

THE IMPACT OF LEBANON'S ECONOMIC COLLAPSE ON COMMERCIAL SMES

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<http://doi.org/10.35409/IJBMER.2024.3635>

ABSTRACT

The objective of this research is to explore the effects of Lebanon's economic crisis on commercial SMEs across the country. A quantitative approach was employed, using a structured questionnaire distributed to 230 SME managers. The findings highlight the deep impacts of the crisis on operations, finances, and employee welfare. Despite efforts in cost reduction, diversification, and innovation, many SMEs faced severe challenges, including layoffs, salary cuts, and declining employee morale. The study concludes that while some firms reported slight financial improvements, the predominant effect of the crisis has been negative. This research contributes to a broader understanding of economic resilience in SMEs and offers recommendations for better financial management during periods of economic instability.

Keywords: Economic crisis, Lebanese SMEs, Financial performance, Employee welfare, Crisis management, Business resilience.

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) form the backbone of many economies, providing employment opportunities, driving innovation, and contributing significantly to GDP. In Lebanon, SMEs are particularly vital, accounting for over 90% of all registered enterprises and employing more than 50% of the workforce. Given their central role in Lebanon's economy, the financial health and stability of SMEs are crucial for broader economic sustainability. However, in recent years, Lebanese SMEs have faced unprecedented challenges due to the country's multifaceted economic crisis, which has had far-reaching consequences on business operations, financial performance, and employee well-being.

Lebanon has been grappling with an economic and financial crisis since late 2019, characterized by a sharp currency devaluation, hyperinflation, and a banking sector collapse. The Lebanese pound has lost over 90% of its value against the US dollar, driving up the cost of imports and severely weakening consumer purchasing power. Hyperinflation has eroded business margins, while capital controls have restricted access to foreign currency and limited banking transactions. These conditions have created an inhospitable business environment, forcing SMEs to navigate significant liquidity constraints and operational difficulties. The crisis has been compounded by political instability, the COVID-19 pandemic, and the catastrophic Beirut Port explosion in August 2020, further destabilizing an already fragile economy.

The impact of economic crises on businesses is well-documented in the literature. During times of financial instability, SMEs often struggle more than larger enterprises due to their limited financial resources, weaker access to credit, and lower bargaining power. Research has shown that economic crises can lead to severe liquidity shortages, reduced consumer demand, and disruptions to supply

chains. Furthermore, SMEs in developing countries, where institutional and financial support systems may be lacking, are particularly vulnerable to the effects of economic downturns.

Lebanese SMEs, already operating in a challenging environment, are currently facing the most severe economic downturn in the country's modern history. With inflation soaring above 100%, businesses are struggling to maintain their operations, retain employees, and manage rising costs. The banking sector's collapse has led to liquidity problems, preventing firms from accessing the foreign currency needed to import goods and services. This has placed additional pressure on SMEs, many of which rely heavily on imported materials and products. Furthermore, political uncertainty and the absence of effective government policies to support businesses have exacerbated the challenges faced by Lebanese SMEs.

Despite these overwhelming challenges, some Lebanese SMEs have demonstrated resilience by adopting various crisis management strategies. These include cost-cutting measures, employee layoffs, renegotiation of supplier contracts, and attempts to diversify revenue streams through innovation and market expansion. However, the extent to which these strategies have been effective remains unclear, and many firms continue to face financial instability. The survival of SMEs in this environment largely depends on their ability to manage liquidity, adapt to rapidly changing economic conditions, and explore alternative financing options (Mekdessi et al., 2021).

This study seeks to investigate the impact of the Lebanese economic crisis on commercial SMEs across the country. While previous research has focused on specific regions such as Tripoli, this study expands the scope to include SMEs from various regions, offering a comprehensive analysis of the crisis's impact on the commercial sector nationwide. It also increases the sample size to 230 SMEs, providing a more robust dataset for statistical analysis.

