form of market research, competitive or product analysis before venturing into a sector. As noted earlier, most simply decide on a microenterprise activity based on their personal preference or interest, because the work isn't too demanding, because they have been trained in the sector, to continue or extend the businesses of family, or simply to imitate was microenterprises already work in the interest of quickly generating revenue. Of those interviewed, not one had conducted formal market research, and many claimed to know very little about their sector when they started.

The level of formal planning among microenterprises is also often inadequate, and in some cases non-existent. This is often due to a lack of education, training or illiteracy. Nevertheless, most microentrepreneurs do go through informal planning processes that seek to answer questions such as: where will I buy my materials, how often and for how much, how will I attract customers, where should I sell my products, etc.

The planning cycle for most microenterprises in FWA, is typically very short, and often limited to one or two business cycles (i.e. one business cycle is the period from the time a product is purchased, produced, or acquired, to the time it is sold to a consumer). This is often simply due to a lack of funds to warrant long-term planning, as the microenterprise may, or may not be doing the same thing or selling the same product in the near distant future (re: many commerce microenterprises buy and sell whatever they can get their hands on at a good price).

Vision for the Future

Given the poor level of planning of most microenterprises, it is not surprising that most do not have a realistic vision for the future vis-à-vis their enterprises. Among microentrepreneurs interviewed, it was found that 62.5% did not have vision for the future. One reason for this may be that many microentrepreneurs are more concerned with providing for their day-to-day needs (re: satisfying their lower order physiological and safety needs), which they only manage to provide for on a day-to-day basis, than the future of their enterprise. Moreover, many microentrepreneurs have little, if any, savings, and so a vision for their enterprise is also often not a consideration. Nevertheless, those with a realistic vision²⁵ do tend to have experienced higher levels of success / growth. The correlation between vision and level of success / growth is depicted in the table

²⁵ It should be noted that that the vision of a few microentrepreneurs was unrealistic, and can be characterized by a dream rather than a vision. For example, one corner-of-the-street-barber claimed to have his sights set on becoming internationally renowned – at present, his hair cuts cost the equivalent of 75 cents.

below, and represents a significance level of .007 for level of success and .014 for level of growth, thereby confirming the trend:

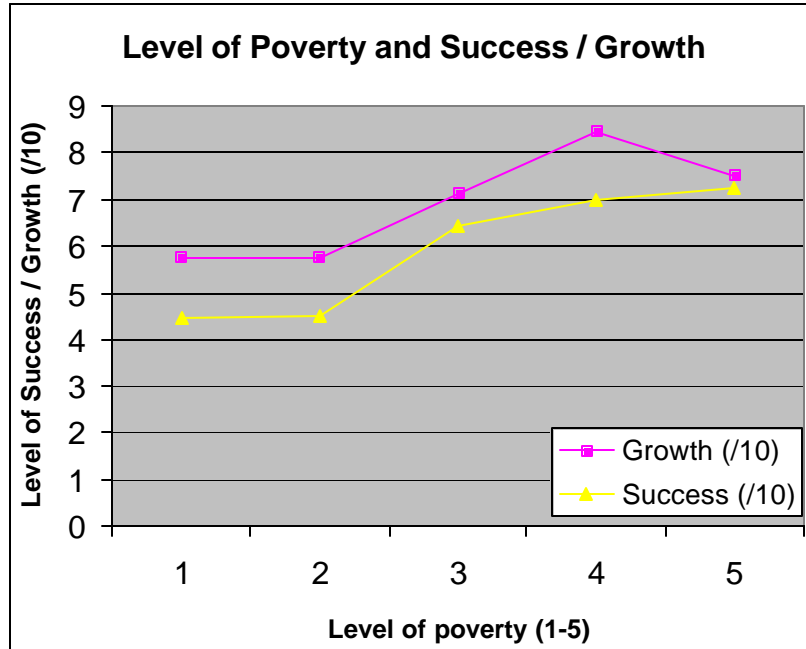
Vision	Success (/10)	Growth (/10)
With vision	7.13	8.17
Without vision	5.43	6.52

It was also found that there was a strong correlation between level of training/education and vision, that is, those that had received some form of formal training or education were much more likely to have a realistic vision for the future.

