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Message from YAB Prime Minister

The 2014/15 SME Annual Report marks the 10th publication following the establishment of the National SME Development Council. In the last one decade, Malaysian SMEs have performed remarkably well, with growth exceeding that of the overall economic growth. SMEs grew at an average annual rate of 7.1% versus 4.9% growth for the overall economy. This is an outcome of collaborative effort between all Ministries and agencies related to SME development working towards a common goal. The Government had implemented a total of 139 SME development programmes in 2014 amounting to RM5.1 billion which benefited more than 500,000 SMEs across all economic sectors.

The highlight for 2014 was the revision to the SME definition which all Ministries, agencies, state governments, and financial institutions have adopted. This saw the SME GDP growth for the year recording a double-digit rate of 13.6% and the share of SMEs to GDP rising significantly to close to 36% (2013: 33.5%). The new definition took cognisance of the changes in the economy and to cater to the future needs of SMEs. Taking out the redefinition effect, the underlying growth of SMEs for 2014 remained strong, expanding by 7.9%, supported by growth across all sectors of the economy.

In recent years, the external environment has become increasingly unpredictable due to uncertainties in the growth prospects for many advanced economies. Despite the challenges from weak global growth and economic reforms in the domestic economy such as the subsidy rationalisation, implementation of the Minimum Wage and more recently the introduction of the Goods and Services Tax (GST), domestic SMEs have remained resilient. These businesses have shown agility in adjusting to rising costs by enhancing efficiency and finding new markets mainly through greater utilisation of technology. In 2015, against the backdrop of the current economic situation, SMEs are expected to continue on a sustained growth path of 5 – 5.5%. If the need arises, the Government will act pre-emptively to take the necessary measures to cushion the impact on SMEs.

Looking into the longer term prospects, the SME Masterplan (2012-2020) sets a clear path on transforming SMEs towards achieving a high income nation by 2020. The transition is being effected through the implementation of High Impact Programmes and other supportive actions identified under

the SME Masterplan. These initiatives are being tracked and monitored to assess the outcomes and impact on SMEs and the economy at large. Focus of policy and programmes is towards building the long-term competitiveness and resilience of SMEs. The Eleventh Malaysia Plan which is the last five-year plan in achieving a high income nation will emphasise on entrepreneurship, inclusiveness, innovation and productivity.

Given the statistical changes and other developments, the 2020 targets under the SME Masterplan have been adjusted accordingly. While the share of SMEs to GDP remains at 41%, the projected growth trajectory of SMEs for the period 2015 - 2020 is now 8% per annum versus 8.7% previously. The shares of SMEs to exports and employment were revised to 23% (earlier: 25%) and 65% (earlier: 62%) respectively. The Government is committed to achieving these targets in the pursuit for an inclusive and balanced growth.

The national aspiration of inclusivity and balanced growth is also in line with the regional agenda. Regional integration with the forming of the ASEAN Economic Community (AEC) at end-2015 culminating into a single market of 625

million people, paves the way for domestic SMEs to spread their wings across borders. While the AEC brings challenges, domestic SMEs have opportunities to serve a wider consumer base as well as to link up to the global production network. Greater participation of SMEs in intra-regional trade and investment would enhance their global competitiveness and overall prosperity for the region. This year's SME Annual Report themed "One Business One Community" highlights on the AEC and the opportunities for SMEs. Last but not least, to increase the readership of the publication, the SME Annual Report this year has also an infographic summary booklet for quick and easy reference.



DATO' SRI MOHD NAJIB

Chairman of National SME Development Council
September 2015

CHAPTER 1

THE MALAYSIAN ECONOMY

The Malaysian economy continued on a steady growth path, expanding by 6% in 2014, underpinned by strong domestic demand, particularly private consumption and investment activities. Growth was further supported by improvement in external demand, with positive impetus from net exports to Gross Domestic Product (GDP), mainly benefiting from the recovery in the advanced economies. Amidst an increasingly challenging external environment in 2015, the Malaysian economy is expected to register a moderate growth of 4.5 - 5.5% sustained by domestic activities.



Performance in 2014

The Malaysian economy recorded a stronger growth of **6% in 2014** (2013: 4.7%), driven primarily by the continued strength in domestic demand and further supported by improvement in external trade. Favourable income growth, stable labour market conditions and effects from the targeted Government transfers to low- and middle-income households supported **private consumption**. Despite the moderation in overall gross fixed capital formation, **private investment** was sustained during the year mainly in the services and manufacturing sectors. Net exports turned around to contribute positively to growth after seven years of negative contribution, amidst the recovery in the advanced economies and sustained demand from the regional economies.

Table 1.1: Real GDP by Expenditure (at 2010 prices)

	2013	2014	1H 2015 ^p	2015 ^f
	Annual change (%)			
Domestic Demand ¹	7.3	5.9	6.2	6.0
Private Sector Expenditure				
Consumption	7.2	7.0	7.6	6.0
Investment	12.8	11.0	7.5	9.0
Public Sector Expenditure				
Consumption	5.9	4.4	5.5	2.7
Investment	1.9	-4.7	-3.7	5.1
Net exports of goods and services	-9.8	12.8	-10.4	-7.8
Exports	0.3	5.1	-2.2	3.0
Imports	1.7	4.2	-0.9	4.0
Real GDP	4.7	6.0	5.3	4.5~5.5

¹Excluding stocks, p : preliminary; f : forecast based on BNM Annual Report 2014

Source: Department of Statistics, Malaysia

On the **supply side**, all economic sectors recorded higher growth rates in 2014. The services sector was the main contributor to growth benefiting from the strong domestic demand, while the recovery in the advanced economies and continued demand from the regional countries supported the manufacturing sector. The construction sector also continued to register a double-digit growth underpinned by infrastructure activities and strength in residential and non-residential activities. As a result, the labour force participation rate and total employment increased with the resultant effect on reducing the unemployment rate to 2.9% (2013: 3.1%).

Table 1.2 : Real GDP by Key Economic Activity (at 2010 prices)

	2013	2014	1H 2015 ^p	2015 ^f
	Annual change (%)			
Agriculture	1.9	2.1	0.0	0.3
Mining & quarrying	1.2	3.3	7.8	3.0
Manufacturing	3.4	6.2	4.9	4.9
Construction	10.8	11.8	7.7	10.3
Services	6.0	6.5	5.7	5.6
Real GDP	4.7	6.0	5.3	4.5~5.5

p : preliminary; *f* : forecast based on BNM Annual Report 2014

Source: Department of Statistics, Malaysia

Headline inflation averaged at 3.2% in 2014 (2013: 2.1%) reflecting rising prices in the early part of the year due to adjustments in prices of several price-administered items but tapered towards year-end due to lower food inflation, lapse of the impact of the September 2013 fuel price adjustments after one year, and downward adjustments in fuel prices following the implementation of the managed float fuel pricing mechanism.

Table 1.3 : Inflation and Unemployment

	2013	2014 ^p	2015 ^f
	Annual change (%)		
Inflation			
Consumer Price Index (2010 = 100)	2.1	3.2	2.0~3.0
Producer Price Index (2010 = 100)	-1.7	1.4	-
Unemployment	3.1	2.9	3.0

p : preliminary; *f* : forecast based on BNM Annual Report 2014

Source: Department of Statistics, Malaysia

Table 1.4 : Balance of Payments

	2013	2014 ^p	2015 ^f
	RM Billion		
Current Account	39.9	49.5	21.4
% of GNI	4.2	4.8	2.0 ~ 3.0
Goods	108.2	125.1	94.2
Export of Goods	679.1	726.0	723.9
Gross Export (% annual change)	-1.0	6.9	-0.3
Import of Goods	570.9	601.0	629.7
Gross Import (% annual change)	1.8	5.3	4.8
Services	-16.7	-20.5	-16.4
Primary Income	-34.1	-37.4	-38.0
Secondary Income	-17.5	-17.6	-18.5
Financial Account	-15.8	-76.5	-
Direct Investment	-5.5	-17.1	-
Assets	-41.2	-51.3	-
Liabilities	35.7	34.2	-
Portfolio Investment	-3.0	-37.9	-
Assets	-32.1	-28.3	-
Liabilities	29.1	-9.6	-
Financial Derivatives	-0.3	-1.0	-
Other Investment	-7.1	-20.6	-
Official Sector	-4.0	-2.0	-
Private Sector	-3.1	-18.5	-
Errors and Omissions	-9.4	-9.8	-
Overall balance (surplus +/- deficit -)	14.6	-36.5	-
Net international reserves BNM	441.9	405.3	-
Net international reserves of BNM (USD bilion)	134.9	115.9	-
Reserves as months of retained imports	9.5	8.3	-

p : preliminary; f : forecast based on BNM Annual Report 2014
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Malaysia's **external sector** remained resilient with the current account surplus widening and international reserves remaining high, more than sufficient to meet the short-term obligations and to provide ample buffer against external shocks. Overall import growth moderated following the lower demand in imports of consumption goods and the decline in imports of capital goods.

Outlook for 2015

The year 2015 was fraught with uncertainties given the anticipated monetary tightening in the United States (US) and the slowing of the economy in the People's Republic of China (PR China). While there was some improvement in early 2015, the unfolding of events thereafter particularly in Europe with the likely risk of default of the sovereign debt in Greece, worse-than-expected moderation in PR China and other domestic factors in developed countries led to several downward revisions to the world growth and trade outlook. Financial markets reacted with huge volatility reflecting appreciation of the US dollar against most currencies and declining stock markets precipitated by the fall in the bourse of PR China. Oil prices also fell to below USD45 per barrel reflecting the slower global demand. Against this background, the world economy is expected to witness a weaker recovery than earlier anticipated, with diverging growth momentum across major economies. The impact from the lower oil and other commodity prices is expected to vary across economies. In the latest World Economic Outlook Update in July 2015 by the International Monetary Fund, world output growth for 2015 was revised down to 3.3% (April 2015 : 3.5%)



Table 1.5 : IMF World Economic Outlook (WEO) in 2015

	2014	2015 ^e	2016 ^f
World Output	3.4	3.3	3.8
Advanced Economies	1.8	2.1	2.4
United States of America	2.4	2.5	3.0
Euro Area	0.8	1.5	1.7
Japan	-0.1	0.8	1.2
United Kingdom	2.9	2.4	2.2
Emerging and Developing Economies	4.6	4.2	4.7
Emerging and Developing Asia *	6.8	6.6	6.4
China	7.4	6.8	6.3
India	7.3	7.5	7.5
ASEAN-5**	4.6	4.7	5.1
Emerging and Developing Europe	2.8	2.9	2.9
Latin America and the Caribbean	1.3	0.5	1.7
Middle East, North Africa, Afghanistan and Pakistan	2.7	2.6	3.8
World Trade Volume (goods and services)	3.2	4.1	4.4

Note: e : estimate, f : forecast

* China, India, Indonesia, Malaysia, Philippines, Thailand & Vietnam

** Indonesia, Malaysia, Philippines, Thailand & Vietnam

Source: IMF World Economic Outlook Update, July 2015

The downward revision to global growth began with the lacklustre activity in the US in the first quarter of 2015. While the latest indicators suggest that the underlying conditions for a gradual recovery in economic activity in the advanced economies remain intact, which include easy financial conditions, more neutral fiscal policy in the euro area, lower fuel prices and improved labour market conditions, the distribution of risks to global economic activity is tilted to the downside. Near-term risks include increased financial market volatility and disruptive asset price shifts, while lower potential output growth remains an important medium-term risk in both advanced and emerging market economies. Lower commodity and oil prices also pose risks to the outlook in low-income developing economies after many years of strong growth.

Despite a challenging external environment, the Malaysian economy is expected to continue to expand in 2015, albeit at a more moderate pace of **4.5 - 5.5%** supported by sustained expansion in domestic demand, particularly private sector spending. After registering five consecutive years of above-average

growth rates, **private consumption** is expected to be slower, growing by 6% in 2015, following the frontloading of consumption activity prior to the implementation of the Goods and Services Tax (GST) in the first quarter of the year. Private consumption is likely to adjust as the effect from the GST implementation and lower earnings from commodity-related sectors are partially offset by higher disposable incomes from low fuel prices, stable labour market conditions and wage growth as well as Government measures to assist low-income households.

After three years of double-digit growth, **private investment** is expected to expand by 9%, due to weaker investments in the mining sector, while new investments and capital spending on on-going infrastructure projects continue. While public investment is expected to turn around to record a positive growth, **public consumption** is expected to moderate following the fiscal prudence to lower spending on supplies and services.

On the **supply side**, all economic sectors are expected to expand. The services and manufacturing sectors will remain the key drivers of overall growth. Growth in the mining sector is projected to be sustained due to production from a new oil field. The agriculture sector is expected to record a marginal positive growth amidst the low commodity prices, while construction activity is expected to continue to expand albeit at a more moderate pace supported mainly by multi-year civil engineering projects.

On the **external front**, after a strong performance in 2014, growth in **gross exports** is projected to moderate in 2015, amidst the lower commodity prices and more moderate external demand, which more than offset the positive impact from the weak ringgit. At the same time, growth in **gross imports** is



Despite a challenging external environment, the Malaysian economy is expected to continue to expand in 2015, albeit at a more moderate pace of 4.5 - 5.5% supported by sustained expansion in domestic demand, particularly private sector spending

likely to increase due to higher import prices from the exchange rate effect amidst the continued demand for capital and consumption imports from the on-going projects. Overall, the trade balance is expected to narrow but remain in surplus. The **services account** is projected to record a smaller deficit, supported by increase in tourist arrivals. Consequently, the **current account** surplus is projected to narrow to 2 - 3% of the Gross National Income (GNI) in 2015.

Headline inflation is expected to average at 2 - 3% in 2015 largely on account of lower global oil prices that would be transmitted directly into domestic prices given the removal of subsidies as well as lower food prices, thus mitigating the increase from the implementation of the GST and imported inflation arising from the ringgit depreciation. Nevertheless, underlying inflation is expected to still remain relatively stable, amidst the modest demand pressures.

Given the challenging landscape, the focus of policy by the Government and Bank Negara Malaysia (BNM) have been on addressing domestic vulnerabilities and supporting the growth of the Malaysian economy. Monetary policy in 2015 has been to continuously support a steady growth path for the Malaysian economy while containing risks to inflation particularly from the possible effects of the implementation of the GST.

While global and domestic developments have continued to affect the ringgit exchange rate and domestic financial markets, overall domestic

liquidity conditions have remained stable. The financial system continued to be sound, with healthy growth in financing to support the economy. As at September 2015, the Overnight Policy Rate (OPR) was maintained at 3.25% and BNM was of the view that the stance of monetary policy remains accommodative and supportive of economic activity.

The Monetary Policy Committee (MPC) of BNM recognises that there are heightened risks in the global economic and financial environment. These risks are being carefully monitored to assess their implications on macroeconomic stability and the prospects of the Malaysian economy. This is to ensure that the monetary policy stance is consistent with the sustainability of the overall growth prospects.



Meanwhile, **fiscal policy in 2015** has been focusing on strengthening fiscal management amidst the environment of low global commodity prices. The expected lower oil-related revenue has prompted the Government to introduce pre-emptive fiscal adjustment measures and to revise the fiscal deficit target from 3% to 3.2% of GDP. The net impact of lower oil prices on Malaysia's fiscal position is expected to be manageable. This is on account of the increased diversification of sources of revenue over the years, which was further supported by implementation of GST, and the expenditure rationalisation measures encompassing fuel subsidy reforms and the scaling back of discretionary spending.

As a highly open economy, Malaysia is adversely affected as a result of some of the external risks seen to materialise recently, but the strong prevailing underlying fundamentals have acted as a buffer to mitigate the impact. The economy is well-diversified, inflation is low, and the balance of payments position is resilient. Labour market conditions remain healthy. The deep financial markets, strong banking system, and ample liquidity conditions have ensured that effective financial intermediation continues to function and provide support to Malaysia's resilience during bouts of volatile capital flows. External debt remains manageable with the majority of debt being in medium- to long-term tenures, and with more than 40% being denominated in ringgit. This, together with ample international reserves, accords the economy with the policy flexibility to manage the current external risks. The combination of these factors has cumulatively enabled and is believed to continue to accord effective policy response to mitigate the impact of any existing and future external shocks to the domestic economy.



CHAPTER 2

SME DEVELOPMENTS AND OUTLOOK

Against a background of stronger growth in the Malaysian economy in 2014, SMEs performed exceptionally well during the year reflecting the underlying fundamentals as well as the one-off effect from the redefinition of SMEs. SMEs benefited from the continued strength in private domestic demand and to a lesser extent from the turnaround in net exports. Value-added growth of SMEs in all sectors of the economy were higher than the overall sectoral performance. Consequently, the contribution of SMEs to overall Gross Domestic Product (GDP) increased significantly to 35.9% in 2014.



On the international front, performance of SMEs was mixed across regions and countries, broadly reflecting the trends in their domestic economy. Nevertheless, the authorities in these countries continued their unrelenting efforts to strengthen the long-term fundamentals of SMEs to alleviate growth constraints, mainly in the areas of financing, internationalisation and technology. This year, Malaysian SMEs are expected to continue to expand by 5.0 – 5.5% in line with trends in the global and domestic economy.

DEVELOPMENTS OF SMEs IN ADVANCED AND EMERGING ECONOMIES

SMEs in the global arena showed mixed performance, with countries that were reeling from the 2008/09 financial crisis continuing to recover slowly, while growth of SMEs in the rest of the world were mostly in line with developments in their domestic economy. On the long-term development of SMEs, the international community continued to discuss on a number of areas to alleviate the constraints to SME growth and to promote long-term sustainability which include finance, internationalisation to promote greater regionalisation, technology adoption and raising awareness for greater Intellectual Property (IP) adoption as well as having business continuity plans.

In the United Kingdom (UK), many SMEs had expected to increase their international activity this year, despite the gloomy outlook, according to a research report by the Western Union Business Solutions. The survey which included more than 1,000 UK SMEs engaged in international trade revealed that 83% of the respondents were confident about the UK's economic climate. As a result, they were likely to increase their international activity this year with almost half of them (47%) indicating that they have increased the number of countries that they do business within the last 12 months. The trend is expected to continue this year with more than one-third (34%) of UK SMEs with the view that their international activity will grow in 2015. The survey also revealed that UK SMEs were relatively more externally-oriented with a quarter (24%) of their revenue coming from exports, compared to other Western economies such as the United States (18%) and Canada (12%). Furthermore, the survey showed that exports contributed a higher percentage of revenue for 38% of SMEs.

Meanwhile the Organisation for Economic Co-operation and Development (OECD) highlighted that development of SMEs are often hampered by lack of access to finance despite their



Development of SMEs are often hampered by lack of access to finance despite their critical role in driving economic growth and creating jobs

critical role in driving economic growth and creating jobs. The OECD published two new reports namely, “Financing SMEs and Entrepreneurs 2015: An OECD Scoreboard” and the “New approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments”. Both discussed the need for SMEs to explore alternative avenues of finance to ensure a sustainable growth. The former reported that while credit conditions had become more relaxed, this did not apply to SMEs. Hence, bank lending to SMEs had still not recovered to pre-crisis levels. The latter highlighted the challenges of traditional bank finance for SMEs and listed an array of funding options to better address their needs at different stages of development.

