




Chapter 1

Global Overview on Performance of MSMEs





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The MSME development holds a central position in propelling worldwide economic expansion, standing as a fundamental catalyst for the advancement of economies across the globe. Essentially, the story of MSMEs is one characterised by unwavering determination, expansion and inclusiveness. Though pandemic had a profound and unpredictable impact on businesses, many MSMEs demonstrated resilience and rebounded. Their survival, combined with its solid economic and employment contributions, accentuates their crucial function in shaping the prosperity of any nation. Governments and businesses worldwide continued to work together to strengthen MSMEs and sustain the hard-earned recovery momentum.

MSME PERFORMANCE IN THE EUROPEAN UNION

MSMEs in the European Union (EU) are businesses characterised by having a workforce of fewer than 250 employees and have either an annual turnover below EUR50 million or total balance sheet of less than EUR43 million. Looking at the profile, the EU-27 had around 24.3 million active MSMEs in 2022, demonstrating a yearly growth of 2.7% ^[1]. This profile makes up a substantial 99.8% of all enterprises in the non-financial business sector (NFBS). The cumulative increase in number of MSMEs can be partly due to substantial financial aid extended by the EU Governments to MSMEs during the critical pandemic period of 2020 and 2021 in curbing a significant surge in business bankruptcies.

Align with the global MSME landscape, microenterprises dominate the business size distribution within the EU-27 NFBS, constituting an overwhelming 93.7% of total MSME enterprises. A more detailed analysis of the distribution of EU-27 MSMEs by industries revealed that MSMEs in 2022 were prominently clustered in specific sectors, namely in the wholesale & retail trade industry (23.6%); professional, scientific & technical activities (19.6%); as well as the construction sector (15.4%).

Taking a close look at the performance, the post-pandemic period brought about a positive impact on MSMEs in the Euro area. Building on this momentum, EU-27 MSMEs continued to experience a robust recovery in 2022 with value-added growth expanded by 6.7% (2021: 8.7%) and employment witnessed a growth of 2.4% (2021: 1.4%) during the same year. As a result, MSMEs in EU-27 accounted for more than half of the total value-added and 64.4% of total employment in 2022.

Table 1.1: Share of MSMEs in Establishments, Value-added and Employment in 2022

Category	Share (%)		
	Establishments	Value-added	Employment
Micro	93.7	36.0	45.8
Small	5.5	31.9	30.2
Medium	0.8	32.1	24.1
% to Total MSMEs	100.0	100.0	100.0
% to Overall EU-27	99.8	51.8	64.4

Source: Annual Report on European SMEs 2022/2023, June 2023

MSME PERFORMANCE IN THE REGION OF ASIA

MSME Performance in India

Enterprises in India are classified into two divisions according to the Micro, Small and Medium Enterprises Development Act in 2006, i.e. manufacturing and services enterprises. The country has redefined the MSME definition in July 2020 considering the fear to outgrow among MSMEs given the low threshold limit in the old definition which prevent them to expand further as they may lose the benefits that MSMEs can enjoy. The old definition concentrated on only one criteria namely investment which further segregated between the manufacturing- and service-related MSMEs. Meanwhile, the new definition standardises the definition across manufacturing and services MSMEs based on the investment in plant, machinery or equipment (excluding land and building) as well as new indicator, that is annual turnover. Table 1.2 below describes the detailed definition of MSMEs in India by business size.

Table 1.2: Definition of MSMEs in India

Category	Investment in Plant and Machinery or Equipment	Annual Turnover
Micro	≤ Rs.1 crore	≤ Rs.5 crore
Small	≤ Rs.10 crore	≤ Rs.50 crore
Medium	≤ Rs.50 crore	≤ Rs.250 crore

