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Small & Medium Enterprises

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Small & Medium Enterprises

Table of contents

- A) Generic Definition of SMEs
- B) International Definition of SMEs
- C) Local Definition of SMEs
- D) The Birth of Circular 331 in Lebanon



Small & Medium Enterprises

A) Generic definition of SMEs

The claim that “SMEs are the backbone of the economy” has become virtual boilerplate for papers, presentations, and popular articles on private sector development. Almost invariably, however, this claim has been made in the absence of any rigorous data to support it and often without an effort to understand what an SME is.

Some countries recognize this issue and occasionally update their criteria for SMEs, but most do not (ESCAP, 2009a).

The three main parameters that have been generally applied to define SMEs are:

- (a) the number of employees
- (b) turnover of business
- (c) capital investment.

As companion formulation to the “backbone” claim, one often sees the equally un-useful statement that “there appears to be no universally accepted definition of SMEs

According to a World Bank study**, more than 60 definitions of SMEs are used in 75 countries. Some countries have used the number of employees as the sole criteria for determining whether a business is an SME or not.

Other countries use this same criterion, plus an additional one based on either the value of the firm’s assets or the size of revenue in local currency.

In cases where a currency value is cited (either for assets or revenues) any marked inflation can pose a problem for the SME definition over time.

**Indian Institute of Foreign Trade, 2011

Small & Medium Enterprises

B) International definition of SMEs



| Category | OR | | |
|----------|-----------|-----------------|---------------|
| | Headcount | Annual Turnover | Balance Sheet |
| Micro | <10 | ≤ €2M | ≤ €2M |
| Small | 10-49 | ≤ €10M | ≤ €10M |
| Medium | 50-249 | ≤ €50M | ≤ €43M |



| Category | Headcount | Annual Turnover | Balance Sheet |
|----------|-----------|-----------------|---------------|
| SME | ≤200 | | |



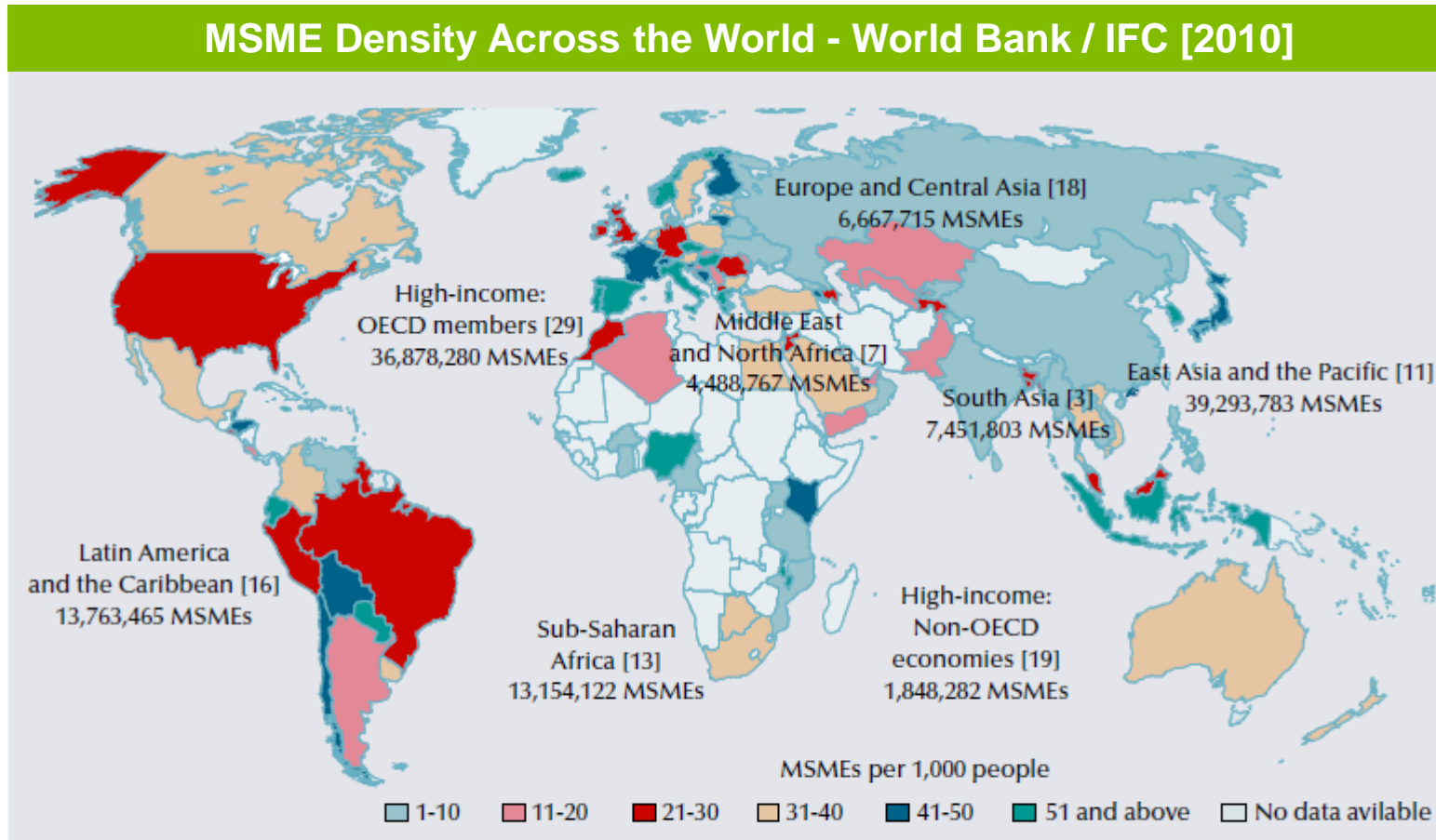
| Sector | Headcount | Annual Turnover | Balance Sheet |
|-------------------------------|-----------|-----------------|---------------|
| Manufacturing and Mining | ≤500 | | |
| Buildings. Heavy Construction | | ≤ \$33.5M | |
| Retail Trade | | ≤ \$19M | |
| Wholesale | ≤100 | | |
| Farming | | ≤ \$0.75M | |
| Services | | ≤ \$14M | |



| Category | Headcount | Annual Turnover | Balance Sheet |
|----------|-----------|-----------------|---------------|
| SME | ≤300 | ≤ \$15M | ≤ \$15M |

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B) International definition of SMEs (Cont'd)



Sources: MSME Country Indicators.