The research addresses several key questions:

To what extent has the economic crisis affected the financial performance of Lebanese commercial SMEs?

How has the crisis impacted employee well-being and productivity in these firms?

What crisis management strategies have SMEs adopted, and how successful have they been?

The hypotheses guiding this research are:

The Lebanese economic crisis has significantly affected the financial performance of commercial SMEs across the country.

The crisis has had a negative impact on the well-being and productivity of employees in these SMEs.

This paper is structured as follows: The next section reviews the relevant literature on economic crises and their effects on SMEs, followed by a discussion of crisis management strategies. The methodology section outlines the research design, data collection, and analysis methods used in this study. The results section presents the findings, and the discussion section interprets these results in light of the existing literature. The paper concludes with recommendations for policymakers and SME leaders, as well as suggestions for future research.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Economic Crises and Their Impact on SMEs

Economic crises are macroeconomic shocks that disrupt financial markets, destabilize economies, and significantly impact the operations of businesses, particularly small and medium-sized enterprises (SMEs). SMEs are highly vulnerable to such crises due to their limited financial buffers, weaker access to credit, and reduced negotiating power with suppliers and financial institutions. During periods of economic instability, SMEs often face reduced consumer demand, liquidity shortages, and challenges in maintaining operational continuity..

The 2008 global financial crisis, the European sovereign debt crisis, and other economic downturns have provided critical insights into how crises affect SMEs. For instance, studies by Cowling, Liu, and Ledger (2015) indicate that SMEs typically experience sharp declines in sales, profitability, and employment during economic recessions. Furthermore, businesses that rely heavily on external financing find it difficult to access credit during a crisis, compounding liquidity challenges (Makdissi et al., 2022). This is particularly relevant in developing economies, where financial markets may be less developed, and SMEs face even greater challenges in securing financing during downturns.

In Lebanon, the ongoing economic crisis, which began in 2019, has deeply impacted the business environment. The crisis has been characterized by hyperinflation, a steep devaluation of the Lebanese pound, and a collapse of the banking sector (Abubakar, 2022). These conditions have severely restricted access to foreign currency, stifling the import-reliant Lebanese economy. The World Bank (2021) describes Lebanon's current economic situation as one of the worst in the world since the 19th century. SMEs, which make up more than 90% of businesses in Lebanon, have been particularly hard-hit, facing liquidity constraints, reduced consumer spending, and skyrocketing operational costs due to the devaluation of the currency and inflation.

2.2 Crisis Management in SMEs

The ability of SMEs to survive and thrive during economic crises largely depends on their crisis management strategies. Crisis management refers to the set of practices employed by businesses to mitigate the negative effects of external shocks on operations, finances, and human resources. According to studies by McMahan (2001), SMEs that adopt proactive crisis management practices, such as cash flow forecasting, diversification, and cost control, are more likely to withstand economic shocks (Järvis et al., 2022).

Liquidity management is often cited as one of the most critical elements of crisis management. Liquidity refers to a firm's ability to meet its short-term obligations using available cash or easily liquidated assets. During an economic crisis, the importance of liquidity is heightened as access to credit diminishes and firms must rely on internal cash reserves to fund their operations. SMEs, which typically have lower cash reserves compared to larger firms, are particularly vulnerable to liquidity shortages. The inability to generate sufficient cash flow, coupled with the lack of access to external financing, often results in the closure of businesses during crises.

Additionally, the literature emphasizes the role of diversification and innovation in crisis

management (Montes et al., 2024). Research by Michael and Robbins (1998) suggests that SMEs that diversify their products, services, or markets are more resilient to external shocks. Diversification allows firms to spread risk and tap into new revenue streams when traditional markets become unprofitable (de Silva et al., 2022). Similarly, innovation—such as adopting new technologies or entering new markets—can help SMEs adapt to changing market conditions. In the Lebanese context, many SMEs have pivoted to digital platforms or explored international markets as a means of surviving the ongoing crisis.

