



Global Scientific and Academic Research Journal of Economics, Business and Management

ISSN: 2583-5645 (Online)

Frequency: Monthly

Published By GSAR Publishers

Journal Homepage Link- <https://gsarpublishers.com/journals-gsarjebm-home/>



REVIEW OF MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) DEMARCATIIONS FOR GLOBAL APPLICATION

By

Tsado Abel John¹, Winston W M Shakantu², Alumbu Polycarp Olaku³

^{1,3} Department of Quantity Surveying, Federal University of Technology, Minna, Nigeria

² Construction Management Department, Nelson Mandela University Port Elizabeth, South Africa.



Article History

Received: 15/04/2026

Accepted: 25/04/2026

Published: 27/04/2026

Vol –5 Issue – 4

PP: -32-37

Abstract

Micro, small and medium enterprises (MSMEs)/ construction micro, small, and medium enterprises (CMSMEs) are crucial to every country's development and economic prosperity world over. However, there is no uniform basis or criteria for defining micro, small and medium enterprises (MSMEs) globally. Be that as it may, this paper thus aim to identify from literatures definitions of MSMEs and determine common criteria used by the various definitions that can be globally applicable in defining MSMEs without bias. The research question is therefore focused on 'what is the criteria commonly used in literature to define MSMEs that is adaptable without bias to globally define MSMEs'? The research narratively reviewed 21 country's definitions and 7 organisation's and agency's definitions of MSMEs. The result indicated number of employee's as the most common criterion used for defining MSMEs. Since number of employee's is common to most definitions and it is a non-bias criterion, it was concluded that number of employee's be adopted as a global single criterion for defining MSMEs. This will enable the prospect of comparing MSMEs worldwide using a single basis of definition. It will also disregard the variability and discrepancies due to currency values, economic and financial policies in various nations.

Keywords: definition, MSMEs.

Introduction

Micro enterprises are defined as having 1-9 employees; small enterprises have 10-49 employees; and medium, 50-249 employees (Kushnir, Mirmulstein and Ramalho, 2010:2). However, definitions differ among countries, who have definition determinants other than employees. The problem, consequently, is that there is no uniform basis, premise or criteria for defining or characterizing Micro, Small and Medium Enterprises (MSMEs) globally. However, even with the difficulties or challenges of defining MSMEs across the world, they are socially and economically important to all countries in that they constitute 95% of all enterprises and provide 50% of employment, produce 50% of the gross domestic product (GDP) of most countries, and up to 55% of all technical innovations. In addition, they form the bases for rapid industrialisation. Hence, MSMEs, and particularly Construction Micro, Small, and Medium Enterprises (CMSME) are vital components of every country's economy (Shakantu, 2012:255). This paper thus aim to identify or distinguish from literary works or literatures definitions of

MSMEs and determine common criteria used by the various definitions that can be globally applicable and inclusive in defining MSMEs without bias. The research question is therefore focused on 'what is the criteria commonly used in literature to define MSMEs that is adaptable without bias to globally define MSMEs'? This will enable the prospect of comparing MSMEs worldwide using a single basis of definition. It will also disregard the inconsistencies, variabilities and discrepancies due to currency values, economic and financial policies in various nations.

Global Overview of Micro, Small, and Medium Enterprises (MSME)

Around the world, enlisted Micro, Small, and Medium Enterprises (MSME) across over 132 economies in August 2010 demonstrated 31 MSMEs per 1,000 individuals (Kushnir, Mirmulstein and Ramalho, 2010:1). With Brunei Darussalam (122), Indonesia (100), Paraguay (95), the Czech Republic (85), and Ecuador (84) having the highest formal MSME concentration.



