

MSME Country Indicators 2014

Towards a Better Understanding
of Micro, Small, and Medium
Enterprises

ANALYSIS NOTE

Erick Gonzales
Martin Hommes
Melina Laura Mirmulstein

Abstract

This note provides an overview of updated and expanded data for Micro, Small, and Medium Enterprise Country Indicators (MSME-CI) in 155 economies. It presents detailed statistics for micro, small, and medium enterprises (MSME) definitions and data. Based on an analysis of the data, the most widely used variable for defining an MSME is the number of employees, followed by turnover, and assets. There are about 162.8 million formal MSMEs, employing more than 508 million employees. Countries use a wide range of thresholds to define whether a business is a micro, small, or medium sized enterprise. The range of thresholds narrows as firms become smaller. Countries frequently use 250, 50, and 10 employees to define medium, small, and microenterprises, respectively. The employee-based definition is more uniform among microenterprises. In general, low- and middle-income economies tend to use lower threshold values for defining an MSME than high-income economies. High-income economies have the most MSMEs per 1,000 people, or MSME density. But the growth rate in the number of MSMEs is highest among low- and middle-income economies and countries in Europe and Central Asia. MSMEs account for 50 percent to 70 percent of employment across regions. While MSMEs are important because of their total numbers and contribution to employment, they could improve the amount of value added they contribute to an economy, particularly in developing countries. Better access to finance, a more streamlined environment in which businesses operate, greater competition, adequate institutional frameworks, lower poverty, and a more equal distribution of wealth are linked to greater numbers of formal MSMEs per 1,000 people around the world. Finally, the quantity and quality of MSME data require drastic improvements to produce more rigorous studies and a better understanding of the MSME sector.

Acknowledgments

The authors would like to acknowledge the contributions of the IFC peer reviewers Roland Michelitsch, Vanya Candia, Aksinya Sorokina, Mahima Khanna, Deepa Chakrapani, Khrystyna Kushnir, Rita Ramalho, Oya Pinar Ardic Alper, Wendy Teleki, and Matthew Gamser.

Terms of Use and Disclaimer

Please read the “[Description Note on the MSME Country Indicators 2014](#)” along with the country specific comments in the [MSME-CI MS Excel workbook](#) before using the data. MSME-CI presents secondary data collected by various institutions (statistical institutes, ministries, international organizations, small business promotion agencies, research institutions and others) using different methods (survey, census and others). IFC is not responsible for the quality, accuracy, reliability or completeness of the data these sources provide. Data are not always standardized across countries and time which, among other issues, hampers comparability.

MSME Country Indicators

MSME-CI records the number of formally registered MSMEs across 155 economies. This database is current as of 2014 and expands on the 2010 MSME-CI edition. The 2014 MSME-CI data can be found at <http://msmecountryindicators.smefinanceforum.org>.

The MSME-CI database is designed to provide an objective and unique overview of the MSME sector and can be used in combination with other data sources. The MSME-CI fills a knowledge gap covering country-by-country structural indicators for the enterprise sector based on firms' size for all regions of the world. The 2014 update includes:

- The latest country MSME definitions.
- A breakdown of the number of micro, small, medium, and large enterprises where such data is available, as well as aggregate data such as the total number of small and medium enterprises (SMEs) and the total number of MSMEs.
- The number of employees based on the same breakdown and aggregate results as above.
- The share of enterprises based on size, the number of enterprises per 1,000 people, their share of employment, and the share of value added for microenterprises, SMEs, MSMEs, and large enterprises.
- The sector distribution for microenterprises and SMEs, along with a detailed sector distribution breakdown for those economies where information is available.
- Historical data going back 25 years for some economies for variables such as the number of enterprises, the number of employees, the share of enterprises by size, the number of enterprises per 1,000 people, and the share of employment based on the new structure which includes micro, small, medium, and large enterprises along with their totals, or aggregates.
- Countries' gross national income (GNI) per capita, population, income group, geographic region, and sources for the information.

With more detailed levels of disaggregation by firm size, the 2014 update kick-started the collection of the following information: MSME contribution to value added, and multiple MSME definitions within a country (broken down by key variables such as number of employees, turnover, and assets).