It is interesting to note that among all activity sectors, those engaged in commerce were found to be less likely to have a vision for the future. This may be attributed to a number of factors: First, as the sector with the lowest barriers to entry/ exit, commerce is one of the more transient microenterprise activities. Many get into commerce to sell one good or another and quickly get out to sell another good, thereby reducing the likelihood of developing a consistent vision for the future. Second, as noted earlier, many of those in commerce selected this activity sector because it didn't require that they have an education or training. If the correlation between level of training/education and vision holds, it is natural that fewer of those involved in commerce would have a vision for the future.

Level of Poverty

Although most MFI agents interviewed indicated that the level of poverty was not a significant determinant of success, this study revealed otherwise. Based on data collected during interviews with microenterprises, it was found that there is a strong correlation between level of poverty and level of success and growth (Pearson correlations of .554 and .463 between level of poverty and level of success and growth, respectively. Correlation is significant at the 0.01 level (1-tailed).



It is important to note that the level of poverty, in itself, does not make an entrepreneur more or less successful, but the conditions related to poverty do affect the likelihood of his/her success. For example, someone who is raised in a not-so-poor household is more likely to have been to school or have received formal training (which we have seen contributes to a level of success), to have access to the capital needed to buy the efficient equipment, tools and resources, or in the case of commerce, to buy goods in large enough quantities to benefit from per unit cost savings and/or to diversify product offering, to have contacts that will help with the enterprise, etc. In short, being financially better off can help make an entrepreneur more successful, as it limits or reduces the various “unfreedoms²⁶” that come with poverty.

²⁶ Sen A., *Development as Freedom*. New York: Knopf. 1999

Gender

A comparison of microenterprise success and growth by gender yielded inconclusive results, but nevertheless, interviews with MFI personnel did reveal that differences exist between male and female entrepreneurs that do impact on the success of their microenterprises. It was noted that female microentrepreneurs are often more devoted to the success and growth of their microenterprises than their male counterparts. Women often work longer hours and devote a greater portion of their income to their microenterprises. Whereas men are more likely to spend a greater portion of their income on leisure (e.g. sitting at the bar with friends), women often prefer to reinvest as much of their income into their enterprises (once household expenses have been paid off). Perhaps this is one of the reasons why many MFIs consider women to be a lesser credit risk than men.



Young woman selling oranges, Bénin

Key Issues Inhibiting Success of Microenterprise Sector in Urban FWA

A number of common issues and characteristics were found to inhibit the success of many entrepreneurs in the microenterprise sector in urban FWA in general. Most notably, lack of market knowledge and training, limited access to capital, and lack of cooperation. While many of these issues are directly related to other factors, such as level of education, poverty, etc, the common limitations noted are worth evaluating, as they may help identify solutions for helping microenterprises succeed.

Lack of Market Knowledge and Training

Among those microentrepreneurs interviewed, many demonstrated a lack of knowledge of the market for their products: nearly 43% of those interviewed rated their knowledge of the market for their products to be “relatively poor” or “poor”. This is significant as level of market knowledge was strongly correlated with level of success and growth of microenterprises. Interestingly, the level of experience and years in operation is less a determinant of market knowledge than training and education, as noted earlier. Experience is nevertheless important for microenterprises in terms of gaining an understanding of the markets in which they operate, particularly in terms of evaluating supplier prices and products. Training and education remain an important factor in microenterprise success as this has been shown to contribute to success and growth in the microenterprise sector. Nevertheless, many in FWA are not educated, and do not have access to formal training programs. Apprentice programs may be one of the most significant and important forms of training for microentrepreneurs. Such programs should

be supported, encouraged and improved by international NGOs, aid agencies as well as local government institutions and organizations.