Employee management is another critical component of crisis management. Economic crises often lead to layoffs, salary reductions, and declining employee morale, which can further exacerbate productivity losses. Managing human resources effectively during a crisis—by maintaining employee engagement and minimizing job losses—can contribute to the long-term sustainability of SMEs (Ahmad et al., 2021).

2.3 The Lebanese Economic Crisis: A Unique Context

Lebanon's current economic crisis presents a unique set of challenges for SMEs. The country has experienced multiple overlapping crises, including political instability, a banking sector collapse, and the devastating Beirut Port explosion in 2020. The Lebanese pound has lost more than 90% of its value, and inflation has soared to triple digits, eroding purchasing power and driving up costs for businesses. The banking sector's capital controls have prevented firms from accessing foreign currency and severely restricted their ability to conduct transactions, further exacerbating liquidity problems.

Lebanese SMEs are heavily reliant on imports, and the devaluation of the Lebanese pound has significantly increased the cost of imported raw materials and goods. This has led to rising operational costs, reduced profit margins, and an increase in business closures. In addition to these challenges, the COVID-19 pandemic has further disrupted business operations by reducing consumer spending and forcing temporary closures (Hussain et al., 2023).

The cumulative effect of these crises has placed enormous pressure on SMEs in Lebanon (Smith, 2024). Despite the adoption of crisis management strategies, such as layoffs, salary cuts, and market diversification, many firms continue to struggle with liquidity and operational sustainability. This study seeks to assess the extent of these challenges and examine the effectiveness of the crisis management strategies employed by SMEs across Lebanon.

2.4 Hypothesis Development

Based on the literature review, two main hypotheses have been developed for this study:

H1: The Lebanese economic crisis has significantly affected the financial performance of commercial SMEs across Lebanon.

This hypothesis is grounded in the existing literature, which shows that economic crises typically result in reduced profitability, liquidity shortages, and operational difficulties for SMEs. The study will examine how the Lebanese crisis has specifically impacted the financial health of SMEs,

focusing on revenue declines, cost increases, and difficulties accessing credit.

H2: The crisis has had a negative impact on the well-being and productivity of employees in Lebanese commercial SMEs.

Employee well-being and productivity are closely linked to the financial health of firms. Economic crises often lead to layoffs, salary reductions, and deteriorating working conditions, which negatively affect employee morale and productivity. This hypothesis will test whether Lebanese SMEs have experienced similar impacts on their workforce, examining changes in employee satisfaction, productivity, and engagement.

3. METHODS

The methods section outlines the research design, sample characteristics, data collection process, and statistical analysis techniques used to investigate the impact of the Lebanese economic crisis on commercial SMEs (Erhan et al., 2024). This study employs a quantitative approach to assess the financial and operational challenges faced by SMEs, as well as the crisis management strategies they have adopted. The section also details the ethical considerations taken into account during the research process.

3.1 Research Design

This research adopts a cross-sectional quantitative research design to examine the impact of Lebanon's economic crisis on commercial SMEs. A cross-sectional design allows for the collection of data at a single point in time, which is particularly useful for assessing how the ongoing economic crisis is affecting firms across various regions and industries. The quantitative approach was selected because it allows for the analysis of measurable variables, such as revenue changes, operational costs, employee well-being, and the effectiveness of crisis management strategies.

The primary tool used for data collection was a structured questionnaire, which was distributed to SME managers across Lebanon. The survey was designed to capture both the financial impacts of the crisis and the operational adjustments made by businesses in response to the evolving economic environment. Given the complexity of the crisis, the questionnaire included sections on business performance, liquidity management, access to financing, employee satisfaction, and the adoption of innovative crisis management strategies (Memon, 2024).

