

# INFORMAL SECTOR ENTERPRISE SURVEYS

WHAT BUSINESSES EXPERIENCE

## Profile of Cities in Iraq, 2021



# INFORMAL SECTOR ENTERPRISE SURVEYS

## Contents

Introduction to the surveys.....	3
Demographics.....	4
Business Characteristics .....	4
Access to Finance .....	5
Workforce.....	5
Operations.....	6
Registration .....	6
Appendix.....	7

The ISIBS Profiles produced by the Enterprise Analysis Unit of the World Bank Group provide an overview of key business environment indicators facing informal, unregistered businesses in each economy, often comparing several cities/urban areas within each economy. All indicators are based on the responses of businesses. To learn more about the Enterprise Analysis Unit and to obtain other profiles, please visit [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

© 2022 International Bank for Reconstruction and Development / The World Bank Group  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

This work is a product of the staff of The World Bank Group with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank Group, its Board of Executive Directors, or the governments they represent.

The World Bank Group does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

### Rights and Permissions

The material in this work is subject to copyright. Because The World Bank Group encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Group Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

Please cite data as follows: The Informal Sector Enterprise Surveys [www.enterprisesurveys.org](http://www.enterprisesurveys.org), The World Bank Group.

The Enterprise Surveys team can be contacted at:

The World Bank Group  
2121 Pennsylvania Avenue, NW  
Washington DC, 20433 USA  
Tel. (202) 479-3800

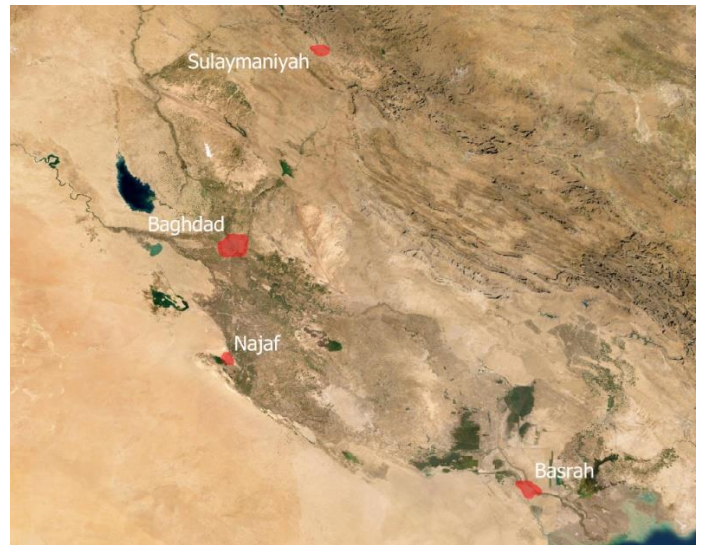
# INFORMAL SECTOR ENTERPRISE SURVEYS

## Introduction to the surveys

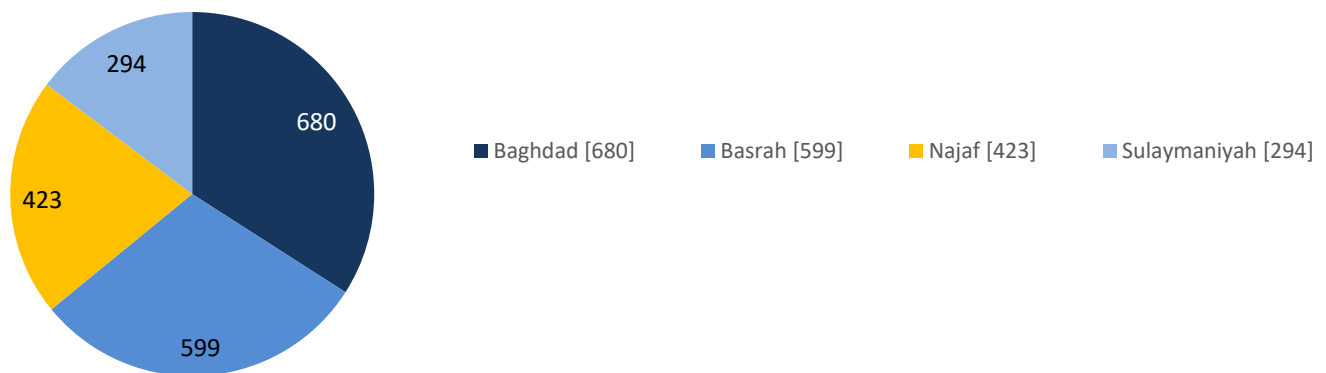
The World Bank’s Informal Sector Enterprise Surveys are data collection efforts based on a sampling methodology and a questionnaire designed to address the challenges of measuring the activity of informal businesses, which by their nature, are absent from many official surveys and statistics. The surveys use a standardized instrument, which has been consistently implemented across several economies since 2016. The surveys are designed to be geographically representative of selected urban areas and covers all un-registered businesses within the enumerated areas.<sup>1</sup>

