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Unveiling the Resilience of Lebanese SMEs: The Effects of Multiple Crises on Its Performance

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Abstract

This paper addresses the impact of the multiple crises on Lebanese SMEs' performance. Little is known about the effect of the multiple crises in the Lebanese context, where SMEs have been significantly impacted. A descriptive-analytical method is used to analyze quantitative data based on 379 SMEs conducted by the World Bank between November and December 2020. Descriptive tests and the mean comparison (T-test) are used to analyze the data and understand the interaction between groups. The main results show that the business sector has no impact on SMEs' performance. However, employees' salary is the most relevant variable that affects SMEs' performance. Salaries are reduced by 90.38% and positively affect liquidity and working hours changes but negatively affect clients' demand, prices, and sales variation. It could be explained by the reduction of SMEs' costs, working hours, and employees' low motivation because of the low demand from the clients' side. The liquidity is negatively affected by demand and prices, which reflect the low income of SMEs in times of multiple crises. To better understand and interpret the phenomenon of SMEs' performance in times of multiple crises, we suggested a first model that reveals the effect of several factors on SMEs' performance, which has barely been studied in the Lebanese context.

Keywords: currency devaluation, inflation, multiple crises, performance, SMEs

1. Introduction

The performance of small and medium enterprises (SMEs), which represent 95% of firms in Lebanon (Matta, 2018), has been significantly impacted by the country's multifaceted crises, which encompass political upheaval, economic troubles, and social unrest since September 2019. Lebanon is fertile ground for several types of crises, continuously living in a disturbed environment due to the economic, social, and security conditions that have persisted since 1975 (Desquilbet, 2007). These crises together have produced a harsh business environment that makes it difficult for SMEs to operate and prosper. Lebanon is grappling with a severe economic crisis marked by hyperinflation, a devalued currency, and limited access to foreign cash. The resulting decrease in consumer spending power has particularly affected small and medium-sized enterprises (SMEs), impacting their sales and revenue. Political unrest, fueled by protests, corruption scandals, and government formation delays, has created an unstable business environment with frequently changing rules and regulations. The banking industry's crisis has led to stringent capital restrictions, making it challenging for SMEs to secure financing. Failing infrastructure and unreliable essential services, along with a significant brain drain as qualified individuals emigrate, further hinder SMEs. Additionally, disruptions in local and global supply chains have increased manufacturing costs and decreased competitiveness for SMEs operating in various sectors.

The activities and expansion of Lebanese businesses were hampered by this challenging economic environment and climate of instability until their average lifespan was shortened (Choucair, 2012). A survey was administered by the Lebanese Transparency Association (2004) on 300 Lebanese SME managers. Around 73% of the

respondents claim the instability of the country affects their expansion and growth. It shows that an unstable environment requires a particular management style.

The complex situation in Lebanon, encompassing economic decline, political challenges, limited funding access, infrastructure problems, capital outflow, and supply chain disruptions, has detrimentally affected the performance of SMEs.

Little is known about the impact of multiple crises on SMEs' performance. Most of the research studies have primarily focused on examining the repercussions of the COVID-19 pandemic on the operational aspects of businesses located especially in China, Italy, and the USA. These investigations have provided valuable insights into the effects of the pandemic on a considerable number of microenterprises, specifically 34,040 such establishments situated in China. The researchers employed an innovative approach by analyzing the daily electricity consumption data of these firms, covering the period from December 31, 2019, to March 31, 2020, to monitor their actual economic activities. Notably, the outcomes of this analysis revealed a substantial decline in electricity consumption as a direct consequence of the pandemic (Li-Ying, & Nell, 2020).

In the context of Northern Italy, which was among the first regions to be significantly impacted by the pandemic, a comprehensive investigation was conducted to assess the effects on industrial firms. This study employed a multi-faceted methodology comprising 177 surveys and 16 in-depth interviews with relevant stakeholders, aiming to comprehensively understand the challenges faced by these firms in light of the pandemic.

Based on the findings, they offer a framework for discussing the most important problems and potential fixes for both immediate and long-term actions (Rapaccini, Saccani, Kowalkowski, Paiola, & Adrodegari, 2020). In the U.S., a study was conducted on 795 U.S restaurant firms to examine the effect of COVID-19 on their stock returns. Three firm dimensions (financial conditions, corporate strategies, and ownership structure) were used. Data is compared with firms' pre-pandemic characteristics. The association between COVID-19 and stock returns, dividends, franchising, institutional ownership, and management ownership did not show any discernible moderating effects (Hyoung, Jihwan & Seoki L., 2021).

Based on the survey conducted by the World Bank (November until December 2020), on 379 SMEs in Lebanon, regarding the impact of the multiple crises (COVID-19, the economic and financial crisis started in September 2019, and the Beirut port explosion on August 4th, 2020), this paper will present different issues faced by firms that affect their performance (demand, prices, liquidity, sales variation, and hours change). Though, our research question is the following: "To what extent do the multiple crises affect SMEs' performance in Lebanon?"

Our study is descriptive and analytical. It is based on a quantitative study conducted by the World Bank in 2020.

The study contributes to the existing literature by exploring and explaining the most relevant variables that affect SMEs' performance in Lebanon in times of multiple crises. A first model will be developed for further insights into the influence of different factors affecting SMEs' performance in Lebanon in times of multiple crises.

Practically, this research helps in the creation of appropriate strategies to help SMEs fuel their growth and sustainability in a high-risk environment fostered by multiple crises in the Lebanese context since 2019.

2. Literature Review

Lebanon has had an attractive banking system for VSEs and SMEs for years. In this country, a VSB (very small business) has 1 to 9 employees, SB (small business) has 10 to 49 employees, and an SME has 50 to 99 employees (Naïmy, 2004). Microfinance institutions play an important role in the emancipation of small entrepreneurs, but their number remains low. The middle-income group has almost disappeared. Extreme poverty has attacked this country. Figures increased from 8% in 2019 to 23% in 2020 (ESCWA report, 2020, p. 2). Lebanon has been dealing with unprecedented and exacerbated challenges. A severe financial and economic crisis has caused high inflation, low GDP (19.2% in 2020), a high poverty rate (45%), and a high extreme poverty rate (22%) (World Bank report, 2021).