The provincial MSMEs' concentration, according to income levels per 1,000 people, shows that Sub-Saharan Africa and high-income economies are far apart (Kushnir et al., 2010:3). While, Latin America and the Caribbean have more MSMEs than some high-income economies, Europe and Central Asia countries have the highest incidence of MSMEs (Kushnir et al., 2010:4). Figure 1.1 below shows the density of MSMEs across the world:

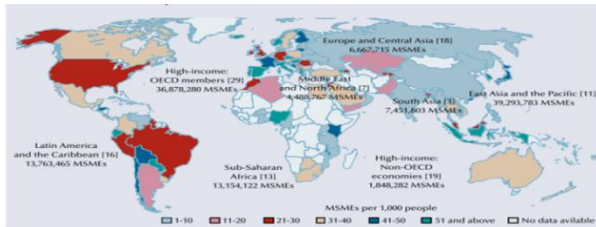


Figure 1.1: MSME Density Across the World.

Source: MSME Country Indicators in (Kushnir, Mirmulstein and Ramalho, 2010:3)

Definition of MSMEs

The term Micro, Small and Medium sized Enterprises (MSMEs) conjures up a wide range of notions and classifications, from the MSME definition adopted in some countries to the difficulties in defining an enterprise and the yardstick for delineating enterprises (Shakantu, 2012:253). Even with the difficulties in defining MSMEs across the world (Shakantu, 2012:255). MSMEs are for the most part viewed as autonomous organizations, overseen by their owners or part-owners, with a small market share (Burke, 2006:13; Acca, 2010:6; Ardic, Mylenko and Saltane, 2011:7; Dalberg, 2011:6) Because of the wide diversity of small businesses, there is no single definition for MSMEs. However, common parameters such as size, employee headcount, sales, assets and turnover are used to define MSMEs around the world (Burke, 2006:13). Various nations utilize various criteria for distinguishing MSMEs. For instance, -_ Egypt characterizes MSMEs as having more than 5, and less than 50, workers and Vietnam considers MSMEs to have somewhere in the range of 10 and 300 workers or representatives. Besides, the World Bank characterizes MSMEs as those ventures with a limit of 300 workers or \$15 million in yearly income and \$15 million in resources. The Inter-American Development Bank, in the interim, portrays MSMEs as having a limit of 100 representatives and under \$3 million in income (Benzazoua Bouazza, Ardjouman and Abada, 2015:102). Tables 1 to 4

Table 1: MSME Classifications

Company	Number of employees	Turnover
Micro company	0 to 9	2 million Euro
Small company	10 to 49	10 million Euro
Medium company	50 to 249	50 million Euro
Large company	Over 250	Over 50 million

	Euro
--	------

Source: Burke, (2006:13)

Similarly, table 2 below shows the criteria for defining MSMEs delineated by the European Commission in January 2005. The criteria include the number of employees, annual turnover and annual balance sheet (Berisha and Pula, 2015:19). In addition, the Organisation for Economic Co-operation and Development (2000:3) defines MSMEs as non-subsubsidiary, independent firms which employ fewer than a given number of employees. This number varies across national statistical systems. The most frequent upper limit is 250 employees, as in the European Union. Table 2 also shows other criteria to be annual turnover and the total of the annual balance sheet.

Table 2: Definition of Small and Medium Enterprises according to European Union standards.

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	≤ EUR 2 million

Source: (European Commission, 2015: 11)

The World Bank also used three quantitative criteria for defining MSMEs as shown in Table 3. These include the number of employees, total assets in U.S. dollars, and annual sales in U.S. dollars. A firm must meet the quantitative criteria of number of employees and at least one financial criteria to be categorised as a micro, small or medium enterprise (Berisha and Pula, 2015:19).

Table 3: Definition of MSMEs by World Bank standards.

Enterprise indicators (2/3)	Number of employees	Total assets	Total annual sales
Medium-sized	> 50; ≤ 300	> \$ 3,000,000; ≤ \$ 15,000,000	> \$ 3,000,000; ≤ \$ 15,000,000
Small	> 10; ≤ 50	> \$ 100,000; ≤ \$ 3,000,000	> \$ 100,000; ≤ \$ 3,000,000
Micro	< 10	≤ \$ 100,000	≤ \$ 100,000

Source: Independent Evaluation Group (2008)in (Berisha and Pula, 2015:19)

The European Commission (EC) Definition

The definition of the EC takes into consideration three different indicators; staff headcount, annual sales and assets. Though it is mandatory to abide by the staff head count threshold, an MSME may qualify by falling under either the sales or the assets maximum as shown in Table 4 (Dababneh & Tukan, 2007: 5).