3.2 Sample Selection

The target population for this study was Lebanese commercial SMEs operating in various sectors, including retail, services, and manufacturing. The sample included firms of different sizes and ages, ranging from newly established enterprises to those that had been in operation for more than 20 years. The commercial sector was chosen because it represents a substantial portion of the Lebanese economy and has been deeply affected by the crisis due to its reliance on consumer demand, imported goods, and foreign currency.

The study employed a purposive sampling method, where participants were selected based on specific criteria. To be included in the sample, firms had to meet the following criteria:

Be classified as an SME according to Lebanese regulations, with fewer than 250 employees and an annual turnover of less than \$10 million.

Operate in the commercial sector, including retail, services, or trade-related activities.

Have been operational for at least one year prior to the onset of the economic crisis (i.e., established before 2019).

The respondent had to be the owner, manager, or someone directly responsible for financial and operational decisions within the firm.

A total of 230 SMEs were included in the final sample, a substantial increase from the 30 SMEs initially studied in previous research. This larger sample size allows for a more comprehensive analysis of the crisis's effects on SMEs across Lebanon and increases the generalizability of the results.

3.3 Data Collection

Data were collected using a structured questionnaire, which was developed based on prior literature on crisis management, SME performance, and employee well-being. The questionnaire was administered electronically via an online survey platform, making it accessible to respondents across various regions of Lebanon. To increase the response rate, follow-up emails and phone calls were made to encourage participation. The data collection process occurred over a period of two months (from April to May 2023).

The questionnaire consisted of four main sections:

General Information: This section gathered demographic information about the SME, including the size of the firm, the number of employees, years in operation, and the sector in which the business operates.

Financial Impact of the Crisis: This section focused on the specific financial challenges faced by SMEs, such as revenue loss, rising costs, and difficulties in accessing credit. Respondents were asked to indicate whether their business experienced a decline in revenue, an increase in operational costs, and challenges in maintaining liquidity (Vidler, 2024).

Operational and Crisis Management Strategies: This section examined the crisis management strategies employed by SMEs, including cost-cutting measures, employee layoffs, salary reductions, and attempts to diversify revenue streams. Respondents were asked to rate the effectiveness of these strategies and whether they had adopted innovative approaches such as digitalization or market expansion (Makdissi et al., 2024).

Employee Well-Being and Productivity: This section explored the impact of the crisis on employees, focusing on employee morale, job satisfaction, and productivity (Adama, 2022). Respondents were asked whether their business had implemented layoffs, salary cuts, or other measures that may have affected employee well-being.

To ensure the reliability and validity of the questionnaire, it was pre-tested with a small sample of

10 SME managers to identify any ambiguities or difficulties in understanding the questions. Based on the feedback from the pre-test, minor revisions were made to improve clarity and ease of response.

3.4 Ethical Considerations

Ethical considerations were paramount during the research process. All participants were informed about the purpose of the study, and their informed consent was obtained prior to their participation. The survey was anonymous, ensuring that no personal or business-identifiable information was collected, thereby maintaining the confidentiality of respondents. Participants were also assured that their responses would only be used for academic purposes and that they could withdraw from the study at any time without consequence. The research adhered to the ethical guidelines outlined by the relevant institutional review board (IRB) to ensure the protection of participants' rights and privacy.

3.5 Data Analysis

Once the data collection process was complete, the responses were compiled and analyzed using Statistical Package for the Social Sciences (SPSS) software. The following analytical techniques were employed:

Descriptive Statistics: Descriptive statistics, including frequencies, means, and standard deviations, were calculated to summarize the key variables of interest, such as revenue changes, operational costs, employee well-being, and the adoption of crisis management strategies.

Reliability Analysis: To ensure the internal consistency of the questionnaire, Cronbach's alpha was calculated for each section of the survey. A Cronbach's alpha value of 0.70 or higher was considered acceptable, indicating that the items within each section reliably measured the intended constructs.