A floating exchange rate has been maintained since the end of 2019. The official fixed exchange rate for 30 years was 1507.5 LBP/USD. The rates fluctuate as follows: 15 000 LBP/USD in 2021; 100 000 LBP/USD in 2023; and the black market rate is set according to supply and demand. Indeed, the fluctuation affects supply and demand. The volatility of the black market rate is contingent upon the political and security conditions prevailing within a given country. It is characterized by frequent fluctuations, which are influenced by the aforementioned factors.

In terms of inflation, there has been a significant escalation from 2.9% in 2019 to 85.45% in 2020, as reported by Plecher (2021). This sharp increase in the inflation rate is substantiated by data provided by the Central Statistics Administration (2021), indicating a rise from 46.55 in April 2020 to approximately 145.84 by the end of December

2020.

Less than \$3.84 per day describes the poverty level for 55% of Lebanese people (ESCWA Report 2020, cited in Abboud, 2021). According to a study completed at the end of 2020 by the World Food Program (WFP) and the World Bank (WB) on macroeconomic imbalances, 35% of families reduced their daily meals.

Lebanon's monthly inflation rate reached 3.40 percent, with record highs of 33.27 % in March 2023 and record lows of -3.13 % in February 2022 (CAS report, 2023). Besides, importing products at a higher exchange rate highly increased the prices (Youssef, 2020). In fact, Lebanon is gradually moving towards a managed floating rate (Chikhani, 2021). Prices in supermarkets dramatically increased, reducing consumers' purchasing power. The national currency devaluation (LBP) and the high inflation rate threatened priority imports, including drugs, wheat, and gasoline.

Around 79% of businesses had cut sales, and 16.62% of them permanently shuttered or expected to be so due to liquidity issues and reduced working hours (KAFALAT SAL, 2021).

In times of crisis, customers may become more price-sensitive and demand that Lebanese SMEs provide products and services that are both affordable and worth the money. Because of the high inflation rate, high prices, low capacity of import and demand deterioration and their effect on SME's liquidity, sales volume, and working hours, we can suggest the following hypotheses:

H1a: There is a positive relationship between clients' demand for Lebanese SMEs and their performance in times of multiple crises.

H1b: There is a positive relationship between the prices offered by Lebanese SMEs and their performance in times of multiple crises.

Even before the COVID-19 pandemic, massive business closures were due to the economic crisis that exploded in September 2019. The manufacturing industry and SMEs in Lebanon were negatively impacted by the country's severe economic and financial crises (Abi-Rached & Diwan, 2021). Significant economic difficulties, financial crises, and political unrest have been plaguing Lebanon. Manufacturing is one of the industries that has been badly influenced by these causes. For SMEs, the recession has lowered their purchasing power, restricted their access to finance, and increased their level of uncertainty.

The local demand for manufactured goods has decreased as a result of Lebanon's economic crisis. High inflation, currency depreciation, and growing unemployment have a negative influence on consumers' capacity to make purchases of goods. Consequently, the local market's demand for manufacturing SMEs has decreased. Some manufacturing SMEs in Lebanon have been looking at export prospects to support their operations despite the difficult local environment. Food and drink, textiles, and medicinal items from Lebanon are no longer available in domestic and foreign markets. However, the economic crisis and logistical difficulties could also have influenced the total export potential.

In Lebanon, the manufacturing industry is primarily reliant on imported raw materials. Due to the financial crisis and a lack of foreign currency, SMEs have had trouble acquiring the materials they need for manufacturing. Manufacturing operations and the capacity to satisfy demand have been further impacted by supply chain disruptions, including delays and increased prices. Since October 2019, the manufacturing industry, which employs 173,000 people, has seen a string of bad shocks (ILO Report, 2020). It's crucial to remember that Lebanon has a long-standing electricity crisis and that the particular difficulties experienced by SMEs in the industrial sector may have changed over time.

Manufacturing SMEs in Lebanon contribute significantly to the economy by creating jobs and facilitating exports. As a result of the manufacturing service context, high costs, inadequate import capacity, declining demand, and their impacts on SME liquidity, sales volume, and working hours in this situation, we may suggest the following hypothesis:

H2a: There is a positive relationship between the business sector (manufacturing) of Lebanese SMEs and their performance in times of multiple crises.

The occurrence of multiple crises, including the COVID-19 pandemic, financial/economic turmoil, and the devastating Beirut port explosion, has had both adverse and advantageous effects on various industries. These combined crises have resulted in unprecedented windfall effects, presenting unique circumstances for businesses. However, it is important to note that certain businesses had already ceased operations prior to the COVID-19 pandemic.

According to the ESCWA report (2020), as cited in Abboud (2021), the wholesale and retail trade sectors have

been significantly impacted by these crises. To provide empirical evidence, a study was conducted on 363 Small and Medium Enterprises (SMEs) operating in diverse sectors such as agriculture, wholesale and retail trade, accommodation, and food services. The findings indicate that approximately half of the tested companies temporarily suspended their operations due to the crises. Only 9% continued operations as usual, while 40% operated with fewer employees because of reduced liquidity and sales due to low demand and high prices during this period or shorter hours due to the COVID-19 pandemic and lockdown precautions (ILO, 2020). However, several establishments were already closing before the COVID-19 epidemic. Around 16% of enterprises have stopped or halted operations. About 50% happened in 2020, and 1/5 of businesses have closed since 2019 (ILO, 2020). For the manufacturing and retailing sectors, the predicted impact of the multiple crises on economic output in terms of sales is regarded as highly significant. (ILO, 2020).

Regarding other services like catering and several other sectors, more than 785 businesses have closed (between September 2019 and February 2020) as a result of the financial crisis, according to Tony Al-Rami, the leader of the Syndicate of Restaurant and Café Owners in Lebanon. Moreover, more than 25,000 employees were fired in early 2020 due to reduced working hours, high prices, low sales volume, and liquidity issues.

Small stores, boutiques, eateries, coffee shops, and other service-oriented companies are all part of Lebanon's retail service industry. It plays a vital role in the local economy by creating jobs and giving the people in the area access to goods and services. We can suggest the following hypotheses as a result of the retail service context: high prices, low capacity of import, degradation in demand, and their effects on SME liquidity, sales volume, and working hours in this context:

H2b: There is a positive relationship between the business sector (retail service) of Lebanese SMEs and their performance in times of multiple crises.