During the APEC’s Committee on Trade and Investment (CTI) meeting in May this year, officials from 21 APEC economies resumed discussions on the Committee’s extensive on-going work programme which among others include supporting the APEC 2015 priorities of ‘Advancing Regional Economic Integration’ and ‘Fostering SMEs Participation in Regional and Global Markets’. These two priorities fall under the APEC 2015 overarching theme of ‘Building Inclusive Economies, Building a Better World’. APEC through its Emergency Preparedness Working Group also discussed during a meeting in Bangkok, Thailand the need for financial incentives designed to promote business continuity planning. APEC economies were hit by more than 70% of the world’s natural disasters and suffered USD68 billion annually from 2003 to 2013. Yet, only 13% of SMEs in the region have business continuity plans which involved raising disaster awareness, identifying vulnerabilities and organising teams to address them. Thus, SMEs should be encouraged to adopt business continuity plans through financial incentives such as tax cuts, reduced insurance costs, and lower interest rates to help offset the cost related to setting up of their plans.

Meanwhile, in the 46th ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) meeting held in Brunei last March, heads of ASEAN IP offices noted that over 80% of the 108 initiatives under the ASEAN Intellectual Property Rights (IPR) Action Plan are expected to be completed by end of 2015. Moving forward, AWGIPC is already working on its strategic action plan for the next decade which includes the capitalisation and commercialisation of IP to help businesses including SMEs gain a competitive edge. The Group is also looking at creating a regional helpdesk for IP, as well as a virtual IP academy for training purposes.

PERFORMANCE OF SMEs IN MALAYSIA

Growth Trends from 2010 – 2014

Latest statistics indicated that the long-term growth trend of SMEs in Malaysia since 2004 has remained, with SME GDP growth continuously outpacing that of the overall economic growth of the country. In the period 2010 – 2014, based on the newly rebased 2010 prices, the average compounded annual growth rate (CAGR) of SMEs was 8.3%, which was higher than the CAGR of the overall economy of 5.4%. As a result, SME contribution to GDP increased from 32.2% in 2010 to 35.9% in 2014.

Table 2.1: SME GDP share by Key Economic Activity (constant 2010 prices)

	SME Contribution to GDP			SME GDP Growth
	2010 (% share)	2014 (% share)	Increase / decrease in share	CAGR ¹ 2011 – 2014
Overall²	32.2	35.9	+3.7	8.3
Construction	0.9	2.0	+1.1	28.9
Services	19.6	21.1	+1.5	7.3
Mining & Quarrying	0.0	0.1	+0.1	39.3
Agriculture	4.3	4.5	+0.2	6.7
Manufacturing	7.2	7.8	+0.6	7.5

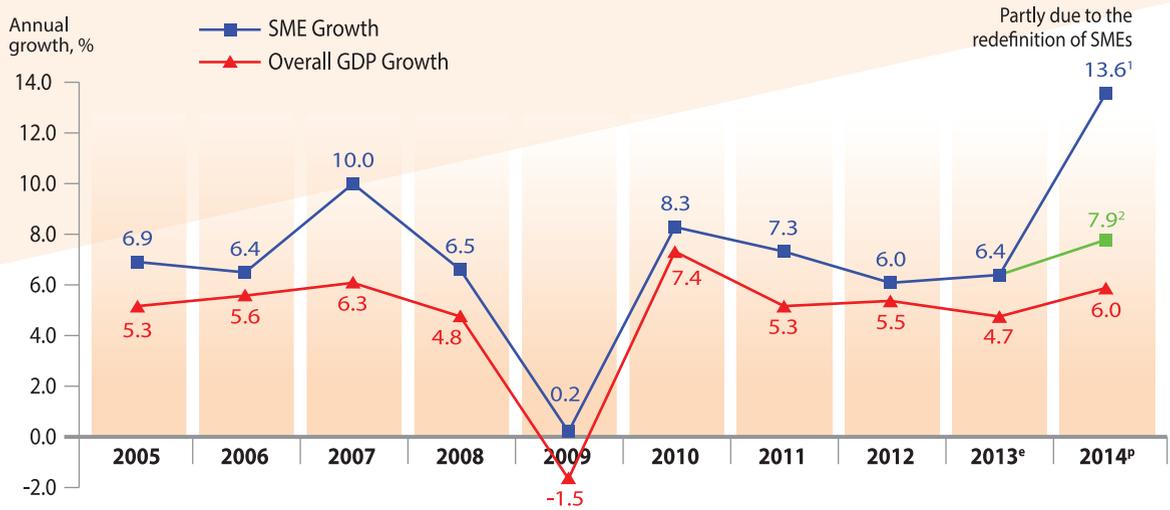
¹ CAGR refers to compounded annual growth rate

² Total value-added after taking into account import duties

Source: Department of Statistics, Malaysia

In terms of performance by economic sectors, the increase in share of SMEs to GDP in the period 2010 – 2014 was contributed by all economic sectors particularly in construction and services sectors. SME GDP in the mining & quarrying sector expanded at a CAGR of 39.3%, followed by the construction sector (28.9%).

Chart 2.1: SME GDP and Overall GDP Growth (constant 2010 prices)



e: estimate, p: preliminary

^{1/} Growth based on 2014 New SME Definition versus 2013 Old SME Definition

^{2/} Growth based on 2014 New SME Definition versus 2013 New SME Definition

Source: Department of Statistics, Malaysia and SME Corp. Malaysia



OVERVIEW ON PERFORMANCE IN 2014

In 2014, SME GDP grew at a phenomenal rate of 13.6% (2013: 6.4%) due mainly to the one-off effect of the SME new official definition, which came into force in January 2014, where about 8,000 firms previously considered as large firms are now categorised as SMEs. If yearly GDP data for two years (2013 and 2014) were based on the new SME definition respectively, the growth of SME GDP would have been at 7.9% in 2014 instead of 13.6%. This reflected that the underlying growth of SMEs remained strong in 2014 underpinned by the robust private sector activities, particularly consumption and investment. As a result, SME GDP continued to record a higher growth superseding the overall GDP growth of 6%. The trend was also reflected across all economic sectors.

Table 2.2 : SME GDP and Overall GDP Growth by Key Economic Activity in 2014
(constant 2010 prices)

	2014 SME GDP Growth (2014 New SME Definition vs 2013 New SME Definition)	2014 SME GDP Growth (2014 New SME Definition vs 2013 Old SME Definition)	Overall GDP growth
	Growth (y-o-y change, %)		
Mining & Quarrying	9.6	182.6	3.3
Construction	12.8	98.7	11.8
Agriculture	2.7	17.2	2.1
Manufacturing	8.6	10.9	6.2
Services	8.3	8.7	6.5
Total	7.9	13.6	6.0

Source: Department of Statistics, Malaysia

SME GDP GROWTH IN 2014 BY ECONOMIC SECTORS

The strongest performing economic sectors among SMEs in year 2014 were the non-key economic sectors, namely construction, and mining and quarrying sectors, while the agriculture and the manufacturing sectors recorded double-digit growth of 17.2% and 10.9% respectively during the year. SMEs in the services sector recorded a higher growth of 8.7% as compared to the overall services value-added growth of 6.5%. SME value-added growth across all economic sectors was higher as compared to the overall value-added GDP growth in all sectors.

Table 2.3 : SME GDP and Overall GDP share by Key Economic Activity in 2014
(constant 2010 prices)

	Year 2014 (percentage share to total, %)	
	SME GDP	Total GDP
Services	58.6	53.5
Manufacturing	21.7	23.0
Agriculture	12.4	9.2
Construction	5.7	4.3
Mining & Quarrying	0.4	9.0
Plus: import duties	1.1	1.1
Total	100	100

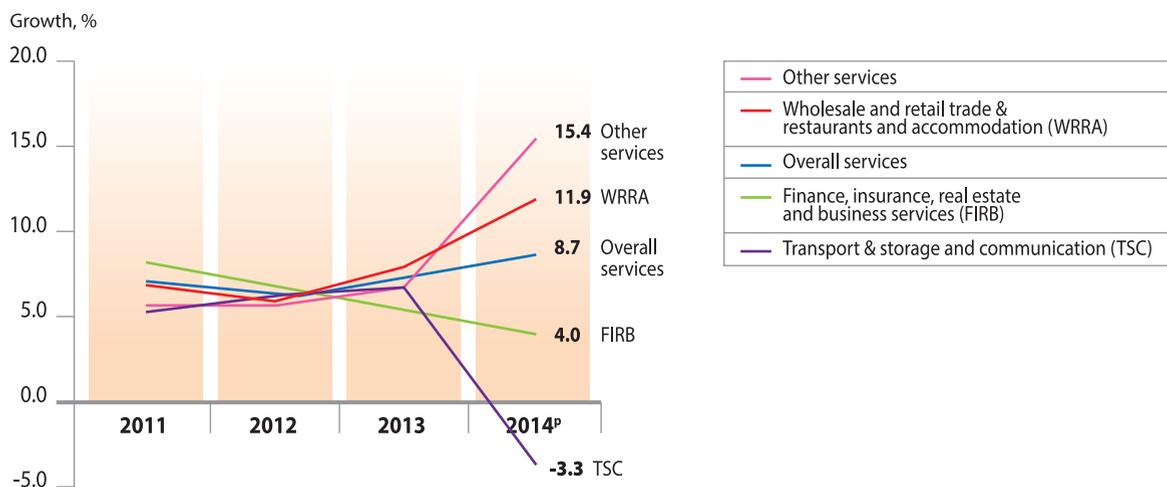
Source : Department of Statistics, Malaysia

However, the economic structure of SMEs compared with the overall economy was slightly different. The SME share of services, agriculture and construction sectors to total SME value-added were higher at 58.6%, 12.4% and 5.7% respectively compared with the overall share of services, agriculture and construction sectors of 53.5%, 9.2% and 4.3% to total real GDP respectively. In contrast, SME share of the manufacturing sector to total SME GDP was smaller (21.7%) compared with the overall manufacturing sector share to total GDP of 23%. Meanwhile, the value-added share of SMEs in the mining and quarrying sector was only 0.4% of the total SME GDP as compared with the overall mining and quarrying sector share to total GDP of 9% as bulk of the SMEs are in the low value-added quarrying activity.

SME Valued-added in the Services Sector

Value-added of SMEs in the services sector recorded a growth of 8.7% in 2014 versus the overall services sector growth of 6.5%. The growth was mainly driven by the largest component namely, the wholesale and retail trade & restaurants and accommodation (62% of total SME services sector) followed by 'other services' sub-sector, namely private education, healthcare and personal services.

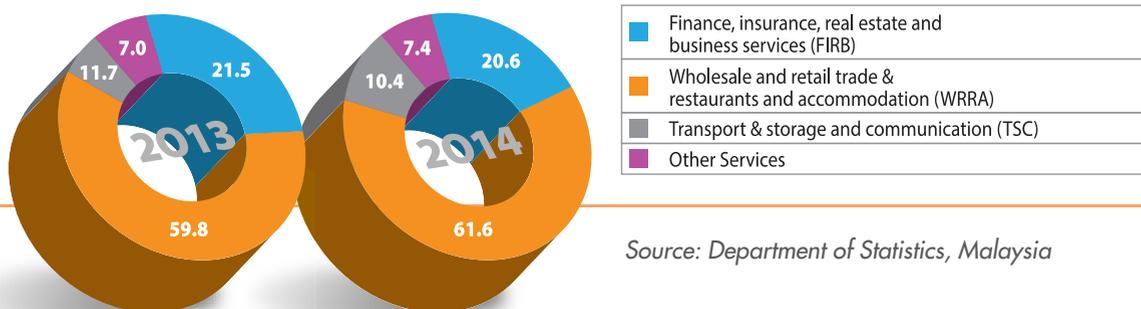
Chart 2.2 : SME Value-added Growth of Sub-sectors in the Services Sector



p: preliminary

Source: Department of Statistics, Malaysia

Chart 2.3 : Components of Value-added of SMEs in the Services Sector (%)

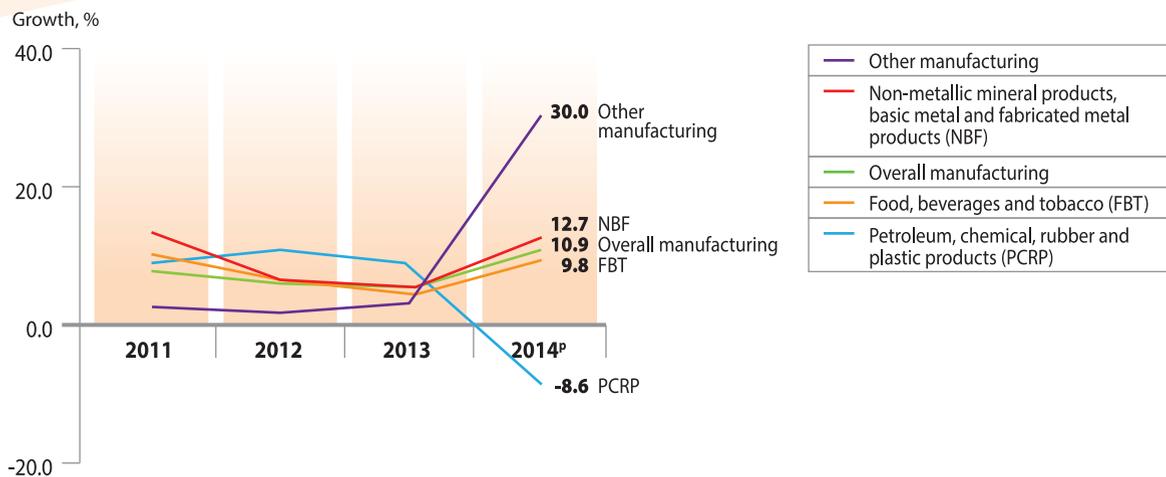


Source: Department of Statistics, Malaysia

SME Value-added in the Manufacturing Sector

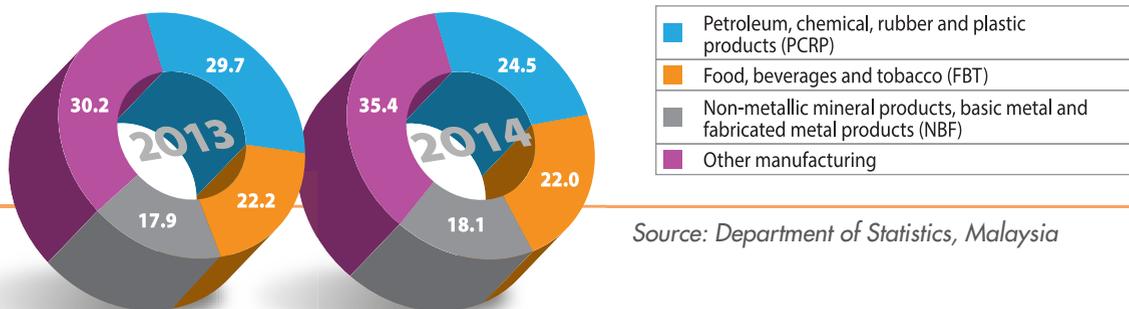
Value-added growth of SMEs in the manufacturing sector expanded by 10.9%, driven mainly by other manufacturing which grew by 30% (2013: 2.8%) and non-metallic mineral products, basic metal and fabricated metal products, 12.7% (2013: 2.8%) and food, beverages and tobacco products, 12.7% (2013: 4%).

Chart 2.4 : SME Value-added Growth of Sub-sectors in the Manufacturing Sector



p: preliminary
 Source: Department of Statistics, Malaysia

Chart 2.5 : Components of Value-added of SMEs in the Manufacturing Sector (%)

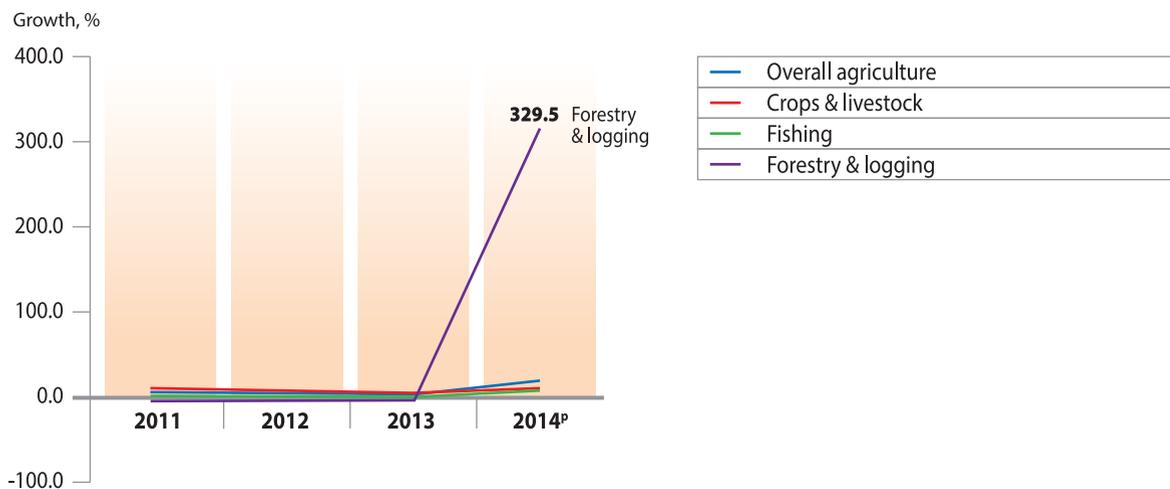


Source: Department of Statistics, Malaysia

SME Value-added in the Agriculture Sector

In the agriculture sector, value-added growth of SMEs expanded at a higher rate of 17.2% compared to the overall growth in the agriculture sector of 2.1%. This is due partly to the redefinition effect and better performance of agriculture crops, such as vegetables, fruits and paddy as well as livestock, which are mainly cultivated by SMEs as well as better SME performance from the fishing and forestry & logging sub-sectors.

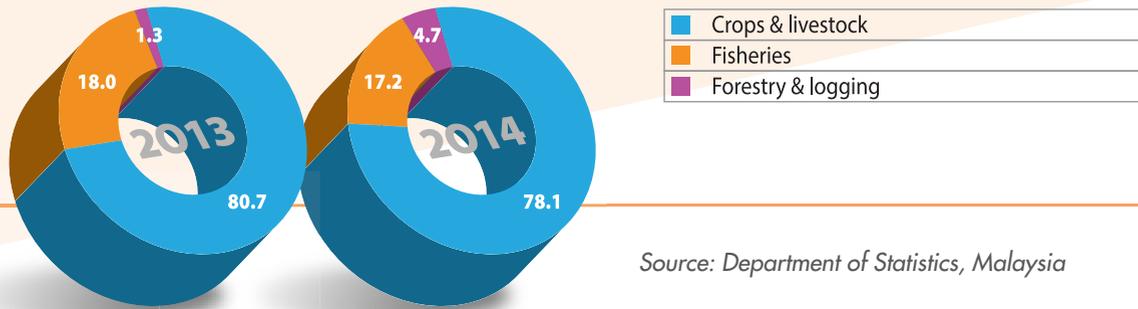
Chart 2.6 : SME Value-added Growth of Sub-sectors in the Agriculture Sector



p: preliminary

Source: Department of Statistics, Malaysia

Chart 2.7 : Components of Value-added of SMEs in the Agriculture Sector (%)

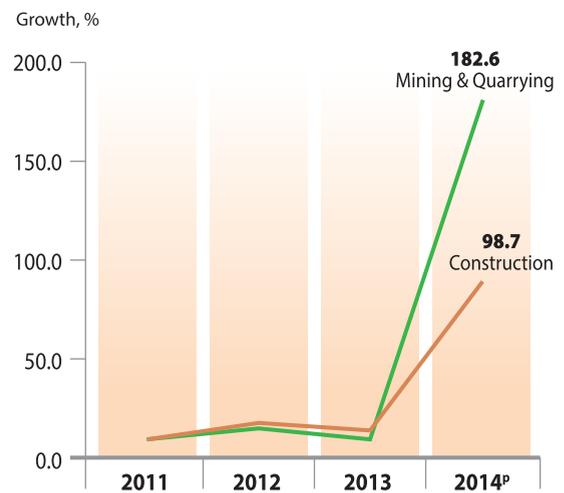


Source: Department of Statistics, Malaysia

SME Value-added in the Construction and Mining & Quarrying Sector

Based on 2014 new SME definition, SME value-added in the construction sector grew markedly by 98.7% in 2014. If not for the rebasing, estimates suggest that the underlying growth was around 12.8%, which both recorded higher than the overall construction sector growth (11.8%). In the overall economy, the sector also contributed the highest real value-added growth.

