

CHAPTER 1

Global Overview on Performance of SMEs



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Small and medium sized enterprises (SMEs) represent more than 90% of global businesses, contribute significantly to job creation and inclusive economic development. The World Bank estimates about 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a great priority for many governments around the world.^[1]

The definition of SME is important for access to various support programmes and interventions targeted specifically at these enterprises to ensure they remain resilient and continue to grow, particularly during these challenging times.

Nevertheless, a generic definition of SMEs that is universally accepted has yet to be coined. This is due to the fact that different economies adopt different SME definitions which are largely influenced by the diverse stages of economic development as well as the individual size of their economies. It is common to see countries and economies revise the SME definition from time to time naturally to suit the progress of economic development and policy direction respectively. According to International Finance Corporation (IFC), there were more than 60 definitions of SMEs in 75 economies. Some definitions were simple and straight forward with only one condition, meanwhile other were more complex with a sector-specific criterion or a combination of various criteria. Four criteria have been commonly used to define a SME – number of employees, annual sales (or revenue), assets, and capital (or investment). In the case of Malaysia, a common definition for SMEs by the National Entrepreneur and SME Development Council (NESDC) has been adopted nation wide since 2005 and the revised version took effect in 2014.

Table 1.1 illustrates the SME definition criteria and thresholds for ASEAN, EU and selected countries.

Table 1.1: SME Definition in ASEAN, EU and Selected Countries

Country/Region/Sector		Criteria & Highest Threshold					Basis	Note
		Employee	Sales Turnover / Revenue / Operating Income	Asset	Paid-up Capital	Other Criteria	AND / OR	
Note: Local currency unless otherwise noted								
Brunei ^[2]		< 99	Sales varying by sector	-	-	-	-	
Cambodia ^[2]		< 100	-	USD 500,000	-	-	-	
Indonesia ^[2]			< IDR50,000 million	< IDR10,000 million	-	-	-	
Laos ^[2]		< 99	< LAK1,000 million	< LAK2,000 million	-	-	-	
Malaysia ^[3]	Manufacturing	≤ 200	≤ MYR50 million	-	-	-	OR	
	Services & others	≤ 75	≤ MYR20 million	-	-	-		
Myanmar ^[2]	Manufacturing	<300	-	-	< KYAT1,000 million	-	-	
	Labour - Intensive manufacturing	<600	-	-	< KYAT1,000 million	-	-	
	Wholesale	<60	< KYAT300 million	-	-	-	-	
	Retail	<60	< KYAT100 million	-	-	-	-	
	Services	<100*	< KYAT200 million	-	-	-	-	
	Others	<60	< KYAT100 million	-	-	-	-	
Philippines ^[2]		-	-	< PHP100 million	-	-	-	
Singapore* ^[2]		≤ 200	≤ SGD100 million*	-	-	-	OR	
Thailand ^[4]	Manufacturing	≤ 200	≤ THB500 million	-	-	-	AND / OR	'AND' basis is used to define small and medium enterprise while 'OR' basis is used to define micro enterprise
	Trade and services	≤ 100	≤ THB300 million	-	-	-		
Viet Nam*** ^[2]	Agriculture, forestry, fisheries and industry, and construction	≤200	≤ VND200 billion	-	≤ VND100 billion	-	OR	
	Trade and services	≤100	≤ VND300 billion	-	≤ VND100 billion	-		
EU ^[5]		<250	≤ EUR50 million			Annual Balance Sheet ≤ EUR43 million	AND / OR	

Country/Region/Sector		Criteria & Highest Threshold					Basis	Note
		Employee	Sales Turnover / Revenue / Operating Income	Asset	Paid-up Capital	Other Criteria	AND / OR	
Other Selected Countries:								
Australia ^[6]		199	< AUD250 million	-	-	-	-	
China ^{[7] [8]}	Agriculture, forestry, animal husbandry and fishery	-	≤ CNY200 million	-	-	-	-	
	Manufacturing industry	< 1,000	≤ CNY400 million	-	-	-	-	
	Construction industry	-	≤ CNY800 million	-	-	-	-	
	Wholesale businesses	< 200	≤ CNY400 million	-	-	-	-	
	Retail industry	< 300	≤ CNY200 million	-	-	-	-	
	Transportation industry	< 1000	≤ CNY300 million	-	-	-	-	
	Warehousing industry	< 200	≤ CNY300 million	-	-	-	-	
	Postal industry	< 1000	≤ CNY300 million	-	-	-	-	
	Hotel service industry, catering industry	< 300	≤ CNY100 million	-	-	-	-	
	Information transmission industry	< 2000	≤ CNY1 billion	-	-	-	-	
	Software and information service industry	< 300	≤ CNY100 million	-	-	-	-	
	Real estate industry	-	≤ CNY2 billion	-	-	-	-	
	Estate management	< 1000	≤ CNY50 million	-	-	-	-	
Leasing and business service industry	< 300	≤ CNY1.2 billion	-	-	-	-		
India ^[9]	Manufacturing enterprises and enterprises rendering services	-	≤ INR250 crore	-	-	Investment in plant and machinery or equipment	AND	
Japan ^[10]	Manufacturing and others	≤ 300	-	-	≤ JPY300 million	-	OR	
	Wholesale	≤ 100	-	-	≤ JPY100 million	-		
	Retail	≤ 50	-	-	≤ JPY50 million	-		
	Service	≤ 100	-	-	≤ JPY50 million	-		
New Zealand ^[11]		≤ 99	-	-	-	-		
South Korea ^[12]	Manufacturing (6 sectors): Electrical equipment, clothing, bag/shoes/wood pulp/paper, primary metal, furniture	-	≤ USD150 million	-	-	-	-	