The surveys focus on many aspects of the business environment that unregistered, informal businesses might face. Research is ongoing on how different aspects of the business environment impact informal businesses. One of the main aims of the surveys is to provide data that facilitates this research and that can be useful for understanding the characteristics of informal businesses, how they experience the broader business environment, and circumstances that may be particularly important to these unregistered businesses.

Questions in the surveys cover a wide range of topics, including on owner demographics, business characteristics, infrastructure, workforce, operations, and business registration. This document summarizes the results of the surveys in four cities in Iraq, namely Baghdad, Basrah, Najaf, and Sulaymaniyah. Figure 1 shows the number of interviews conducted with informal businesses across these cities. Each sample is representative of the informal businesses of the respective city.



**Figure 1: Number of interviews with informal businesses by location**

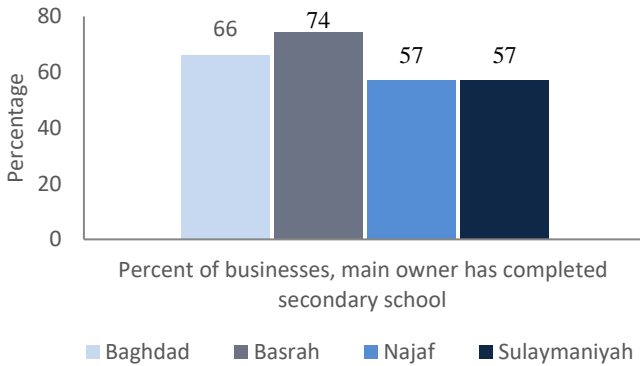


# INFORMAL SECTOR ENTERPRISE SURVEYS

## Demographics

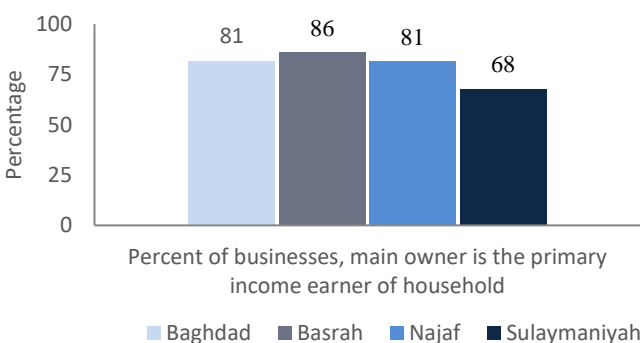
Since the operations of informal businesses are often distinctly connected to the life of the business owners, several pieces of demographic information about the (largest) owner, his/her family, and employment history are collected in the surveys. For instance, a frequent topic when studying informality is whether the owners of unregistered businesses have an education profile that may preclude them from formal work. Figure 2 shows the share of the owners of informal businesses who have at least some secondary school education or higher, across all cities.