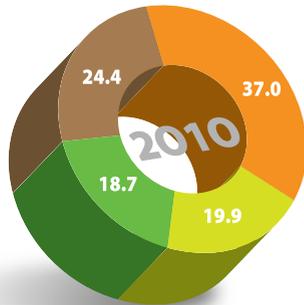
Chart 2.8 : SME Value-added Growth in the Construction and Mining & Quarrying Sector



p: preliminary

Source: Department of Statistics, Malaysia

Chart 2.9 : Components of Value-added of SMEs in the Construction Sector (%)

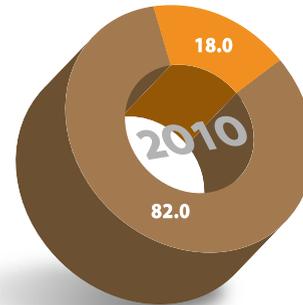


Special Trades	Civil Engineering
Residential Buildings	Non-Residential

Source: Department of Statistics, Malaysia

SME value-added in the mining and quarrying sector also recorded an exceptionally high growth of 182.6% due to the rebasing effect. The underlying growth was around 9.6%, underpinned by robust stone quarrying activities in line with the strong construction activity during the year. This is explained by the fact that more than 80% of the SMEs in the sector are involved in quarrying activity.

Chart 2.10 : Components of Value-added of SMEs in the Mining & Quarrying Sector (%)



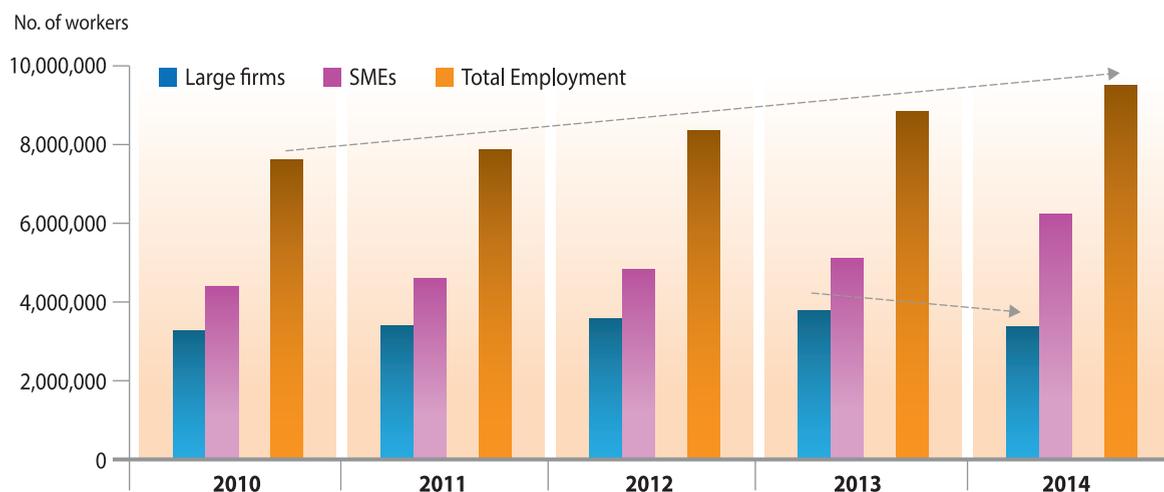
Mineral mining
Stone, rocks & granite quarrying

Source: Department of Statistics, Malaysia

Employment of SMEs

As a result of the redefinition of SMEs that took effect 1 January 2014, more than 8,000 firms which were previously classified as large firms have now been classified as SMEs, which were mainly medium-sized SMEs. In the new SME definition, SMEs in the manufacturing sector must have full-time employees not exceeding 200 or sales turnover not exceeding RM50 million, while for SMEs in services and other sectors, they must have full-time employees not exceeding 75 or sales turnover not exceeding RM20 million.

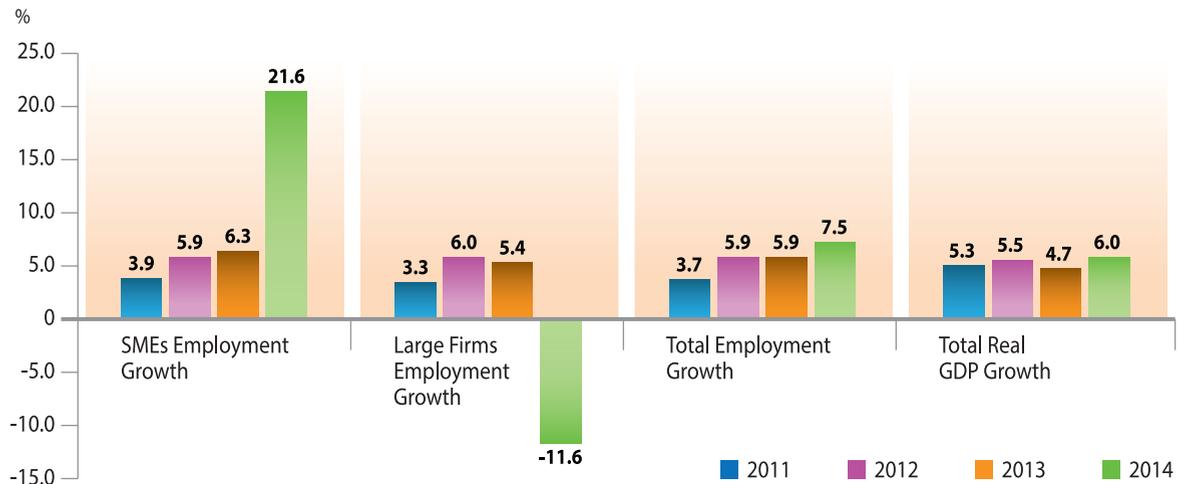
Chart 2.11 : Employment by Firm Size (2010 - 2014)



Source: Department of Statistics, Malaysia

As a result of the new SME definition, a record number of 6.2 million employees were employed by SMEs, reflecting an additional 1.1 million workers coming into the SME job market. This includes employees that work in the large firms that have been reclassified as SMEs (estimated 18% of total SME employees) and the existing SMEs that were SMEs before the new SME definition (estimated 82% of total employees of SMEs). With the new SME definition, SME employment recorded a double-digit growth of 21.6%, more than offsetting the contraction in employment by large firms of 11.6% thus resulting in the overall employment growth of 7.5%.

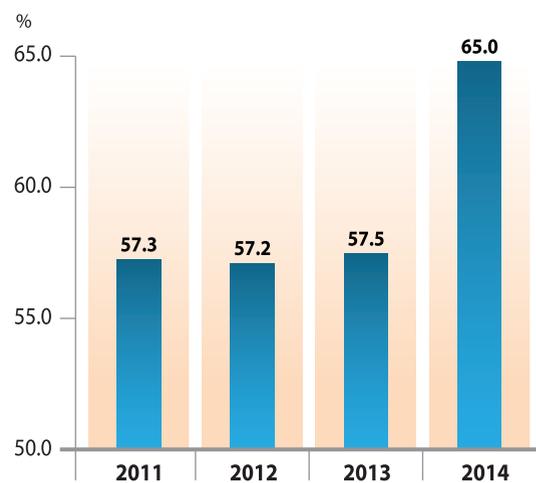
Chart 2.12 : Employment Growth Performance by Firm Size, % (2010 - 2014)



Source: Department of Statistics, Malaysia

Total employment growth in 2014 was the highest since 2010 due to higher employment growth in all economic sectors, except mining and quarrying. Employment growth in the agriculture and construction sectors recorded a double-digit growth of 13.7% and 10.9% respectively. On the additional employees recorded in 2014, the numbers were mostly contributed by SMEs in the services (+561,000 employees) and construction (+329,000 employees) sectors. As a result, SME employment share of total employment expanded to 65% in 2014, above the target set under the SME Masterplan.

Chart 2.13 : Employment Share of SMEs to Total Employment (%)



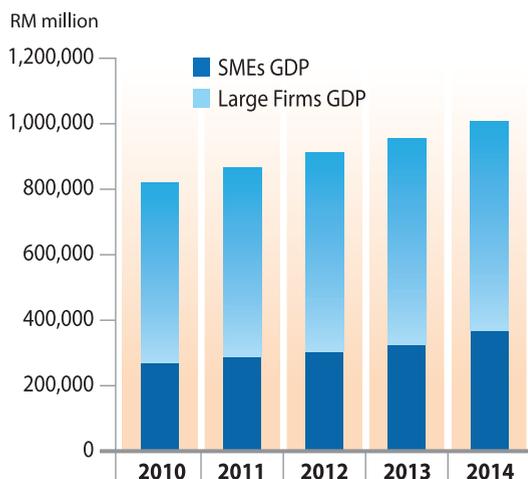
Source: Department of Statistics, Malaysia

Productivity of SMEs

As a result of the new SME definition, the additional number of SME employees had increased relatively more than the additional real GDP of SMEs in 2014 in comparison with year 2013. This has resulted in the decline in SME productivity by 6.6%, while the large firms recorded a higher productivity of 15.5% probably due to the shift in employment for about 8000 firms to SMEs following the redefinition of SMEs. This implied that many of the mid-tier companies that were above RM50 million sales for the manufacturing sector and above RM20 million for the rest of the sectors were relatively labour-intensive.

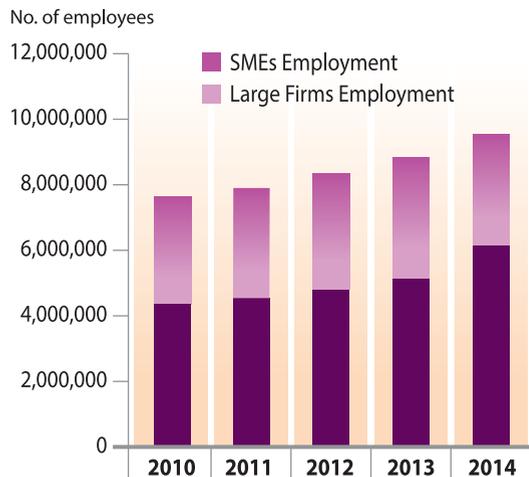
Over the years, labour productivity gap between large firms and SMEs has improved, albeit gradually. In 2013, SME labour productivity was 2.7 times lower than the large firm productivity, a decline from 2.8 times in 2010 (2005: 3.2 times). However, in 2014, the labour productivity gap reversed to widen to 3.3 times between large firms and SMEs due mainly to the increase in the numbers of employees working with SMEs. The decline in SME productivity versus the large firms was mainly seen in the services (5.7 times) and agriculture (2 times) sectors. The productivity of the construction sector remained the same at 1.2 times as per in 2013, while the productivity gap of the manufacturing sector improved slightly by 1.5 times (2013: 1.6 times).

Chart 2.14: Real GDP, Employment and Productivity of SMEs: 2010 - 2014

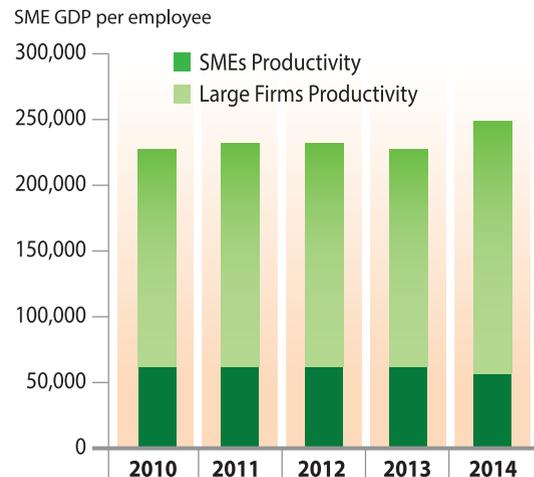


Real GDP of SME continued to rise

Source: Department of Statistics, Malaysia



...but the rate of SME employment was higher than SME GDP in 2014



...resulted in a one-off effect of lower SME productivity in 2014

Source: Department of Statistics, Malaysia

Source: Department of Statistics, Malaysia

Chart 2.15 : Productivity Growth by Firm Size, % (2010 - 2014)

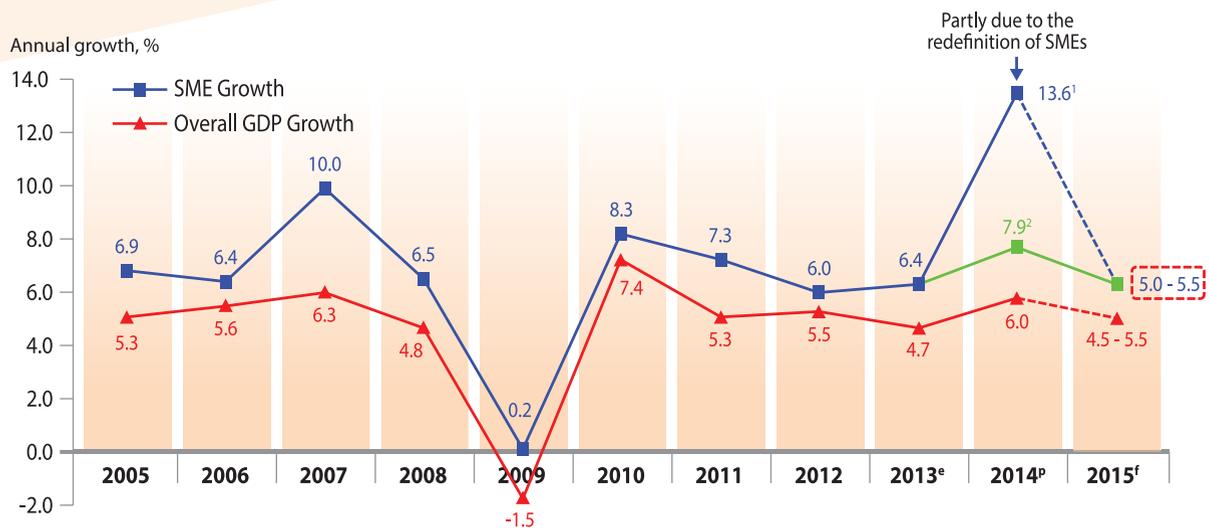


Source: Department of Statistics, Malaysia and SME Corp. Malaysia

OUTLOOK FOR SMES IN 2015

In line with the latest global outlook and projections for the Malaysian economy of 4.5 – 5.5% (2014: 6%), SME GDP is expected to expand by 5.0 – 5.5% in 2015.

Chart 2.16: Growth Projections of SME GDP and Overall GDP



e: estimate, p: preliminary, f: forecast

¹/ Growth based on 2014 New SME Definition versus 2013 Old SME Definition

²/ Growth based on 2014 New SME Definition versus 2013 New SME Definition

Source: Department of Statistics, Malaysia and SME Corp. Malaysia (projection)

The expected moderation in SME performance in 2015 is accompanied by lower growth in investment and consumption activities. The wholesale and retail activity is likely to taper due to weaker consumer sentiment and effect of lower disposable income of households from the GST implementation. However, this could be partly mitigated by the effects expected from the increase in tourist arrivals during the year. Similarly, growth of SMEs in the manufacturing sector is expected to moderate reflecting lower expansion in domestic and exports-oriented industries. Meanwhile, SMEs in the mining and quarrying, and construction sectors are expected to continue to benefit from the on-going infrastructure and civil engineering projects undertaken by both the Government and private sector.

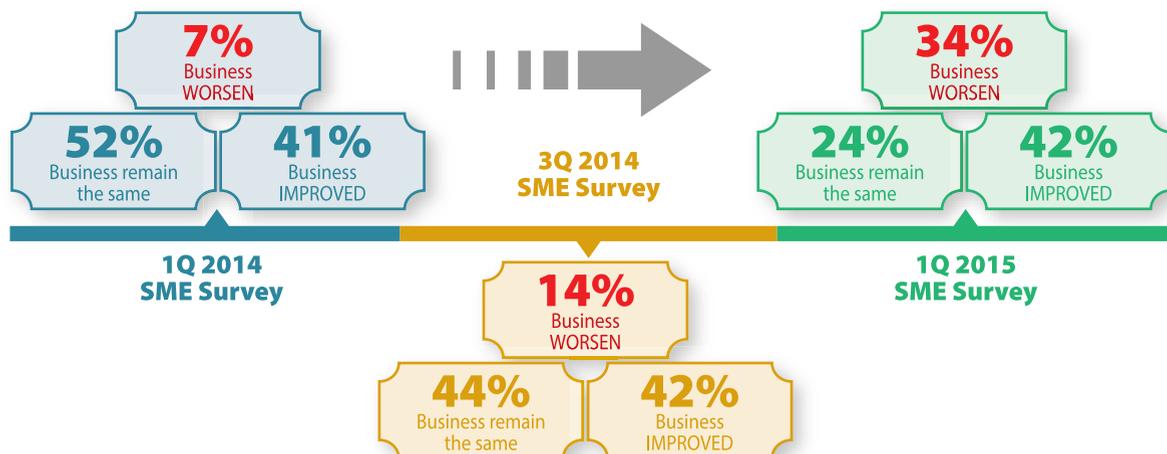
Table 2.4 : 1Q 2015 SME Survey Findings on SME Performance versus 3Q 2014

	Decreased		Same Performance		Increased	
	Percentage share of total respondents, %					
	1Q 2015	3Q 2014	1Q 2015	3Q 2014	1Q 2015	3Q 2014
Sales Turnover	25.6	22.7	35.4	28.8	39.0	48.6
Pre-tax Profit	19.8	22.4	52.9	38.2	27.3	39.3
Average Selling Price	11.6	12.9	59.7	52.3	28.7	34.8
Exports Sales	13.2	12.3	61.2	58.0	25.6	29.7
Production (mftg & agri)	8.6	12.3	65.0	52.3	26.3	35.4
Domestic Sales	20.3	-	48.2	-	31.5	-

Source: 1Q 2015 and 3Q 2014 SME Survey, SME Corp. Malaysia

The expected moderation in the SME GDP growth in 2015 is also in line with the findings from the First Quarter 2015 SME Survey undertaken by SME Corp. Malaysia with a sample size of 2,063 SMEs. This is evident from the respondents' perception and figures on sales, production and export figures for the quarter under review. The share of total respondents citing better performance was lower in comparison with the Third Quarter 2014 SME Survey findings. For example 39% of the respondents were of the view that sales turnover had increased in the first quarter of 2015, which was lower than 49% in the third quarter of 2014.