H2c: There is a positive relationship between the business sector (other services) of Lebanese SMEs and their performance in times of multiple crises.

The employment movement decreased by 71% in 2020 (National Social Security Fund, 2020). Figures show that 37.5% of the workers who benefit from social security get the minimum wage of 675,000 Lebanese pounds (around 90 dollars in 2021-2021 vs. 450 dollars before the economic and financial crisis) and are living below the poverty line. The percentage decreased by 80% compared to 2019, while 86% worked for less than 3 million LBP, or around \$400 in 2020–2021 (Jawad, 2020). In 2019, the unemployment rate was headed to touch 65% of the workforce, or about 1.794.000 workers (CAS report, 2019). The multiple crises have caused job vacancy reductions, especially in SMEs and micro-companies, which constitute 91% of the formal full-time workforce (Escwa Report, 2021). For instance, job openings have fallen by around 14% for exporting companies. Various sectors, employment titles, and degrees of experience result in various salaries in Lebanon. Salaries offered by SMEs are often lower than those of bigger businesses or international organizations. The economic crisis, inflation, and currency depreciation do not represent all the variables that have an impact on salaries in Lebanon. The country's difficult economic position has impacted people's and companies' purchasing power, potentially affecting wage levels. Lebanon has a considerable informal economy, which consists of companies that run their operations outside of the established legal system. In this industry, wages and working hours may not necessarily conform to rules and standards established by the government, especially in times of multiple crises. Businesses, notably SMEs, have been under a great deal of stress as a result of rising inflation, currency depreciation, and financial instability, which may have an impact on their capacity to offer competitive compensation. As a result, SMEs in Lebanon can find it difficult to sustain wage levels that appropriately cover their employees' cost of living. The liquidity of the country, especially that of SMEs, has been significantly impacted by the economic crisis in Lebanon. Businesses in all industries are facing liquidity issues as a result of the limited availability of loans, restricted access to bank accounts, and limited supply of foreign currency. SMEs have had trouble getting money to pay for operational costs like payroll. Compensation payments have been delayed as a result, and in certain situations, there have been compensation cutbacks or layoffs. SMEs were obliged to increase their prices. In return, demand and sales volume are affected.

The economic and financial issues that Lebanon faces during times of multiple crises can have a substantial impact on salaries. As a result of the low salaries in times of crises, high costs, inadequate import capacity, declining demand, and their impacts on SMEs' liquidity, sales volume, and working hours, we may suggest the following hypothesis:

H3: There is a positive relationship between employees' salaries working at Lebanese SMEs and their performance in times of multiple crises.

Beirut port explosion (August 4th, 2020) killed over 200 people, destroyed Beirut port warehouses storing food and other vital resources, and vast residential and business areas (Unescwa, 2020). Several nations have previously defaulted on their debt, and many more, particularly low-income nations, are in significant danger of doing the same (Nagle & Sugawara, 2021). The Lebanese government was already spending around 50% of its income to pay the public debt interest (PDI). The public deficit has widened to \$94.3 billion, or about 176% of GDP. The port of Beirut is a crucial entry point for imports and exports into Lebanon. It makes it easier to export a variety of items, including agricultural commodities, textiles, clothing, machinery, and chemicals. SMEs may gain access to local and global markets by exporting through Beirut's port. It's important to keep in mind, nevertheless, that the disastrous explosion at the port on August 4th, 2020 seriously damaged its operations and infrastructure and had an impact on export activity. The port has undergone restoration and reconstruction efforts, although it may take some time for it to fully recover.

The economic and financial issues that Lebanon faces during times of multiple crises can have a substantial impact on salaries. As a result of the Beirut port explosion, high costs, inadequate import capacity, declining demand, and their impacts on SMEs' liquidity, sales volume, and working hours in this situation, we may suggest the following hypothesis:

H4: The performance of Lebanese SMEs is negatively influenced by the Beirut port explosion.

Lebanese companies also face problems in their relationships with their banks. Indeed, the Lebanese banking sector imposes drastic restrictions on companies, ranging from reducing credit ceilings to freezing letters of credit and blocking transfers abroad.

To handle the difficult economic environment, SMEs may turn to credit for purchases of products and services. The dynamics of SMEs purchasing on credit may have changed in September 2021, but it's crucial to remember that the economic climate in Lebanon has been unstable. SMEs in Lebanon may decide to purchase on credit to successfully manage their cash flow. Credit purchases can assist SMEs in preserving their financial resources and allocating them to crucial parts of their business operations, especially in situations when they have limited access to financing options to increase their liquidity (Bergeaud, Cette, & Lecat, 2020).

SMEs in Lebanon relied on credit purchases to boost operating capital during challenging periods, as they had limited access to bank loans. Supplier credit played a crucial role, enabling them to continue operations and fulfill obligations while awaiting revenue. Although credit purchases provided immediate relief, SMEs faced potential hazards. To prevent strained relationships and protect their brand, SMEs assessed their ability to meet payment commitments. Effective cash flow management, timely payback planning, and open communication were vital to minimize credit risks. It's noted that financial accessibility has significantly decreased.

The economy has been severely impacted by the deleveraging of the domestic credit portfolio by 27.5% in 2020. Deleveraging became popular in 2018 and grew during the previous 12 months. Moreover, due to banks' strict restrictions on transfers outside of the country, suspension of unused credit facilities, and limitations on the withdrawal of U.S. dollars from U.S. dollar accounts, businesses are unable to pay for imports of both final and intermediary goods (KAFALAT SAL, 2021). Opening letters of credit fell by 93% in 2020. Some foreign correspondent banks are increasing the amount they will offer or guarantee for Lebanese banks, or they may even refuse to do so. Additionally, the conditions of trade with domestic and foreign suppliers are evolving, reducing the use of credit and focusing more on cash exchanges. By November 2020, 75% of businesses reported declining sales and credit card transactions, while 55% witnessed a fall in cash flow (KAFALAT SAL, 2021).

