

## Surveys of Informal Sector Enterprises – Some Measurement Issues

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The informal sector represents an important part of the economy and the labour market in many countries, especially developing countries. Measurements of the informal sector are of intrinsic interest in their own right as well as providing a contribution towards exhaustive measures of GDP. Considering that informal sector provides employment for income creation to a large number of poor and contributes significantly to the GDP of many developing countries, collecting statistics through surveys for accurate measurement of output, net surplus and value added is critical for national accounts, other users and for researchers working on policy related issues. As most of the informal sector enterprises do not maintain business accounts, the survey responses depend highly on the recall by the respondent and the skills of the interviewer. Thus a very important aspect of the surveys of informal sector enterprises is the design of questionnaire and the details to be captured to collect data for accurate measurement of the characteristics of these enterprises. There are implications of the details sought in the survey questionnaire on the accuracy of data and hence in the measurement of expenditure, receipts, profits and gross value added (GVA) of these enterprises. In this paper we will examine the differences in the measures of (i) profits of an enterprise obtained from a detailed set of questions on incomes and expenses of the enterprise vs profits of the enterprise obtained through a single direct question and (ii) gross value added (GVA) obtained using *production approach* as difference of output and intermediate consumption of the enterprises from the detailed set of questions on incomes and expenses vs GVA from *income approach* obtained by asking few direct questions on the factor incomes of the enterprises of which profits of the enterprise is an important factor. To examine this we use the data from the 56<sup>th</sup> round survey of unorganized manufacturing conducted by the National Sample Survey Organization (NSSO) conducted during the period July 2000-June 2001. We also examine if the differences vary with the characteristics of the enterprises and suggest further empirical research to develop suitable tools for providing accurate measurements of informal sector enterprises.

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