Chart 2.17 : Recent SME Surveys on SMEs Near-Term Business Outlook



Source: SME Corp. Malaysia's Quarterly Surveys

Similarly on the short-term business outlook for the next six months, the respondents were also less optimistic. About one-third of the respondents were expecting their business prospects to worsen compared to only 7% about a year ago. Respondents in the construction, services and agriculture sectors were expecting a worsening outlook and mainly among the medium and small-sized firms. The less upbeat outlook was also reflected in the new orders / bookings of products and services of respondents.

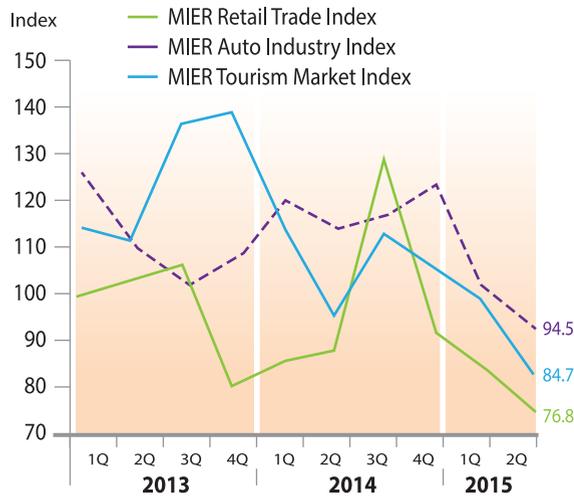
Chart 2.18 : 1Q 2015 SME Survey Finding on New Orders / Bookings of Products and Services



Source: 1Q 2015 and 3Q 2014 SME Survey, SME Corp. Malaysia

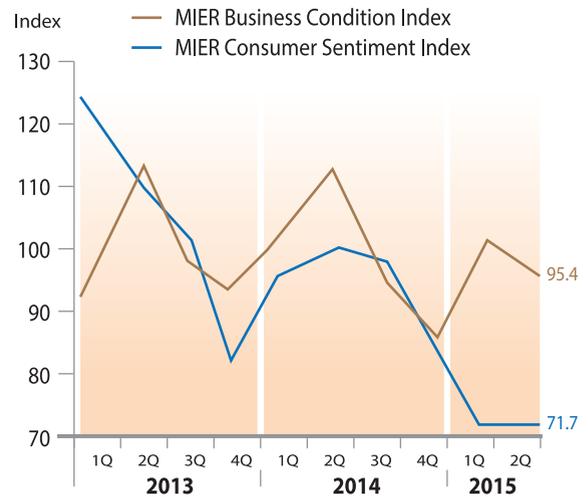
Other forward looking indicators such as the MIER retail trade index, MIER tourism market index and leading index published by the Department of Statistics also showed a lower trend, suggesting moderation in SME GDP in the second half of 2015.

Chart 2.19:
MIER Retail Trade, Auto Industry & Tourism Market Indices



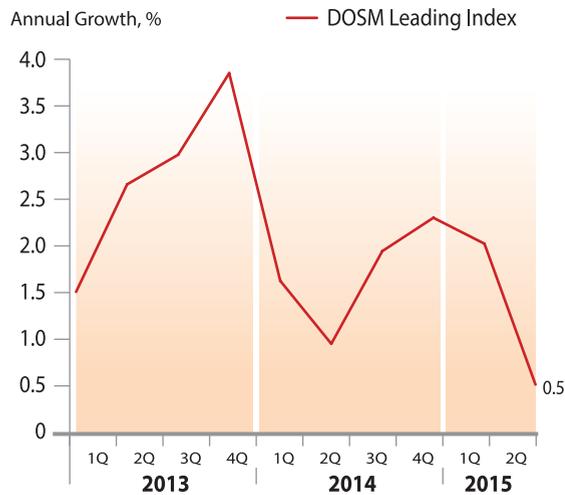
Source: Malaysian Institute of Economics Research (MIER)

Chart 2.20:
MIER Indices: Business Condition Index & Consumer Sentiment Index



Source: Malaysian Institute of Economics Research (MIER)

Chart 2.21:
DOSM's Leading Index



Source: Department of Statistics, Malaysia

BOX ARTICLE

SURVEY ON SMEs IN 2014 AND 2015

SME Corp. Malaysia as the Secretariat to the National SME Development Council (NDSC) since 2009 has been conducting surveys on SMEs to gauge the quarterly business performance as well as to seek feedback on current issues facing SMEs in Malaysia. The surveys which were conducted in collaboration with Bank Negara Malaysia were well represented in terms of economic sectors, geographical spread (including East Malaysia), establishment size as well as gender.

Third Quarter 2014

The Third Quarter 2014 (3Q 2014) SME Survey covering 2,280 respondents highlighted that SME respondents still remained relatively optimistic on the near-term outlook, as 42% of them cited improved business performance in the next six months until March 2015, particularly microenterprises and those in manufacturing sector. Nevertheless, detailed findings showed that majority of respondents continued to face rising cost pressures, as about 73% of the respondents cited an increase in their operating cost. As for the price pressures in the coming months, more respondents (91%) anticipated higher operating cost in the first half of 2015, with almost three-quarters expecting 1-10% increase. In responding to these issues,

measures taken by respondents to mitigate the rising cost of doing business included enhancing productivity, cutting back on business expenses as well as passing down the cost to consumers by increasing the price of goods and services.

On the GST implementation, big improvement was seen in terms of respondents' understanding about GST, as compared to the previous surveys. More than half of the respondents (56%) had fair knowledge on GST (previous 1Q 2014 Survey: 9%) while another 8% fully understood the GST (previous 1Q 2014 Survey: 2%). In terms of respondents' view of the Competition Act 2010, about 44% were not aware of the Competition Act 2010, indicating a low level of awareness among respondents. Of the 27% who were aware of the Act, only 44% knew about the existence of Malaysia Competition Commission (MyCC) as an agency to govern competition matters. In addition to that, most respondents were not sure on some of the current practices that are against the Competition Act 2010.

First Quarter 2015

The First Quarter 2015 (1Q 2015) SME Survey which covers 2,063 respondents focused on the recent performance and current issues affecting SMEs such as cost of doing business, financing, Goods and Services Tax (GST) and understanding on the ASEAN Economic Community (AEC).

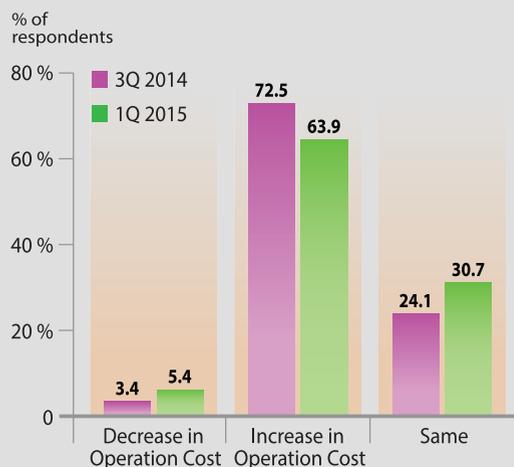
Cost of Doing Business

The cost of doing business was affected by the series of Government reforms such as

subsidy rationalisation, implementation of the Minimum Wages and GST. The first quarter 2015 survey findings revealed that about 64% of the respondents cited an average increase of 6% in their operating cost during the quarter from the effects of higher fuel cost from last year, introduction of GST and higher electricity tariff. In order to mitigate the rising cost and to stay competitive, respondents indicated that in the near-term, they would take the following measures:

- reduce operating costs (41%);
- maintain selling prices but pass on the GST charge to their customers (29%);
- introduce new products and services (24%); and
- raise prices with the GST included (21%).

Chart 1: Operating Cost of SMEs

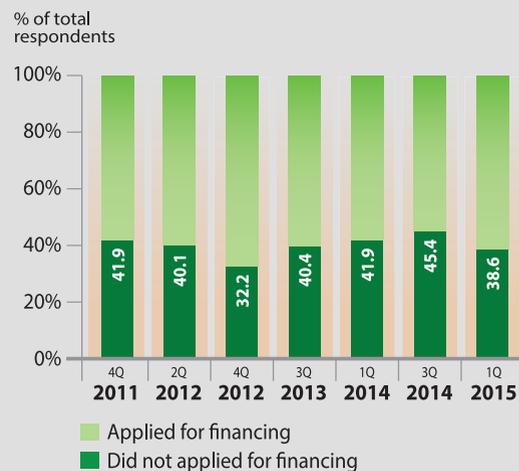


Source: SME Corp. Malaysia

Business Financing

During the quarter under review, SMEs continued to have access to financing, with about 39% of the respondents having applied for new or additional financing from financial institutions in the last six months. The approval rate was 95% mainly backed with collateral i.e. property and fixed deposit. In addition, the findings also revealed that majority of the respondents needed financing for the purpose of purchasing raw materials as well as machinery and equipment.

Chart 2: SMEs Demand for Financing



Source: SME Corp. Malaysia

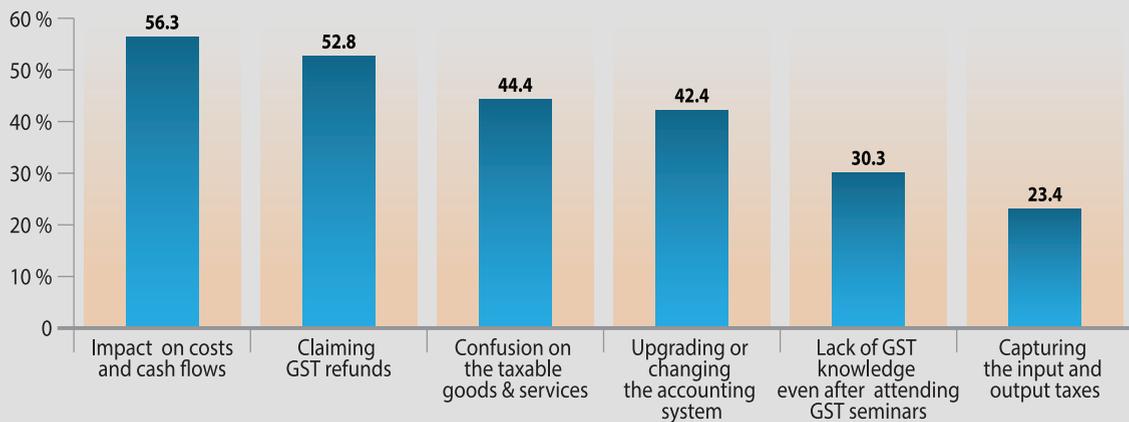
Meanwhile, in terms of export facility, about 24% of those who were exporting utilised some form of export facility in the last two years, with most of them utilising letter of credit. For applicants who did not utilise export facilities, most respondents indicated not requiring any financing facility and had used the company's internal funds.

Goods and Services Tax

The Goods and Services Tax (GST) came into effect on 1 April 2015. On the GST registration, the Survey showed that three-quarters of the respondents have been GST registered. About 13% of the registrants indicated that GST had affected their business operations positively in a way that it helped them to better manage their business and utilise ICT, while another 37% indicated they were negatively affected by the GST implementation. Of those who were GST registered, the main concerns in implementing the policy were on cost and cash flow issues (56%); claiming GST refunds (53%); confusion on taxable goods and services (44%); and upgrading the accounting system (42%).

Majority of respondents had benefited from the Government assistance. The top three types of assistance were seminars and training on GST awareness; eVoucher for GST software channeled through SME Corp; and tax incentive for purchase of equipment and software. Interestingly, in contrary to the general perception that all businesses raised prices in response to the GST implementation, the survey showed that only 44% of the respondents increased prices or intended to increase their selling price in the near-term. The price increase was in the range of 1-10% and mainly in the post-GST period i.e. the second and third quarters of 2015. In terms of service charge, only 15% of the total respondents in the services sector imposed service charge on their

Chart 3: Concerns in Implementing GST



Source: SME Corp. Malaysia

customers, with 40% of them claiming it is the firms' right to impose service charge on services rendered. This showed that generally SMEs did not have the bargaining power to raise prices or to impose charges unlike the large firms.

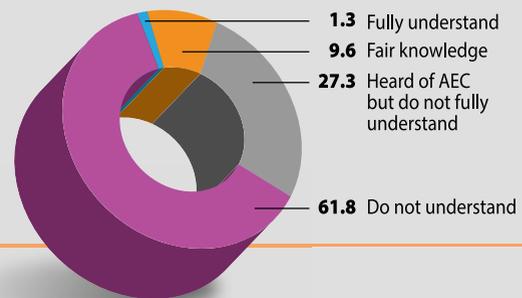


ASEAN Economic Community

The survey also gauged the level of understanding of Malaysian SMEs on the ASEAN Economic Community (AEC) and its benefits. Findings from the survey highlighted that most respondents did not understand the role of the AEC. Only 1% said that they fully understood the AEC and another 10% said that they had a fair knowledge on it. In fact, most respondents did not know that the AEC will

be formed at the end of 2015. These findings indicated a low level of awareness and clarity among SMEs on the AEC, which was also supported by the fact that these respondents were unsure on the benefits of the AEC on the firms. As a result of these findings, the Ministry of International Trade and Industry (MITI) together with SME Corp. and Matrade held an AEC Open Day on 10 August 2015 to educate and advise SMEs on AEC, which drew more than 600 participants.

Chart 4: Level of Understanding on AEC (%)



Source: SME Corp. Malaysia

CHAPTER 3

POLICIES ON SME DEVELOPMENT

Progress on SME development has been commendable since the establishment of the National SME Development Council (NSDC) more than 10 years ago. The implementation of the SME Masterplan beginning 2014 and other policy initiatives have further reinforced efforts towards creating a comprehensive SME and entrepreneurship ecosystem to support businesses in the entire lifecycle i.e. from ideation to pre-seed, start-up, growth/expansion, all the way to maturity into entering the external foray to becoming regional and global players. Regionalisation has become ever more important in the face of the impending ASEAN Economic Community coming into fruition at end-2015. Preparation is ongoing by the Ministry of International Trade and Industry (MITI) to smoothen the transition for businesses to integrate into the regional market. Besides lowering of trade and non-trade barriers, other regulations pertaining to licenses and permits for operating in the domestic market are also being reviewed and streamlined to becoming more business-friendly.

Under the 11th Malaysia Plan (2016-2020), the final run-up for Malaysia to realising the 2020 aspiration of a high income country, the SME Masterplan becomes the overarching policy for SME development. Key emphasis is on productivity, innovation, inclusivity and entrepreneurship in a bid to strengthen the long-term competitiveness and resilience of domestic SMEs. Local players will need to reposition themselves to continue being relevant in the changing market conditions.

National SME Development Council and Key Initiatives

The National SME Development Council (NSDC) has been the driving force for the country's SME development agenda for more than 10 years now. The Council was established in 2004 to serve as the highest policy making body to chart the strategic direction and formulate policies for a more comprehensive and coordinated SME development in the country. Over the years, NSDC has recorded significant achievements on several fronts which include adopting a national SME definition, development of SME statistics, dissemination of information in a systematic manner through publications, monitoring and analysing performance of SMEs for policy formulation, as well as development of financial infrastructure and introduction of new financial products.



Key emphasis is on productivity, innovation, inclusivity and entrepreneurship in a bid to strengthen the long-term competitiveness and resilience of domestic SMEs



The 18th NSDC Meeting held in June 2015 took cognisance of the fact that the 11th Malaysia Plan will be the last mile to accelerate SME growth towards achieving a high income nation by 2020. To achieve this, SME growth need to shift from input-driven at the moment to productivity-driven growth which requires strong measures to uplift labour productivity and total factor productivity. The Meeting also took note of the recent developments and deliberated on the strategy forward on SME development.

Despite growing challenges arising from increasing cost pressures and competition amidst the on-going reforms and liberalisation, SME growth were firmly on a sustained path, outpacing that of the overall economy. Policy focus will be to facilitate an exponential expansion to promote a higher growth trajectory in order to achieve an increased contribution of SMEs to 41% of GDP by 2020.

Updates on the SME Masterplan (2012-2020)

In July 2012, the Government launched the SME Masterplan with the aim to increase the contribution of SMEs to the economy in line with Malaysia's aspiration to becoming high income economy by 2020. In 2014, the implementation of the SME Masterplan gained traction with five out of six High Impact Programmes (HIPs) having been rolled out and benefiting SMEs.

Since HIP 2 or the Technology Commercialisation Platform began in May 2014 by PlatCOM Ventures Sdn. Bhd., a wholly-owned subsidiary of Agensi Inovasi Malaysia, 36 SMEs have been admitted into the programme out of the 381 SMEs screened, and two of the companies have since commercialised their products. Meanwhile, the Inclusive Innovation programme under HIP 6 is aimed at facilitating affordable access of quality goods and services for the excluded population, namely those at the bottom of the income pyramid. Since its inception earlier this year, HIP 6 which is implemented by Yayasan Inovasi Malaysia, has reached out to 250 communities and assisted three innovators.

In 2014, the implementation of the SME Masterplan gained traction with five out of six High Impact Programmes having been rolled out and benefiting SMEs



The Going-Export Programme (HIP 4) to internationalise export-ready SMEs, which is managed by MATRADE, has benefited 71 companies with two companies securing sales contract amounting to more than RM1.8 million. The Catalyst programme or HIP 5 undertaken by SME Corp. Malaysia, has begun with 20 SMEs in the BioNext segment being considered, while the project on HIP 1 led by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) on ease of doing business towards creating a single gateway for business registration and licensing has begun to gather momentum. The Business Registration and Licensing InfoPortal is expected to be ready by end of 2015, while the integration of registration and licenses will be done in stages as it involves three levels of Government, namely federal, state and local councils.

Taking into consideration the recent developments in the economy and latest statistics, NSDC agreed to the review in the macro targets set under the SME Masterplan. While the SME GDP target for 2020 of 41% remains unchanged, SMEs will now be on a new growth path of an average annual rate of 8%, versus 8.7% set earlier under the SME Masterplan due mainly to a lower GDP average growth for the country of 5 - 6% from the earlier 6%. Meanwhile, SME contribution to employment by 2020 was revised upward slightly to 65% in 2020 from 62% previously, while the share of SME exports was revised to 23% from 25% previously.

Parallel to the implementation of the HIPs, some of the other 26 initiatives are also on-going and these among others include mandating a specific Government procurement policy for SMEs which was announced by YAB Prime Minister on 20 January 2015, amendments to the Bankruptcy Act to give a “second chance” to bankrupt entrepreneurs as well as enhancing the credit information system for funding by Government bodies / agencies to address information asymmetry and for efficient management of public resources. Going forward, the focus would be to expedite the implementation of the SME Masterplan, specifically the high impact initiatives to facilitate the shift in the growth drivers dependent on labour inputs to productivity.



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SMEs under Budget 2015

A total of RM12.1 billion has been allocated for SME development in 2015 which was announced in two separate occasions. The first announcement was made during the tabling of Budget 2015 in October last year whereby the Government announced a total of RM11.4 billion, mainly to continue supporting the long-term development agenda through the implementation of the SME Masterplan and other supporting initiatives. Besides focusing on encouraging business formation through acculturation of entrepreneurship especially among the youth and women, the measures announced were also intended to raise the productivity of SMEs by encouraging the shift towards automation and mechanisation.