Source: Ministry of Micro, Small and Medium Enterprises, Government of India

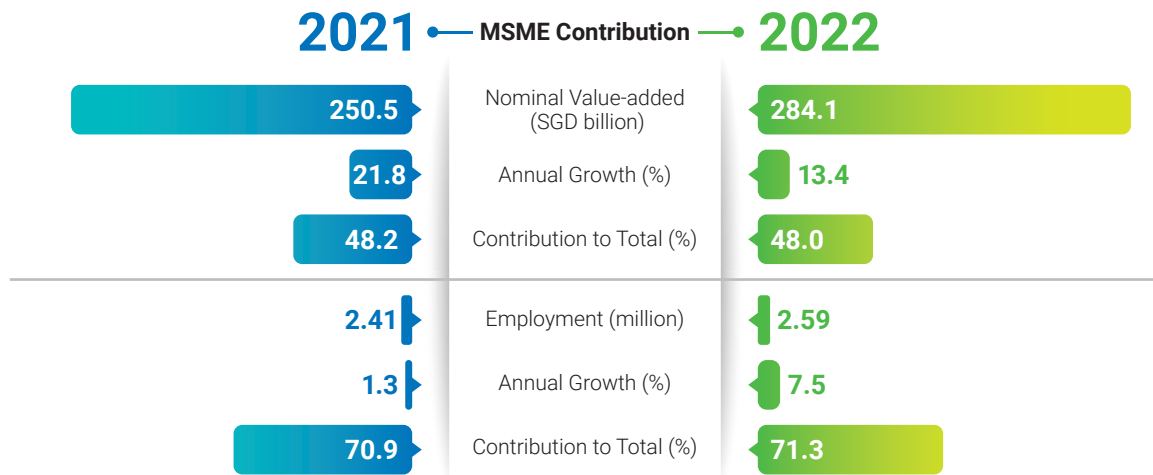
MSMEs form a highly dynamic segment of the Indian economy, boasting over 63.4 million enterprises spread across the geographical expanse ^[2]. According to the Ministry of Statistics and Programme Implementation, microenterprises were the most prevalent type of MSME size, comprising nearly 63.1 million which accounted for majority 99.0% of the country's total number of MSMEs. In addition, the small-sized firms totalled up to more than 330,000 enterprises (0.5% of total MSMEs), while the medium-sized firms encompassed only around 5,000 enterprises or 0.01% of total MSMEs.

On the economic performance, Indian MSMEs have been contributing significantly to the local economy. Data from the Ministry revealed that the contribution of MSME Gross Value Added (GVA) to India's Gross Domestic Product (GDP) has rebounded, with the contribution was recorded at 29.2% in the fiscal year of 2021-22 as compared to only 27.2% in 2020-21^[3]. Looking at the manufacturing sector, the share of output generated by MSMEs in the manufacturing sector was at 36.2% to total India's manufacturing output during the same period. Meanwhile, the exports contribution of MSME products to India's total exports lowered to 43.6% in 2022-23 (2021-22: 45.0%). MSMEs in India play a crucial role in providing a vast employment opportunity to the country whereby they hired an impressive 137.7 million people between 1 July 2020 and 30 October 2023 based on the Udyam Registration Portal ^[4].

MSME Performance in Singapore

In 2022, the profile of MSMEs in Singapore showed a count of more than 298,000 enterprises, forming 99.0% of total businesses in the nation ^[5]. This indicated an increase of 2.5%, approximately 7,400 MSMEs as compared to a total of 291,100 MSMEs recorded in the preceding year. In terms of the definition, MSMEs in the country are categorised based on its operating revenue, that is not more than SGD100 million or employment of not more than 200 workers.

Chart 1.1: Performance of Singapore MSMEs in terms of Value-added and Employment



Source: Department of Statistics, Singapore and Analysis by SME Corp. Malaysia

MSMEs in Singapore continued to record double-digit growth in value-added at 13.4% reaching SGD284.1 billion in 2022. Though the growth pace was slower (2021: 21.8%), the growth has led to MSMEs contributed 48.0% to the country's overall value-added for the year. On the labour market front, the number of workers employed by MSMEs showed a commendable rise of 7.5%, increased from 2.41 million in 2021 to 2.59 million in 2022. This substantial increase in MSME employment propelled their contribution to Singapore's overall employment to 71.3% in 2022, compared to 70.9% in the preceding year. This contribution highlights the significant role that MSMEs in Singapore play in the nation's economic landscape and labour market.

MSME Performance in Saudi Arabia

Aimed at nurturing MSME growth and promoting diversification within the economy, Saudi Arabia has established Small and Medium Enterprises General Authority in 2016, a dedicated Government agency to spearhead small business initiatives. MSMEs in the nation are defined as enterprises with a workforce of less than 250 full-time employees or annual revenue of SAR200 million and less. The detailed category of MSMEs in Saudi Arabia based on business size is outlined in Table 1.3.

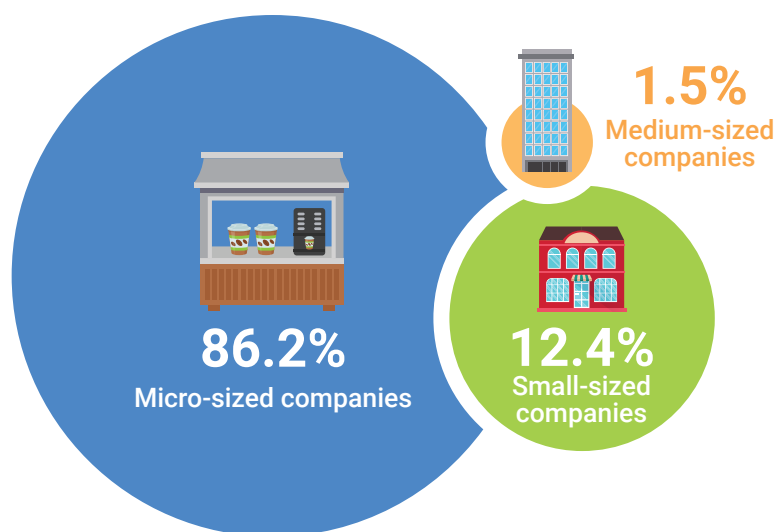
Table 1.3: Definition of MSMEs in Saudi Arabia