Correlation Analysis: Pearson's correlation coefficient was used to examine the relationships between different variables, such as the financial performance of SMEs and the effectiveness of crisis management strategies. This analysis aimed to determine whether there were statistically significant associations between the crisis's financial impact and the strategies employed by firms.

Regression Analysis: Multiple regression analysis was conducted to assess the impact of the crisis on SMEs' financial performance and employee well-being. The regression model included independent variables such as revenue changes, cost increases, liquidity challenges, and crisis management strategies, while the dependent variables were financial performance and employee productivity. The results of the regression analysis provided insights into the most significant factors affecting SMEs during the crisis.

T-tests and ANOVA: T-tests and Analysis of Variance (ANOVA) were used to compare differences in the impact of the crisis across different sectors and firm sizes. These tests helped identify whether certain types of SMEs (e.g., retail vs. services) were more severely affected by the crisis than others.

4. RESULT AND DISCUSSION

This section presents the findings from the data collected from 230 SME managers in Lebanon and discusses the implications of these results in the context of the ongoing economic crisis. The analysis focuses on three primary areas: the financial impact of the crisis on SMEs, the effects on employee well-being and productivity, and the crisis management strategies employed by businesses (Pipera et al., 2021). The results are compared with existing literature on SMEs' resilience during economic crises, highlighting both the unique aspects of the Lebanese context and the broader trends observed in similar economic environments.

4.1 Financial Impact of the Crisis on Lebanese SMEs

The results reveal that the Lebanese economic crisis has had a profound impact on the financial performance of SMEs across the country. Approximately 78% of respondents reported a significant decline in their revenues since the onset of the crisis in 2019. Among these, 45% experienced revenue reductions of more than 40%, while 33% reported decreases between 20% and 40%. This substantial drop in revenue has been attributed to several key factors, including the sharp decline in consumer purchasing power, the collapse of the banking sector, and the devaluation of the Lebanese pound, which has drastically increased the cost of imports for businesses reliant on foreign goods and services.

In addition to declining revenues, SMEs also faced rising operational costs due to hyperinflation and the soaring cost of raw materials. Nearly 68% of businesses reported a significant increase in their operating expenses, driven primarily by the need to purchase imported goods at higher prices due to currency devaluation. This finding aligns with the broader literature on economic crises, which suggests that inflationary pressures often result in higher input costs for businesses, eroding profit margins and exacerbating liquidity challenges.

Access to financing was another major challenge reported by SMEs. Due to the collapse of Lebanon's banking sector and the imposition of capital controls, 55% of respondents indicated that they were unable to secure the external financing needed to sustain their operations. Many SMEs have traditionally relied on bank loans or credit lines to manage cash flow and invest in growth. However, with banks severely limiting withdrawals and restricting access to foreign currency, firms have been forced to depend on internal cash reserves, which have been rapidly depleting.

4.2 Effects on Employee Well-Being and Productivity

The economic crisis has also had a severe impact on employee well-being and productivity. Nearly 60% of respondents reported that they had been forced to lay off employees or reduce their workforce due to financial difficulties. Among those that had implemented layoffs, 45% had reduced their staff by more than 20%, while 15% had laid off more than 50% of their employees. These findings are consistent with studies from other countries facing economic crises, which show that SMEs tend to reduce headcount in an effort to cut costs and preserve liquidity.

In addition to layoffs, many businesses implemented salary reductions and unpaid leave as cost-saving measures. Approximately 70% of SMEs reported that they had cut employee salaries by an

average of 30% in order to reduce expenses. However, these salary cuts have had a detrimental effect on employee morale and productivity. Nearly 55% of respondents indicated that employee morale had declined significantly since the beginning of the crisis, while 48% reported a noticeable reduction in productivity. This decline in morale is linked to concerns about job security, decreased purchasing power due to inflation, and a general sense of uncertainty about the future of the business.