**Figure 2: Education profile of main owners**



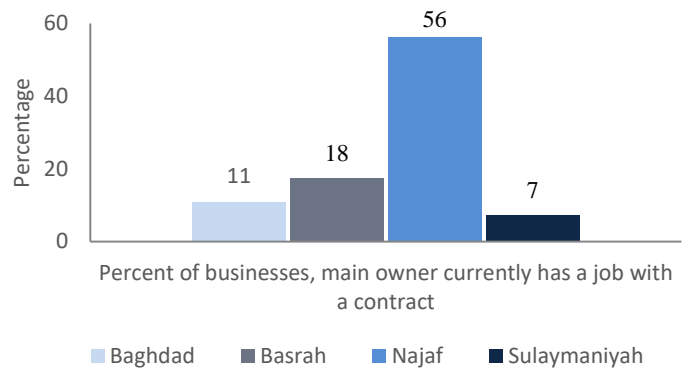
The owners of informal businesses may act in different capacities in their households; often, they are the primary income earner, in which case the operation of an informal business may have substantial consequences for the livelihood of members of that household. Figure 3 shows the proportion of informal business owners that are also the primary income earner of their household.

**Figure 3: Share of main owners that are primary income earners**



Being a primary income earner in the household does not directly mean that earnings from informal businesses are necessarily the primary income source for these households. Owners may also receive income from other sources, including jobs under some sort of agreement or contract, which itself can be an indication of informal business owners' access to the formal labor markets. Figure 4 reports the proportion of owners, by city, who also have a job with an agreement or contract.

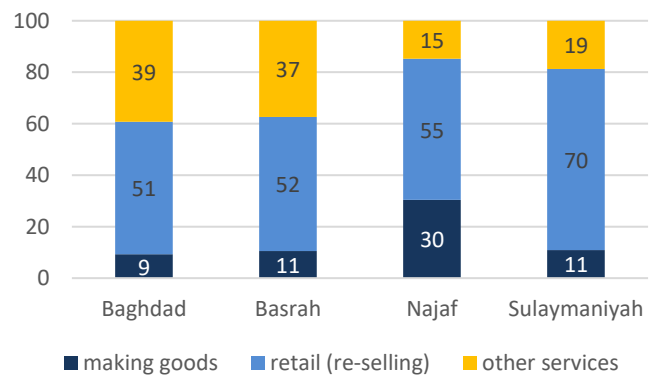
**Figure 4: Main owner has a job with a contract**



## Business Characteristics

The surveys collect several pieces of information on the characteristics of informal businesses themselves. While these businesses often co-exist and compete with formal businesses—often in similar activities or sectors—there may also be patterns of characteristics unique to informal businesses. Figure 5 shows the proportion of unregistered businesses by sector of activity.

**Figure 5: Percentage of businesses across sectors**

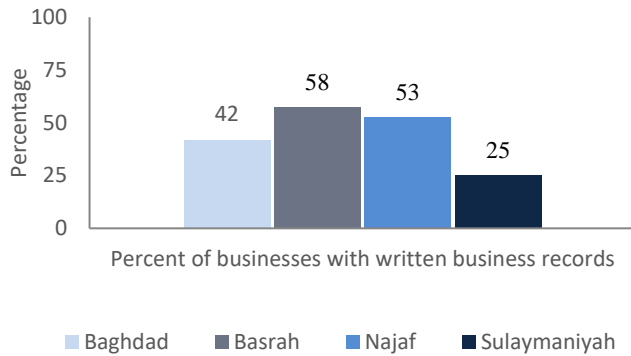


Unregistered businesses operate informally and, most likely, do not pay taxes. As a result, many informal

# INFORMAL SECTOR ENTERPRISE SURVEYS

businesses may find themselves without reasons to keep written business records, despite the possible gains from budgeting and maintaining a record of profits or losses. Figure 6 shows the proportion of informal businesses that keep written business records as an indication of this sort of practice.