SMEs must adopt a proactive, strategic approach to credit management in times of crisis. Keeping open lines of communication with suppliers, prioritizing the preservation of trust, and being flexible enough to adjust to changing conditions are essential components of effective credit purchase management in hard times. As a result of the multiple crises, high costs, inadequate import capacity, declining demand, decreased purchase on credit, granting of credit, and their impacts on SMEs' liquidity, sales volume and demand, and working hours, we may put forth the following hypotheses:

H5a: The more SMEs manage to purchase on credit in times of multiple crises, the more their performance is positively affected.

H5b: The more SMEs manage to get a loan (credit) in times of multiple crises, the more their performance is positively affected.

At this stage, after suggesting our hypotheses, we will present a first modeling about the impact of multiple factors in times of multiple crises on SMEs' performance in Lebanon.

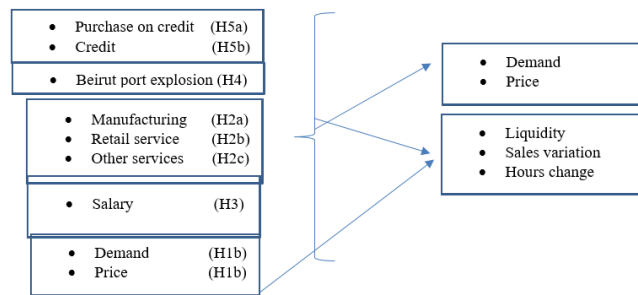


Figure 1. First modeling about the impact of multiple factors in times of multiple crises on SMEs’ performance in Lebanon

Source. Authors, adapted from CAS report (2019); UNESCWA report (2020); The World Bank report (2021); KAFALAT SAL (2021).

3. Methodology, Results, and Discussion

3.1 Methodology

To examine and comprehend various occurrences, descriptive and analytical research are two important approaches employed in our research methodology. It's important to remember that descriptive and analytical research are not incompatible; in fact, they are frequently combined in research studies (Van Den Hoonaard, 1997). Analytical research involves in-depth analysis of data to gain insights, test hypotheses, and make inferences. The discussed manuscript specifically explores the relationships between economic and situational variables and their impact on SMEs' performance.

According to the Chamber of Commerce, Industry, and Agriculture of Beirut and Mount Lebanon (April 15, 2021), the number of firms representing the population in four sectors is as follows: Commerce: 11274; Industry: 1085; Services: 3642; Tourism: 535. The chosen criteria for our sample, known as randomization, is choosing a random sample of people from the entire population. By doing this, bias is reduced, and the possibility that the sample is representative of the whole population is raised. A survey was used by the World Bank as a data collection method. This quantitative study is based on the World Bank survey conducted in November and December 2020 on 379 SMEs. Descriptive tests and the mean comparison (T-test) are used to analyze the data and understand the interaction between groups (Gerald, 2018). According to the literature, we have chosen the most relevant variables of the World Bank study conducted randomly on 379 firms (2020) that affected SMEs’ performance in times of multiple crises: the purchase on credit, credit when an SME will get a loan, the Beirut port explosion, the business sector role (retail, manufacturing, and others), employees’ salaries, client demand, and the offered prices. The performance will be analyzed according to the most relevant variables as well (demand, prices, liquidity, sales variation, and hours change). Variables are coded in Table 1.

Table 1. Variable description and coding

VARIABLES	Description	Coding
MANUF	Manufacturing	Equal 1 if the company is Manufacturing and 0 otherwise
RETAILSERV	Retail	Equal 1 if the company is Retail and 0 otherwise
OTHERSERV	Other Services	Equal 1 if the company is Other Services and 0 otherwise
EXPLO	Affected by the Port of Beirut explosion	Equal 1 if affected and 0 otherwise
CLOSECOVID	Closed temporarily	Equal 1 if closed and 0 otherwise
WEEKSCLOSED	Weeks of establishments closing	Number of weeks the establishment was closed
SALESINC	Sales increase	Equal 1 if sales increase and 0 otherwise
SALESVARIATIONINC	Did the sales percentage increase	Sales percentage increase (%)
SALESVARIATIONDEC	Sales decrease	Equal 1 if sales decrease and 0 otherwise
SALESVARIATIONDECA	Did the sales percentage decrease	Sales percentage decrease (%)
SALESVARIATION	Sales percentage variation	Sales percentage variation (%)
NATIONALSELESPER	National sales	National sales (%)
DIRECTEXPORTPER	Indirect exports (sold domestically to a	Indirect exports (%)

	third party that exports products)	
EXPORTINC	Direct exports	Direct exports (%)
CONVERTACT	Establishment adjusted or converted	Equal 1 if establishment activity is converted and 0 otherwise
DEMAND	The demand for this establishment's increase	Equal 1 if Demand increase and 0 otherwise
PRICE	Adjusted your prices	Equal 1 if price adjusted and 0 otherwise
PRICEINC	Prices increase	Equal 1 if price increase and 0 otherwise
PRICEDEC	Prices decrease	Equal 1 if price decrease and 0 otherwise
PRICEPER	Prices variations	Prices variations (%)
ACTIVLIGNE	Started business activity online	Equal 1 if new activity online started and 0 otherwise
ACTIVLIGNEINC	Activity online increase	Equal 1 if online activity increase and 0 otherwise
DELIVERYINC	Started or increased delivery or carry-out of goods or services	Equal 1 if delivery increase and 0 otherwise
REMOTEWORINC	Started or increased remote work arrangements for its workforce	Equal 1 if remote work increase and 0 otherwise
SHARELIGNEPERC	Share of online sales	Share of online sales (%)
WORKREMOTELYPERC	Share of the workforce working remotely	Share of the workforce working remotely (%)
PERMANENTWORK19	Permanent, full-time workers at the beginning of October 2019	The number of Permanent workers 2019
PERMANENTWORKFEM19	Female permanent full-time workers at the beginning of October 2019	The number of Permanent Female workers 2019
PERMANENTWORK20	Permanent, full-time workers at the beginning of 2020	The number of Permanent workers 2020
PERMANENTWORKFEM20	Female permanent full-time workers at the beginning of 2020	The number of Permanent Female workers 2020
HIGHLYQUAL	highly skilled jobs	The number of highly skilled jobs
SEMIQUALL	semi-skilled jobs	The number of semi-skilled jobs
NOQUALL	unskilled jobs	The number of unskilled jobs
NBRPERMAWORDEC	Decrease in permanent workers number	Equal 1 if the number of permanent workers decreases and 0 otherwise
TEMPWORKDEC	Decrease in temporary workers number	Equal 1 if the number of temporary workers decreases and 0 otherwise
HIGHSKILDEC	Decrease in establishment's highly skilled jobs	Equal 1 if the number of this establishment's highly skilled jobs decrease and 0 otherwise
SEMISKILDEC	Decrease in establishment's semi-skilled jobs	Equal 1 if the number of this establishment's semi-skilled jobs decrease and 0 otherwise
LOWUNSKILDEC	Decrease in establishment's low unskilled jobs	Equal 1 if the number of this establishment's low unskilled jobs decrease and 0 otherwise
CHANGESALAIRE	Reduced salary for some or all the workforce	Equal 1 if the salary is reduced and 0 otherwise
VARSALARYPERCINC	Did the salaries percentage increase	Did the salaries percentage increase (%)
VARSALARYPERCDEC	Did the salaries percentage decrease	Did the salaries percentage decrease (%)
HOURSCCHANGE	working hours decreased	Equal 1 if working hours decreased and 0 otherwise
CREDIT	This establishment currently carry any outstanding credit/loan debt	Equal 1 if This establishment currently carry any outstanding credit/loan debt and 0 otherwise
LIQUIDITY	Liquidity decrease	Equal 1 if Liquidity decrease and 0 otherwise
SALESCREDIT	Sales on credit	Equal 1 if sales on credit decrease and 0 otherwise
PURCHCREDIT	Purchases on credit	Equal 1 if purchases on credit decrease and 0 otherwise