In January 2015, the Government announced an additional RM700 million for SMEs during a special address on the current economic developments and Government's financial position. The allocation was to provide further boost to SME performance in the midst of dampened business sentiment following the challenging external developments and domestic conditions brought upon by major floods affecting the country during the end of 2014. The proactive measures announced were meant to assist SMEs by reactivating their businesses, alleviating short-term cash flow problems as well as stimulating demand for their products and services. For businesses in the flood-stricken areas, the measures were aimed to assist them recover and revert come back to normalcy. These among others include the RM500 million for Special Relief Facility by BNM and RM100 million each under TEKUN and AIM for the business communities affected by the floods besides the activation of the SME Emergency Fund of RM10 million by SME Corporation Malaysia.





GST eVoucher

SMEs like any other business entities were not spared from the newly introduced tax regime. However, as mandated by the GST Bill, only companies with annual revenue of more than RM500,000 have been required to register for GST, while for the rest of the businesses, registration is voluntary. As of August 2015, a total of 365,842 SMEs have been registered with the Royal Malaysian Customs Department to be GST compliant. In order to assist SMEs in preparing for implementation of GST, the Government had allocated a total of RM150 million financial assistance to be channelled through SME Corp. Malaysia. For this purpose, the GST eVoucher worth RM1,000 each was introduced for the purchase of GST compliant software or upgrade of existing software to be GST compliant. The vouchers were to be redeemed from certified software providers and redemption is based on the actual amount if the purchase or upgrade of the software is less than RM1,000. As of August 2015, over 150,000 eVouchers have been issued but the final redemption by SMEs from the vendors totalled 93,937. As of end-August 2015, 88,400 claims from SMEs and 133 claims from vendors have been processed.

SME Development under the 11th Malaysia Plan

The 11th Malaysia Plan (11th MP) which was unveiled on 21 May 2015 sets out the country's five-year development plan towards the year 2020. The Plan emphasises on rapidly delivering high impact outcomes on the capital and people economy at low cost to the Government. This is to be achieved through six strategic thrusts namely enhancing inclusiveness, improving well-being, accelerating human capital development, pursuing green growth, strengthening infrastructure and re-engineering economic growth.



As the country moves forward into the final lap of the journey to achieving developed nation status under the 11th MP, the focus in SME development will be on developing resilient and sustainable SMEs which are key to achieving inclusive and balanced growth. In achieving this, the SME Masterplan will continue to serve as the guiding framework for SME development during the period, particularly initiatives under the six High Impact Programmes and other supporting measures. This will be further supported by four key elements identified under the 11th MP, namely productivity, innovation, entrepreneurship and inclusiveness. In addition, based on a series of engagement held with the private sector on 11th MP, businesses also highlighted the need for a clear labour policy, specifically on foreign labour; enhancement to government delivery and raising SME productivity.

The 11th MP document has outlined six specific strategies for SMEs centering on productivity; human capital development; ease of doing business; increasing demand for SME products and services; creating home-grown champions; as well as developing SMEs in Sabah and Sarawak. Further measures have been identified under each of the strategy as detailed in Table 3.1.



Table 3.1: Measures for SMEs in 11th MP

Strategies	Measures
<p>S1: Enhancing productivity through automation and innovation by promoting increased use of ICT and continuing the Technology Commercialisation Platform (TCP) and Inclusive Innovation Programmes</p>	<p>i) Enhancing productivity through automation and innovation:</p> <ul style="list-style-type: none"> • Encourage SMEs to adopt greater automation in production processes and business services. • Promote greater ICT utilisation, mainly in business operations, supply chain management, and delivery systems. <p>ii) Continue the implementation of two High Impact Programmes, namely TCP and Inclusive Innovation.</p>
<p>S2: Strengthening human capital development within SMEs by reskilling and upskilling workers through industry partnerships.</p>	<p>i) Strengthen the curriculum for technical vocational education and training (TVET) with greater input from the industry to equip workers in SMEs with the right skill sets.</p> <p>ii) Intensify reskilling and upskilling of workers to enable them to fill higher-paying jobs.</p> <p>ii) Ensure new entrants into the workforce meet industry requirements and create an entrepreneurial culture in society.</p>
<p>S3: Enhancing ease of doing business by simplifying the process of formation and formalising of businesses as well as increasing of access to financing</p>	<p>i) Simplify the process for formation and formalising of businesses through the on-going integration of MyCoID and BLESS (HIP 1).</p> <p>ii) Engage industry experts in preparation of proposals, particularly for technology and innovation activities to enhance access to financing.</p> <p>iii) SME Investment Partner (SIP) programme will also introduce new ways of financing for early stage companies by combining equity and debt.</p> <p>iv) Encourage SMEs to pool resources, utilise shared services, and purchase inputs, raw materials and services in bulk to reduce cost.</p>

Strategies	Measures
<p>S4: Increasing demand for SME products and services by reviewing policies for procurement from SMEs and encouraging SMEs to obtain international standards and certifications to enhance exports.</p>	<ul style="list-style-type: none"> i) Increase demand for SME products and services : <ul style="list-style-type: none"> • Review Government policy on procurement from competitive SMEs to increase the demand for high-quality local products and services. • Encourage procurement of local SME products by GLCs and MNCs, as well as invest in supplier development programmes. • Leverage on the consortium approach to take advantage of market opportunities for large orders. ii) Encourage SMEs to comply with international standards and certification. iii) Scale-up the Going Export (GoEx) Programme to assist SMEs to venture into exports.
<p>S5: Creating home-grown champions through the Catalyst Programme to build high performing SMEs into regional and international players.</p>	<p>Catalyst Programme to remove barriers and provide assistance to potentially high growth firms to become home-grown champions. Selection of SMEs will be based on transparent and clear criteria to identify the most deserving and highest potential growth SMEs</p>
<p>S6: Developing SMEs in Sabah and Sarawak by strengthening infrastructure, encouraging market expansion through e-commerce, reducing the cost of doing business, and increasing outreach of government assistance.</p>	<ul style="list-style-type: none"> i) Priority to be given to infrastructure development in Sabah and Sarawak which includes increased coverage and quality of telecommunications network, supply of electricity and water, as well as transportation connectivity in these states. ii) Encourage SMEs to expand their markets by adopting e-commerce, cloud computing and crowdsourcing for financing. iii) Review regulations to reduce the cost of doing business and increase the outreach of government assistance to SMEs in Sabah and Sarawak.

CHAPTER 4:

SME DEVELOPMENT PROGRAMMES IN 2014

Since the establishment of the National SME Development Council (NSDC) more than 10 years ago, SME development programmes have evolved from focusing on building capacity of SMEs to centring on innovation and productivity as a means to achieve the national SME growth targets. In the initial years, the objectives were on enhancing viability and resilience of SMEs but the goals have expanded since, towards creating a comprehensive SME and entrepreneurship ecosystem that emphasises on start-ups, bringing informal firms to the mainstream economy as well as developing high growth and productive firms to becoming regional

and global champions. Mirroring the business life-cycle, the newer goals are the key elements of the SME Masterplan. Towards this endeavour, the Government continued in 2014 to support a broad spectrum of programmes comprising innovation and technology adoption, human capital development, access to financing, market access and infrastructure.



A total of 139 Government programmes were carried out in 2014 which had benefited more than 500,000 recipients. In implementing these programmes, the Government had channelled a total of RM5.10 billion to the relevant Ministries and agencies as reported in the SME Integrated Plan of Action (SMEIPA). In addition, SMEIPA also reported that another 23 programmes were implemented in collaboration with the private sector, amounting to RM4.83 billion which had benefited more than 65,000 SME recipients in the area of financing and human capital development. Overall, there were 162 SME development programmes implemented last year with funds amounting to RM9.93 billion which had benefited close to 570,000 recipients, comprising SMEs and employees of SMEs.

Table 4.1 : SME Development Programmes in 2014 by Focus Areas

Focus Area	No. of Programmes	Financial Expenditure (RM mil.)	Beneficiaries
Human Capital Development	35	73.9	65,120
Market Access	33	79.5	31,118
Access to Financing	30	4,591.4	397,026
Innovation & Technology Adoption	28	224.4	9,185
Infrastructure	13	132.9	1,255
Total	139	5,102.1	503,704

Except for infrastructure, the number of programmes implemented across the other focus areas in 2014 was more balanced compared to the previous years, with an average of 32 programmes for each of the focus areas. Access to Financing has been covered in detail in Chapter 6, while the current chapter highlights programmes in the other focus areas.

Human Capital Development

Having the right people with the right skill sets is important for any business, be it small or large. For this reason, many organisations focus on recruiting the best talents by offering an attractive remuneration package and benefits. However, SMEs are often at a disadvantaged position in attracting the best talents due to less competitive rewards and benefits. Hence SMEs should step up training to up-skill and reskill their employees continuously. At the same time, SME entrepreneurs themselves need to be on top of the latest developments and be equipped with new skills to survive in an increasingly competitive business environment. As such, a total of 35 programmes for human capital development amounting to RM73.9 million were implemented in 2014 which had benefited more than 65,120 recipients. These among others include:

- A series of entrepreneurship and business development programmes implemented by the Ministry of Rural and Regional Development (KKLW) through Majlis Amanah Rakyat (MARA). For instance, under the **Entrepreneurship Acculturation Programme**, a total of RM1.97 million was spent in training 26,174 youths from secondary schools to tertiary level whereby 30% of them were expected to venture into business after three years. Another RM1.83 million was spent in creating 3,077 entrepreneurs under the **Entrepreneurship Creation Programme**;
- **National Dual Training System (NDTS)** implemented by the Ministry of Human Resources (MOHR) whereby a total of RM18.19 million was spent to certify 1,731 apprentices during the year. MOHR also collaborated with Pembangunan Sumber Manusia Berhad (PSMB) in implementing the **HR Capabilities Building Programme** with a total of RM5.12 million allocation that resulted in raising the utilisation rate of the training levy to 76%;
- **Homestay Entrepreneur Training & Skill Enhancement** under the Ministry of Tourism and Culture (MOTAC) with the aim to instil entrepreneurship among homestay operators and enhance quality of services among homestay operators. A total of RM400,000 was spent in organising 58 training sessions which led to a total of 367,473 homestay visitors in 2014;
- **Business in Transformation (BIT)** programme implemented by the Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK) through Perbadanan Nasional Berhad (PNS) with the objective to transform entrepreneurs from small-sized firms to become more competitive and systematic. A total of RM2.67 million was allocated under the programme which had benefited 239 SMEs and created 495 new job opportunities;

- The ***Inkubator Keusahawanan Wanita (I-KeuNITA)*** programme under the Ministry of Women, Family and Community Development (MWFCDD) to provide intensive skills training and entrepreneurship assistance for low-income women to enable them to start their own businesses. A total of RM718,000 was spent to conduct 30 training sessions which had led to 50% increment in the income of 254 women entrepreneurs; and
- **Entrepreneurship Development Programme** by the Ministry of Industrial Development (MID) Sarawak to provide training in selected areas such as food processing and technology, ceramics and songket weaving to enhance technical knowledge and skills. A total of RM300,000 was allocated under the programme which had benefited 2,634 recipients. From the 614 participants who have attended the food processing and technology courses, 23% of them started business six months after attending the courses.



Market Access

While bulk of the SMEs are domestically-oriented and contended to remain so, given the market liberalisation and globalisation as well as the small domestic economy, policy focus has shifted towards boosting exports of indigenous SMEs to become large players in the regional and global markets. The SME Masterplan aims to develop globally competitive SMEs by diversifying and growing these firms locally and at the international fronts. This entails possessing the required standards and certification, as well as the relevant knowledge and skills to appeal to a broader diverse and discerning consumers. In 2014, the Government implemented 33 programmes related to market access amounting to RM79.5 million benefiting more than 31,000 recipients. Among these are the programmes implemented by the Ministry of Agriculture and Agro-based Industry (MOA) such as:

- **Provision of Market Access and Entrepreneur Development Programmes to Agro-based Micro Enterprises** through the Federal Agriculture Marketing Authority (FAMA) with the aim to provide market outlets for agro-food products as well as to enhance marketing skills and capacity of farmers and micro enterprises. A total of RM500,000 was spent to assist 35 entrepreneurs who had generated direct sales value amounting to RM13.35 million;
- **Strengthening of Marketing and Development of International Agro-Food Distribution Center** that had assisted the local agropreneurs to penetrate into 17 export markets;
- **Contract Farming** to ensure sufficient crop production for the export market which had benefited a total of 4,777 farmers by generating additional revenue of more than RM2,000 per month;
- **Agriculture Marketing and Investment Mission (AMIM)** whereby a total of RM2 million was spent in promoting export-ready agropreneurs who had in turn generated potential export sales amounting to RM295.89 million; and
- **Certification and Accreditation** programme under the Muda Agriculture Development Authority (MADA) to provide the necessary certifications such as Halal, Food Safety is the Industry's Responsibility (MeSTI), Good Manufacturing Practices (GMP) and Good Agriculture Practices (GAP) which had benefited 17 agriculture producers.



Meanwhile, the Ministry of International Trade and Industry (MITI) also implemented an array of programmes to enhance market access during the year and these include:

- **Satu Daerah Satu Industri (SDSI) Showcase** which had attracted a total of 160,000 visitors and generated sales value amounting to RM6.65 million in total. The Showcase aims to increase the income of Bumiputera entrepreneurs especially in the rural community through production of unique goods and services identified for each district;
- **Bumiputera Exporters Development Programme (BEDP)** was implemented through the Malaysia External Trade Development Corporation (MATRADE) whereby a total of RM1.05 million was spent in assisting 41 SMEs which had in turn generated export sales value totalling RM203.89 million. MATRADE also carried out the **Women Exporters Development Programme (WEDP)** to assist 36 women entrepreneurs in securing export sales valued at RM110.38 million; and
- **Industrial Linkage Programme (ILP)** by SME Corp. whereby a total of 536 SMEs were linked to MNCs / GLCs / large companies during several flagship programmes such as SMIDEX 2014, SDSI and SME Week, among others, with potential additional sales amounting to RM428.64 million.

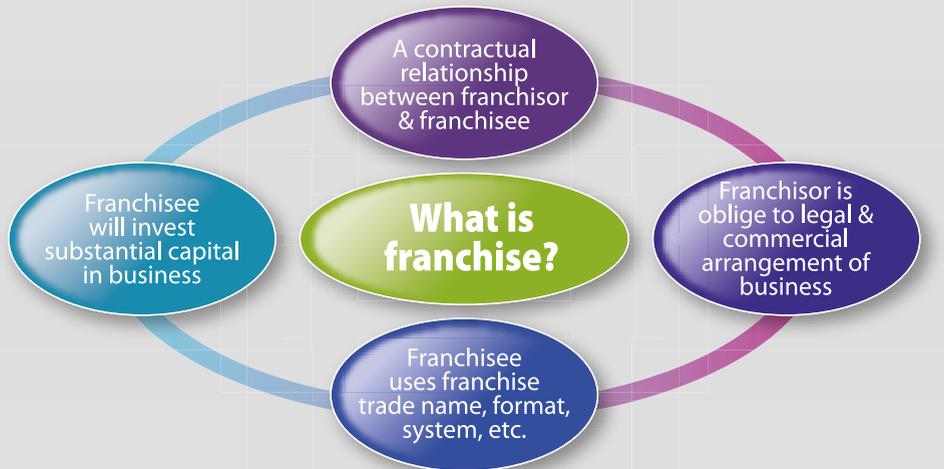
Besides MITI, KKLW through MARA implemented the **Marketing Programme** with the objective to accelerate business growth through marketing and promotional programmes. During the year, a total of RM5.26 million was spent to assist 4,136 Bumiputera SMEs resulting in 83% increase in sales revenue.

SUCCESSFUL PROGRAMME

STRIVING FOR A VIBRANT FRANCHISE INDUSTRY

Fred DeLuca, an ambitious 17-year-old high school graduate from Connecticut, USA was looking for a way to make enough money to pay for his university tuition fee. A family friend suggested Fred to open a submarine sandwich shop. With a USD1,000 loan, he opened his first shop in August 1965 called Pete's Super Submarines which was later shortened to SUBWAY. Today, SUBWAY has established more than 44,000 outlets in 110 countries and is still counting. There are more SUBWAY restaurants in the world than any other restaurant chain, making it the market leader in the quick service restaurant industry. In 2015, SUBWAY is listed as one the top 10 franchises in the world.

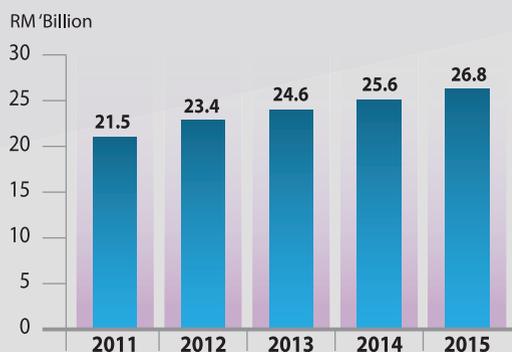
According to the Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK), the franchise industry is expected to contribute to about 2.5% of Malaysia's GDP in 2015 and the trend has been increasing, ranging between 2 – 3% of GDP in recent years. The industry has been thriving and geared for greater heights with KPDNKK being instrumental in developing a dynamic franchise ecosystem in the country through regulation and standardisation. This was achieved through the enactment of the Franchise Act in 1998 (later amended by the Franchise Act 2012) that has put in place a proper regulatory framework to ensure fair terms of agreement and practice towards a more level playing field among the industry players. Furthermore, the Act provides a systematic scheme of registration which has enabled the development of a comprehensive database of franchisors, franchisees, franchise consultants and franchise brokers. The Act also offers greater protection for businesses such as SMEs by preventing unscrupulous parties from taking advantage or exploiting any loopholes in the franchise industry.



The Franchise Development Division of KPDNKK is the governmental agency that regulates and enforces the Act in addition to formulating, planning and implementing initiatives and framing policies in developing and promoting franchises in Malaysia. There are currently 787 franchise businesses registered in Malaysia which mostly comprise local franchisors (67%), franchisees to foreign brands (24%) and master franchisees¹ to foreign brands (9%). At present, the franchisee entrepreneurs in Malaysia consist mainly the young and well-educated group below 40 years old (45% of total franchisees) and with tertiary education (42%). Similar to the global franchise trend, the food sector dominates more than one-third of the Malaysian franchise industry, followed by clothing & accessories; services & maintenances; and education & childcare centres.

¹ A master franchisee typically acquires the rights to develop a particular franchise business in a specific territory by paying significant initial fees to the franchisor and is responsible for recruiting and providing support to individual franchisees in the territory while retaining most or all the fees paid over time by the franchisees.

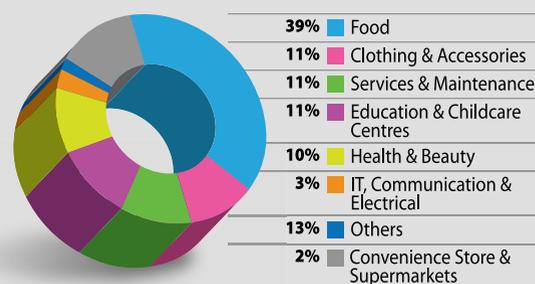
Value of Franchise Industry in GDP, RM Billion



Over the last seven years, the local franchise scene has seen significant increase in both the number of Malaysian and foreign franchises. In 2008, there were merely 243 Malaysian franchises and the number has doubled to 527 as of July-2015. Similarly, the number of foreign franchises has recorded a two-fold increase from 123 in 2008 to 252 as of July 2015. Generally, franchise businesses in Malaysia have good opportunity to become successful as indicated by the 70% success rate by KPDNKK.