**Figure 6: Share of informal businesses that keep written business records**



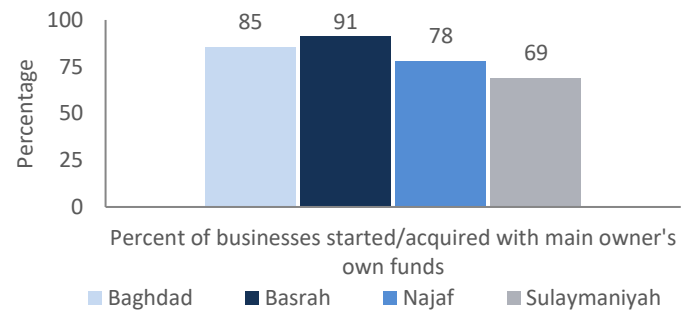
## Access to Finance

Well-developed financial markets provide payment services, mobilize deposits, and facilitate funding for the purchase of fixed assets—such as buildings, land, machinery, and equipment—as well as day-to-day operations. Efficient financial markets reduce businesses’ reliance on internal funds or informal sources such as family and friends by connecting businesses that are creditworthy to a broad range of lenders and investors.

Yet, informal businesses most likely find themselves separated from access to such financial instruments, which typically are available to their formally registered counterparts. It is no surprise, as a result, that the finances of informal businesses often lie outside of such channels and are frequently inseparable from the personal finances of owners.

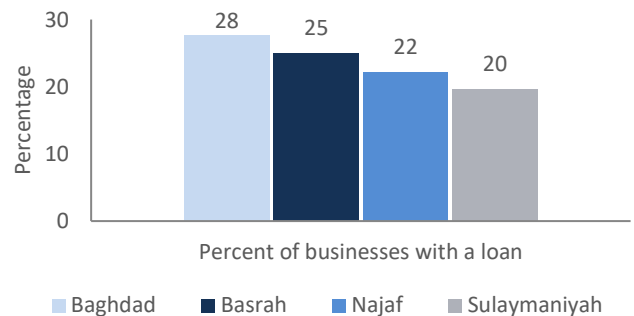
The surveys include several pieces of information on informal businesses’ access to finance. Since informal businesses may not have the same access to formalized financing at start-up, these unregistered businesses may rely predominantly on the personal funds of the owner to open a business, as shown in Figure 7.

**Figure 7: Informal businesses started with owner’s own funds**



Still, informal businesses may have access to a loan, either from a formal financing source or an informal one; though these loans may be taken out in the name of the business owner or are inseparable from household finances. Figure 8 gives an indication of this access to finance and shows the proportion of informal businesses with a loan.

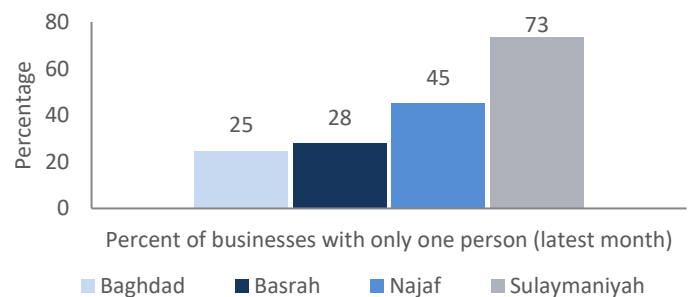
**Figure 8: Share of businesses with a loan**



## Workforce

Informal businesses often maintain a workforce profile that is distinct in several ways. For instance, they often operate at a small scale, with many informal businesses operated by only one person. Figure 9 shows how this proportion varies across the cities included in the surveys.

