



**Global Overview
on Performance
of MSMEs**

Chapter

1



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Global Overview on Performance of MSMEs

After a daunting period in 2020, MSMEs around the globe put on efforts in navigating their business towards recovery. Economic conditions in the last two years have required sufficient flexibility and agility from MSMEs and substantial financial assistance from Governments to survive the challenging times. The impact of the pandemic varied greatly across regions or countries with some experienced marked recovery in their revenue, supply chain and employment activities, while some had a tough time as the economic rebound had to be put on pause following the outbreak of new COVID-19 variants and consequent lockdowns happening worldwide.

MSME PERFORMANCE IN THE EUROPEAN UNION (EU)

Micro, small and medium-sized enterprises (MSMEs) encompass about 22.8 million active firms in 2021 (2020: 22.5 million), representing 99.8% of all enterprises in the European Union (EU)-27 non-financial business sector (NFBS) ^[1]. Similar to the MSME demography across the globe, microenterprises are the most prevalent type of MSME size in the EU-27 NFBS, accounting the majority 93.1% of all enterprises. The growing number of MSMEs despite the pandemic was partly attributed to the financial assistance provided by Governments in 2020 and 2021, as well as various measures taken by many countries to prevent firms from bankruptcy. These includes leniency by creditors, temporary suspensions of the legal rules relating to when business owners must file for bankruptcy and temporary closures of legal & administrative entities dealing with bankruptcy declarations.

In terms of the definition, the official MSME definition set by European Commission takes into account three key criteria which are the sales turnover, employment size or the balance sheet. Table 1.1 describes the detailed definition of MSMEs by business size being adopted in the EU area.

Table 1.1: Definition of MSMEs in the European Union

Category	Sales Turnover	Employees	Balance Sheet Total
Micro	< €2 million	0 to < 10	< €2 million
Small	< €10 million	10 to < 50	< €10 million
Medium	< €50 million	50 to < 250	< €43 million

Source: Annual Report on European SMEs 2021/2022, April 2022

Focusing on the performance of MSMEs, the year 2020 was a challenging year as COVID-19 brought to an abrupt halt, or even reversed the gains made by MSMEs over the years. Nevertheless, MSMEs in the region managed to rebound in 2021, with their value-added registered a positive growth by 8.0% (2020: -5.5%). The recovery was reflected in all sectors, of which significant growth was recorded in the manufacturing sector (9.7%), construction (9.7%) and wholesale & retail trade (9.4%). In addition, large firms fared better than the MSMEs in terms of value-added growth as the former grew at a stronger double-digit pace of 10.8%, thus translated into a stagnant MSME contribution of 51.8% during the year.

Meanwhile, MSMEs faced difficulties throughout 2021 in hiring new staff to meet an unexpectedly strong rebound in demand and had to deal with sharp and rapid increases in the price of inputs. As a result, MSME employment improved marginally by 0.5% in 2021, whereby the slight improvement was observed in all industries except the accommodation & food services (-6.0%) and the manufacturing sector (-0.4%). Various business support measures being introduced during the pandemic had managed to minimise the employment impact to the economic activity. Hence, in overall, MSMEs in the EU-27 contributed 64.4% to the total employment in 2021. The contribution of MSMEs in 2021 in terms of establishments, value-added and employment by business size is summarised in Table 1.2.

Table 1.2: Number of Firms, Value-added and Employment by Business Size in 2021

Category	Establishments		Value-added		Employment	
	No. of Firms	Share (%)	Value (€ mil)	Share (%)	No. of Employees	Share (%)
Micro	21,264,305	93.1	1,284.4	18.2	36,885,901	28.5
Small	1,339,629	5.9	1,178.3	16.7	25,810,109	20.0
Medium	204,862	0.9	1,186.3	16.8	20,515,281	15.9
Total MSMEs	22,808,796	99.8	3,649.0	51.8	83,211,291	64.4
Large Firms	42,263	0.2	3,397.5	48.2	46,005,197	35.6

Source: Annual Report on European SMEs 2021/2022, April 2022

MSME PERFORMANCE IN SOUTH ASIA AND ASEAN

MSMEs in these regions have been stimulating domestic demand, job creation, innovation and competition over the years. With South Asia covers five countries (Bangladesh, India, Sri Lanka, Nepal and Pakistan) and ASEAN covers ten countries, MSMEs are defined using different criteria primarily based on annual sales turnover, number of employees, fixed assets and paid-up capital ^[2].

In South Asia region, the aftermath of the pandemic has been catastrophic for businesses in this region of which most countries individually recorded negative economic growth. Table 1.3 recorded the overall economic growth in each country which severely affected the MSMEs business performance indirectly.