Table 2. Descriptive statistics

VARIABLES	(1) N	(2) Mean	(4) Min	(5) Max
MANUF	379	0.538	0	1
RETAILSERV	379	0.0976	0	1
OTHERSERV	379	0.364	0	1
EXPLO	379	0.274	0	1
CLOSECOVID	330	0.636	0	1
WEEKSCLOSED	243	8.325	1	40
SALESINC	364	0.181	0	1
SALESVARIATIONINC	379	3.839	0	100
SALESVARIATIONDEC	379	51.93	0	100
SALESVARIATION	379	-48.09	-100	100
NATIONALSELESPER	364	75.15	0	100
DIRECTEXPORTPER	364	22.23	0	100
EXPORTINC	324	0.728	0	1
CONVERTACT	364	0.118	0	1
DEMAND	364	0.250	0	1
PRICE	364	0.643	0	1
PRICEINC	379	42.76	0	600
PRICEDEC	379	-4.852	-100	0
PRICEPER	379	37.91	-100	600
ACTIVLIGNE	364	0.0522	0	1
ACTIVLIGNEINC	364	0.0714	0	1
DELIVERYINC	364	0.0742	0	1
REMOTELWORKINC	364	0.118	0	1
SHARELIGNEPERC	355	2.192	0	100
WORKREMOTELPERC	360	4.147	0	100
PERMANENTWORK19	363	37.25	1	550
PERMANENTWORKFEM19	363	10.22	0	300
PERMANENTWORK20	363	33.63	0	1,894
PERMANENTWORKFEM20	363	8.165	0	300
HIGHLYQUAL	363	10.18	0	150
SEMIQUALL	363	12.07	0	1,035
NOQUALL	363	11.37	0	829
NBRPERMAWORDEC	364	0.462	0	1
TEMPWORKDEC	364	0.0687	0	1
HIGHSKILDEC	363	0.259	0	1
SEMISKILDEC	364	0.354	0	1
LOWUNSKILDEC	364	0.277	0	1
CHANGESALAIRE	364	0.0962	0	1
VARSALARYPERC1	379	10.09	0	100
VARSALARYPERC22	379	-3.945	-80	0
VARSALARYPERC	379	6.148	-80	100
HOURSCHANGE	364	0.371	0	1 Decrease
CREDIT	364	0.368	0	1
LIQUIDITY	364	0.516	0	1
SALESCREDIT	364	74.17	0	1 Decrease
PURCHCREDIT	364	0.753	0	1 Decrease

Source. Authors calculation from WB survey database 2020.

3.2 Results and Discussion

Table 3. Mean comparison (T-test)

VARIABLES		LIQUIDITY	DEMAND	HOURSCCHANGE	PRICE	SALESVARIATION
DEMAND	Difference in averages between groups	-0.395		-0.2161	0.0219	55.67
	Mean Comparison Test (T-test)	0.000		0.0001	0.352	0.000
	Difference in averages between groups	0.007	-0.110	0.0646	0.056	12.862
PURCHCREDIT	Mean Comparison Test (T-test)	0.453	0.017	0.136	0.164	0.0049
	Difference in averages between groups	-0.026	0.088	0.0153	-0.0253	3.821
	Mean Comparison Test (T-test)	0.316	0.030	0.385	0.314	0.196
CREDIT	Difference in averages between groups	0.313	-0.2133	0.4431	-0.2370	-26.379
	Mean Comparison Test (T-test)	0.0002	0.002	0.000	0.0026	0.000
	Difference in averages between groups	-0.273	0.0179	-0.081		14.43
PRICE	Mean Comparison Test (T-test)	0.0000	0.352	0.0625		0.000
	Difference in averages between groups	0.038	0.0102	0.1170	0.138	-0.485
	Mean Comparison Test (T-test)	0.254	0.419	0.019	0.006	0.459
EXPLO	Difference in averages between groups	-0.115	-0.081	0.1099	0.1344	3.573
	Mean Comparison Test (T-test)	0.100	0.149	0.10	0.060	0.309
	Difference in averages between groups					
RETAILSER	Mean Comparison Test (T-test)					
	Difference in averages between groups					
	Mean Comparison Test (T-test)					

MANUF	Difference in averages between groups	0.0413	0.038	-0.015	-0.025	0.5127
	Mean Comparison	0.216	0.198	0.377	0.3084	0.452
	Test (T-test)					
	Difference in averages between groups	-0.002	-0.011	0.0232	-0.022	-1.910
OTHERSERV	Mean Comparison	0.484	0.40	0.33	0.336	0.333
	Test (T-test)					

Source. Authors calculation from WB survey database 2020.