Category	Full-time Employees	Annual Revenue
Micro	≤ 5	≤ SAR3 million
Small	6 to ≤ 49	> SAR3 million to ≤ SAR40 million
Medium	50 to ≤ 249	> SAR40 million to ≤ SAR200 million

Source: Small and Medium Enterprises General Authority

Zooming on to the latest profile, the SME Monitor Q2 2023 Report cited that the MSMEs constituted majority 99.7% of total businesses in the country^[6]. The MSME ecosystem witnessed a moderate expansion at a pace of 2.6% in the second quarter of 2023 (growth against first quarter of 2023), reaching a total of 1.2 million MSMEs. With new MSMEs registered, this expansion was fuelled by a youthful population that eagerly showcased their entrepreneurial and innovative skills, thus underlines their potential to emerge as future business leaders. In addition, Saudi Arabia's vibrant MSME ecosystem spans across the nation, with Riyadh, Makkah and Eastern Province regions collectively host 71.8% of total MSMEs.

Chart 1.2: MSMEs in Saudi Arabia by Size



Source: SME Monitor Q2 2023, Small and Medium Enterprises General Authority

Moreover, the SME Monitor Q1 2023 Report cited that there were altogether 6.8 million of people employed by MSMEs in the first quarter of 2023^[7]. In terms of performance, latest available data for year 2021 revealed that MSMEs operating revenues rebounded impressively at a double-digit growth of 24.5% (2020: -16.3%) to reach SAR1.26 billion in 2021 from SAR1.02 billion recorded in 2020^[8]. The higher growth was driven mainly by accommodation & food service activities as well as real estate as it has increased tremendously by 46.4% (2020: -28.4%) and 41.9% (2020: -22.5%) respectively, recovering from the impacts of the COVID-19 pandemic. Composition of operating revenues in 2021 were mainly generated by the top three activities namely wholesale & retail trade (39.4%), followed by manufacturing (19.2%) and construction (13.5%).

MSME PERFORMANCE IN AUSTRALIA

Small and medium-sized businesses in Australia play a pivotal role in shaping the economic landscape. Looking at the employment criteria, the Australian Bureau of Statistics classified small businesses as firms with a workforce of fewer than 20 people while medium businesses as firms with a workforce between 20 to less than 200 people. With more than 2.56 million active businesses, SMEs in Australia make up a staggering 99.8% of the total business establishments during 2021-22 period, thus further emphasising their role as a driving force in the economy^[9].

Table 1.4: Number of Firms, Value-added and Employment by Business Size in 2021-22*

Category	Establishments		Value-added		Employment	
	No. of Firms	Share (%)	Value (AUD mil)	Share (%)	No. of Employees (mil)	Share (%)
Small	2,506,012	97.5	505,975	32.4	5,155	41.7
Medium	59,355	2.3	344,938	22.1	3,009	24.3
Total SMEs	2,565,367	99.8	850,913	54.5	8,164	66.0
Large Firms	4,533	0.2	711,119	45.5	4,202	34.0

Source: Australian Small Business and Family Enterprise Ombudsman, June 2023

* In Australia, a fiscal year or commonly called as 'financial year' (FY) starts on 1 July and ends on the next 30 June

Deep dive into the performance of Australian SMEs, their value-added contribution to total Gross Domestic Product (GDP) cannot be underestimated. For fiscal year 2021-22, these enterprises collectively contributed AUD850 billion or 54.5% to the country's total GDP^[10]. This reflected a remarkable double-digit growth of 17.5% in SME value-added as compared to 2.8% recorded during the period of 2020-21. Being an integral part of the business ecosystem, key contributors were from the professional, scientific & technical services (13.5% to total SME value-added), construction sector (13.2%) as well as rental, hiring & real estate services (10.0%).

Moreover, the impact of Australian SME businesses extends beyond financial metrics. In the same fiscal year of 2021-22, altogether almost 8.2 million people were hired by SMEs which represent two-third of the workforce (2020-21: 7.9 million people)^[11]. This contribution underscores the significant role they play in creating job opportunities and fostering economic stability. Notably, the construction sector emerges as a formidable player, contributing a substantial 13.1% to the overall SME employment. In addition, the professional, scientific & technical services (12.2% of SME employment) and accommodation & food services (9.8% of SME employment) also command a noteworthy share in the labour market.