Table 1.3: Overall Economic Growth in South Asia Countries (Annual Growth, %)

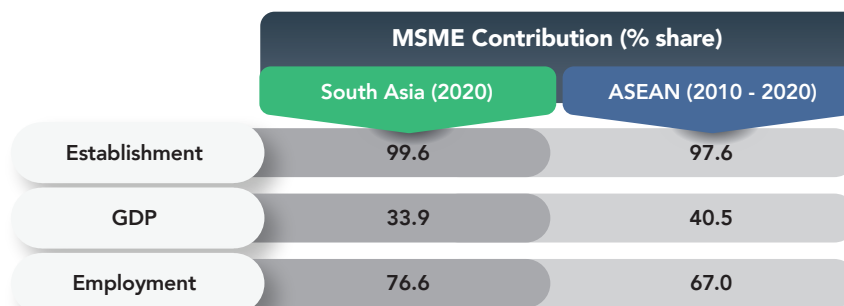
Countries	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
India		4.0%	-7.3%
Sri Lanka	2.3%	-3.6%	
Nepal	6.7%	-2.1%	
Pakistan	2.1%	-0.5%	
Bangladesh	8.2%	3.5%	

Source: Asia Small and Medium-sized Enterprise Monitor 2021, December 2021

In the year 2020, South Asian MSMEs accounted for an average of 99.6% of all enterprises. Majority MSMEs involved in services sector with bulk 44.1% are in the wholesale and retail trade industry, while 23.8% MSMEs are in the manufacturing sector. Zooming on to the business performance, MSMEs in South Asia in 2020 contributed an average of 33.9% of the region's Gross Domestic Product (GDP) and employed an average of 76.6% of the region's workforce. In line with the sector composition of MSMEs, majority of MSME employees worked in the services sector, mainly in the wholesale and retail trade.

Comparing the performance of MSMEs in the ASEAN region, for the period of 2010 until 2020, ASEAN MSMEs accounted for an average of 97.6% of all enterprises, 40.5% of the region's overall GDP and 67.0% of the total workforce. The share of MSMEs to total enterprises marginally expanded across the region at a compounded annual growth rate (CAGR) of 0.2%. In addition, MSMEs' contribution to GDP also expanded slightly by 0.5% while share of MSME employees to total employees on the other hand declined by 0.5% during the ten-year period. Chart 1.1 summarises the recent MSME performance in South Asia and ASEAN.

Chart 1.1: Contribution of MSMEs to Total Establishment, GDP and Employment (%)



Source: Asia Small and Medium-sized Enterprise Monitor 2021, December 2021

MSME Performance in Singapore

MSMEs in the country are defined as enterprises with operating receipts not more than SGD100 million or employment not more than 200 workers. Being an integral part of the business ecosystem, latest data showed the importance of Singaporean MSMEs to the economic growth. For the year 2021, there were more than 290,000 MSMEs in Singapore, representing 99.0% of the overall business establishment^[3]. Number of MSMEs in Singapore grew by 3.4% in 2021 with an increment of almost 10,000 MSMEs.

As most economies gradually recovered from the effects of COVID-19 pandemic, MSMEs in the country too registered an expansion. This is reflected in the higher value-added whereby MSMEs nominal value-added rebounded by 6.5% to reach SGD213 billion in 2021 (2020: SGD200 billion). The growth rate of MSMEs was slower compared to non-MSMEs at 15.7%, of which stood at SGD272 billion in 2021 (2020: SGD235 billion). As a result, the contribution of MSMEs to the overall economy reduced to 44.0% during the year (2020: 46.0%).

In terms of employment, MSMEs in Singapore hired 2.41 million of workers during the year which constituted about 70.9% of total employment (2020: 70.5%). The number of MSMEs employment increased by 1.7% in 2021 as against the decline of 6.0% in 2020. The reduction in employment in 2020 which happened in Singapore as well as other economies during the pandemic is in line with the report by the International Labour Organisation (ILO). The Report cited that the pandemic has had a devastating effect on jobs and incomes in Asia and the Pacific region, wiping out an estimate of 81 million jobs in 2020.



Chart 1.2: Performance of MSMEs in Singapore in terms of Value-added and Employment in 2021 (%)

Indicator	MSME Contribution	
	2020	2021
Value-added – nominal (SGD billion)	200.0	213.0
Annual growth (%)	-2.0	6.5
Contribution to total (%)	46.0	44.0
Employment (million)	2.37	2.41
Annual growth (%)	-6.0	1.7
Contribution to total (%)	70.5	70.9

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

MSME Performance in Thailand

As at end-2020, the total number of MSMEs in Thailand was at 3,134,442, which constituted 99.5% of total enterprises in the country ^[4]. There has been a slight increment of 0.9% or almost 30,000 MSMEs as compared to a total of 3,105,096 MSMEs recorded in the preceding year. Similarly, microenterprises are prominent as it made up the largest share of MSMEs component. Focusing on the definition, the MSMEs in the country are categorised based on annual income and employment to promote the targeted entrepreneurs effectively according to the current economic situation. Table 1.4 shows the detailed definition of MSMEs by business size being used in Thailand ^[5].