Based on the data collection process detailed in the "Terms of Use and Disclaimer," common sources of information for MSME definitions and data include: MSME development/promotion agencies (52 percent); national statistics offices (37 percent); and central banks, finance ministries, and similar institutions (11 percent). The most common MSME definition based on the number of employees is: microenterprises, less than 10 employees; small enterprises, between 10 and less than 50 employees; and medium enterprises, between 50 and less than 250 employees. When a country did not use this definition, the local definition or the local method of structuring the data is used. The data includes enterprises with zero employees. It typically covers the private-sector economy, excluding the agricultural sector. For some countries, the actual number of formal enterprises—especially microenterprises—could be underestimated. For example, microenterprises in Nigeria, Indonesia, and Vietnam were excluded because data sources in those countries did not clearly differentiate between formal and informal microenterprises. The combined number of microenterprises in these three countries is around 77 million (Indonesia accounts for 70 percent of that number).

A key lesson learned during the data-collection process for the MSME-CI is that the amount of good quality MSME data is limited, particularly in developing countries. MSME data is not always standardized across countries or by time period. Different institutions use different methods to collect MSME data, including different variables and scales. In some cases, the MSME definitions are not consistent within a single country—let alone a single region. The European Union offers a good example of regional coordination and harmonization of MSME data. To make MSME data more comparable, the following steps could be taken:

- Institutions gathering MSME data should better coordinate with one another and establish standards for data collection. Economies should be surveyed using a unified and standardized method.
- MSME data collection could utilize crowdsourcing schemes. International organizations could lead this effort, in coordination with national statistics offices, private-sector stakeholders, and other national/regional institutions.

Initially, these actions could be taken at the regional level, and ultimately expanded to the global level.

Additional steps that could improve MSME data could include:

- The collection of time series data. (The availability of MSME data across time is crucial for evaluating business regulation reforms, for example).
- The periodic collection of census data or statistically representative data that includes all sectors of the economy (i.e. not only manufacturing), geographic regions, and enterprise sizes.
- The breakdown of MSME data based on gender.
- Better differentiation between formal and informal enterprises, in particular among microenterprises.
- Continued collection of not only quantity type but also quality type variables such as MSMEs' share of value added, share of exports, competitiveness, and types of employment, among others.

For more details on the methodology see the [“Description Note on the 2014 MSME Country Indicators.”](#)

Among other data sources, the structural information presented in the 2014 MSME-CI could be used together with company-level surveys about the business environment contained in the World Bank Group's *Enterprise Surveys*. It also could be used with data on new business entry density—the number of newly registered businesses per 1,000 people—in the World Bank Group's *Entrepreneurship* database.

This analysis note provides an overview of the MSME-CI database, covering the various definitions and data. After summarizing the key takeaways, the MSME definitions are analyzed based on their sources and main variables. The data analysis section provides a statistical description and explores the MSME sector's access to finance, investment climate, institutional frameworks, inequality, and poverty.

Key Takeaways

- The most widely used variable for defining an MSME is the number of employees (92 percent of the analyzed definitions use this variable), followed by turnover and assets (49 percent and 36 percent, respectively). Overall, 11 percent (out of 267) of the analyzed definitions make use of alternative variables, including loan size, formality, years of experience, type of technology, initial investment amount, etc.
- Common sources for MSME definitions and data are MSME development/promotion agencies (52 percent), national statistics offices (37 percent), as well as central banks, finance ministries, and similar institutions (11 percent).
- The most common threshold for defining an MSME by number of employees is 250 globally. But differing levels of income, among other factors, influence some countries—particularly low-income economies—to use lower threshold values of 100 and 50 employees.
- Globally, the most common thresholds for defining an MSME by number of employees are 250 employees for medium enterprises, 50 employees for small enterprises, and 10 employees for microenterprises. MSME definitions by number of employees in high-income OECD countries, Europe and Central Asia, Latin America and Caribbean, and South Asia, register low dispersion of values which signals agreement among regional definitions. By contrast, Middle East and North Africa, Sub-Saharan Africa, East Asia, and Pacific, present, at times, high dispersion of data, indicating little agreement among the definitions found within these regions. In terms of firm size, definitions by number of employees for microenterprises appear to be more similar across countries.
- Common threshold values for classifying an MSME by annual turnover fall in the following ranges: US\$ 50 million to 70 million (35 out of 267 definitions), mainly driven by high-income countries; US\$ 1 million to 5 million (31 out of 267 definitions); and below US\$ 1 million (30 out of 267 definitions). The two lower thresholds are most common in lower income developing countries.
- The most common threshold values for value of assets range from US\$ 50 million to 62 million (34 out of 267 definitions), with lower income countries again using lower thresholds.