Microenterprise profile :**“Tanti Dovi”, Lomé, Togo**

Tanti Dovi, a frail women in her late 60's, has had to find a new source of income since her husband died seven years ago. Although she was never formally educated or trained, Tanti Dovi remembered how to make bead necklaces which she learned to make when she was a young girl. As this activity was not too physically demanding, she decided to make and sell necklaces by the side of her home not far from the centre of Lomé. Once a week, Tanti Dovi goes to the market to buy beads which she uses to make necklaces and bracelets which she then displays and sells from a small stand next to her home. She is certain that the success of her microenterprise is in the hands of God although she has not been able to make ends meet of late.

Limited Access to Capital / Credit

Limited access to capital and credit continues to be one of the primary inhibitors of microenterprise growth and success in FWA. Despite the advent and growth of the microfinance sector in FWA, most micro and small entrepreneurs still do not have access to the capital they need to grow their enterprises. According to a 1995 study by the World Bank, an appraisal of MFIs in FWA gave the institutions high marks for outreach, finding that most provide financial services to very poor, underserved people²⁷. The findings in this study, conducted 8 years since the World Bank study, indicate otherwise. Among those interviewed, one third considered lack of capital to be the most significant obstacle to their growth and success. Nevertheless, less than 20%, evenly split among men and women, had succeeded in taking out microfinance loans in the past.

This discrepancy can be attributed to a number of factors. First, it was found that many entrepreneurs lacked an understanding of the capital and credit options available to them. For example, a number of microentrepreneurs had never heard of microfinance or similar credit and savings programs (this is surprising in urban FWA where MFIs have proliferated just about everywhere over the past few years). Many more had heard of microfinance but didn't understand how such programs worked, and so avoided them altogether. Second, the services of many MFIs, let along commercial banks, are still not adapted to the realities and borrowing constraints of most participating in the informal sector. All but one of the 12 MFIs visited required a significant guarantee, such as title to property rights, equipment, savings representing 20%-50% of a loan amount, or a salaried co-signors (all of which the majority of poor microentrepreneurs do not have). While it is understandable that MFIs seek to hedge their risk by requiring guarantees, the reality is that many microentrepreneurs do not have the appropriate forms of guarantees to access loans. This finding is also contrary to findings in the 1995 World Bank study which indicated that “the quality of financial services offered is high: loan terms and conditions

²⁷ The Informal Sector and Microfinance Institutions of West Africa, World Bank Development Economics, <http://www.worldbank.org/html/dec/Publications/Abstracts96/07fin/fin07.html>

are tailored to the needs and capacities of clients; borrowers can obtain small loans using simple procedures; and requirements for loan security, character-based guarantees, collateral, and savings deposits are appropriate for local conditions²⁸. During visits to most MFIs, it was observed that the majority of the clients were not so poor; some could even be characterized as being well off relative to the majority of the population in FWA. Group lending programs, such as those programs pioneered by the Grameen Bank to get around the borrowing constraints of the poor, are offered by some MFIs in FWA, but such programs are limited in urban settings. Moreover, many of the MFIs visited indicated that group loans represented a higher risk (characterized by lower repayment rates and other loan complications), and so many were scaling back or aborting their group lending programs entirely in urban regions.

Third, many microentrepreneurs, particularly those that are worse off, simply fear credit, and rightly so. Should one fail to make loan repayments, his/her financial situation can be significantly worse off than before he/she took out a loan. To return to Maslow's hierarchy of needs, many microentrepreneurs are working to satisfy their most basic physiological and safety needs and that of their households. Many are just barely able to do this, and so taking out a loan, while potentially very beneficial, represents too great a risk for many as failure to repay threatens their ability to meet their lower order needs in the future (due to having to pay back high interest payments or having their savings confiscated). One microentrepreneur went as far as to say that "I wouldn't be able to sleep knowing that I have a debt to repay". Fourth, to take out a loan, many MFIs require that microenterprises already be well established and have been operating for some time. This puts credit out of reach for many of those looking to start a new enterprise. Lastly, MFI interest rates are quite high, making loans unattractive for many. Most MFIs in FWA charge approximately 24% interest per year. Many microentrepreneurs deem this to be too high to warrant taking out a loan.