Country/Region/Sector	Criteria & Highest Threshold					Basis	Note
	Employee	Sales Turnover / Revenue / Operating Income	Asset	Paid-up Capital	Other Criteria	AND / OR	
Other Selected Countries:							
South Korea ^[12]	Manufacturing (12 sectors): Cigarette, automobile, chemical, metal processing, food, textile, lumber, oil refinery, rubber/plastic/electronic/computer/video/communication/machine/equipment, other transportation equipment	-	≤ USD100 million	-	-	-	-
	Agriculture/ forestry/ fishing/wholesale and retail/electrical/gas/water works	-	≤ USD100 million	-	-	-	-
	Mining, construction	-	≤ USD100 million	-	-	-	-
	Manufacturing (6 sectors): Beverage, printing machine/duplicator/medicine/medical products, nonmetallic mineral/ medical service/precision/other product manufacturing	-	≤ USD80 million	-	-	-	-
	Transportation	-	≤ USD80 million	-	-	-	-
	Waste water treatment environmental conservation	-	≤ USD80 million	-	-	-	-
	Publication/information service	-	≤ USD80 million	-	-	-	-
	Repair and other personal service	-	≤ USD60 million	-	-	-	-
	Business support service	-	≤ USD60 million	-	-	-	-
	Science and technology service	-	≤ USD60 million	-	-	-	-
	Healthcare/social welfare	-	≤ USD60 million	-	-	-	-
	Arts/sports service	-	≤ USD60 million	-	-	-	-
	Lodging/restaurant	-	≤ USD40 million	-	-	-	-
	Finance/insurance	-	≤ USD40 million	-	-	-	-
Education service	-	≤ USD40 million	-	-	-	-	
Real estate/lease	-	≤ USD40 million	-	-	-	-	
United Kingdom ^[13]	≤ 250	≤ GBP25.9 million	-	-	Annual Balance Sheet ≤ GBP12.9 million	AND	
United States ^[14, 15, 16]	< 500	-	-	-	-	-	

* Update based on Baseline Survey Report, ASEAN Strategic Action Plan for SME Development 2016-2025

** Myanmar's Promotion of Cottage Industries Law provides the definition of "cottage industries" as small scale production, repair, maintenance and service industry by members of a family or by engaging workers or collectively. "Cottage industries" also covers small scale industries which use power which is less than three horsepower or manpower not exceeding nine workers. This criterion does not apply to enterprises in the handicrafts industry, in which the number of workers is not limited.

*** Decree No. 39/2018/ND-CP dated 11 March 2018, Chapter II (Determination of SMEs)

While the definition may differ across regions and economies, concensually SMEs account for a very large share of economic activity in both developed and developing countries. In the EU countries where SME definitions are comparable, the contribution of SMEs to national employment ranges between 63.7% in Germany to 87.9% in Greece. Meanwhile across ASEAN where SME definition varies from one member state to another, the range of contribution of SMEs to national employment is noticeably wider, from 48.4% in Malaysia to 96.7% in Indonesia. The contribution of SMEs to national value-added is between <20.0% to 61.4% in ASEAN and between 41.5% to 81.8% in EU. The SME share of economic activity is characteristically larger in EU economies than in emerging-markets as in the majority of ASEAN economies, reflecting a mix of higher SME productivity levels in developed economies vis-a-vis developing economies. This in turn suggests higher rates of informal sector persists in developing economies.

It is observed that data on SMEs is not readily available for many economies as not all countries or regions undertake annual SME performance assessment and regularly update data on SMEs in public domains. For the purpose of preparation of this report, an extensive online research has been carried-out to obtain the latest available data which may vary subject to different sources of reference and publications. Malaysia has achieved a considerable milestone in this space through publication of annual SME performance assessment covering key macro indicators namely Gross Domestic Product (GDP), exports, employment and productivity.

Table 1.2 below shows the contribution of SMEs on GDP, export, employment and percentage of business establishment in ASEAN region, the EU, as well as in other selected countries.