Malaysian franchises have also done well abroad as 60 Malaysian brands have opened close to 2,200 outlets in more than 55 countries around the world. Among the successful Malaysian brands that have marked their presence globally are Marrybrown, Daily Fresh, Smart Readers, Nelson's, Focus Point and Secret Recipe.

Number of Registered Franchises by Sector



In order to promote a conducive environment for the growth of the franchise industry, KPDNKK have implemented various franchise development programmes and financing schemes to support budding franchise entrepreneurs. As the liaison between industry players and the Government, organisations such as the Malaysia Franchise Association (MFA) and other related non-governmental organisations (NGOs) are spearheading the effort to build stronger ties and better networks within the franchise industry. Successful franchises present excellent business opportunities for aspiring entrepreneurs in Malaysia as franchise business is deemed to be less risky compared to starting a business of their own. Business owners can leverage on a well-established brand name, where the quality of the product or service is recognised and the risks of failure are minimised. In addition, franchises already have their operational procedures in



Malaysian franchises have also done well abroad as 60 Malaysian brands have opened close to 2,200 outlets in more than 55 countries around the world

place and are able to provide operational assistance to their franchisees. They also offer ongoing support and training for management and other staff. Furthermore, franchise businesses have increased spending power, access to bulk purchasing, and enjoy the advantages of economies of scale.

However, as a franchise is also an investment, proper research and due diligence should be conducted before committing to become a franchisee. Aside from the type of business, the franchise's financials, training programmes, support, and operational issues need to be taken into account. To assist potential franchisees, KPDNKK and MFA provide assistance in locating and linking to preferred franchise companies. They can also assist in matching up potential franchisees with a suitable financial institution. Franchise costs may vary greatly, depending on the type of franchise and industry. It may range from as low as RM15,000 to as high as RM4.5 million. According to the Malaysia franchise industry statistics in 2013, the average start-up cost of a lifestyle cafe or *kopitiam* is around RM600,000 to RM1.2 million, while the average cost for a kindergarten or pre-school franchise is RM250,000. Although every franchise is different, there are some standard costs associated with most franchises including capital investment, franchise fee, royalty, as well as advertisement and promotional fee.

Under Budget 2015, the Government reiterated its commitment to further developing the franchise industry with an allocation of RM20 million. The funds are being utilised to promote the local franchise industry to the global market through the Franchise Export Programme (FRANEX) for a period of five years until 2020. To set the overall strategic direction of the franchise industry in Malaysia, the Government has devised the National Franchise Development Blueprint with the vision of turning Malaysia into the franchise hub in South East Asia by 2020.

Innovation and Technology Adoption

Considering the era of technological advancement today and in line with the SME Masterplan that emphasises on innovation-led and productivity-driven growth, it is vital for SMEs to innovate and adopt new technologies in their business operations. In supporting this initiative, a total of 28 programmes were implemented under this area in 2014, benefiting close to 9,200 recipients, with financial expenditure of RM224.4 million. Among the programmes implemented were:

- The **Intellectual Property Creators Challenge (IPCC)** programme implemented by the Ministry of Communication and Multimedia Malaysia (KKMM) through the Multimedia Development Corporation (MDeC) to provide a special grant to pre-seed in the development of intellectual property (IP) in animation, games and digital comics. A total of RM1.69 million was allocated under the programme which had benefited 180 recipients and created 41 new IPs ready for commercialisation;
- In order to create more local and green SMEs with certified green products and services, the Ministry of Energy, Green Technology and Water (KeTTHA) through the Malaysian Green Technology Corporation implemented the **MyHIJAU Industry & SME** programme. A total of RM490,000 allocation was spent to assist 11 companies in obtaining the green certification;
- The **Halal Business Transformation (HBT 3.0)** programme by MITI through the Halal Industry Development Corporation (HDC) aimed at increasing the sales of Halal companies. With an allocation of RM500,000 each entrepreneur, the programme had certified 900 Halal companies with 536 of these becoming suppliers in the Halal supply chain;
- **Development of Agriculture and Food Industry** programme carried out by MOA through the Malaysian Agriculture Research and Development Institute (MARDI) to assist entrepreneurs with the technical know-how to improve production and quality control system towards certification. A total of RM300,000 was spent in developing 76 new entrepreneurs and 79 certified entrepreneurs with MeSTI, GMP, GAP and Hazard Analysis Critical Control Point (HACCP) certifications. MOA through MADA also implemented the **Increased Production Capacity Programme**, whereby a total of RM200,000 was spent in developing and enhancing entrepreneurial skills through modernisation of machinery and equipment which had in turn generated a 30% increase in sales of the 27 participating SMEs in the programme. Meanwhile, under the **Change Upgrade Product (CUP)**, a total of 440 new products were developed from RM4.36 million spent; and

- Two signature programmes under the Ministry of Science, Technology and Innovation (MOSTI) which are **Commercialisation of R&D Fund (CRDF)** and **Technology Acquisition Fund (TAF)**. A total of 10 SMEs had benefited from CRDF during the year leading to commercialisation of 17 IPs. Meanwhile under TAF, RM4.11 million was spent in acquiring foreign technology, which helped generate an additional sales revenue of RM7.45 million to the participating SMEs.

Infrastructure

Access to affordable and quality infrastructure is necessary to support the operations of SMEs particularly in areas away from the Klang Valley and in rural areas. This will not only ensure that SMEs start on a right footing and are formalised, but would also position their businesses for bigger opportunities. For this reason, a total of 13 programmes were carried out in 2014 with an allocation of RM132.9 million which had benefited more than 1,200 SMEs. These programmes were aimed at helping SMEs develop their premises and upgrade their facilities so as to give them a better chance of sustaining and growing their businesses. Some examples are:

- **Technopreneur Development Programme** implemented by MOSTI through Technology Park Malaysia (TPM), created 707 new jobs, introduced 10 new science and technology services, and commercialised three IP rights;
- **Building Business Premises** under KKLW through Jabatan Kemajuan Orang Asli (JAKOA) with the aim to provide business premises for *Orang Asli* entrepreneurs. A total of RM1.34 million was spent in setting up 37 business premises which had enabled raising incomes of 50% of the participating entrepreneurs to earn more than RM1,000 monthly income; and
- **PROSPER Property** scheme carried out by Perbadanan Usahawan Nasional Berhad (PUNB) with the objectives to place Bumiputera retailers at strategic locations and to increase Bumiputera ownership in commercial property. A total of RM38.58 million was spent under the programme to purchase 32 premises, out of which 82% have been occupied.

SUCCESSFUL PROGRAMME

BUMIPUTERA ENTREPRENEURS MAKING INROADS IN RETAIL BUSINESS

In the last 15 years, the PROSPER schemes have paved the way for many Bumiputera entrepreneurs aspiring to venture into the retail businesses, so much so that the name 'PROSPER' has become synonym with the implementing agency, Perbadanan Usahawan Nasional Berhad or better known as PUNB. To date, the PROSPER schemes have successfully produced more than 7,300 Bumiputera entrepreneurs in various strategic retail sectors, namely automotive, hardware and engineering services, telecommunications, professional services and early childhood care and education (ECCE). A total of RM1.36 billion financing have been approved to 5,256 companies under the schemes thus far, including RM238.4 million additional funding approved to 561 companies for second round of financing to support business expansion. Bulk of the companies are doing well, with some recording an average increase in annual turnover of as high as 38%. Realising that successful and widely recognised retail brands have easier access to prominent shopping malls, PUNB has also championed the development of 21 local brands such as Serai, Janine, Gudang Studio and Quizinn. These brands were also simultaneously developed into retail chains.

“ The PROSPER schemes have successfully produced more than 7,300 Bumiputera entrepreneurs

The story of PROSPER began way back in year 2000 with the goal of increasing the number of Bumiputera entrepreneurs in the retail sector and inculcate entrepreneurial culture among Bumiputera entrepreneurs by providing skills, knowledge and experience. Back then, there was only one PROSPER scheme and it was meant for the retail business. However, as PROSPER spread its wings to cover other target groups and sectors, the initial PROSPER scheme was renamed as PROSPER *Runcit* in 2007. PROSPER *Runcit* has successfully increased the number and quality of Bumiputera entrepreneurs in retailing through its integrated and coordinated retail aspects in order to facilitate the development of strategic retail businesses. To date, PUNB has approved close to RM603 million financing under the PROSPER *Runcit* scheme which has benefited 3,152 companies, with some recording as high as 40% increase in the annual turnover.

In the midst of an economic downturn in 2005, many graduates were having difficulty getting employed. To help the Government address this concern, PUNB was quick in introducing the PROSPER *Siswazah* scheme in 2005 which was later rebranded as PROSPER *Usahawan Muda* (PUMA) in 2012. In the early stage, the scheme was targeted at Bumiputera graduates from accredited higher education institutions but after the rebranding exercise, the scheme has been extended to all young Bumiputera regardless of their education background. PUMA offers financing between RM5,000 to RM100,000 for young entrepreneurs to start a business, with minimum contribution of RM500 as their start-up capital. Thus far, PUNB has assisted 1,261 young Bumiputera entrepreneurs not only in generating

income through their business, but also in turning entrepreneurship into their career of choice. As at end-2014, a total of RM58.2 million financing have been approved, of which 56% of the companies were performing well with a total of 58 companies upgraded to a higher scheme.

Wholesale and distributive trade was another major sector that needed intervention to bring in Bumiputera entrepreneurs into the sector. Recognising that wholesale activity was an important component of the supply chain, in 2006 PUNB introduced the PROSPER *Pemborong* scheme with the aim to produce more Bumiputera entrepreneurs in this sector. This was achieved through collaboration with industry champions such as JAKEL in the textile segment, MYDIN in the hypermarket / supermarket segment, among others. Through PROSPER *Pemborong*, PUNB also assisted local entrepreneurs in bringing some well-known international retail brands to Malaysia such as Hamleys, Peacocks, Florsheim, BHS, Next and TOMS. Thus far, PUNB has approved RM576.7 million financing under this scheme which has benefited 587 entrepreneurs. Besides being the funnel for upgrading of successful ventures under PROSPER *Runcit*, the scheme has also resulted in development of more than 20 Bumiputera companies as industry champions such as Wesria Food Ventures, Serai Group Sdn Bhd, Pasaraya Borong Sakan Sdn Bhd, Genius Aulad Learning Consultancy Sdn Bhd which have not only contributed to employment creation but also enhanced the access of Bumiputera retailers to premier shopping complexes.

Realising that it was difficult for Bumiputera entrepreneurs to secure premises at strategic locations due to access and cost, PUNB had taken the initiative to purchase commercial space at retail outlets, small factories, and warehouses at strategic locations for rental to PUNB entrepreneurs under the PROSPER Property scheme. This had led to the increase in the number of businesses renting property from PUNB over the years. As at end-2014, PUNB had acquired a total of 186 properties valued at RM183.5 million, with the occupancy rate of 82%.

Meanwhile, in collaboration with Economic Planning Unit (EPU) and Unit Peneraju Agenda Bumiputera (TERAJU), PUNB has introduced the PROSPER *Teras* scheme in 2011 with the aim to improve the standards of Bumiputera retail entrepreneurs through effective product selections and layout as well as use of integrated systems in their business operations. To date, PUNB has provided financing to more than 700 entrepreneurs under this scheme, of which close to 60% are in the good and performing category, with an average of 32% increase in their annual sales.



Looking back, PROSPER has now evolved to become a comprehensive programme providing support for Bumiputera entrepreneurs along the entire supply chain in the distributive trade sector from wholesale, retail, up to securing strategic business premises for entrepreneurs. During the journey, PROSPER has assisted entrepreneurs from all walks of life ranging from the more established businesses wanting to expand their market presence to new budding entrepreneurs including graduates and youths. The success of PROSPER can be attributed to more than 5,000 companies being developed under the schemes with total sales amounting to more than RM10 billion a year. The encouraging development has indeed supported the Government's agenda in the creation of the Bumiputera Commercial and Industrial Community.

CHAPTER 5

SME DEVELOPMENT PROGRAMMES IN 2015

Malaysian SMEs continue to benefit from the development programmes by the Government in line with the on-going effort to transform the role of SMEs as a lead engine of growth and to increase its contribution to GDP. The programmes which are under the five key focus areas are aimed at providing solutions to specific concerns faced by SMEs, in addition to developing and growing these firms. The overarching goals amongst others are to increase productivity, encourage entry of new firms, as well as to enhance the capability and growth potential of existing firms. The end game is to enhance the long-term competitiveness and sustainability of local SMEs.



The Government is in the course of implementing a total of 139 programmes in five key focus areas namely, innovation and technology adoption, human capital development, market access, infrastructure, and access to financing. The programmes which have received a total allocation of RM4.84 billion is expected to benefit more than 468,500 SMEs. In addition, another 24 programmes are being implemented in collaboration with the private sector with an additional allocation of RM6.50 billion, thus bringing the total to 163 SME development programmes altogether amounting to RM11.34 billion.

Table 5.1: SME Development Programmes in 2015 by Focus Areas

Focus Area	No. of Programmes	Financial Allocation (RM mil.)	Expected Beneficiaries
Market Access	36	89.7	18,842
Human Capital Development	36	70.7	19,558
Access to Financing	29	4,102.9	422,838
Innovation & Technology Adoption	23	357.3	7,051
Infrastructure	15	224.0	228
Total	139	4,844.5	468,517

Bulk of the programmes are for market access and human capital development (26%), followed by access to financing (21%), innovation and technology adoption (17%) and infrastructure (10%). As in previous years, the highest financial commitment is for programmes under access to financing comprising 85% of the total allocation. Details of the programmes will be reported under Chapter 6 on Access to Financing.

Market Access

Without sufficient access to new markets, businesses may run the risk of being stagnant, which could impede their growth and profitability. Aside from ensuring sustainability, access to a bigger market would also serve to motivate SMEs to innovate, diversify their products / services and expand their limits to adhere to higher standards in order to compete and stay ahead of the curve. Furthermore, the ASEAN Economic Community (AEC) that would come on-stream at end-2015 will indeed mark a new milestone as Malaysian SMEs enter into ASEAN as a single market with the removal of trade barriers and enhanced trade facilitation within the ASEAN region.

In 2015, the Government has allocated RM89.7 million for 36 programmes to promote access to market that is expected to benefit some 18,842 SMEs. These initiatives are aimed at broadening the market for SMEs both locally and abroad through various programmes which include:

- **Market Development Grant (MDG)** by the Ministry of International Trade and Industry (MITI) through its agency, the Malaysian External Trade Development Corporation (MATRADE). The programme aims to provide assistance in the form of reimbursable grant to exporters for SMEs, service providers, trade and industry associations, chambers of commerce, as well as professional bodies to venture into the export market by participating in export promotional activities. For this year, MATRADE has allocated RM30 million under the programme to assist 986 SMEs to export their products and services. MATRADE is also implementing the **eTRADE Programme** to facilitate the participation of Malaysian companies in the leading international e-marketplaces;
- **Promotion and Marketing** programme managed by the Malaysian Handicraft Development Corporation under the Ministry of Tourism and Culture (MOTAC) to increase handicraft sales in the domestic and international markets. With a financial commitment of RM16 million, more than 5,000 SMEs are expected to experience a 10% increase in their annual sales under this programme;
- Majlis Amanah Raya (MARA) under the Ministry of Rural and Regional Development (KKLW) has been allocated RM12 million to implement a number of marketing programmes including **PROSPEK, Gshop, Karnival Gerak Usahawan** and **BIZ TRADE** that are targeted to involve close to 1,000 SMEs whose sales are expected to increase by 20%; and
- The Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK) is also implementing its signature programmes such as **Produk Citarasa Malaysia (PCM), Business Matching Programme**, and **Program Pembangunan Produk** which are expected to assist listing of products by some 125 SMEs in the local and foreign hypermarkets and supermarkets in Malaysia.

Human Capital Development

As entrepreneurial knowledge and employees' skills are pertinent to the success of a business, Ministries and agencies continue to focus programmes in this area. The programmes are designed to cultivate the entrepreneurial knowhow and management skills in running the day-to-day operations, including financial management and crafting attractive remuneration scale to attract talent to join SME businesses as well as to upgrade the skills of employees. For 2015, the Government has lined up 36 programmes to train and upgrade the skills of SME employees. In total, RM70.7 million has been earmarked for these programmes which are expected to assist almost 20,000 SME employees. The programmes include among others the:

- **Industrial Lead Professional Certificate (IPC)** and **Automotive Industry Certification Engineering (AICE)** being implemented by MITI through the Malaysia Automotive Institute (MAI) that aim at certifying 4,000 skilled workers and 750 engineers for 72 SMEs;
- **National Dual Training System (NDTS)** programme by Department of Skills Development under the Ministry of Human Resources (MOHR) to provide training for 1,760 school drop-outs / workers, while upgrading the skills of 960 existing or new SME employees;
- The **Youth Entrepreneurship Programme** by the Ministry of Youth and Sports that provides basic entrepreneurship courses such as Smart Financial Manager Programme, Technical Agriculture Course, Youth Bazaar, and Business Technical Intensive Course. The programme is expected to assist a total of 1,600 young entrepreneurs; and
- Through MARA, KKLW implements three **Entrepreneurship Training Programmes**: **PIONEER** (*Program Pembangunan Usahawan Baru*), **POWARIS** (*Program Pembangunan Usahawan Warisan*) and **PREMIER** (*Program Pemerkasaan Usahawan*). The programmes have a combined financial commitment of RM15 million to train 4,200 participants. After three years of programme completion, it is expected that 30% of the participants would venture into business.



Innovation and Technology Adoption

Innovation and technology often falls to the wayside as SMEs are very pre-occupied in sustaining the day-to-day running of their business operations. However, it is found that new technology, technical improvements as well as innovation are crucial in helping a business grow and differentiate their product / services from the rest of their competitors. In the past, a lot of resources have been devoted to research and development (R&D) and basic research but the results have not been forthcoming. Hence, increasingly the focus of the Government has now shifted to licensing Intellectual Property (IP), bringing products to the market through commercialisation as well as encouraging industry-driven research through closer collaboration between the industry, academia and public sector. The Government has also stepped up the programmes to encourage ICT adoption in business operations, on-line commerce and e-payment applications. In 2015, 23 programmes are being implemented to encourage innovation and technology adoption among over 7,000 SMEs with a budget allocation of RM357.3 million. The following are some key programmes to enhance innovation and technology:

- **CIP 500** programme implemented by the Ministry of Finance (MOF) through the Cradle Fund. It is a technology seed or commercialisation fund offered to help Malaysian start-ups with technology-based products or services to attain commercialisation. It offers local start-ups conditional grants of up to RM500,000, with a maximum of two consecutive approvals per company. A total of RM18.5 million has been earmarked to fund 37 companies in commercialising their products and services;
- **Pre-Commercialisation Fund** by the Ministry of Science, Technology and Innovation (MOSTI) assists in developing processes, technology, new products, or improvements to existing processes and technology



New technology, technical improvements as well as innovation are crucial in helping a business grow and differentiate their product / services from the rest of their competitors

that are to be commercialised. The financial commitment of RM42.5 million, aims to assist 70 SMEs and develop 40 projects with potential for commercialisation. In addition, MOSTI's **Biotechnology Commercialisation Funding** programme, which is implemented through the Malaysian Biotechnology Corporation (BiotechCorp), has been allocated RM15 million to finance five companies with potential for commercialisation. This programme provides funding for biotechnology focus areas and complements existing public and private sector funds by facilitating access to financing facilities;

- The Ministry of Agriculture and Agro-based Industry (MOA) through its Agro-based Industry Division is implementing the **Change Upgrade Product** programme that is aimed at increasing the product quality, development, and expansion. The programme with an allocation of RM3 million funding is expected to benefit some 120 SMEs in the agriculture sector, with 450 new products being developed; and
- The Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Timber Industry Board (MTIB) is implementing the **Bumiputera Vendor Development Programme** to increase productivity and efficiency of Bumiputera SMEs in the manufacturing of timber-based products. Its financial commitment of RM15 million is targeted to have 20 SMEs with improved SCORE rating and increased annual sales. MPIC is also implementing the **Entrepreneur Development Programme for Homemade Chocolate** through the Malaysian Cocoa Board (MCB) to increase the production capacity of existing chocolate entrepreneurs from 100 kilogrammes (Level 1) to a monthly production of 100-300 kilogrammes (Level 2).

