Indicator 9.3.1

Indicator Name, Target and Goal

**Indicator 9.3.1**: Proportion of small-scale industries in total industry value added

**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.

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

Definition and Rationale
Definition:

This indicator is defined as the share of manufacturing value added of small-scale manufacturing enterprises in the total manufacturing value added.

Concepts:

An *Enterprise* is defined, in International recommendations for industrial statistics 2008 (IRIS 2008) (United Nations, 2011), 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.

In case of the large enterprises a distinction is made between an enterprise and establishment. An enterprise, especially those of larger size may own more than one establishment having different physical locations or kinds-of-activity. For this reason IRIS 2008 recommends establishment as a statistical unit for data collection purpose. However, small enterprises are pre-dominantly single-establishment enterprise. Therefore no distinction between enterprise and establishment is made in definition of this indicator.

*Small-scale industrial enterprises*, in the SDG framework also called “small-scale industries”, refer to statistical units, generally enterprises, engaged in production of goods and services for market below a designated size class. The definition of size class in many countries is tied up with the legal and policy framework of the country. 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.

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

*Value added* is derived as the difference between gross output and intermediate consumption or (United Nations, 2011), and cannot be directly observed from the accounting records of the units. The value added at basic prices is calculated as the difference between the gross output at basic prices and the intermediate consumption at purchasers’ prices. The valuation of value added closely corresponds to the valuation of gross output. If the output is valued at basic prices, then the valuation of value added is also at basic prices (the valuation of intermediate consumption is always at purchasers’ prices).

All above mentioned terms are introduced to be in line with IRIS 2008 (United Nations, 2011).

Rationale and Interpretation:

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 labour 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.

Data Sources and Collection Method

Data are collected primary from annual industrial surveys, where value added is disaggregated by size classes given in terms of number of employees and from surveys focusing particularly on small enterprises, or small and medium enterprises in general. Data are collected from national statistical offices through questionnaire or directly from national publications or online data platforms.

Method of Computation and Other Methodological Considerations
Computation Method:

The proportion of “small-scale industries” in total value added is an indicator calculated as a share of value added for small-scale manufacturing enterprises in total manufacturing value added:

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\frac{\text{Manufacturing value added of "small-scale industries"}}{\text{Total Manufacturing value added}} \times 100
\]

“Small industry” here refers to an enterprise with less than 20 persons employed. The indicator is recommended to calculate separately for each ISIC section such as manufacturing, trade or service activities as far as possible.

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”. For the sole purpose of SDG monitoring IAEG-SDG has recommended that the indicator is calculated for enterprises with less than 20 persons employed.

Sub-indicator, alternative and additional indicators: N/A

Data Disaggregation

Data could be disaggregated by sectors according to the International Standard Industrial Classification of All Economic Activities (ISIC).

References

Official SDG Metadata URL

Internationally agreed methodology and guideline URL
N/A

Other references


Country examples
N/A

International Organization(s) for Global Monitoring

This document was prepared based on inputs from United Nations Industrial Development Organization (UNIDO)

For focal point information for this indicator, please visit https://unstats.un.org/sdgs/dataContacts/-