- Threshold values for the three main variables—number of employees, turnover, and assets—tend to decline with country incomes.
- Several institutions within a single region, or even a single country, sometimes use different MSME definitions (except for the European Union). Eligibility for special support, the culture for doing business, population, economic sector, international economic integration, an absence of coordination, or political factors could play a role in the lack of harmonization.
- The database contains about 162.8 million formal MSMEs employing approximately 508 million people. Of this total, about 96.3 million MSMEs and 231.4 million employees operate in emerging markets.
- High-income economies have the most MSMEs per 1,000 people. This pattern has persisted over time. Nevertheless, the lower-middle-income economies (for example, in the Europe and Central Asia region) have the highest growth rates of MSMEs. Globally, MSMEs have registered a growth rate of around 5.2 percent annually since 2000.
- MSMEs' share of employment for all regions fluctuates within a range of 50 percent to 70 percent. OECD economies, South Asia, the Middle East and North Africa, and Europe and Central Asia have the highest shares of MSME employment.
- MSMEs are important because of their total numbers and contribution to employment; however, MSMEs could improve their contribution to value added, particularly in less developed countries.
- More SMEs than microenterprises operate in manufacturing. The trade and service sectors appear to have higher shares of microenterprises.
- Higher levels of GNI per capita, better access to finance, streamlined business environments, a more competitive landscape, adequate institutional frameworks, less poverty, and greater shared prosperity are associated with higher numbers of MSMEs per 1,000 people around the world.
- In addition to disaggregated data for microenterprises, SMEs, and large enterprises, it would be useful to generate and collect more information about value added, share of exports, productivity, product quality, and quality of employment, among other variables; this would provide more relevant descriptions of the MSME sector.
- Better quality data for MSMEs is needed, particularly for developing countries. Examples include: periodic data broken down by several firm sizes and covering all sectors of the economy and regions; disaggregation based on gender; and clear distinctions between formal and informal enterprises. It is particularly important for national statistics offices and other national/regional institutions to unify their methods of data collection. For instance, international organizations could play a leading role in the establishment of crowdsourcing schemes for collecting such data.

When considering only one definition per country—that is, the most widely used—the share of definitions provided by national statistics offices increases, equaling the share provided by MSME agencies (see Figure 2). Box 1 further explains the logic behind selecting the most widely used definition in each country.

Analysis of MSME Definitions

Most common variables for defining MSMEs

Among the 267 definitions used by different institutions in 155 economies, the most widely used variable for defining an MSME is the number of employees (92 percent of the analyzed definitions utilize this variable). Other variables commonly found in MSME definitions are turnover as well as value of assets (49 percent and 36 percent, respectively). Overall, 11 percent (out of 267) of the analyzed definitions make use of alternative variables such as loan size, formality, years of experience, type of technology, size of the manufacturing space, and initial investment amount, among others. While several definitions detail specifications for each firm size (i.e. micro, small, medium, and large) under each variable, some definitions do not distinguish between micro, small and medium enterprises. Furthermore, a few definitions may classify all MSMEs under one firm size category.

