Methodology Note on the MSME Country Indicators (MSME-CI)

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Terms of Use and Disclaimer:

Please read the 'Methodology Note on the MSME Country Indicators' along with the country specific comments in the MSME-CI excel workbook before using the data. MSME-CI presents secondary data. The data are not always standardized across countries and time. The original data are collected by various institutions (statistical institutes, ministries, international organizations, small business promotion agencies, research institutions and others) using different methods (survey, census and others).

Objective:

MSME-CI records the number of formally registered MSMEs across 132 economies. This database is current as of August 2010 and expands on the January 2007 "Micro, Small, and Medium Enterprises: A Collection of Published Data" edition. The 2010 MSME-CI data can be found at http://www.ifc.org/msmecountryindicators

The 2010 update expands the original database by adding data on the number of MSMEs for 14 new economies, estimates of the number of MSMEs in the informal sector for 16 economies and sector distribution of MSMEs by types of economic activity.

Methodology:

The data were gathered through online research of the relevant institutions. Some institutions were contacted by e-mail or phone for information.   All data sources are cited.

Data Notes:

MSME Definition

MSME-CI does not define MSME. For MSME definitions used and/or legally adopted by countries please see the note "How Do Economies Define MSMEs?"[1]

In the MSME-CI, MSMEs are structured according to the size of employment: micro enterprises – 1-9 employee/s, small – 10-49 employees and medium – 50-249 employees.   This approach was chosen for statistical purposes and because the above breakdown by employment was the most frequently available format of the MSME data.

Scope

Unless otherwise mentioned in the country-specific comments of the MSME-CI excel workbook:

- Data do not include enterprises without employees. This is a methodological change from the January 2007 "Micro, Small, and Medium Enterprises: A Collection of Published Data."

- Data cover private businesses, not public administration or not-for-profit organizations.

- Data do not include enterprises active in agricultural sector.

Formal and Informal Sectors

Data cover formal sector for 132 economies and informal sector for 16 economies. Estimates of the size of the informal sector are presented on the worksheet titled "Informal Sector."   'Country name 2.' e.g. Nigeria 2. indicates that data cover informal sector.

Data Gaps

In order to avoid large data gaps: if the data segment (e.g. number of MSMEs in certain sector, GNI per capita etc.) is not available for all the years, it is replaced with available data from the previous year or the closest future year (if the previous year data are unavailable).   Please see the country-specific comments of the MSME-CI excel workbook for such occurrences.

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[1] Khrystyna Kushnir. 2010. "How Do Economies Define MSMEs?" IFC and the World Bank. http://www.ifc.org/msmecountryindicators

Income Groups, Population and Employment

Data on gross national income (GNI) per capita, Atlas method, total population and employment come from the World Bank's World Development Indicators (WDI) central database. Due to unavailability of the data from the WDI, the data from the United States Central Intelligence Agency Factbook are used in the following cases:

- Bermuda: 2010 data on total population and 2004 data on total employment are used for 2006-2008.
- Northern Mariana Islands: 2010 estimated data on total population are used for 2007.

2008 ceilings for the classification of countries by income group using GNI per capita, Atlas method are: low income, $975 or less; lower middle income, $976 - $3,855; upper middle income, $3,856 - $11,905; and high income, $11,906 or more.

EUROSTAT

Unless otherwise mentioned:

- Data from EUROSTAT's Structural Business Statistics (SBS) are aggregated based on type of economic activity and the size of employment. SBS covers the following sections of the Statistical Classification of Economic Activities (NACE Rev. 1.1.):

  (C - Mining and quarrying; D – Manufacturing; E - Electricity, gas and water supply; F – Construction; G - Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (further distributive trades); H - Hotels and restaurants; I -Transport, storage and communication; K - Real estate, renting and business activities).

  SBS does not cover financial business economy and excludes credit institutions, insurance companies and pension funds.

Employment breakdown used in SBS:

- Micro 1-9 employee (possible groupings: 1-4 employees and 5-9 employees; or 1-9 employee/s; or 1 employee and 2-9 employees).
- Small 10-49 employees (possible groupings: 10-19 employees and 20-49 employees).
- Medium 50-249 employees (possible groupings: 50-249 employees; or 50-99 employees and 100-249 employees).

Terms 'Country' and 'Economy'

Both terms *country* and *economy* are used in the MSME-CI. The term *country* does not imply political independence, but refers to any territory for which authorities report separate economic statistics.

Sector Distribution

Sector data are the new addition to the MSME-CI in 2010 update. Only the most recent data on sector breakdown are included. If available, the sector information for MSMEs has been separated between micro enterprises and SMEs (small and medium enterprises). The following sector breakdown applies: manufacturing and processing, services, trade, extractive industries, infrastructure, financial services,

agribusiness, primary agriculture and other sectors.[2] As mentioned above, the data on the worksheet 'Most Recent and Complete Data' in columns 'Number of MSMEs', 'MSME Participation in the Economy' and 'Size Breakdown (% of all MSMEs)' and worksheet 'Historic Data' do not cover agricultural sector (unless otherwise mentioned in the country-specific comments of the MSME-CI excel workbook); but the data on the worksheet 'Most Recent and Complete Data' in columns 'Micro Enterprises: Sector Distribution' and 'SME: Sector Distribution' and the country specific sector distribution worksheets do.

Lessons Learned From the Data Collection:

Important lessons were drawn from the MSME data while building the MSME-CI, in particular the following:

- MSME data are not always standardized across countries and time. Data on MSMEs are gathered by various institutions using different methods. These institutions define MSMEs based on differing variables and scales and sometimes change their definitions. EUROSTAT's Structural Business Statistics provides the best example of regional coordination and harmonization of MSME data.

  In order to have comparable MSME data, the following steps could be taken:
  - o Economies should be surveyed using a unified and standardized method;
  - o Institutions in charge of gathering MSME data should coordinate with each other regarding the variables and methods used to determine the size of the MSME sector.

  These actions can be taken first at the regional level and secondly expanded to the global level. In return, economies would reap the benefits of a cross-country and time-series analysis of MSMEs' contribution to development.

- MSME data on the informal sector are scarce and are not comparable across countries. This is due to differences in the definition of the informal sector and in estimation methods. Estimates of the informal sector are needed in order to make a comprehensive evaluation of the MSMEs' contribution to economic development. This data gap could be filled by surveying MSMEs operating in the informal sector or by encouraging institutions that collect MSME data on the formal sector to also develop estimates of the size of the informal sector.

- Time series data is not always available. However, it is crucial for future evaluation of the reforms of business regulations.

- Some institutions collect data on MSMEs only in selected sectors, most often in manufacturing. This limits the possibilities of evaluating MSMEs' contribution to gross domestic product (GDP) or employment.

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[2] Other sectors are added on a case-by-case basis if the data are available.