Lack of Cooperation

Another significant inhibitor to microenterprise success and growth is the lack of cooperation among microentrepreneurs. Of those microenterprises interviewed, less than 5% had or had expressed a desire or interest to cooperate with others (outside the family) to grow their businesses. The great majority of microentrepreneurs in FWA prefer to operate independently and on their own. This finding was corroborated by those MFI personnel interviewed. The reason for this lack of cooperation relates primarily to a lack of trust of others in FWA. Most microenterprises interviewed indicated that they fear being taken advantage of, ripped off, or cheated by those with whom they would cooperate. Indeed, in FWA, there is a genuine lack of trust of others when it comes to money matters. This may be due to the nature of labour relations in FWA, which "are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements"²⁹ The genuine lack of trust of others on money matters may also be a result of the high level of corruption in FWA, or perhaps, that the marginal

²⁸ The Informal Sector and Microfinance Institutions of West Africa, World Bank Development Economics, <http://www.worldbank.org/html/dec/Publications/Abstracts96/07fin/fin07.html>

²⁹ International Statistical Definition of the informal sector, International Labour Organization, Fifteenth International Conference of Labour Statisticians (ICLS), January 1993

utility of money is so great in these countries (where people have so little), that many, if not most, are driven to use less than honest means to try to extract as much money as possible from those with whom they interact. The exaggerated process of negotiation when buying products or services in the informal sector would seem to support this argument. In any event, most microentrepreneurs have little desire to cooperate with others for lack of trust of others.



Tailor, Togo

Moreover, as most microentrepreneurs are working to satisfy their lower order needs (re: Maslow's hierarchy of needs), the risk associated with cooperation, given this lack of trust, is simply too high. To cooperate and lose out (e.g. get ripped off) could directly impact a microentrepreneur's ability to meet his/her lower order needs, which, as noted earlier, are their basic needs for survival. It is no wonder, therefore, that most fear cooperation.

Nevertheless, this fear of cooperation inhibits the ability of many, if not most microenterprises, to grow and evolve. Many prefer to work independently, even if this means taking charge of every activity related to their microenterprise themselves, as impractical and time-consuming as this may be (read the real life case below for an example). Limited cooperation is a significant barrier to growth for virtually all microentrepreneurs. For those women selling fruit, clothes, or toothpaste from

a tray balance on top of their head, for example, cooperation is the only way to grow their business short of stacking their goods higher on their head or growing a second head on which to balance a second tray.

Cooperation not so sweet a deal in FWA

Rodrigue is a Togolese tailor who produces demin handbags and backpacks for sale to students in Lomé. He spends most of his time working away at home on his muscle-powered sewing machine producing his hip handbags and so lacks the time to sell them in the market downtown or outside popular student hangouts. A few months ago, Rodrigue decided to cooperate with some friends who would sell his products around town on commission, but soon found that he was getting cheated by virtually all his friends. They would tell him that they sold a particular handbag for 700CFA (approx \$2cdn), when they actually sold it for 1000CFA, pocketing the 300CFA difference, plus a commission. Frustrated, Rodrigue decided to work independently in the future, balancing his time between producing his handbags and backpacks, and selling them around town. As a result, he can now make fewer handbags, and spends much more time working.

Socio-Economic Problems in the External Environment

The limited success of many microenterprises is not due exclusively to their own inadequacies. The external environment and nature of the market is also a significant hindrance. Indeed, one third of MFI personnel interviewed indicated that socio-economic factors were a significant inhibitor to microenterprise success. This was especially found to be the case in Togo, where 30+ year of military dictatorship rule have squeezed the life and money out of the private sector (particularly in the past 10 or so years). Moreover, the developing country context in FWA is such that people have less disposable income (if any) to spend on goods and services, and so there is less money circulating in the economy, which obviously impacts on demand for products and services and well as their supply. Microenterprises struggle to sell products to people that can barely afford them...this is certainly not an easy task.