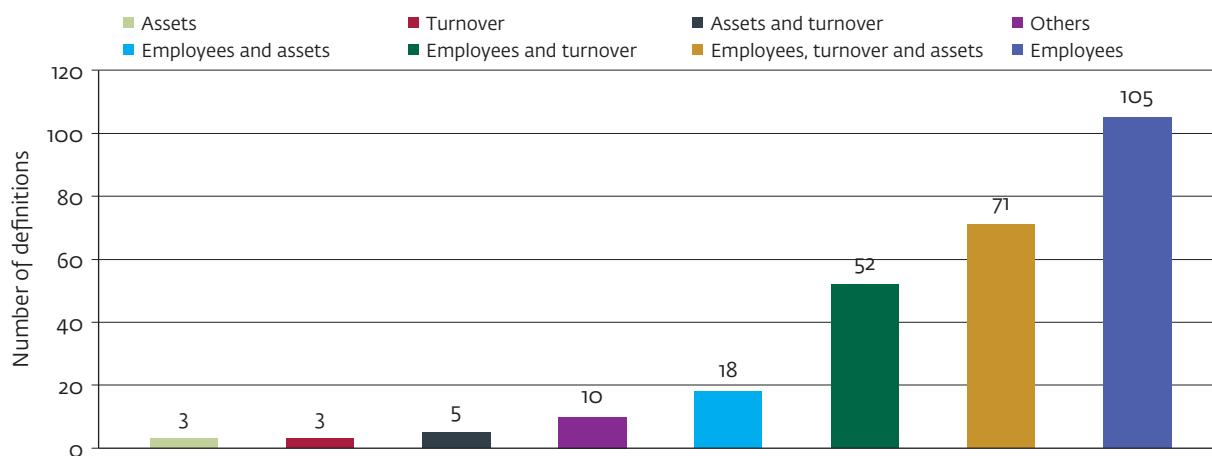
Within those definitions that use only one variable, the number of employees is also the most common for defining an MSME: 105 definitions utilize only number of employees; three definitions use only assets; and three definitions utilize only turnover. Among the definitions utilizing two and three variables, the most common combination is the one using three variables: number of employees, turnover, and assets. The second most common combination is number of employees and turnover (see Figure 3).

What is the most common value for defining an MSME by number of employees?

The most common value—i.e., the upper limit threshold under which an enterprise is considered micro, small, or medium-sized—is 250 employees. As shown in Figure 4, this threshold is more common among high-income economies. In addition to high-income economies, this value is more commonly found in Europe and Central Asia. Other thresholds used relatively often are 100 employees (52 out 267 analyzed definitions), and 50 employees (34 out of 267 analyzed definitions); both are typically most common in lower income economies.

Descriptive statistics of the most common values suggest that those regions or income levels that register low

FIGURE 3: How many definitions utilize only one variable and which are the most common combinations?



Source: MSME Country Indicators.

Congruence of MSME definitions

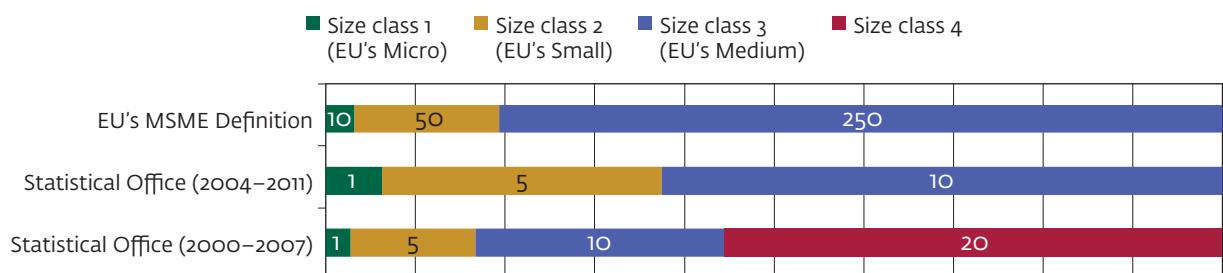
Well defined standards for MSME definitions and data contribute to more uniform data collection and comparability across subjects and time. Unfortunately, sometimes several institutions in the same region—or the same country—use inconsistent MSME definitions. A positive example is the European Union (EU) where, in addition to a well-defined standardized MSME definition, data provided for the member countries are comparable and released yearly. Nevertheless, there are cases where EU countries use methods that differ from EU standards for providing online MSME data. For instance, the Statistical Office of the Republic of Slovenia provides the number of enterprises by firm size based on number of employees using a definition that differs from the EU's MSME definition (see Figure 13).