Note: Name of region [#] signifies the number of economies from the region included in the analysis. The figure uses the most recent data available after the year 2000. The figure use data for 116 economies.⁵

Small & Medium Enterprises

C) Local definition of SMEs

Historically, Lebanon's lack of a formal unified definition for small and medium enterprises has often been used as a scapegoat for inaction.



| Category | Headcount | Annual Turnover |
|----------|-----------|-----------------|
| SME | | ≤ LBP7.5B |



| Category | Headcount | Annual Turnover |
|----------|-----------|-----------------|
| SME | ≤40 | |



| Category | Headcount | Annual Turnover |
|----------|-----------|-------------------------|
| SME | | ≤ LBP3B (starting 2005) |

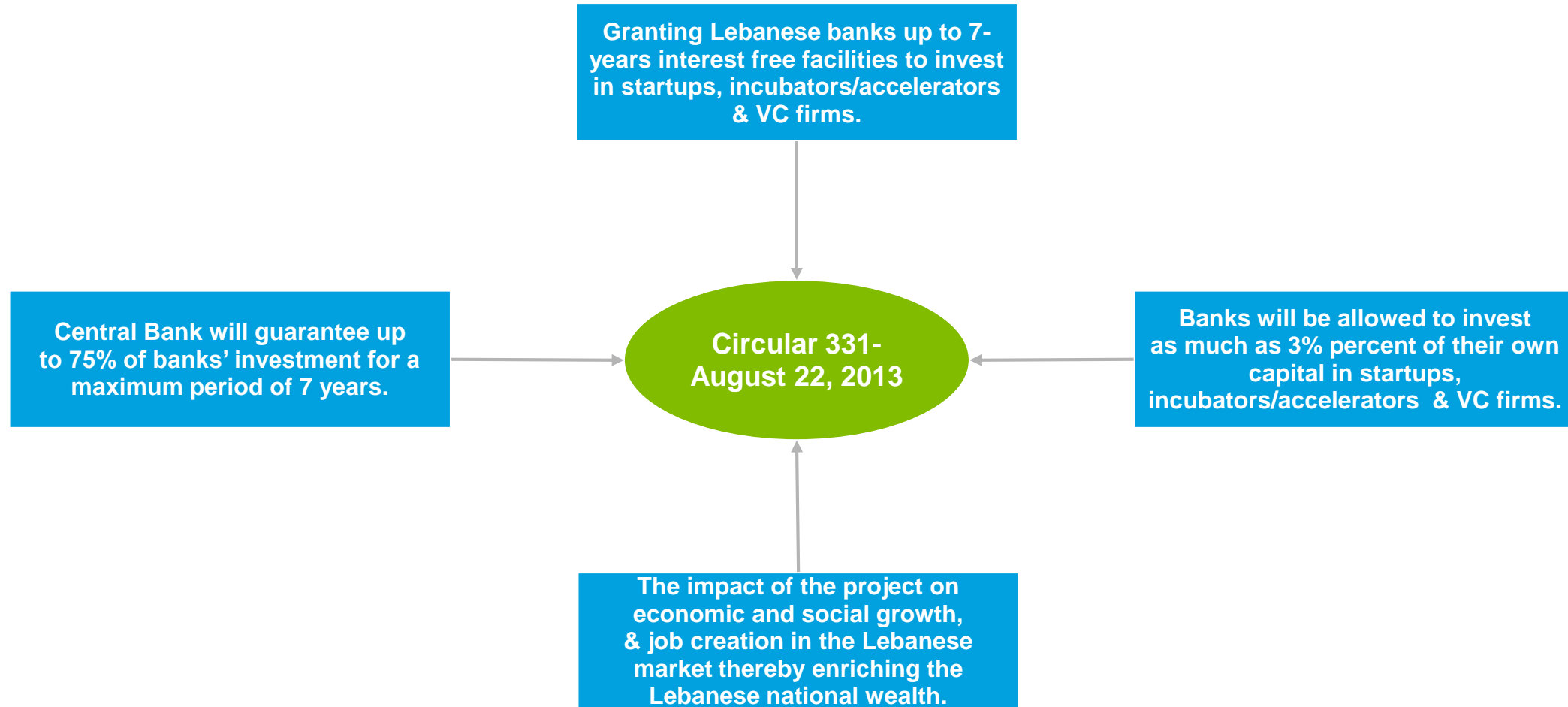


| | & | |
|----------|-----------|-----------------|
| Category | Headcount | Annual Turnover |
| Micro | ≤ 10 | ≤ LBP 500M |
| Small | 10-49 | ≤ LBP 5B |
| Medium | 50-100 | ≤ LBP 25B |

Adopting the proposed definition of the MOET, SMEs in Lebanon constitute between 93% and 95% of enterprises in the country.

Small & Medium Enterprises

D) The birth of Circular 331 in Lebanon





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