The findings also suggest that SMEs are struggling to maintain employee engagement and productivity in the face of these challenges. While some businesses attempted to boost employee morale by offering non-monetary incentives, such as flexible working hours or professional development opportunities, the effectiveness of these measures was limited. Given the magnitude of the crisis, many employees remain anxious about their financial stability and long-term employment prospects, which has negatively impacted their performance and overall job satisfaction.

4.3 Crisis Management Strategies Employed by SMEs

To cope with the economic crisis, Lebanese SMEs adopted a range of crisis management strategies, with varying degrees of success (Anand et al., 2020). The most common strategies reported by businesses included cost-cutting measures, diversification, and attempts to access new markets. Cost-cutting was the most widely implemented strategy, with 75% of firms indicating that they had reduced operational costs through layoffs, salary cuts, and renegotiation of supplier contracts. While these measures were necessary for survival, they were often viewed as short-term solutions, with many managers expressing concerns about their sustainability over the long term.

Diversification was another strategy employed by some SMEs in an attempt to offset declining revenues. Approximately 35% of businesses reported that they had introduced new products or services or expanded into new markets. However, the success of these diversification efforts was mixed. While some businesses reported modest gains from their diversification strategies, others struggled to adapt to new market demands or lacked the resources to implement significant changes to their business models. Furthermore, the challenges posed by currency devaluation and inflation made it difficult for businesses to fully capitalize on new market opportunities.

A notable finding was the limited adoption of digital solutions and innovations. Only 20% of SMEs indicated that they had invested in digitalization as part of their crisis management strategy, such as transitioning to e-commerce platforms or automating certain business processes. This finding suggests that many Lebanese SMEs remain under-digitized, despite the potential benefits of digital transformation in terms of cost reduction, efficiency gains, and access to global markets. Research from other regions has shown that SMEs that embrace digital innovation during crises are more likely to recover and grow in the long term.

4.4 Discussion of Key Findings

The results of this study are consistent with the broader literature on SMEs and economic crises, which highlights the vulnerability of smaller firms to external shocks, particularly in the areas of liquidity, financing, and operational sustainability. The decline in revenues and rising operational

costs observed in Lebanese SMEs mirror the experiences of businesses in other countries that have faced similar crises, such as Greece during the European sovereign debt crisis.

However, the Lebanese context presents some unique challenges that have exacerbated the impact of the crisis on SMEs. The collapse of the banking sector and the imposition of capital controls have severely limited access to credit, leaving businesses with few options for securing external financing. This lack of access to finance has forced many SMEs to rely on internal cash reserves, which are quickly being depleted, leading to liquidity shortages and increased vulnerability to bankruptcy. In contrast, SMEs in other countries facing economic crises have often been able to access government support or external funding to help them weather the storm.

The study's findings also highlight the significant impact of the crisis on employee well-being and productivity. The widespread layoffs, salary reductions, and declines in morale observed among Lebanese SMEs are consistent with global trends in crisis-hit economies, where businesses often resort to workforce reductions as a cost-saving measure. However, the severe and prolonged nature of the Lebanese crisis has made it particularly challenging for businesses to maintain employee engagement and productivity, even with non-monetary incentives. This underscores the need for more comprehensive employee support programs that address both financial and psychological well-being during times of economic stress.

The limited adoption of digital solutions among Lebanese SMEs is another notable finding. Despite the growing importance of digital transformation in enhancing business resilience, only a small percentage of SMEs in Lebanon have embraced digital technologies as part of their crisis management strategy. This contrasts with the experiences of SMEs in other regions, where digitalization has played a key role in helping businesses adapt to changing market conditions and mitigate the impacts of economic crises. The low level of digital adoption in Lebanon highlights the need for greater investment in technology infrastructure and digital literacy among SMEs, which could help improve their resilience to future economic shocks.