Furthermore, different institutions within some lower income countries use different MSME definitions (see Figure 14). Eligibility for special support, culture for

doing business, population, economic sector, international economic integration, lack of coordination, or political factors may help explain the lack of harmonization, as noted by Gibson & Van der Vaart (2008), Kushnir, Mirmulstein & Ramalho (2010) and OECD (2013).

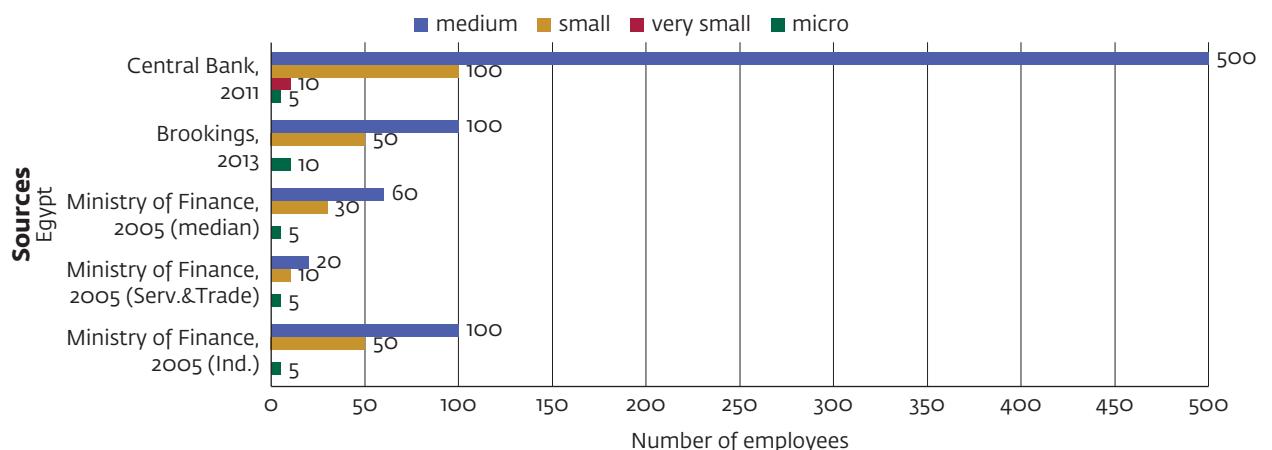
Given several methods for defining an MSME, institutions engaged in MSME data reporting could take a concrete first step by creating uniform standards for collecting MSME data. One approach could be to establish standard strata which aim to satisfy several definitions while enabling the collection of data under clear size classes (Figure 1 in [Description Note](#) provides an example of standard strata for MSME definitions utilizing number of employees). The availability of data for several standard strata across countries could be useful for developing more rigorous analyses. Also, MSME data collection could rely on crowdsourcing schemes, spearheaded by international organizations and in coordination with national statistics offices and other national/regional institutions.

FIGURE 13: Thresholds of number of employees (less than) for the provision of MSME data (Republic of Slovenia and EU)



Source: MSME Country Indicators.

FIGURE 14: Thresholds of number of employees (less than) for the provision of MSME data (Egypt)



Source: MSME Country Indicators.

References

- Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. 2011. Small vs. Young Firms across the World: contribution to employment, job creation, and growth. *Policy Research Working Paper Series*, 5631, The World Bank
- Black, J., Hashimzade, N., & Gareth, M. 2009. A dictionary of economics (3th ed.). Oxford: Oxford University Press.
- Gibson, T. & Van der Vaart, H.J. 2008. Defining SMEs: A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries. Brookings Global Economy and Development. Retrieved from http://www.brookings.edu/~media/research/files/papers/2008/9/development%20gibson/09_development_gibson.pdf
- Kushnir, K., Mirmulstein, M., & Ramalho, R. 2010. Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count? *IFC MSME Country Indicators*. Washington, DC: The World Bank.
- OECD. 2013. *Financing SMEs and Entrepreneurs 2013: An OECD Scoreboard*. OECD Publishing.
- Schneider, F., Buehn, A., & Montenegro, C. 2010. Shadow economies all over the world: New estimates for 162 countries from 1999 to 2007. *Policy Research Working Paper Series*, 5356, The World Bank



www.ifc.org