According to the results (Table 3), we will confirm or reject the hypotheses:

- H5a: Purchase on credit (PURCHASECREDIT): positively affects demand (T-test sig = 0.017 < 0.05) and sales variation (T-test sig = 0.0049 < 0.05). H5b: Get a credit (loan) (credit): positively affects the demand (T-test sig = 0.030 < 0.05). Though H5 is partially confirmed.
- H4: Beirut port explosion (EXPLO): positively affects the working hours (HOURSCHANGE) (T-test sig = 0.019 < 0.05) and the prices (T-test sig = 0.006 < 0.05). Though H4 is partially confirmed
- H2a: Business sector (RETAILSERV): has no effect on any variable. H2b: Business sector (MANUF): has no effect on any variable. H2c: Business sector (OTHERSERV): has no effect on any variable. Though H2 is rejected.
- H3: Employees' salaries (SALARY) positively affect all the variables. It positively affects the liquidity (LIQUIDITY) (T-test sig = 0.0002 < 0.05) and the hour changes (HOURSCHANGE) (T-test sig = 0.000 < 0.05) and negatively affects the demand (T-test sig = 0.002 < 0.05 with a negative difference in averages between groups -0.2133), the price (T-test sig = 0.0026 < 0.05 with a negative difference in averages between groups -0.2370) and the sale variation (T-test sig = 0.000 < 0.05 with a negative difference in averages between groups -26.379). Though H3 is totally confirmed.
- H1a: Demand (DEMAND): negatively affects the working hours (HOURSCHANGE) (T-test sig = 0.0001 < 0.05 with a negative difference in averages between groups of -0.2161), the liquidity (LIQUIDITY) (T-test sig = 0.000 < 0.05 with a negative difference in averages between groups of -0.395), and positively affects the sales variation (SALESVARIATION) (T-test sig = 0.000 < 0.05). H1b: Price (PRICE): positively affects the sales variation (SALESVARIATION) (T-test sig = 0.000 < 0.05) and negatively the liquidity (LIQUIDITY) (T-test sig = 0.0000 < 0.05 with a negative difference in averages between groups of -0.273). Though H1 is partially confirmed.

At this stage, an updated model shows the impact of multiple factors in times of multiple crises on SMEs' performance in Lebanon.

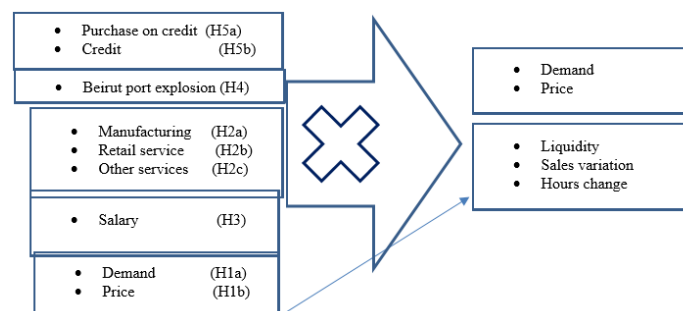


Figure 2. An updated model about the impact of multiple factors in times of multiple crises on SMEs' performance in Lebanon

Source. Authors, adapted from CAS report (2019); UNESCWA report (2020); The World Bank report (2021); KAFALAT SAL (2021). Legend: ✘ rejected hypothesis

Regarding demand and prices, the variable (DEMAND) negatively affects the working hours (HOURSCHANGE) (T-test sig = 0.0001 < 0.05 with a negative difference in averages between groups of -0.2161), the liquidity (LIQUIDITY) (T-test sig = 0.000 < 0.05 with a negative difference in averages between groups of -0.395), and positively affects the sales variation (SALESVARIATION) (T-test sig = 0.000 < 0.05). The results partially confirm the literature regarding the effect of the decreased demand on the reduction of working hours and liquidity (ESCWA report, 2020; The World Bank report, 2021); KAFALAT SAL, 2021).

The (PRICE) positively affects the sales variation (SALESVARIATION) (T-test sig = 0.000 < 0.05) and negatively the liquidity (LIQUIDITY) (T-test sig = 0.0000 < 0.05 with a negative difference in averages between groups of -0.273). Liquidity is negatively affected by demand and prices, which could be explained by the low income of SMEs in times of multiple crises. The results partially confirm the literature regarding the effect of the increased prices on sales augmentation and liquidity reduction (ESCWA report, 2020; The World Bank report, 2021); KAFALAT SAL, 2021).

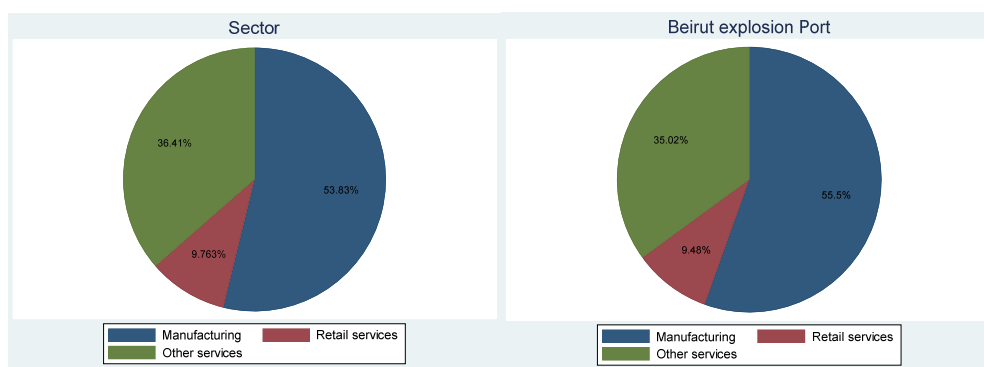


Figure 3. Enterprises by sector

Figure 4. Enterprises affected by Beirut explosion Port by sector

Source. Authors calculation from WB survey database 2020.

Figure 3 shows the repartition of SMEs by sector. Manufacturing represents 55.5%, Retail represents 36,41%, and the rest of the sample concerns other services with 9,48%. Business sector (RETAILSERV), (MANUF), and (OTHERSERV) have no effect on any variable in terms of liquidity, sales variations, working hours change; prices, and demand. The results do not confirm the literature regarding the effect of the decreased demand on the reduction of liquidity, sales variations, working hours change, and prices (ESCWA report, 2020; The World Bank report, 2021); KAFALAT SAL, 2021).