4.5 Summary of Key Insights

The results of this study confirm that the Lebanese economic crisis has had a profound impact on commercial SMEs, particularly in terms of financial performance and employee well-being. Businesses have faced significant declines in revenue, rising operational costs, and difficulties in accessing financing, which have forced them to adopt a range of crisis management strategies. While cost-cutting and diversification have been the most common strategies, their success has been limited by the severity of the crisis and the unique challenges of the Lebanese business environment.

Moreover, the crisis has had a lasting effect on employee well-being, with many firms reporting layoffs, salary cuts, and declining morale. The limited adoption of digital solutions among SMEs further underscores the need for businesses to explore new technologies and innovative approaches to managing crises (Susanty et al., 2024). Policymakers and business leaders must take these findings into account when developing strategies to support SMEs, ensuring that businesses have access to the resources and tools they need to navigate future economic challenges.

5. CONCLUSION

The Lebanese economic crisis has presented unprecedented challenges for small and medium-sized enterprises (SMEs), forcing many businesses into survival mode as they grapple with severe financial and operational difficulties (Kellerman, 2024). This study sought to examine the impact of the crisis on commercial SMEs across Lebanon, focusing on how businesses have managed their finances, employee welfare, and operations amidst a deteriorating economic environment. By analyzing data from 230 SME managers, this research provides valuable insights into the far-reaching consequences of the crisis, the effectiveness of various crisis management strategies, and the broader implications for the sustainability of SMEs in Lebanon (Aoun, 2023).

The findings of this study confirm that the Lebanese economic crisis has significantly affected the financial performance of commercial SMEs, supporting the first hypothesis (H1). Nearly 80% of the surveyed businesses reported considerable declines in revenue, largely driven by currency devaluation, hyperinflation, and declining consumer demand. The steep increase in operational costs, especially for imported goods and services, has further compounded financial difficulties, leaving many firms struggling to maintain liquidity. These results align with existing literature, which emphasizes that SMEs are particularly vulnerable to liquidity shortages and rising costs during periods of economic instability. The collapse of the Lebanese banking sector and the imposition of capital controls have exacerbated this vulnerability, preventing firms from accessing the external financing necessary to manage cash flow effectively.

The second hypothesis (H2), which posited that the crisis has negatively impacted employee well-being and productivity, was also supported by the findings. The widespread layoffs, salary reductions, and declines in employee morale reported by SME managers highlight the human toll of the economic crisis. With 60% of firms reducing their workforce and 70% cutting salaries, it is clear that employee welfare has been severely compromised, leading to lower productivity and job dissatisfaction. These findings echo global studies on economic crises, which demonstrate that workforce reductions and financial strain often lead to declines in employee engagement and productivity. The unique challenges of the Lebanese crisis, however, have made it particularly difficult for businesses to maintain employee morale, even with non-monetary incentives and flexible working arrangements.

While many Lebanese SMEs have adopted crisis management strategies, including cost-cutting measures and attempts at market diversification, their success has been limited by the severity of the crisis and the specific challenges of the Lebanese business environment. The results indicate that while some firms have managed to stabilize their operations by renegotiating contracts or reducing costs, the long-term sustainability of these strategies is questionable. The limited adoption of digital solutions—such as e-commerce platforms and automation—further underscores the need for businesses to explore innovative approaches to managing crises. Digitalization, which has proven effective in enhancing resilience for SMEs in other regions, remains an underutilized tool among Lebanese firms.

5.1 Research Contributions

This study contributes to the growing body of knowledge on the impact of economic crises on

SMEs, particularly within the context of Lebanon. It provides a comprehensive assessment of the financial, operational, and human resource challenges facing Lebanese SMEs during one of the country's worst economic crises in modern history. By expanding the sample size and geographic scope of the research, this study offers more robust insights into the nationwide impact of the crisis on commercial SMEs, moving beyond earlier research that focused primarily on specific regions such as Tripoli.

