

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

Indicator 9.3.2: Proportion of small-scale industries with a loan or line of credit

Institutional information

Organization(s)

United Nations Industrial Development Organization (UNIDO)

Concepts and definitions [\[1\]](#)

Definition

Small-scale industrial enterprises, in the SDG framework also called “small-scale industries”, defined here for the purpose of statistical data collection and compilation refer to statistical units, generally enterprises, engaged in production of goods and services for market below a designated size class.

This indicator shows the number of “small-scale industries” with an active line of credit or a loan from a financial institution in the reference year in percentage to the total number of such enterprises.

Rationale

Industrial enterprises are classified to small compared to large or medium for their distinct nature of economic organization, production capability, scale of investment and other economic characteristics. “Small-scale industries” can be run with a small amount of capital, relatively unskilled labor and using local materials. Despite their small contribution to total industrial output, their role in job creation, especially in developing countries is recognized to be significant where the scope of absorbing surplus labor force from traditional sectors such as agriculture or fishery is very high. “Small-scale industries” are capable of meeting domestic demand of basic consumer goods such as food, clothes, furniture, etc.

Thus “small-scale industries” play an important role in the economy. However, it has quite limited access to financial services, especially in developing countries. In order to improve the skill of workers and technology for production, small-scale industrial enterprises require financial support in the form of preferential loan, credit etc. This indicator shows how widely financial institutions are serving the “small-scale industries”. Together with the indicator SDG 9.3.1, this indicator reflects the main message of the target 9.3 which promotes to increase the access of “small-scale industries” to financial services.

Concepts

International recommendations for industrial statistics 2008 (IRIS 2008) (United Nations, 2011) define an **enterprise** as the smallest legal unit that constitutes an organizational unit producing goods or services. The enterprise is the basic statistical unit at which all information relating to its production activities and transactions, including financial and balance-sheet accounts, are maintained. It is also used for institutional sector classification in the 2008 System of National Accounts.

An **establishment** is defined as an enterprise or part of an enterprise that is situated in a single location and in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added. An establishment can be defined ideally as an economic unit that engages, under single ownership or control, that is, under a single legal entity, in one, or predominantly one, kind of economic activity at a single physical location. Mines, factories and workshops are examples. This ideal concept of an establishment is applicable to many of the situations encountered in industrial inquiries, particularly in manufacturing.

Although the definition of an establishment allows for the possibility that there may be one or more secondary activities carried out in it, their magnitude should be small compared with that of the principal activity. If a secondary activity within an establishment is as important, or nearly as important, as the principal activity, then the unit is more like a local unit. It should be subdivided so that the secondary activity is treated as taking place within an establishment separate from the establishment in which the principal activity takes place.

In the case of most **small-sized businesses**, the enterprise and the establishment will be identical. Some enterprises are large and complex with different kinds of economic activities undertaken at different locations. Such enterprises should be broken down into one or more establishments, provided that smaller and more homogeneous production units can be identified for which production data may be meaningfully compiled.

As introduced in IRIS 2008 (United Nations, 2011), an **economic activity** is understood as referring to a process, that is to say, to the combination of actions carried out by a certain entity that uses labor, capital, goods and services to produce specific products (goods and services). In general, industrial statistics reflect the characteristics and economic activities of units engaged in a class of industrial activities that are defined in terms of the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4) (United Nations, 2008) or International Standard Industrial Classification of All Economic Activities, Revision 3.1 (ISIC Rev. 3) (United Nations, 2002).

Total numbers of persons employed is defined as the total number of persons who work in or for the statistical unit, whether full-time or part-time, including:

- Working proprietors
- Active business partners
- Unpaid family workers
- Paid employees (for more details see United Nations, 2011).

The size of a statistical unit based on employment should be defined primarily in terms of the average number of persons employed in that unit during the reference period. If the average number of persons employed is not available, the total number of persons employed in a single period may be used as the size criterion. The size classification should consist of the following classes of the average number of persons employed: 1-9, 10-19, 20-49, 50-249, 250 and more. This should be considered a minimum division of the overall range; more detailed classifications, where required, should be developed within this framework.