Infrastructure

Aside from functioning as the base of operations for an enterprise, good infrastructure provides access to amenities, well-developed facilities, and a conducive environment to operate. It may also play an important role in enhancing an organisation's reputation and contributing to its ability to attract good quality clients and talent. As such, the Government has allocated RM224 million to implement 15 programmes in 2015 that are expected to benefit 228 SMEs.

- In Sarawak, the Ministry of Industrial Development (MID Sarawak) plans to spend RM72.72 million on two **Industrial Estate Development Projects**: Demak Laut Industrial Park Phase 2B and Samajaya Free Industrial Zone Phase 5. Expected to benefit 67 SMEs, both projects are aimed at providing better amenities and infrastructure, as well as creating a more conducive environment for the transformation of the local business community. MID Sarawak has also earmarked RM21 million for its **Incubator Development Programme** called Biovalley Park. The Park will support the

development of new products and processes of bio-based products by providing high quality testing and development facilities for industries in the form of product analysis, enhancement, and quality assurance. Five IPs are expected to be produced;

- MRRD through Jabatan Kemajuan Orang Asli (JAKOA) intends to continue **Building Business Premises** programme to ensure *Orang Asli* entrepreneurs can earn more than RM1,000 monthly within a year. This programme has an allocation of RM2.74 million and is expected to benefit 49 recipients;
- MOF is implementing a number of infrastructure programmes through the various State Economic Development Corporations (PKEN). The Ministry has earmarked RM10.2 million for PKEN Perlis to redevelop Pekan Melayu in Mukim Sena. This will enable the construction of business premises for 21 Bumiputera entrepreneurs in the Bandar Kangar area. Meanwhile, PKEN Melaka will be given RM45.6 million to develop workshop premises for automotive services entrepreneurs. In addition, PKEN Sabah has a financial commitment of RM3.4 million to build business premises in Pulau Sebatik, Tawau while PKEN Kelantan is given RM1.5 million to upgrade the collection centre for entrepreneurial products at Pengkalan Chepa, Kota Bharu;
- **PROSPER Property**, a signature programme by Perbadanan Usahawan Nasional Berhad (PUNB) has an allocation of RM60 million budgeted this year to purchase 50 more new premises, with the expectation that 90% will be rented out to SMEs;
- FAMA has been allocated RM2.68 million through MOA to implement the **FAMA Fresh Fruits Stall (GBBS)**, **Pasar Tani**, and **Karavan Tani** programmes, which are aimed at expanding the market for agricultural products with expected sales of RM1 million and increasing agropreneurs' income to an average of RM30,000 monthly; and
- The Government of Sabah State has allocated RM1 million to the Sabah Economic Development Corporation (SEDCO) to build shophouses for about 12 entrepreneurs to start and operate their businesses in Sundumin.



CHAPTER 6

ACCESS TO FINANCING

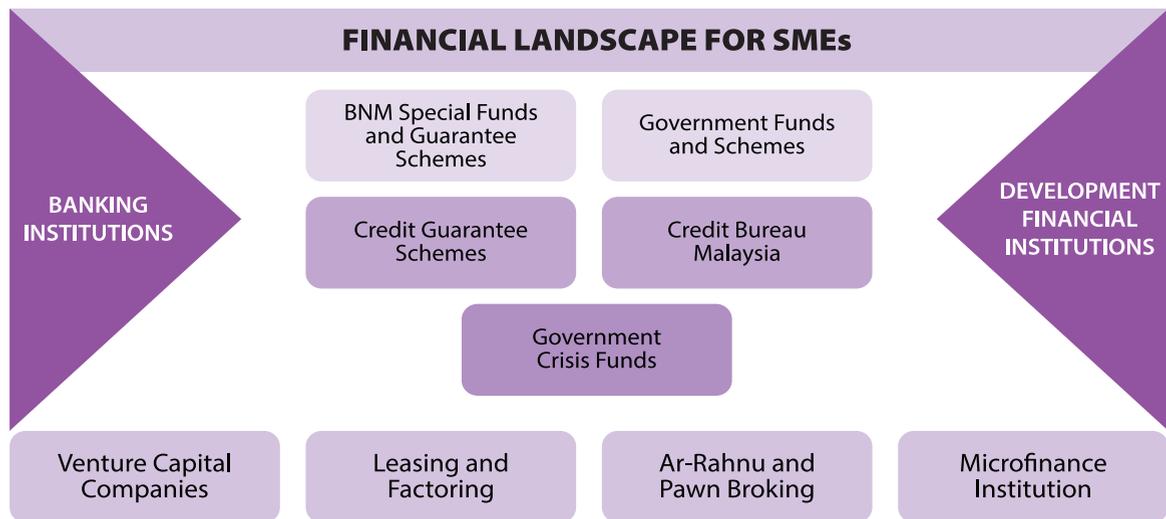
In the early years of its establishment, the National SME Development Council had focused on strengthening the existing infrastructure and institutional framework of financial institutions to adequately address the needs of SMEs. These included establishing dedicated units at financial institutions to deal with SME customers in terms of advisory, complaints, and outreach; transforming development financial institutions to become more focused; rationalising Government funds; setting up credit information systems; establishing avenue for debt resolution; as well as introducing new microfinance schemes and guarantees towards being more effective in serving the SME community. Bank Negara Malaysia also pursued on enhancing financial inclusion to reach out to the underserved segments and rural communities.

Overall these efforts have brought about commendable results by increasing SMEs' access to financing with the total share of business loans outstanding of financial institutions increasing from 30% in 2002 to 46% by 2015. From a company perspective, latest available statistics from the 2011 Economic Census showed that about 50% of the SME financing needs in 2010 were met through external sources, increasing from a mere 41% in 2003, also a testimony that the banking system played an important role in supporting the growth of SMEs. More recently in line with the changing needs of the economy, the policy focus of the authorities has been to further expand the non-bank avenues for risk capital particularly to enhance access to financing for SMEs that are innovative, high growth and in new growth areas.

Comprehensive Financial Landscape for SMEs

Financial institutions (FIs) which comprise banking institutions (BIs) and development financial institutions (DFIs) continue to be the main provider of SME financing. In addition to FIs, SMEs have access to other sources of financing such as venture capital and private equity; factoring and leasing; Government funds; as well as microfinancing and pawn broking. The diverse sources are further reinforced by a comprehensive framework covering guarantee schemes to enhance credit standing of SMEs without collateral and a debt restructuring avenue for firms facing difficulty in repaying their debt. Given that bulk of SME financing outstanding constituting 90-95% have been traditionally extended by FIs, efforts in recent years have been focused on developing more avenues for risk capital. This is in line with the growing needs of the economy where traditional form of financing offered by FIs may not be able to meet the needs of the more risky segment of SMEs, such as start-ups and SMEs in new activities which have high growth potential and innovative in nature.

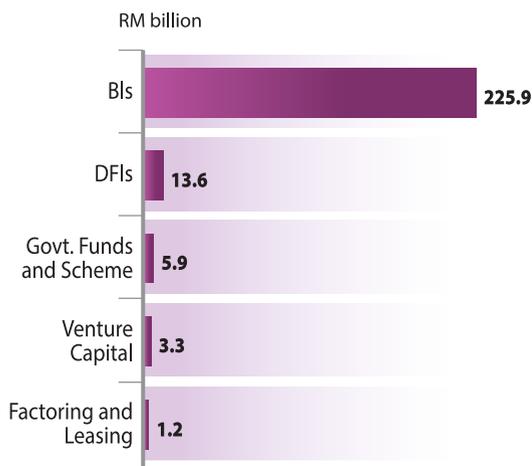
Chart 6.1 : Financial Landscape for SMEs



Financial Institutions

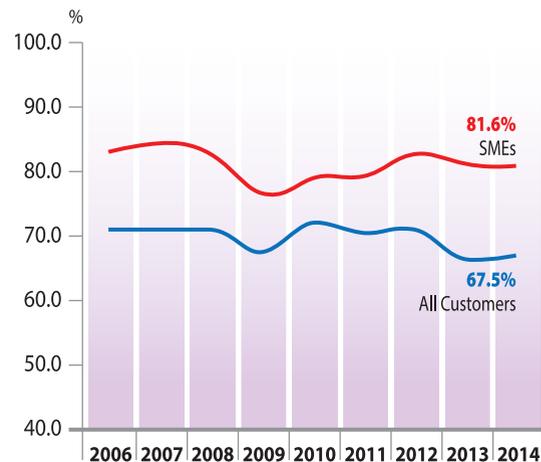
FIs continued to support the growth of SMEs as reflected by the double-digit expansion of 13.3% in total financing outstanding amounting to RM239.5 billion reaching out to 735,435 SME accounts as at end-2014 (2013: 12.7% to 693,115 SME accounts). Consequently, the share of SME financing from total business financing had increased to 43.8% from 42.1% in the previous year. The approval rate remained steady at 81.6% (2013: 81.8%). During the year, a total of RM74.3 billion financing was approved to 140,379 SMEs. Services sector which accounted for RM143.6 billion (60%) of total financing remained the largest share, followed by the manufacturing sector at RM41.1 billion (17.2%), and construction at RM27.9 billion (11.7%). As at end-June 2015, total financing outstanding had grown further by 16.8% to RM261.6 billion.

Chart 6.2:
Financing Outstanding as at end-December 2014



Source: Bank Negara Malaysia, SME Corp Malaysia and Securities Commission Malaysia

Chart 6.3:
Financial Approval Rate (%)



Source: Bank Negara Malaysia

Credit Guarantee Schemes

Since 1972, the Credit Guarantee Corporation Malaysia Berhad (CGC) has been assisting potentially viable SMEs with lack of collateral and track record to obtain financing from FIs. CGC has strived to bridge the gap between SMEs and FIs by providing guarantee on their loan. As at end-2014, CGC has guaranteed a total of RM56.1 billion to 429,424 SMEs.

The year 2014 saw a remarkable growth both in terms of the number and value of loans approved by CGC. A total of 6,839 loans were approved during the year, representing a significant increase of 189% from 2,368 loans approved in 2013. Similarly, the amount of loans approved rose by 105% to RM3.2 billion (2013: RM1.5 billion). The strong growth was attributed to aggressive moves by CGC to market its schemes to its strategic bank partners. In 2014 CGC signed three new Portfolio Guarantee (PG) deals leading to the approval of 4,985 loans worth RM2.1 billion, which represented bulk of the total number and value of loans approved.

Recognising the need to be proactively responsive to the rising expectations of SMEs, CGC stepped up its SME outreach efforts in product innovation, process simplification and forging of strategic alliances with FIs, which has enabled businesses to secure financing faster and at greater ease. In March 2014, CGC sealed a RM1 billion PG deal with Maybank, one of the biggest ever to be signed in the country. Through this initiative, both Maybank and CGC had committed to provide greater access to financing not only for SMEs in the urban but also in the sub-urban and rural areas. CGC also signed the country's first Islamic Wholesale Guarantee (WG-i) agreement with OCBC Al-Amin Bank, involving an initial tranche of RM250 million of the Bank's existing unsecured SME portfolio. Consequently, the ratio of risk involved in the financing of businesses was shared equally between OCBC Al Amin and CGC. The year 2014 also witnessed the signing of PG deals with Small Medium Enterprise Development Bank Berhad (SME Bank) and Affin Bank with initial portfolio size of RM30 million and RM50 million respectively.

During the year, CGC introduced a new rebate mechanism on its guarantee fee as a reward to its customers for timely repayment and good conduct of their loans. The rebate incentive was initiated as one of its proactive measures to ease the cost of borrowing for SMEs in light of the overall escalation in the cost of doing business. It was also intended to inculcate a sound credit culture amongst the SMEs. Meanwhile, to champion the Start-up business segment, CGC launched the BizMula-i direct financing scheme in May 2014 with an initial fund size of RM30 million. It was well received by the market and within one year of its launch, 347 applications valued at RM29.2 million were approved. The direct financing Syariah-compliant scheme provided a boost to the development of new businesses devoid of track record or collateral.

Meanwhile, CGC continued to implement the Green Technology Financing Scheme (GTFS), whereby a total of 50 applications valued at RM476.2 million were approved. To date, CGC has approved 163 applications valued at RM1.9 billion under GTFS. In support of the Bumiputera development agenda, financing for the Bumiputera SMEs was given greater focus in 2014. The Syariah-based Bumiputera Entrepreneur Project Fund-i (TPUB-i) was aggressively promoted through strategic alliances with Government-linked companies/agencies and business chambers. CGC also approved a total of 190 financing valued at RM160.3 million under TPUB-i and 1,605 loans under all schemes valued at RM954.2 million for Bumiputera SMEs.

In 2015, CGC plans to explore and expand its outreach to a broader spectrum of the SME segment. CGC targets to approve 7,850 SME loans amounting to RM3 billion with focus on providing financing in small-sized loans to ensure that more SMEs are able to benefit from its guarantee schemes.

Microfinance

Under the *Skim Pembiayaan Mikro*, microenterprises can avail themselves to financing in an easy, fast and convenient way. Since the Scheme was introduced in 2006 until end-2014, a total of RM2.7 billion financing had been approved to more than 168,000 microenterprises' accounts through 10 participating FIs. The amount approved has further increased to RM2.9 billion, benefiting more than 176,000

micro entrepreneurs as at end-June 2015. Total financing outstanding by the Scheme stood at RM863.2 million as at end-2014 and grew further to RM878 million as of end-June 2015.

Venture Capital

As at end-December 2014, the number of registered venture capital corporations (VCCs) and venture capital management corporations (VCMCs) both stood at 56 respectively. Out of the 112 registered VCCs and VCMCs, 100 are locally-owned, 10 are joint ventures, while two are foreign-owned. During the year, seven VCCs and VCMCs were deregistered due to closure of funds. The number of venture capital professionals employed in the industry with at least four years of experience stood at 111. Total committed funds at end-2014 stood at RM6.21 billion, which represented a year-on-year increase of 7.2%.

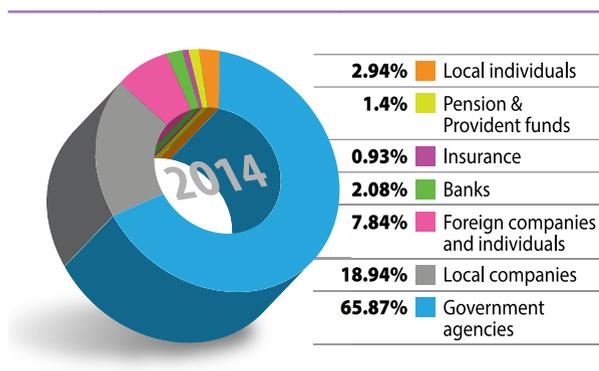


Total venture capital investments fell by 5.4% to RM3.25 billion as at end-2014 compared with RM3.43 billion as at end-2013 due mainly to divestments by the investment companies. During the year, a total of 74 investee companies received RM318 million (increased 20.5% from RM264 million in 2013 for 56 investee companies). At the same time, 59 investee companies were divested amounting to RM421 million (2013: 33 companies divested RM287 million). Divestments were mainly through share redemptions and trade sale.

The Government remained as the main source of funds to the venture capital industry with a contribution of 65.9% of total committed funds, equivalent to RM4.09 billion. Local companies contributed 18.9%, while foreign companies and individuals contributed 7.8% of total funds. The balance made up of collective contributions from banks, insurance companies, pension, and provident funds, as well as local individuals of 7.4%.

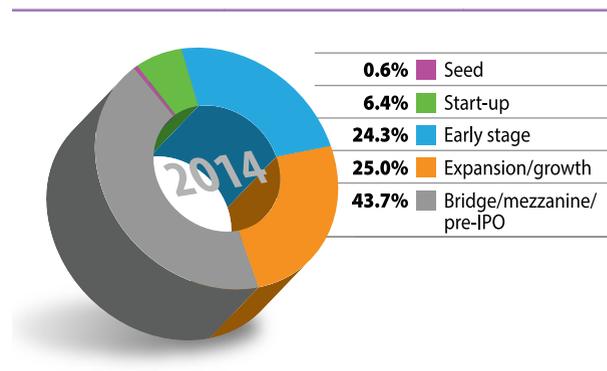
Investee companies at the early stage up to pre-IPO stages received the bulk of the venture capital funding. A total of 60 investee companies received funding amounting to RM295.57 million, representing 93% of total investments. Investments into seed and start-up stages collectively stood at 7% of total investments. These were channelled into 14 investee companies compared with 13 in 2013 amounting to 10.9% of total investments. Investments in these companies were mainly by the Government and selected VCCs/VCMCs. Investments made in the IT and communication in 2014 increased by 8.1% relative to 2013. Investment in life sciences and manufacturing also showed an increase of 11.6% and 11.5% respectively, while investments in the electricity and power generation, education, transportation and storage, and construction sectors recorded a 31.2% decline.

Chart 6.4:
Sources of Venture Capital Funds



Source: Securities Commission Malaysia

Chart 6.5:
Investments by Stage of Business Cycle



Source: Securities Commission Malaysia

SME Financing in 2014

In 2014, there were 30 programmes implemented related to access to financing. Among these include:

- **Ikhtiar Financing Scheme** under Amanah Ikhtiar Malaysia which successfully upgraded 6,300 microenterprises to become small- and medium-sized enterprises. The objective of the Scheme is to reduce poverty rate among poor households by providing access to financing to enable them to undertake viable economic activities to upgrade their household income whereby 95% of its participants have managed to get out of poverty line. As at December 2014, a total of RM1.97 billion loans were approved to close to 298,000 entrepreneurs.;
- **Dana Modal Teroka (Mudharabah & OSP-3)** implemented by the Ministry of Finance (MOF) through the Malaysia Venture Capital Management Berhad (MAVCAP) with the objective to provide venture capital financing to technology and ICT companies. A total of RM33 million was invested in four companies during the year which led to 38% value appreciation in the investee companies. MOF also channeled its funds through the Malaysian Technology Development Corporation (MTDC) to implement the **Business Start-up Fund** with the aim to encourage and facilitate the growth of technology entrepreneurs and new start-up companies. A total of RM88.5 million was approved to 21 companies under the Programme, which led to the commercialisation of 21 new products and 10 intellectual properties (IPs) patented;
- **Raw Material Procurement Programme for Bumiputera SMEs** implemented by the Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Timber Industry Board (MTIB). The programme provides financing for the procurement of raw materials by Bumiputera entrepreneurs. In 2014, a total of RM7.89 million was disbursed to 41 SMEs, which in turn generated sales value amounting to RM33.36 million; and
- Various loan schemes offered by the Ministry of International Trade and Industry (MITI) through the Malaysian Industrial Development Finance Berhad (MIDF). For instance, the **Soft Loan Schemes for SMEs (SLSME)** had approved loans amounting to RM312.7 million to assist 258 existing and start-up companies in project, fixed assets and working capital financing. Meanwhile under the **Soft Loan Schemes for Automation and Modernisation (SLSAM)**, MIDF approved loans totalling RM238.34 million to another 84 SMEs to encourage and assist them to modernise and automate their manufacturing process as well as to upgrade their production capability and capacity.