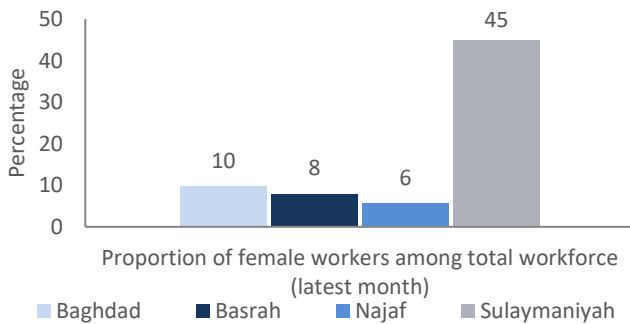
**Figure 9: Share of one-person operated informal businesses**



# INFORMAL SECTOR ENTERPRISE SURVEYS

It is not clear if one should expect the proportion of female workers in unregistered businesses to be distinctly higher or lower than the share of male workers: informal sector work may reflect gender discrimination in access to formal jobs. Additionally, the flexibility and structure of work in informal businesses may afford differing advantages that result in different proportions of workers who are female. Figure 10 shows the proportion of female workers, varying across the cities in the study.

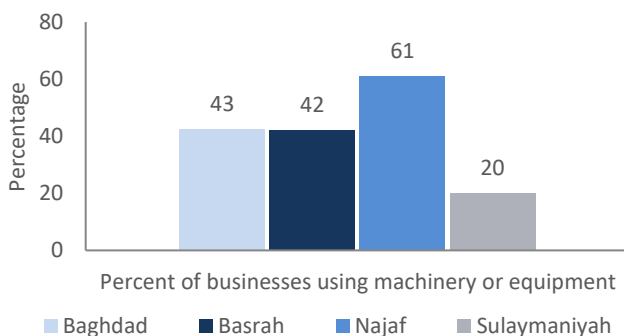
**Figure 10: Proportion of workers who are female**



## Operations

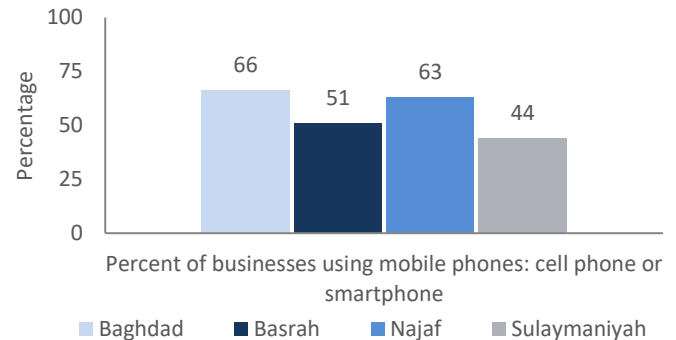
There are reasons to believe that other aspects of informal business operation will be distinct from their formally registered counterparts. As shown earlier, the profiles of informal businesses—for example in terms of their access to formalized financing—may relate to how informal businesses themselves operate. Informal businesses may report differing use of basic technologies, for instance, if they rely notably more (or less) on capital and fixed assets. Figure 11 shows the share of informal businesses that use machinery and/or equipment in their operations, across all cities in the study.

**Figure 11: Use of machinery and equipment by informal businesses**



The use of other technologies that can be well-suited to the operations of informal businesses may set some of them apart from other businesses. Figure 12 shows how the use of mobile/smartphones in the operations of unregistered businesses varies across cities.

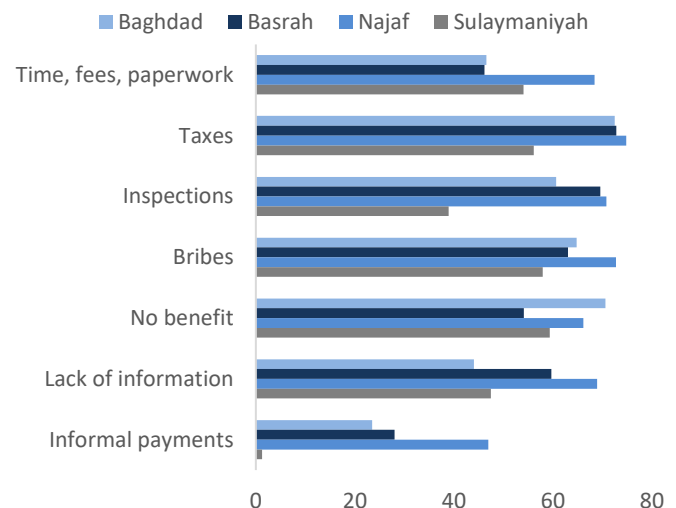
**Figure 12: Use of mobile or smartphones in informal business operations**



## Registration

One of the key pieces of information for policymakers and researchers concerned with informality is why do these businesses remain unregistered. The structural reasons for these businesses to remain informal has been a central point of debate; the surveys provides some insight on this topic by asking informal businesses if any of several aspects are reasons to remain unregistered, as shown in Figure 13 (noting that respondents can report “yes” to more than one).