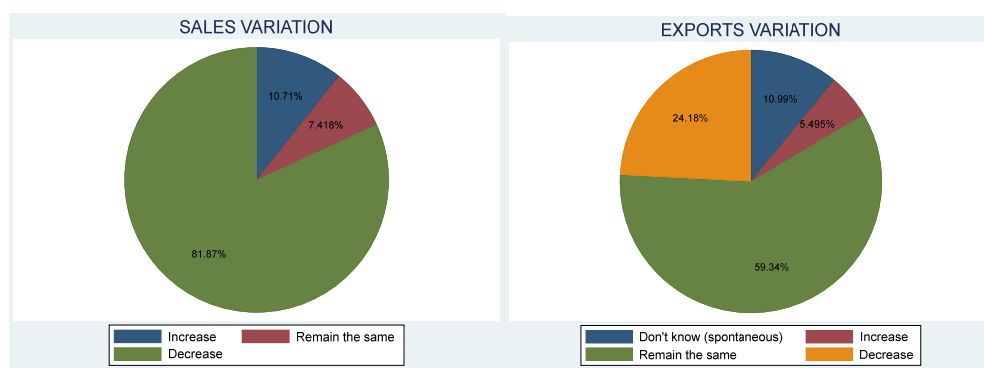


Figure 5. Sales variation

Figure 6. Exports variation

Source. Authors calculation from WB survey database 2020.

We show Employees' salaries (SALARY) positively affect all the variables. It positively affects the liquidity (LIQUIDITY) (T-test sig = 0.0002 < 0.05) and the hour changes (HOURSCHANGE) (T-test sig = 0.000 < 0.05)

and negatively affects the demand (T-test sig = 0.002 < 0.05 with a negative difference in averages between groups -0.2133), the price (T-test sig = 0.0026 < 0.05 with a negative difference in averages between groups -0.2370) and the sale variation (T-test sig = 0.000 < 0.05 with a negative difference in averages between groups -26.379). However, employees' salary is the most relevant variable that affects SMEs' performance. Salaries are reduced by 90.38% (Figure n°8) and positively affect liquidity and working hours changes but negatively affect clients' demand, prices, and sales variation. It could be explained by the reduction of SMEs' costs, working hours, and employees' low motivation because of the low demand from the clients' side. The results totally confirm the literature regarding the effect of the decreased salaries on the reduction liquidity, sales variations, working hours change, demand, and prices (CAS Report, 2019; ESCWA report, 2020; The World Bank report, 2021); KAFALAT SAL, 2021).

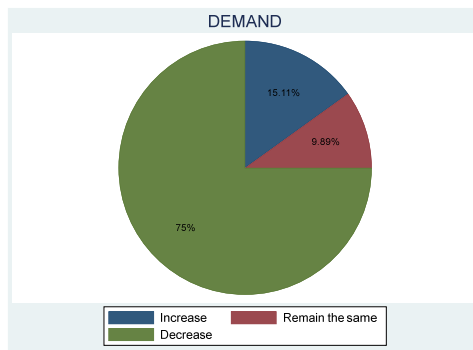


Figure 7. Demand variation of products and services

Source. Authors calculation from WB survey database 2020.

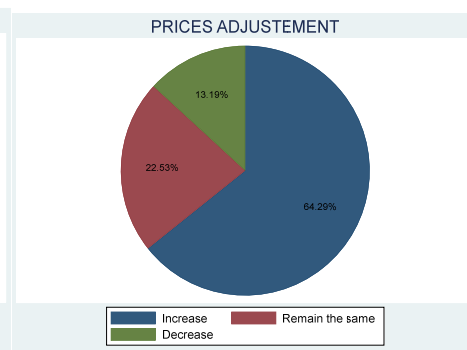


Figure 8. Prices adjustment

Beirut port explosion also (EXPLO) positively affects the working hours (HOURSCHANGE) (T-test sig = 0.019 < 0.05) and the prices (T-test sig = 0.006 < 0.05). The results partially confirm the literature regarding the effect of the Beirut port explosion on the reduction of working hours and prices directly after the explosion. But after a while, prices have risen because of the multiple crises (CAS Report, 2019; ESCWA report, 2020; The World Bank report, 2021); KAFALAT SAL, 2021).

To cope with these difficulties, 74.17% of SMEs decided to sell on credit, and 75.3% made their purchases on credit. In addition, 11% of companies have decreased their purchase on credit with their suppliers because of liquidity issues. To manage the liquidity issue SMEs decreased employees' salaries. Thus, the survey reveals that more than 90% opted for this option, which lowers the purchasing power of Lebanese workers and increases the inflation rates recorded in Lebanon.

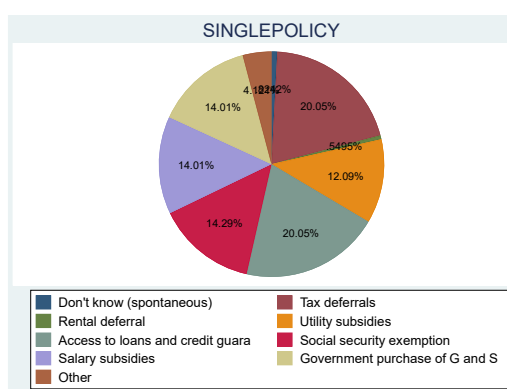


Figure 9. single most effective policy to support this establishment

Source. Authors calculation from WB survey database 2020.

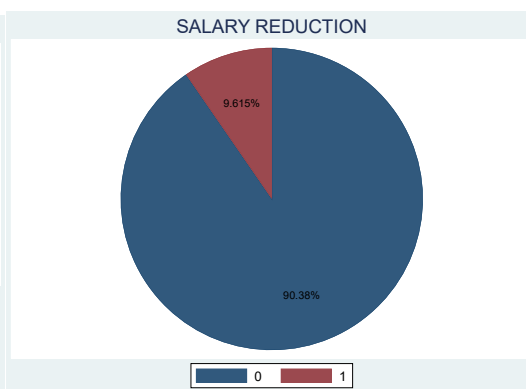


Figure 10. Salary reduction

For the *CREDIT* variable (loan), results show that only 40 % of SMEs managed to get a loan. Purchase on credit (*PURCHASECREDIT*) positively affects demand (T-test sig = 0.017 < 0.05) and sales variation (T-test sig = 0.0049 < 0.05). Getting a credit (loan) (credit) positively affects the demand (T-test sig = 0.030 < 0.05). The results partially confirm the literature regarding the effect of the purchase on credit and credit (getting a loan) on increasing clients' demand (The World Bank report, 2021; KAFALAT SAL, 2021).

