



## **2008 World Bank Group Entrepreneurship Survey (WBGES)**

### **Frequently Asked Questions**

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### **What is the goal of the WBGES?**

The WBGES aims to understand the dynamics of private enterprises around the world through the collection of data on business creation at the international level that can be compared across heterogeneous legal, economic, and political systems. Such data permit the study of regulatory, political and macroeconomic institutional changes on entrepreneurship and the incentives and disincentives for entrepreneurs to shift from the informal to the formal sector.

### **What is the strategy for the survey?**

In order to make data comparable, the WBGES strives to define a unit of measurement, source of information, and concept of entrepreneurship applicable and available among the diverse countries surveyed.

### **Where do the data come from?**

The definition of entrepreneurship used in the survey limits findings to the formal sector because of the difficulties of quantifying the number of firms that compose the informal sector, and is no reflection on the its relevance for developing economies.

Moreover, the previous literature highlights the potential advantages of formal sector participation, including police and judicial protection (and less vulnerability to corruption and the demand for bribes), access to formal credit institutions, the ability to use formal labor contracts, and greater access to foreign markets. Additionally, some firms that choose to stay informal might be unable to realize their full growth potential.

The WBGES facilitates the analysis of the growth of the formal private sector, relative to the informal sector, and the identification of factors that encourage firms to begin operations in or transition to the formal sector.

## **What exactly do we measure and why?**

While there are numerous established definitions for entrepreneurship, the concept still lacks a common language. Furthermore, many of the current definitions focus disproportionately on industrialized countries, highlighting the assumption of risks, innovation, and high growth as necessary characteristics of entrepreneurial activity. These characteristics are typical of entrepreneurship in industrialized countries, but might be difficult to measure in developing countries. Therefore, to make the data comparable across a large number of countries, the specific type of business measured is simply *the number of limited liability corporations*, or its equivalent in other legal systems.

## **What are the sources of information?**

The main sources of information for this study are the national business registries. The complete list of sources is available online.

In a limited number of cases where the business registry was unable to provide the data—usually because they do not keep business registrations digitalized—the WBGES used alternatives sources, such as statistical agencies, tax and labor agencies, chambers of commerce, and private vendors (such as Dun & Bradstreet).

Given that business registration is the first step to entering the formal sector, the WBGES also gathered information on the registries' functioning and structure to better understand their role in the business creation process.

## **How are the data collected?**

The collection process involved telephone interviews and email/fax correspondence with business registries in over 120 countries; 112 countries responded to the survey in 2008 and data from 101 countries was considered accurate and comparable according to the WBGES methodology.

## **How is the data used?**

The WBGES aims to provide an indicator of entrepreneurship based on an objective measure of business creation. Its nature makes the WBGES an appropriate indicator to measure the impact of regulatory, political, and macroeconomic institutional changes on the private sector, therefore becoming a valuable tool for policy making.

The data itself only provides a snapshot of the countries' business demographics, and cannot by itself explain the factors that affect the business creation circle. However, when the WBGES is combined with other data such as the *Doing Business Report*, Investment Climate Assessments, OECD Entrepreneurship Indicators, or the Global Entrepreneurship Monitor, researchers and policymakers can better understand the variables that affect the business creation process.

## **What are the challenges and limitations of using the data?**

Despite effort to minimize disparities and make the data comparable across countries, certain limitations preclude a completely systematic analysis of entrepreneurial development. The following represent the most frequently faced problems in the process of gathering and processing the data:

- **Data availability.** Several countries were only able to provide data on newly registered companies—and not able to provide data on total registered companies—since recent registration information is stored electronically, but historical data was not digitalized. Some countries were excluded from this survey because they lacked tools or resources to

measure business registration. For instance, some countries have decentralized business registries that make aggregation at the national level extremely difficult. In other cases, the data are archived only in paper format.

- **Limitations regarding data on firm closures.** Although approximately 80 percent of surveyed countries require businesses to report closures, only a few were actually able to report the number of business closures. The reasons differ from country to country, but are mainly due to the fact that the registrars generally have no enforcement mechanisms to compel businesses to report closures. In other cases, the number of closed businesses was reported may be imprecise because only a low percentage of reporting businesses. Although the number of closed companies is essential to paint a clear picture of the economic and entrepreneurial activities of a country, it is not yet feasible to obtain comparable data.

In this regard, while information on “active” companies—excluding closed or inoperative businesses—is sometimes available from national tax agencies and labor ministries, the research shows that only a low number of countries can actually provide this data. Therefore, it was decided to focus on the business registries. Yet, this is an important indicator of private sector activity for business registrars to measure.

- **Shell corporations.** Shell companies are defined as companies that are registered for tax purposes, but are not active businesses. These corporations do not fit into the methodology of our study, since they do not correspond to the category of “entrepreneurship” or to that of a “business.” Therefore, we also exclude some countries that are internationally recognized tax havens (e.g., Gibraltar).
- **Diverse methodologies.** Some of the data collected by the WBGES 2008 might differ from official data published by individual countries. The reason for this is that local statistical agencies might use a different methodology. For instance, the European Statistical Agency (Eurostat) methodology is based on the minimum number of employees to measure entrepreneurship. As a result, in some cases the data published by Eurostat and the WBGES, while accurate in all cases, differs.