**Figure 13: Share of businesses reporting reasons for not formally registering**



# INFORMAL SECTOR ENTERPRISE SURVEYS

## Appendix

The following table reports selected indicators.

	Baghdad	Basrah	Najaf	Sulaymaniyah
<b>Demographics</b>				
Percent of businesses, main owner has no schooling	9.3	4.0	11.7	4.7
Percent of businesses, main owner has completed secondary school	66.2	74.4	57.2	57.2
Age of main owner (years)	39.2	37.6	39.8	36.8
Percent of businesses, main owner is the primary income earner of household	81.5	85.9	81.4	67.8
Percent of businesses, main owner currently has a job with a contract	11.0	17.5	56.1	7.3
Percent of businesses, main owner actively looked for a contract job in past 2 years	34.5	51.7	16.3	21.6
<b>Business Characteristics</b>				
Percent of businesses engaged in making goods	9.3	10.5	30.5	10.9
Percent of businesses engaged in retail (re-selling)	51.5	52.1	54.7	70.4
Percent of businesses engaged in other services	39.2	37.3	14.8	18.7
Percent of businesses operating from within household	27.1	35.2	22.5	13.0
Percent of businesses operating from non-fixed premises (including hawkers)	9.1	2.4	18.3	30.7
Percent of businesses preparing a profit and loss statement at least once a year	33.8	64.3	77.5	45.2
Percent of businesses with written business records	41.9	57.6	52.7	25.3
<b>Finance and Infrastructure</b>				
Percent of businesses, main owner has a bank account for the business	8.3	20.6	17.1	3.4
Percent of businesses started/acquired with main owner's own funds	85.1	91.0	77.8	68.8
Percent of businesses with a loan	27.7	25.0	22.1	19.7
Percent of businesses applying for loan in past year	8.8	14.5	21.4	27.4
Percent of businesses using electricity	59.6	78.4	80.1	46.1
Percent of businesses using water	30.3	35.4	78.7	24.0
<b>Workforce</b>				
Percent of businesses with only one person (latest month)	24.7	28.0	45.2	73.4
Proportion of business' workers who can write	83.0	87.2	89.3	86.1
Proportion of female workers among total workforce (latest month)	9.6	7.9	5.6	44.9
<b>Operations</b>				
Percent of businesses reporting a profit in the past month	60.2	68.8	83.5	66.0
Percent of businesses using machinery or equipment	42.6	42.1	61.1	20.1
Percent of businesses using mobile phones: cell phone or smartphone		50.9	63.1	44.2
Percent of businesses, purchased machinery/equipment in past 3 years		22.6	28.0	36.8
<b>Registration</b>				
Percent of businesses, reason for not registering: time, fees, and paperwork	46.5	46.2	68.4	54.0
Percent of businesses, reason for not registering: taxes	72.5	72.8	74.8	56.1
Percent of businesses, reason for not registering: meetings and inspections	60.7	69.6	70.8	38.9
Percent of businesses, reason for not registering: bribes	64.8	63.0	72.7	57.9
Percent of businesses, reason for not registering: no benefit	70.7	54.1	66.2	59.4
Percent of businesses, reason for not registering: lack of info	44.1	59.7	69.0	47.5
Percent of businesses having to make informal payments to remain unregistered	23.5	28.0	47.0	1.3

1. For more details about the survey methodology, please see: <https://openknowledge.worldbank.org/handle/10986/36851>.