Cattle herder takes sheep to market, Niger

Conclusion

Development and evolution in the microenterprise sector in FWA have been slow, at best. This is both due to the nature of the economic external environment in FWA, which is largely informal, characterized by limited growth, and plagued by the effects of poverty, and to the limitations and constraints of individual microenterprises. As outlined, such limitations and constraints include lack of training and knowledge of markets, limited access to much needed capital, fear of cooperation, etc.

It should also be noted that ‘growth’ is not necessarily considered to be a desired objective or goal by all microentrepreneurs, nor the most important measure of success. For many, success is gauged simply by their ability to provide for their basic needs and that of their household. In other words, the goals and objectives of many are directly in line with their priorities, which are, first and foremost, to provide for their basic physiological and safety needs and that of their households. To work towards growth implies more work, more headaches, and more risk, and so, many prefer not to work towards growth if they are already able to provide for their basic needs. This is not to say that microentrepreneurs would not prefer to make and have more money and increasing revenues – indeed most would, it’s just that many are not committed or motivated to working towards growth as the additional effort that this implies often cannot be justified in the microenterprise sector in FWA if they have already met their basic priorities and needs.

Take the case of a women selling bread from a basket by the side of the road. She may be very happy with her microenterprise and consider it a success if it provides her with the means to feed and educate her children. If this is the case, and she already considers her microenterprise to be a success, she may find it very difficult to justify putting extra time and effort into her enterprise to grow, let’s say, to become the largest bakery in town. Too often, in the West, we associate business success with growth (certainly, this is what is thought in North American business schools). As the above example illustrates, this paradigm may not always be appropriate for evaluating microenterprise success in FWA, nor in developing microenterprise development programs and services. While it is certainly true that many microentrepreneurs want to grow their business, many others are content with a more humble level of success – the ability to meet their basic needs and that of their household.

If all microenterprises in FWA were able to achieve this humble level of success, one could certainly consider this ‘development’³⁰, as this would imply an increase in standard of living for many - fewer families would go hungry, and more would be able to put a roof over their head (i.e. meet their physiological and safety needs, even if at a basic level).

Nevertheless, although microenterprise has been an important force in development in FWA, the reality is that many are still struggling to meet their most basic needs.

Local and international support is crucial to the development of the microenterprise sector in FWA. New programs should be developed and existing

³⁰ In a previous paper, ‘development’ as a concept was defined as: *The balanced growth of social, environmental and economic value leading to an equitable and sustainable increase in quality of life.* (Roy, M., Microfinance as a Tool for Development, Schulich School of Business, February 28, 2003)

programs enhanced to help people use their skills, talents, and labour to develop “successful” microenterprises that will in turn allow them to meet their basic needs, raise themselves out of poverty and increase their standard of living and that of their families.

Microfinance is an important tool to do this, but it must become more accessible to those that need it most. For this to happen, MFIs and aid agencies will have to take more risks on the poor, even if this implies occasional financial loss (which could be covered by various relevant aid agencies). New training programs focused on microenterprise planning and development should be developed, and existing apprenticeship and other training programs supported, to help provide the necessary knowledge and skills to prospective and existing microentrepreneurs. Evolving from microenterprise, small local enterprise (SLE)³¹ development programs could be developed to help microentrepreneurs cooperate and work collectively to develop and grow larger businesses (and get over their fear of cooperation). This is not intended to be an exhaustive or comprehensive list of recommendations, rather these points, which draw on the findings in this study, highlight some of the most important and necessary building blocks for the development of the microenterprise sector in FWA and development in general.

³¹ Wheeler, McKague, Thomson, *Sustainable Livelihoods and the Private Sector: CIDA's Role in Strengthening Sustainable Local Enterprise*, 2003

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All pictures in this report taken by the author between April and September, 2003.