Table 1.2: SME Performance in ASEAN, EU and Selected Countries

Country	Contribution of SMEs (as % of national economy)			
	GDP	Exports	Employment	% of Business Establishment
ASEAN				
Brunei ^[17]	-	-	54.5% (2016)	96.5% (2016)
Cambodia ^[17]	-	-	71.7% (2014)	99.8% (2014)
Indonesia ^[18]	57.24% (2018)	14.37% (2018)	97% (2018)	99.9% (2018)
Laos ^[17, 19]	≤20% (2019)	-	82.2% (2013)	99.8% (2013)
Malaysia ^[20]	38.9% (2019)	17.9% (2019)	48.4% (2019)	98.5% (2016)
Myanmar ^[17, 21]	-	-	+/- 80% (2018)	99.4% (2013)
Philippines ^[17]	36% (2016)	25% (2016)	63.3% (2016)	99.6% (2016)
Singapore ^[22]	44% Nominal Value Added (2019)	-	72% (2029)	99% (2029)
Thailand ^[23]	43% (2018)	28.74% (2018)	85.47% (2018)	99.79% (2018)
Vietnam ^[17]	45% (2016)	14.1% (2016)	64% (2016)	98% (2015)

Country	Contribution of SMEs (as % of national economy)			
	GDP	Exports	Employment	% of Business Establishment
EU ^{[24, 25]*}				
Austria	62% (2018)	39% (2018)	68.4% (2018)	99.7% (2018)
Belgium	63.3% (2018)	52% (2017)	68.8% (2018)	99.8% (2018)
Bulgaria	65.3% (2018)	47% (2018)	75.7% (2018)	99.8% (2018)
Croatia	59.4% (2018)	56% (2018)	68.9% (2018)	99.7% (2018)
Cyprus	76.3% (2018)	91% (2018)	83.8% (2018)	99.9% (2018)
Czechia	56% (2018)	32% (2018)	66.4% (2018)	99.8% (2018)
Denmark	60.8% (2018)	49% (2019)	64.1% (2018)	99.7% (2018)
Estonia	76.7% (2018)	76% (2017)	79.2% (2018)	99.8% (2018)
Finland	59.6% (2018)	35% (2018)	65.2% (2018)	99.7% (2018)
France	55.8% (2018)	22% (2018)	64.1% (2018)	99.9% (2018)
Germany	54.4% (2018)	24% (2018)	63.7% (2018)	99.5% (2018)
Greece	63.5% (2018)	44% (2018)	87.9% (2018)	100% (2018)
Hungary	54.1% (2018)	32% (2016)	68.3% (2018)	99.8% (2018)
Ireland	41.5% (2018)	29% (2016)	70.1% (2018)	99.8% (2018)
Italy	66.9% (2018)	51% (2018)	78.1% (2018)	99.9% (2018)
Latvia	71.1% (2018)	71% (2018)	79.4% (2018)	99.8% (2018)
Lithuania	69.4% (2018)	51% (2018)	75.9% (2018)	99.8% (2018)
Luxembourg	67.7% (2018)	57% (2018)	67% (2018)	99.5% (2018)
Malta	81.8% (2018)	51% (2018)	77.7% (2018)	99.8% (2018)
Netherlands	62.3% (2018)	64% (2018)	63.8% (2018)	99.8% (2018)
Poland	52.9% (2018)	33% (2018)	67.1% (2018)	99.8% (2018)
Portugal	68.3% (2018)	49% (2018)	77.4% (2018)	99.9% (2018)
Romania	53.2% (2018)	30% (2018)	65.8% (2018)	99.7% (2018)
Slovakia	55.1% (2018)	28% (2018)	72.7% (2018)	99.9% (2018)
Slovenia	64.5% (2018)	49% (2018)	72.0% (2018)	99.8% (2018)
Spain	61.3% (2018)	51% (2018)	71.9% (2018)	99.9% (2018)
Sweden	61.2% (2018)	42% (2018)	65.2% (2018)	99.9% (2018)

* estimate export of goods based on Member States latest available year

Country	Contribution of SMEs (as % of national economy)			
	GDP	Exports	Employment	% of Business Establishment
Other Selected Countries				
Australia ^[26]	56% Value Added (2017-2018)	4.5% (2016-2017)	68.3% (2017-2018)	99.8% (2019)
China ^[27]	68.2% Total Annual Operating Revenue (2018)	-	79.4% (2018)	99.8% (2018)
India ^[28, 29, 30]	28.9% (2016-17)	48.1% (2018-19)	40%	95%
Japan ^[31]	52.9% Value Added (2016)	-	68.8% (2016)	99.7% (2016)
New Zealand ^[32]	28%	-	29%	97%
South Korea ^[33]	51.2% Value Added (2013)	37.5% (2016)	83.1% (2018)	99.9% (2018)
United Kingdom ^[13, 34, 35]	52% Value Added (2019)	-	60% (2019)	99.9% (2019)
United States ^[36, 37]	43.5% (2014)	32% (2018)	47.1% (2017)	99.9% (2019)