Table 4: The EC Enterprise Categories of MSMEs

Enterprise category	Headcount (Annual Work Unit)	Annual Sales	Total Assets
Micro	< 10	≤ \$ 3 million	≤ \$ 3 million
Small	< 50	≤ \$ 13 million	≤ \$ 13 million
Medium-sized	< 250	≤ \$ 67 million	≤ \$ 67 million

Source:(Dababneh and Tukan, 2007:5)

MIGA and IFC Definition of SMEs

The Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC) define small enterprises as those that meet two of the following three conditions:

1. Fewer than 50 employees
2. Less than \$3 million total assets
3. Less than \$3 million total annual sales

They further define medium enterprises as those that meet two of the following three conditions:

1. Fewer than 300 employees
2. Less than \$15 million total assets
3. Less than \$15 million total annual sales

Unlike the EC definition, the MIGA and IFC definition does not consider the staff headcount threshold mandatory for an enterprise to qualify as an SME (Dababneh and Tukan, 2007: 5).

Asia Pacific Economic Cooperation (APEC) Definition

APEC defines MSMEs as enterprises with fewer than 100 employees. Medium size enterprises employ between 20 and 99 people, small firms employ between 5 and 19 and a micro firm employs fewer than 5 employees including the self-employed managers (Dababneh and Tukan, 2007:5). Based on this definition, 75% of enterprises in APEC were micro-, 21% were small-, and 4% were medium-sized during the period between 1990 and 2000.

United Nations Industrial Development Organization (UNIDO) Definition

UNIDO suggests that for the purposes of policy development, the definition of MSMEs should be based on quantitative and qualitative indicators (Dababneh and Tukan, 2007:6)

Regional Definitions

The World Bank Group compiled MSME definitions for 118 countries. Table 5 presents some of the selected countries across various regions:

Table 5: Definition of MSMEs in selected countries

Country	Source	Definition according to number of employees			Economic Indicators			
		Micro	Small	Medium	GNI per Capital (\$)	Income Group	MSMEs per 1,000 population	MSMEs employment as a % of Total
Egypt	UNCDF	1 - 4	5 - 14	15 - 49	1,240	Lower Middle	26.8	73.5
Lebanon	MET	0 - 9	10 - 49	50 - 99	3,760	Upper Middle	47.2	n/a
Israel	ICBS	0 - 9	10 - 49	50 - 100	18,620	High	67.8	n/a
Oman	MONE	0 - 5	6 - 20	21 - 100	9,070	Upper Middle	29	n/a
Jordan	DOS	1 - 4	5 - 19	20 - 99	2,190	Lower Middle	26.8	50.0
United Arab Emirates	HSBC	0 - 9	10 - 49	50 - 499	19,420	High	34.2	86
Tunisia	UNIDO	< 10	10 - 49	50 - 99	2,080	Lower Middle	0.9	n/a

Source: MSMEs Database – World Bank – January, 2007 in (Dababneh and Tukan, 2007: 8)

Most of the earlier definitions of MSMEs, as reviewed above are based on quantitative criteria, but in Table 6, MSMEs are defined qualitatively using criteria such as management, personnel, organisation and production as their basic measures. These are shown in the table below:

Table 6: Qualitative indicators in discerning MSMEs from large companies

Category	SMEs	Large Companies
Management	Proprietor-Entrepreneurship Functions linked to personalities	Manager-Entrepreneurship Division of labour by subject matters
Personnel	Lack of University graduates All-round knowledge	Dominance of University graduates Specialisation
Organisation	Highly personalised contacts	Highly formalised communication
Sales	Comparative position not defined and uncertain	Strong competitive positions
Buyer's Relationship	Unstable	Based on long-term contracts
Production	Labour intensive	Capital intensive, economies of scale
Research Development	Following the market, intuitive approach	Institutionalised
Finance	Role of family funds, self-financing	Diversified ownership structure, access to anonymous capital market

Source: UNIDO (as quoted in Yon and Evans: 2011)in (Berisha and Pula, 2015: 22)

In South Africa, SMMEs are classified in four broad groups comprising survivalist, micro, small and medium enterprises.