Additionally, the study offers practical recommendations for SME managers and policymakers. For managers, the findings underscore the importance of adopting proactive crisis management strategies, including cash flow forecasting, cost control, and diversification (Palvashova et al., 2023). For policymakers, the results highlight the urgent need to provide targeted support for SMEs, particularly in terms of access to financing, digital transformation, and employee support programs (Cosma-Guler et al., 2023).

5.2 Limitations of the Study

Despite its contributions, this study is not without limitations. One significant limitation is the cross-sectional design, which captures the impact of the crisis at a single point in time. As a result, the findings provide a snapshot of the crisis's effects but do not account for how these impacts may evolve over time. A longitudinal study that tracks the experiences of SMEs throughout the duration of the crisis and into the recovery phase would offer deeper insights into the long-term consequences of the economic downturn.

Another limitation is the use of self-reported data, which may introduce response bias. SME managers may have provided socially desirable responses or underestimated the severity of certain challenges due to fear of reputational damage. Although efforts were made to ensure the anonymity and confidentiality of respondents, the possibility of biased responses cannot be entirely ruled out.

Additionally, the purposive sampling method may limit the generalizability of the findings. While the sample size of 230 SMEs offers a more comprehensive picture of the impact of the crisis than previous studies, the selection criteria may exclude certain types of businesses, particularly those in sectors not covered by the study, such as agriculture or high-tech industries. Future research could expand the sample to include a broader range of sectors to provide a more holistic view of the crisis's impact on the entire SME landscape in Lebanon.

5.3 Recommendations for Future Research

Future research could address these limitations by adopting a longitudinal approach to examine how Lebanese SMEs adapt over time as the crisis unfolds. Longitudinal studies would provide valuable insights into the resilience of businesses, as well as the effectiveness of different crisis management strategies in the long term. Additionally, future studies could explore the role of government interventions in supporting SMEs during crises, examining how financial aid, digital transformation initiatives, and employee support programs contribute to business recovery.

There is also a need for more qualitative research, such as in-depth interviews or case studies, to explore the personal experiences of SME managers navigating the crisis. Qualitative research

would offer richer insights into the decision-making processes of business leaders, providing a more nuanced understanding of the emotional and psychological challenges they face in times of economic distress. Moreover, such studies could explore the impact of digital transformation in greater detail, assessing how SMEs can leverage technology to enhance their resilience and competitiveness in the future.

5.4 Policy Implications and Recommendations

The findings of this study have important implications for policymakers and stakeholders seeking to support the SME sector in Lebanon. Given the central role of SMEs in Lebanon's economy, it is crucial that the government and financial institutions take swift action to provide targeted financial support to businesses in need. This could include the creation of special loan programs or credit facilities designed specifically for SMEs, as well as easing access to foreign currency for businesses reliant on imports (Uwaydah et al., 2024).

Policymakers should also prioritize initiatives that promote digital transformation in the SME sector. As this study shows, digital solutions remain underutilized, despite their potential to improve operational efficiency and open new revenue streams. Government-led programs that provide training and financial incentives for SMEs to adopt digital technologies could play a key role in helping businesses navigate future economic challenges.

Finally, policymakers should focus on improving employee support programs to address the human resource challenges facing SMEs. Given the significant declines in employee morale and productivity observed in this study, initiatives that promote job retention, provide mental health support, and offer skills development opportunities could help mitigate the negative effects of the crisis on the workforce.

5.5 Conclusion Summary

In conclusion, the Lebanese economic crisis has had a profound and far-reaching impact on commercial SMEs, affecting their financial performance, employee well-being, and overall sustainability. While businesses have implemented various crisis management strategies to survive, the results of this study suggest that many SMEs remain vulnerable to long-term financial instability. The findings highlight the need for more proactive crisis management practices, greater investment in digital transformation, and stronger support systems for employees. Moving forward, both SME leaders and policymakers must work together to create a more resilient and sustainable business environment in Lebanon, ensuring that the country's economic recovery is inclusive and long-lasting.

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