A **loan** is a financial instrument that is created when a creditor lends funds directly to a debtor and receives a nonnegotiable document as evidence of the asset. This category includes overdrafts, mortgage loans, loans to finance trade credit and advances, repurchase agreements, financial assets and liabilities created by financial leases, and claims on or liabilities to the International Monetary Fund (IMF) in the form of loans. Trade credit and advances and similar accounts payable/receivable

are not loans. Loans that have become marketable in secondary markets should be reclassified under debt securities. However, if only traded occasionally, the loan is not reclassified under debt securities (IMF, 2011).

Lines of credit and loan commitments provide a guarantee that undrawn funds will be available in the future, but no financial liability/asset exists until such funds are actually provided. Undrawn lines of credit and undisbursed loan commitments are contingent liabilities of the issuing institutions—generally, banks (IMF, 2011). A loan or line of credit refers to regulated financial institutions only.

Comments and limitations

The main limitation of existing national data is varying size classes by country indicating that data are obtained from different target populations. Data of one country are not comparable to another.

The definition of size class in many countries is tied up with the legal and policy framework of the country. It has implications on registration procedure, taxation and different waivers aimed to promote “small-scale industries”. Therefore, countries may agree on a common size class for compilation purposes. In this context, UNIDO proposes that all countries compile the data by a size class of “small-scale industries” as with less than 20 persons employed. From such data, an internationally comparable data on the share of “small-scale industries” in total could be derived.

Methodology

Computation Method

The proportion of “small-scale industries” with a loan or line of credit is calculated as the number of “small-scale industries” with an active line of credit or a loan from a financial institution in the reference year in percentage to the total number of such enterprises:

$((\text{the number of "small-scale industries" with loan or line of credit})/(\text{Total number of "small-scale industries"})) \times 100$

Data Sources

Description

Data were collected from the World Bank Enterprise Surveys as a pilot study on this indicator, however the preferable source of data are national statistical offices.

Collection process

One of the main sources of data for this indicator currently available is the Enterprise Survey conducted by the World Bank which covers the formal sector and contains data for small and medium enterprises only (with 5 or more employees). In some countries, additional surveys, including Informal Surveys of unregistered enterprises and/or Micro Surveys for registered firms with less than five employees, are conducted and available at country level.

The Enterprise Survey is based on a representative sample of enterprises run by the private sector. The surveys cover a broad range of business environment topics including access to finance, corruption,

infrastructure, crime, competition, and performance measures. Since 2002, the World Bank has collected these data from face-to-face interviews with top managers and business owners in over 130,000 companies in 135 economies.

The surveys have been conducted since 2002 by different units within the World Bank. Since 2005-06, most data collection efforts have been centralized within the Enterprise Analysis Unit. Data from 2006 onward is comparable across countries. The raw individual country datasets, aggregated datasets (across countries and years), panel datasets, and all relevant survey documentation are publicly available on the Enterprise Surveys web site.

The indicator uses a simple weighted percentage formula, where the weights are the sampling weights. The strata for Enterprise Surveys are firm size, business sector, and geographic region within a country. Enterprise Surveys provide indicators covering manufacturing and services activities. Proportion of “small-scale industries” with a loan or line of credit for manufacturing only can be extracted from the micro data. Enterprises are classified as small, medium or large based on the number of employees as follows:

Size of enterprise	Number of employees
Small	5 to 19
Medium	20 to 99
Large	more than 99

The survey also defines an enterprise with female ownership as an enterprise having at least one female owner, and female-managed is measured by whether the top manager is a woman.

Data Availability

Description

Data for around 130 economies were collected.

Time series

Surveys are implemented every year in around 20 countries.

Data frequency for each country is around 4 years.

Data providers

World Bank Enterprise Surveys

Data compilers

United Nations Industrial Development Organization (UNIDO)

1. Some of the text on concepts and definition may be identical to Metadata submitted for Indicators 9.3.1. [↩](#)