Appendix 1 – Microenterprise Interview Questionnaire

Questionnaire pour les petites entreprises en activité en Afrique de l'Ouest

Lieu : _____

Date : _____

Sexe, âge approximatif et niveau de pauvreté (approx.): _____

Secteur d'activité (cocher):

- Commerce (y compris le négoce)
- Fabrique et petite industrie
- Agriculture
- Élevage/ jardin/ pêche
- Restauration /préparation alimentaire
- Prestation de service (autre que la restauration)
- Artisanat
- Autres : _____

1. Description de la microentreprise? Comment ça fonctionne (que faites-vous dans un cycle typique?)

2. Depuis combien de temps êtes-vous en opération? _____

3. Pourquoi/ comment avez-vous choisi votre entreprise / secteur d'activité :

4. Au début, aviez-vous un talent, ou aviez-vous reçu une formation qui vous a aidé?

oui non note : _____

5. Pouvez-vous lire, écrire et calculer? Comment cela vous aide-t-il/ cause des problèmes?

oui non note : _____

6. Comment bien est-ce que vous connaissiez le marché pour vos produits/services avant de commencer? (cocher)

- Très bien Raison : _____
- Relativement bien Raison : _____
- Relativement mal Raison : _____
- Pas du tout Raison : _____

Comment ces connaissances vous ont-elles aidé / pourraient vous aider?

7. Avez-vous accès à toutes les technologies/ ressources pour bien faire fonctionner votre entreprise?

- oui Comment cela vous aide-t-il?

- non Quel problème cela pose-t-il?

8. Vos produits / services se différencient-ils des autres dans votre secteur d'entreprise?

- oui non

(Si oui) Comment se différencie votre entreprise par rapport aux autres dans ce secteur d'activité.

- Prix (plus cher ou moins cher (encercler))
- Qualité (meilleure ou moindre (encercler))

Autres : _____

9. Depuis que vous avez commencé, comment décrivez-vous l'évolution de votre entreprise? (est-ce que votre entreprise a plus de clients/ produits /revenus / profits maintenant qu'avant).

- très bien Note : _____
- relativement bien Note : _____
- pas du tout Note : _____
- pire maintenant qu'au début Note : _____

10. De 1 à 10, comment évaluez-vous le succès de votre entreprise? _____

Pourquoi (ex. quels sont vos critères d'évaluation) _____

11. Que considérez-vous être le facteur le plus important pour le succès et l'évolution de votre entreprise? Pourquoi?

12. Que considérez-vous être les plus grands obstacles au succès de votre entreprise?
Pourquoi?

13. Quelle vision avez-vous pour votre entreprise? :

l'année prochaine : _____

5 ans : _____

20ans : _____

14. Est-ce que vous considérez ou avez-vous déjà considéré coopérer avec d'autres pour faire fructifier votre entreprise?

oui non

Pourquoi? _____

15. Comment décrivez-vous vos relations avec vos fournisseurs?

Fortes (achète toujours des mêmes fournisseurs)

Relativement stables (achète souvent des mêmes fournisseurs)

Relativement faibles (achète parfois des mêmes fournisseurs)

Faibles / non existantes (achète toujours/ presque toujours de fournisseurs différents)

Raison(s) : _____

16. Comment vous arrangez-vous pour maximiser vos ventes? (ex. publicité, etc.) :

17. D'après vous, quels sont les facteurs les plus importants pour la réussite des entreprises dans votre secteur d'activité? Pourquoi?

18. D'après vous, quel secteur d'activité réussit le mieux

Commerce (y compris le négoce)

Fabrique et petite industrie

Agriculture

Elevage/ jardin/ pêche

Restauration /préparation alimentaire

Prestation de service (autre que la restauration)

Artisanat

Autres : _____

Quels sont les avantages de ce secteur?

(Si autre que votre secteur) Pourquoi ne participez-vous pas à ce secteur?

19. (Si femme) Comment votre société voit les petites entreprises des femmes?