Table 7: Categories of SMMEs in South Africa

Category	Annual average turnover (million rand)	Number of employees
Survivalist enterprises	Variable but <1	<5
Micro-enterprises	~0-1	1-5
Small enterprises	~1.1-12	6-60
Medium enterprises	~12.1-60	61-300

Source: adapted from Department of Public Works (2006) and Burke (2006) in Shakantu (2012:255).

Nigeria Definition of MSMEs

The introduction of the National Policy on MSMEs addressed the issue of finding a definition of what constitutes micro, small and medium enterprises in Nigeria. The definition adopts a classification based on the dual criteria of employment and assets, excluding land and buildings (Small and Medium Enterprises Development Agency of Nigeria; and National Bureau of Statistics, 2013:10). This definition constitutes the working definition for this research. Table 8 below shows the criteria:

Table 8: Classifications of MSMEs in Nigeria.

S/N	Size Category	Employment	Assets (₦ million) (excluding land and buildings)
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10 to 49	5 to less than 50
3	Medium enterprises	50 to 199	50 to less than 500

Source: (Small and Medium Enterprises Development Agency of Nigeria; and National Bureau of Statistics, 2013:10). Furthermore, MSMEs are generally defined based on either quantitative or qualitative variables. Quantitative variables are expressed as the size of enterprises and their market share, and in monetary terms such as available finance, capital, turnover, asset value, profit, as well as quantitative indices like the number of employees. However, in Nigeria, MSMEs are only categorised based on their number of employees and total assets, excluding land (Etuk *et al.*, 2014: 657).

It emerges that the most common criterion in defining MSMEs is the number of employees. The number of employees has many variances across counties. However, 0-250 is the most common range (Berisha and Pula, 2015:20). Table 9 presents these variances:

Table 9: MSME definitions by number of employees in different countries

Countries	Micro	Small	Medium	SME	Large
EU countries, Iceland, Norway, and Switzerland	1 - 9	10 - 49	50 - 249	1 - 249	250 +
Australia	0 - 9	10 - 49	50 - 199	0 - 199	200 +
Canada	0 - 9	10 - 49	50 - 499	0 - 499	500 +
Japan	4 - 9	10 - 49	50 - 249	1 - 249	250 +
Korea	5 - 9	10 - 49	50 - 199	5 - 199	200 +
Mexico	0 - 10	11 - 50	51 - 250	1 - 250	251 +
New Zealand	1 - 10	10 - 49	50 - 99	0 - 99	100 +
Turkey	1 - 19	20 - 49	50 - 249	1 - 249	250 +
United States	1 - 9	10 - 99	100 - 499	1 - 499	500 +

Source: OECD (2010)in(Berisha and Pula, 2015:20)

Conclusion

In summary the literature definitions of MSMEs have showed that countries like Nigeria, South Africa, United States, Turkey, New Zealand, Mexico, among others used number of employees to define MSMEs. Similarly, organisations like the World Bank, Asia Pacific Economic Cooperation, Multilateral Investment Guarantee Agency and the International Finance Corporation have also used number of employees as basis of classification of MSMEs. Even with some little discrepancies across countries this criterion can be harmonised. Therefore, this research has reached the conclusion based on the various reviewed definitions of MSMEs, that the globally dominant criterion for classification of MSMEs without any measure of bias is the number of MSMEs employees. Since other criteria like asset value, turnover, profit etc, have the tendency of variability due to currency exchange rate variance across countries. Meaning if financial variables are used to classify MSMEs it will be globally practically bias since micro firm in country A will be rated as small or even medium in country B while they also operate under different economic and policy conditions. Hence, the recommendation to adopt number of employees as the basis for classification of MSMEs globally. Given that this basis will be fairly applicable and practically

acceptable without any form of bias. This will facilitate global standardisation of MSMEs and comparison.