4. Conclusion

This study was carried out to better understand and interpret the phenomenon of SMEs' performance in times of multiple crises (economic, financial, Beirut port explosion, and COVID-19). We tried to answer the following research question: To what extent do the multiple crises affect SMEs' performance in Lebanon?

To answer this question, we have exploited the database of the World Bank with a random sample of 379 firms between November and December 2020.

The main findings demonstrate that the performance of SMEs is unaffected by their business sector. The business sector does not have any effect on demand, prices, liquidity, sales variations, or working hours (H2 is rejected). However, the most significant factor that impacted the success of SMEs was the salary. Salaries are cut by 90.38%, which has a strong impact on liquidity and shifts in working hours but a negative impact on changes in customer demand, pricing, and sales variation (H3 is accepted). It could be explained by the reduction of SMEs' costs, working hours, and employees' low motivation because of the low demand from the clients' side. Demand and pricing have a negative impact on liquidity, reflecting SMEs' poor income during periods of multiple crises (H1 is partially accepted). Demand decreased by 75%, prices increased by 64.29%, and sales decreased by 81.87%. As a result of the Beirut port explosion, high costs, inadequate import capacity, declining demand, and their impacts on SMEs' liquidity, sales volume, and working hours in this situation, H4 is partially accepted. Purchases on credit and the granting of credit decreased and affected SMEs' liquidity, sales volume and demand, and working hours, though H5 is partially accepted. So, the multiple crises have pretty affected SMEs' performance, mainly due to the reduction of salaries.

In terms of theoretical contribution, a first model that reveals the effect of several situational and economic factors on SMEs' performance in times of multiple crises, barely studied in the Lebanese context, is suggested. This study confirms the literature regarding the impact of the purchase on credit (get a loan), the Beirut port explosion on SMEs' demand, prices, liquidity, sales variation, and working hours changes, and the impact of the demand and prices on SMEs' liquidity, sales variation, and working hours changes. (CAS report (2019); UNESCWA report (2020); The World Bank report (2021); KAFALAT SAL (2021)). Unlike the literature, the business sector hasn't affected anything in terms of demand, prices, liquidity, sales variation, or working hour changes. (The World Bank report (2021); KAFALAT SAL, 2021)

Regarding the managerial contribution, the situation of SMEs is vulnerable, and many of them will not resist for long if economic and financial measures are not taken urgently.

Management in a crisis context is a delicate task because it constitutes an unusually critical situation, the consequences of which are often harmful to companies (Liabert, 2005). Indeed, periods of crisis can generate changes that push SMEs to reconsider their managerial practices to protect their markets. We agree with Lagadec (1991) that the management of SMEs in a structurally unstable universe requires adjustment to the context and environment. So, the proper management of an SME in times of crisis is becoming both necessary and difficult. For this reason, understanding previous figures could allow SMEs to understand future conjunctures, minimize the negative effect, and maximize opportunities. (Denervaud, Johnson, & Soumoy, 2009). Lebanese SMEs could implement measures to support the economy and exceptional arrangements for the repayment of their debts to banks (Jadoua & Mostapha, 2020). To address the liquidity challenges faced by local businesses, the Central Bank of Lebanon has proposed a temporary solution through Circular No. 547. This measure aims to alleviate the economic strain for a minimum duration of three months. Notably, this circular does not differentiate between the consequences of the ongoing economic crisis and the restrictions imposed as part of the measures to combat the COVID-19 pandemic. Its primary objective is to mitigate the immediate impact of the crises by spreading it over a longer period. Also, the presence of a favorable influence arising from marketing innovation and process innovation on the financial performance of Small and Medium-sized Enterprises (SMEs) during the unprecedented COVID-19 pandemic is vital (El Chaarani, Vrontis, El Nemar & El Abiad, 2022).

The survival of SMEs in times of crisis can be compromised because they are less well-protected than large companies (Lagadec, 2003). However, these SMEs are remarkably more resilient than large companies. We can explain that resilience by adapting to specialization or proximity to markets. Moreover, with environmental changes, SMEs seem to be more responsive and flexible (Torrès, 1999). Likewise, the management of an SME in

a context of crisis requires an adaptation of behavior and managerial practices to make rapid decisions and maintain and develop its resilience.

During a crisis, keeping solid ties with suppliers becomes essential. Small and medium-sized enterprises (SMEs) in Lebanon may rely on reliable suppliers who are prepared to provide loan conditions and are aware of the difficulties facing the economy. By establishing and maintaining these connections, SMEs may be able to negotiate financing terms that are suited to their cash flow needs to nourish their liquidity, suggest acceptable prices, adjust their working hours, and increase their sales and demand with high human and social capital resources as a key success factor for SMEs during uncertain periods (El Nemar, El-Chaarani, Dandachi, & Castellano, 2022).

In terms of limitations, this study is based on a small sample size. The study was conducted on manufacturing, retail, and other combined sectors, though the external validity of the research is not strong because we couldn't generalize the results. In terms of future perspectives, we could enlarge the sample by studying different business sectors. This enables us to understand the effect of the multiple crises on SMEs' performance deeply by making comparisons between different sectors in order to suggest new solutions to improve SMEs' performance. This study could be conducted in other countries and regions facing similar challenges.

Authors contributions

Dr. Inaya WAHIDI was responsible for literature review and revising of the whole paper. Dr. Mourad KERTOUS was responsible for data collection, coding and treatment. Dr. Samir B. MALIKI commented the results, revised and drafted the manuscript and Dr. Henri AYOUB contributed to the literature review. All authors read and approved the final manuscript.

Informed consent

Obtained.

Ethics approval

The Publication Ethics Committee of the Canadian Center of Science and Education.

The journal and publisher adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

Provenance and peer review

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Data availability statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Data sharing statement

No additional data are available.

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