- Très bien Note : _____
- Relativement bien Note : _____
- Relativement mal Note : _____
- Très mal Note : _____

Section sur la microfinance (si l'entrepreneur prend de la microfinance)

20. Avez-vous déjà pris avantage de microfinance?

- oui non depuis quand : _____

21. Comment avez-vous obtenu des prêts (quelle forme de garantie)?

- Regroupement,
- Garantie
- Épargne
- Autres _____

22. Comment décrivez-vous la contribution de la microfinance au succès de votre petite entreprise?

- Très importante (la microfinance a beaucoup contribué à l'évolution de l'entreprise).
- Relativement importante (la microfinance a aidé à l'évolution de l'entreprise)
- Pas importante (la microfinance n'a pas beaucoup aidé)
- Négative (la microfinance a fait du tort à l'entreprise / entrepreneur)

Notes

explicatives : _____

23. Avez-vous parfois de la difficulté à repayer vos prêts?

- oui non Comment souvent (encercler): toujours, souvent, rarement, jamais

24. Est-ce que le montant de vos prêts augmente oui non

Pour quelle raison désirez-vous obtenir des prêts plus importants?

Appendix 2 – MFI Interview Questionnaire

Questionnaire pour agents de microcrédit en Afrique de l'Ouest

Nom et lieu de la structure : _____

Date : _____

25. Quelle est la typologie de votre structure :

- Coopérative ou mutuelle d'épargne et de crédit
- Institution de crédit direct
- ONG / Projet à volet crédit
- Bureau d'études / formations
- Autres _____

26. De quelle forme de garantie vous servez-vous pour accorder du crédit?

- Regroupement,
- Garantie
- Épargne
- Autres _____

27. D'après votre expérience et vos connaissances, quel secteur d'activité réussit le mieux en général (ex. quel secteur d'activités représente le moins de difficulté de remboursement de prêts / évolution des prêts?) :

- Commerce (y compris le négoce)
- Fabrique et petite industrie
- Agriculture
- Élevage/ jardin/ pêche
- Restauration /préparation alimentaire
- Prestation de service (autre que la restauration)
- Artisanat
- Autres : _____

28. D'après vous, quelles sont les raisons pour le succès de ce/ ces secteurs d'activités par rapport aux autres?

29. Comment évaluez-vous l'importance des facteurs suivants (de 1 à 5) au succès / évolution d'une entreprise:

- Nombre d'années en opération / d'expériences: _____
- Niveau d'éducation / formation de l'entrepreneur : _____
- Accès à un bon marché pour le produit / service : _____

- Accès aux technologies/ ressources nécessaires : _____
- Le produit/ service se différencie des autres dans le secteur d'activité : _____
- Niveau de planification de l'entrepreneur : _____
- Vision de l'entrepreneur : _____
- Niveau de pauvreté de l'entrepreneur : _____
- Sexe de l'entrepreneur
- Relations de l'entreprise avec les fournisseurs : _____
- Autres : _____ : _____
- Autres : _____ : _____
- Autres : _____ : _____

30. Que considérez-vous être les facteurs les plus importants au succès d'une microentreprise en général? Pourquoi?

31. Que considérez-vous être les plus grands obstacles au succès d'une microentreprise en général? Pourquoi?

32. Comment décrivez-vous la contribution de la microfinance au succès des petites entreprises?

- Très importante (la microfinance a beaucoup contribué à l'évolution de l'entreprise).
- Relativement importante (la microfinance a aidé à l'évolution de l'entreprise)
- Pas importante (la microfinance n'a pas beaucoup aidé)
- Négative (la microfinance a fait du tort à l'entreprise / entrepreneur)

Notes explicatives: _____

33. Pourquoi certains clients ont-ils de la difficulté à rembourser leurs prêts? Quels facteurs leur donnent le plus de difficulté à remettre leurs prêts?

34. Y-a-t-il un secteur d'activités pour lequel les entreprises demandent souvent d'augmenter leurs prêts pour pouvoir évoluer? Lequel, et pourquoi à votre avis?

Appendix 3 – Perceived Microenterprise Success Factors

Perceived Importance of Various Success Factors by MFI personnel

Ranking	Success Factors	Score (/5)
1	Access to market (i.e. demand for product)	5
2	Experience / Year in operation	4.6
3	Planning (formal or informal)	4.1
4	Education / Training	3.2
5	Access to technology / resources	2.9
6	Supplier relationships	2.7
7	Differentiation of products	2.6
8	Level of poverty	2.5
9	Vision for the future	2.4
10	Gender	1.8