However, this research is limited by the research configuration, inquire strategy, reviewing procedure, extent of information, source of information, information gathering instrument and technique for information investigation could bring about modifying the findings and the use of the findings.

In any case, the researcher recognizes any variation in the research configuration, inquire strategy, inspecting procedure, extent of information, wellspring of information, information gathering instrument and technique for information investigation could bring about modifying the discoveries and the use of the discoveries in this exploration and consequently, limit the examination. Besides, the research is delimited to just the recognizable proof of kinds of innovation and not the attributes and nature of the individual innovation. Hence, constituting part of the research limitation.

References

1. ACCA (2010) *Small business: A global agenda, The Association of Chartered Certified Accountants*. Available at: <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-afb-sbaga.pdf>.
2. Ardic, O. P., Mylenko, N. and Saltane, V. (2011) 'Small and Medium Enterprises A Cross-Country Analysis with a New Data Set', *World Bank Policy Research Working Paper*, 5538(January), pp. 1–32. Available at: http://www.cgap.org/gm/document-1.9.49438/small_and_medium_enterprises.pdf.
3. Berisha, G. and Pula, J. S. (2015) 'Defining Small and Medium Enterprises: a critical review', *Academic Journal of Business, Administration, Law and Social Sciences*, 1(September), pp. 17–28. Available at: www.iipcccl.org.
4. Bouazza, A. B., Ardjouman, D. and Abada, O. (2015) 'Summary for Policymakers', *American International Journal of Social Science*, 4(2), pp. 101–115. doi: 10.1017/CBO9781107415324.004.
5. Burke, R. (2006) *Small Business Entrepreneur guide to running business*. Burke Publishing.
6. Dababneh, R. and Tukan, F. (2007) *Booklet of Standardized Small and Medium Enterprises Definition-2007*. Available at: <http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:BOOKLET+OF+STANDARDIZED+SMALL+AND+MEDIUM+ENTERPRISES+BOOKLET+OF+DEFINITION-2007#0>.
7. Dalberg (2011) *Report on Support to SMEs in Developing Countries Through Financial Intermediaries*, Dalberg. doi: 10.1017/CBO9781107415324.004.
8. Etuk, U. R., Etuk, R. G. and Baghebo, M. (2014) 'Small And Medium Scale Enterprises (SMEs) And Nigeria ' s Economic Development', *Mediterranean Journal of Social Sciences*, 5(7), pp. 656–662. doi:

- 10.5901/mjss.2014.v5n7p656.
9. European Commission (2015) *User guide to the SME definition*. Luxembourg: Publications Office of the European Union, 2015. doi: 10.2873/782201.
 10. Kushnir, K., Mirmulstein, M. L. and Ramalho, R. (2010) *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count*, World Bank, IFC. Available at: <http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-CI-AnalysisNote.pdf?MOD=AJPERES>.
 11. Oecd (2000) *Small and Medium-sized Enterprises: Local Strength, Global Reach, Policy Brief*. Available at: <http://www.oecd.org/dataoecd/3/30/1918307.pdf>.
 12. Shakantu, W. M. (2012) ‘Contractor development’, in Ofori, G. (ed.) *New Perspectives on Construction in Developing Countries*. First edit. London: Spon Press, pp. 253–281.
 13. Small and Medium Enterprises Development Agency of Nigeria; and National Bureau of Statistics; (2013) *SMEDAN and National Bureau of Statistics Collaborative Survey : Selected Findings*. Available at: file:///C:/Users/user/Downloads/SMEDAN2013_Selected Tables.pdf.