Table 1.4: Definition of MSMEs in Thailand

Type of Business	Category	Annual Income (million baht)	Employment (person)
Manufacturing	Micro	≤ 1.8	≤ 5
	Small	≤ 100	≤ 50
	Medium	≤ 500	≤ 200
Services & Merchandising	Micro	≤ 1.8	≤ 5
	Small	≤ 50	≤ 30
	Medium	≤ 300	≤ 100

Source: Office of SMEs Promotion (OSMEP)

Zooming on to the performance of Thailand MSMEs, the industry players too were affected by the widespread of COVID-19 pandemic. In 2020, the GDP growth of MSMEs declined by 9.1%, of which microenterprises dragged the MSME performance and was the worst affected as it fell sharply at double-digit growth of 15.8%. The contraction has led to MSMEs contributing 34.2% to overall GDP during the year. In terms of exports, MSME exports dropped by 17.1% to reach 839,750.1 million baht in 2020. As a result of the discouraging exports landscape, MSMEs recorded lower contribution to total exports at 11.7% in 2020 (2019: 13.3%). The main markets for Thailand's exports activity including those by the MSMEs were the United States, China and Japan.

Table 1.5: Number of Establishments, GDP, Exports and Employment by Business Size in 2020

Category	Establishments		GDP		Exports		Employment	
	No. of Firms	Share (%)	Value (trillion baht)	Share (%)	Value (trillion baht)	Share (%)	No. of Employees	Share (%)
Micro	2,673,922	84.9	0.4	2.7	0.1	1.4	5,274,729	29.7
Small	415,673	13.2	2.3	14.6	0.2	3.4	4,997,999	28.2
Medium	44,847	1.4	2.7	17.0	0.5	6.8	2,442,188	13.8
Total MSMEs	3,134,442	99.5	5.4	34.2	0.8	11.7	12,714,916	71.7
Large Firms & Others	14,455	0.5	10.3	65.8	6.3	88.3	5,019,245	28.3

Source: OSMEP's Executive Summary White Paper on MSMEs, 2021

Meanwhile, the pandemic surprisingly has had less significant repercussions on the MSME labour market, but the same does not apply to the non-MSMEs. While the latter recorded negative employment growth, MSME employment data on the other hand registered an expansion of 5.4% in 2020. The number of workers employed by MSMEs has increased by more than 650,000 workers, from 12.1 million in 2019 to 12.7 million in 2020. In addition, MSME employment was mostly concentrated in the services sector with 5.6 million workers. Given the positive growth, contribution of Thailand MSMEs to overall employment rose to 71.7% in 2020 as compared to 69.5% recorded in 2019.

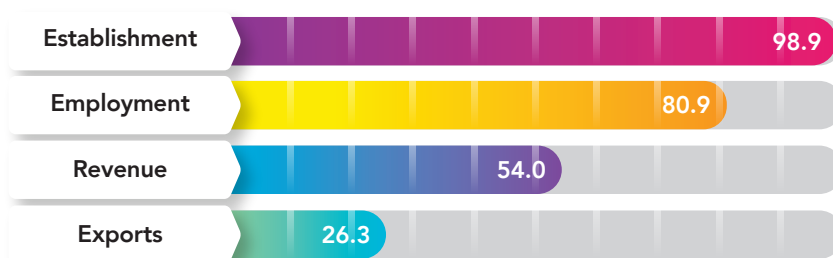


MSME Performance in Taiwan

The country has redefined their MSME definition in June 2020 considering the trend towards capital-intensive development, blurring of the boundaries of industries as well as simplified identification. While the old definition concentrated on criterion namely paid-in capital, revenue or the number of employees, the new definition focuses on a single criterion which are applicable to all industries ^[6]. MSMEs are defined as those with paid-in capital of less than NT\$100 million or fewer than 200 employees hired. Using the latest definition, there were altogether 1,548,835 MSMEs in Taiwan in 2020, which accounted for 98.9% of total enterprises.

For employment, Taiwan MSMEs provided job opportunities to a total of 9.3 million workers, which represented the majority 80.9% of the overall employment of the country. This statistic signifies that MSMEs in Taiwan are the backbone of the economy, having to provide important foundations for job creations. The importance of MSMEs too is further reflected in the revenue, of which MSMEs generated more than half the country's total revenue at 54.0%. Of these revenue, biggest portion derived from domestic sales which makes up 88.6%, while export sales accounted for the remaining 11.4%. It is also interesting to note that the MSMEs exports declined at a much lesser extent than those of non-MSMEs in 2020, signalling competitive advantages of Taiwan MSMEs' products internationally. Consequently, higher contribution of MSME exports at 26.3% to total exports was achieved during the year.

Chart 1.3: Contribution of Taiwan MSMEs in 2020 (%)



Source: 2021 White Paper on Small and Medium Enterprises in Taiwan