BNM Special Funds

In order to ensure eligible SMEs have access to financing at reasonable cost, BNM continued to provide five special funds with lending rates ranging from 3.75% to 6%. The following revolving funds were channelled through the participating BIs and DFIs:

- Fund for Food;
- New Entrepreneurs Fund 2;
- Fund for Small and Medium Industries 2;
- Micro Enterprise Fund; and
- Bumiputera Entrepreneurs Project Fund – Islamic.

As of end-2014, a total of RM25.8 billion had been approved to 62,266 SMEs. In 2014, a total of 3,477 firms had benefited from approved financing amounting to RM1.5 billion. In the first six months of 2015, an additional 3,349 new accounts were approved for RM1.1 billion.

Table 6.1: Status of BNM Special Funds* as at end-2014

Type of Fund/Scheme	Allocations	Approvals	Disbursements	Loans Outstanding	Utilisation Rate**
	RM million				(%)
Fund For Food	300	2,012.4	1,961.1	255.4	92.7
New Entrepreneurs Fund 2	2,550.0	4,623.0	4,240.3	536.1	36.0
Fund for Small and Medium Industries 2	6,300.0	18,249.9	17,145.8	4,111.6	82.7
Micro Enterprise Fund	200.0	314.0	303.9	136.5	73.3
Bumiputera Entrepreneurs Project Fund – Islamic	300.0	578.3	326.3	76.7	25.6
Total	9,650	25,777.6	23,977.4	5,116.3	68.7

*All funds are revolving except Bumiputera Entrepreneurs Project Fund – Islamic

** Utilisation Rate = $\frac{\text{Allocation-Fund Available}}{\text{Allocation}} \times 100$

Source: Bank Negara Malaysia

In January 2015, BNM introduced a Special Relief Facility amounting RM500 million to assist businesses that were affected by the massive floods which hit the country at end of 2014. Under this Facility, the affected businesses could obtain financing at a concessionary rate from any commercial or Islamic banks as well as DFIs such as SME Bank, Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat), Bank Simpanan Nasional (BSN) and Bank Pertanian Malaysia Berhad (Agrobank). The financing is provided with 60% guarantee obtained through CGC with no additional collateral required and were channelled through the participating FIs until 30 June 2015. The salient features of the Facility include:

- Available to Malaysian SMEs affected in the districts defined by Majlis Keselamatan Negara, Jabatan Perdana Menteri as flood disaster areas;
- The maximum amount of financing is RM500,000 per group of companies;
- Effective financing rate chargeable is up to 2.25% per annum; and
- The tenure of the financing is up to five years, with a grace period of six months.

The Special Relief Facility by BNM and some of the measures announced by FIs and insurers, including the temporary deferment or moratorium of existing financing repayments, restructuring or rescheduling of financing and waiver of transaction fees and/or finance programmes, are intended to alleviate the financial burden and assist SMEs in the resumption of their business operations.

Small Debt Resolution Scheme

In 2014, the Small Debt Resolution Scheme (SDRS) continued to assist distressed SMEs with viable businesses through restructuring or rescheduling of their existing financial facilities. If eligible, SMEs will be given new financing to improve their cash flow and be provided with sufficient time to recover their businesses. Since its inception in 2003, SDRS has assisted the rehabilitation of loans totalling RM1 billion involving 912 accounts either through rescheduling or restructuring. During the year, there were 37 applications approved amounting to RM107.7 million. Under the Scheme, about 50% of cases assisted were successful in turning around ailing SME businesses. Besides SDRS, FIs also took their own initiative in restructuring and rescheduling loans involving SMEs that showed early signs of financial distress. In 2014, FIs have assisted 910 SMEs with financing worth RM1 billion.

Financial Inclusion

BNM continued to enhance access to financial services through innovative delivery channels such as agent banking and internet banking for the underserved segment including SMEs. Through these initiatives, all districts and parliamentary areas have access to basic banking services in a safe, professional, and secured environment. The basic banking services provided by agent banks are:

- Accepting deposits;
- Facilitating withdrawal of funds by customers;
- Facilitating fund transfers;
- Receiving loan/financing payment; and
- Facilitating bill payment by customers.

As of December 2014, the state of financial inclusion in Malaysia has been elevated as a result of agent banking initiative with 96% of the total sub-districts being served, exceeding the earlier target of 90% set by BNM for the year 2014. The initiative had proven to be a win-win situation for both the FIs and agents. While it is seen as cost effective as the lower set-up cost for agent banking provides significant cost savings for FIs rather than having to establish full-fledge branches, the initiative also brought in more traffic to the agents' business premises. In addition, the agents also earned additional revenue from commissions, in some cases up to RM2,000 per month.

Recently, Agrobank and Bank Rakyat have also launched the agent banking initiatives to serve the agriculture sector and cooperatives, respectively. This has increased the number of participating FIs in agent banking initiatives to five, besides Maybank, RHB and BSN. BNM has reviewed the regulatory framework on agent banking to enhance usage and quality of financial services. This includes allowing agents to facilitate FIs in the opening of banking accounts and increase the withdrawal limit from RM500 to RM1,000 for sole proprietors.

Financial Advisory Services

There are various channels for SMEs to obtain advisory and information related to financing programmes and schemes made available by the Government and private sector. These channels include BNM Laman Informasi Nasihat dan Khidmat (BNMLINK), One Referral Centre (ORC) at SME Corporation Malaysia, Association of Banks Malaysia (ABM), Ministries and agencies as well as DFIs and commercial banks.

BNMLINK

Tel: 1300 88 5465

Fax: 03-2147 1515

e-mail: bnmtelelink@bnm.gov.my

bankinginfo.portal

www.bankinginfo.my

One Referral Centre (ORC)

SME Corp. Malaysia

Tel: 1300 30 6000

Fax: 03-2775 6001

e-mail: info@smecorp.gov.my

www.smecorp.gov.my

www.smeinfo.com.my

CGC also conducts advisory and consultancy activities as well as provide relevant information on how to start a business, the importance of cash-flow management and good credit practices.

Client Service Centre

Tel: 03-7880 0088

Fax: 03-7803 0077

e-mail: csc@cg.com.my

www.iguarantee.com.my

Financial Education

During the year, BNM continued its outreach initiatives to enhance awareness and educate SMEs, particularly microenterprises on the various financial schemes available and the qualifying criteria. In addition to the 360 outreach events, BNM also engaged with the rural communities through its MobileLINK services. As of end-December 2014, about 37,635 individuals from rural communities in 171 mukims nationwide had benefited from the services provided by MobileLINK coach and counter services since its launch in 2011. Among the services provided include advisory on banking, insurance and takaful and SME financing related matters. The take-up rate for financial services during events organised by MobileLINK is 17% with total transaction value amounting to RM13.4 million.

Financing for New Growth Areas

The importance of SMEs participating in the new growth areas (NGA) and innovative industries in driving the country towards achieving a high income economy is underscored in the SME Masterplan. BNM, ABM and the relevant Ministries and agencies have undertaken many initiatives to facilitate this segment of SMEs to obtain access to financing. The financing application processes and procedures for SMEs in the green technology industry have been streamlined and enhanced and moving forward, more focus would be placed on enhancing the capability of supporting infrastructure and institutional arrangements to meet the needs of SMEs in these sectors.

SME Financing in 2015

In 2015, a total of RM4.1 billion has been allocated by the Government in implementing 29 programmes to promote access to financing which are expected to benefit some 422,840 SMEs. These among others include:

- **TEKUN Financing Scheme** under the Ministry of Agriculture and Agro-based Industry (MOA) which aims to provide funds to SMEs for expansion as well as provision of entrepreneurship information, business advisory and support. A total of RM250 million has been allocated under the Scheme, which is expected to result in 10% increase in the annual sales of some 50,000 SMEs;
- **Agrobank Financing Scheme** implemented by MOA through the AgroBank which is expected to benefit 3,500 agropreneurs. The Scheme with a total allocation of RM35 million is set to provide financial assistance to paddy farmers to increase their yield;
- **Skim Pembiayaan Mudah Jaya (SPiM)** by Majlis Amanah Rakyat (MARA) under the purview of the Ministry of Rural and Regional Development (MRRD) offers loans to Bumiputera entrepreneurs. A total of 1,200 Bumiputera SMEs are expected to benefit from the Programme with allocation amounting to RM30 million; and
- **The Young Entrepreneur Fund (YEF)** implemented by MITI through SME Bank to assist young entrepreneurs involved in their preferred business activities. A total of RM50 million has been allocated in 2015 to assist 500 youth entrepreneurs.

Alternative Financing Avenues

Under the 2015 Budget, the Government announced on the establishment of the Investment Account Platform (IAP) to provide a new investment avenue for investors to finance entrepreneurial activities. The web-based platform is to attract individuals, corporate and institutional investors as well as high-net-worth individuals to participate on a risk-sharing basis, with greater confidence in financing entrepreneurship and other real economic activities. The IAP will serve as a centralised multi-bank platform that will allow customers to view and choose from a wide range of ventures floated onto the IAP by different Islamic banks for the customers to invest and track their investments. The Platform is targeted to be rolled out by end of 2015, initially on a pilot basis involving four Islamic banks before allowing for participation by other Islamic banks and DFIs.

In the capital market, one of the avenues to cater for innovative ideas and new start-ups is through crowdfunding. This typically involves individuals providing funding for a project, a business or personal loan and other needs through an online web-based platform. It allows start-ups and SMEs to obtain financing through the capital market via small investments from both institutional and individual investors in return for equity ownership. In this context, the Securities Commission Malaysia (SC) introduced in February 2015 guidelines to facilitate equity crowdfunding. A total of six equity crowdfunding platforms have been approved for operation by end of this year.

SECTION III

SPECIAL HIGHLIGHTS :
SMEs in ASEAN and Opportunities under AEC

SPECIAL HIGHLIGHTS

SMEs IN ASEAN AND OPPORTUNITIES UNDER AEC

ASEAN IN THE GLOBAL ECONOMY

The signing of the ASEAN Declaration in Bangkok on 8 August 1967 marked the birth of the Association of Southeast Asian Nations (ASEAN). At the time of its establishment, ASEAN was formed by the five founding member states namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Since then, ASEAN has expanded to 10 member states which also include Cambodia, Laos, Myanmar, Vietnam and Brunei.



The main objective of ASEAN is to accelerate the economic growth, social progress and cultural development in the region. Its aim is also to maintain stability, security, and peace in Southeast Asia. Over the years, ASEAN has experienced tremendous growth both in terms of size and economic importance. ASEAN is now the third largest market in the world with more than 625 million people, constituting 10% of the world's population. As a single entity, ASEAN's combined GDP of USD2.4 trillion constitute 3.23% of the world total GDP, thus making it the seventh largest economy in the world. ASEAN is also the second fastest growing economy in Asia after the People's Republic of China. According to the forecast by the Economist Intelligence Unit, ASEAN is expected to continue at a fast growth pace to chart an average annual growth of 5.6% until 2020. Many analysts are expecting the region to become the world's fourth largest economy by 2050.

As a whole is greater than the sum of its parts and realising such a huge potential in the region, the initiative to integrate its economy began as early as 1977 with the introduction of the ASEAN Preferential Trading Agreements (PTA) to facilitate, promote and expand intra-ASEAN trade through preferential tariffs. The initiative was further strengthened in 1992 through the signing of the ASEAN Free Trade Agreement (AFTA) with the primary objective to increase ASEAN's competitive edge as a production base in the world market through the elimination of tariffs and non-tariff barriers within ASEAN. As a result, total trade in ASEAN increased faster than it would have been otherwise by six-fold from USD430 billion in 1993 to USD2.5 trillion in 2013. In the same period, the share of intra-ASEAN trade went up from USD82 billion to USD608 billion to make up 25% of total trade in the region from 17% in 1995 previously, thus indicating that trade among the ASEAN countries grew at a faster pace (10.5%) than its other trading partners in the rest of the world (8.9%) during this period. Extra-ASEAN trade rose from USD348 billion to USD1.9 trillion.



As a single entity, ASEAN's combined GDP of USD2.4 trillion constitute 3.23% of the world total GDP, thus making it the seventh largest economy in the world.

Table 1 : Intra- and Extra-ASEAN Trade in 2013 (as at December 2014)

Country	Intra-ASEAN Trade		Extra-ASEAN Trade		Total Trade
	Value (USD million)	Share to Total Trade (percent)	Value (USD million)	Share to Total Trade (percent)	
Brunei Darussalam	4,488.0	29.8	10,569.2	70.2	15,057.2
Cambodia	4,119.1	22.5	14,205.0	77.5	18,324.2
Indonesia	94,661.8	25.6	274,518.7	74.4	369,180.5
Lao PDR	3,729.3	63.4	2,155.6	36.6	5,884.9
Malaysia	119,032.2	27.4	315,196.5	72.6	434,228.7
Myanmar	9,869.0	42.1	13,576.5	57.9	23,445.4
Philippines	22,786.2	19.1	96,322.7	80.9	119,108.9
Singapore	206,672.3	26.4	576,593.2	73.6	783,265.5
Thailand	103,668.6	21.7	374,578.7	78.3	478,247.3
Vietnam	39,531.9	14.9	225,242.1	85.1	264,774.0
ASEAN	608,558.3	24.2	1,902,958.2	75.8	2,511,516.5

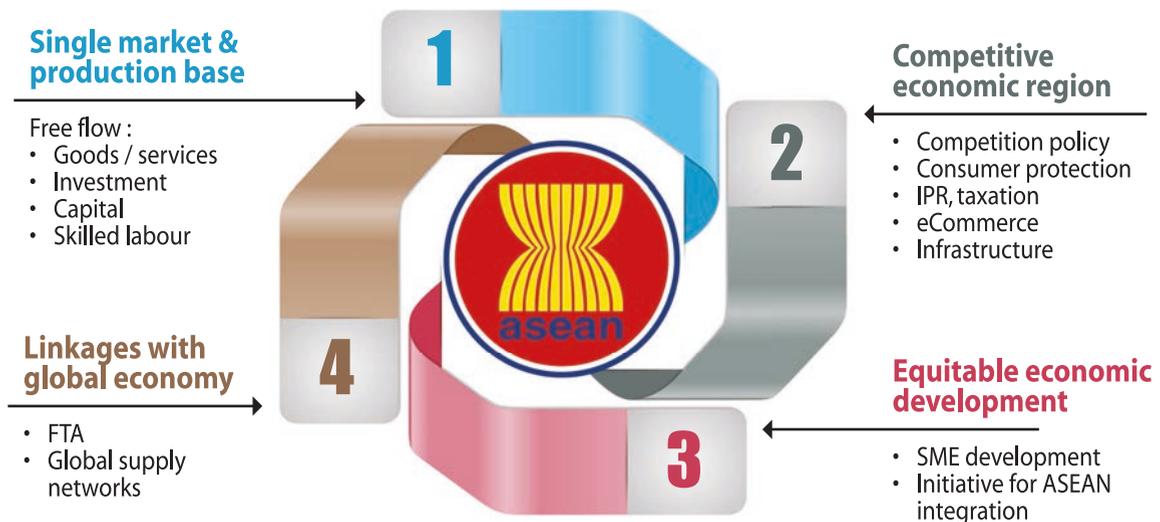
(Sources: ASEAN Merchandise Trade Statistics Database (compiled/computed from data submission, publications and/or websites of ASEAN Member States' national ASEAN Free Trade Area (AFTA) units, national statistics offices, customs departments/agencies, or central banks)

At its 9th Summit in October 2003, ASEAN announced its intention to create an ASEAN Community by 2020 based on three intertwined and mutually reinforcing pillars: ASEAN Security Community (ASC), ASEAN Economic Community (AEC) and ASEAN Socio-Cultural Community (ASCC). The ASC is expected to maintain and strengthen peace, security and stability and enhance ASEAN's capacity for self-management of regional security. Meanwhile, the mission of the AEC is to develop a single market and production base that is stable, prosperous, highly competitive and economically integrated with effective facilitation for trade and investment. However, it will not adopt a common currency like the European Union. Last but not least, the ASCC is for a Southeast Asia bonded together in partnership as 'a community of caring and sharing societies'. In 2005, member countries agreed to establish an ASEAN Charter, which would serve as the legal and institutional framework for the regional organisation and the ASEAN Community.

Subsequently, at the 12th ASEAN Summit in January 2007, ASEAN leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community as envisioned in the ASEAN Vision 2020 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. In particular, the leaders agreed to hasten the establishment of the ASEAN Economic Community by 2015 and to transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

Towards ASEAN Economic Community

The ASEAN Economic Community (AEC) Blueprint was adopted in 2007 to serve as a coherent master plan guiding the establishment of the AEC by 2015. The plan is to establish ASEAN as a single market and production base making ASEAN more dynamic and competitive with new mechanisms and measures to strengthen the implementation of its existing economic initiatives; accelerating regional integration in the priority sectors; facilitating movement of business persons, skilled labour and talent; and strengthening the institutional mechanisms of ASEAN. The four pillars of AEC are:



Other areas of cooperation include human resource development and capacity building; recognition of professional qualifications; closer consultation on macroeconomic and financial policies; trade financing measures; enhanced infrastructure and communication connectivity; development of electronic transactions through e-ASEAN; integrating industries across the region to promote regional sourcing; and enhancing private sector involvement for the building of the AEC.

SMEs in ASEAN

Similar to any other economic blocks in the world, SMEs in ASEAN outnumber the large enterprises both in terms of number of establishments and share of the labour force in the ASEAN region. SMEs account for more than 96% of all enterprises and 50 - 85% of domestic employment. They contribute between 30 - 53% of the GDP and 19 - 31% of export. Aside from generating income and employment, SMEs also have a crucial role in gender and youth empowerment as well as addressing urban and rural poor through entrepreneurship promotion. Hence, the member states depend significantly on SMEs for their economic growth and development.

Nevertheless, SMEs are often hampered by existing challenges such as limited access to finance, low level of innovation and technology adoption as well as inadequate capacity to comply with standards and certifications. As such, ASEAN Strategic Action Plan for SME Development was drafted to outline the framework for SME development in the ASEAN region, particularly in addressing the challenges. The Plan covers mandates stipulated in AEC Blueprint, and the current and future work of the ASEAN SME Working Group (ASEAN SMEWG), which consists of the SME Agencies in all ASEAN Member Countries. In partnership with donor agencies and the private sector, the ASEAN SMEWG seeks to ensure the advancement of SMEs in the region. There are five major deliverables targeted for SME under the AEC Blueprint namely, establishments of:

- a. A common curriculum for entrepreneurship in ASEAN (2008-2009);
- b. Comprehensive SME service centre with regional and sub-regional linkages in ASEAN countries (2010-2011);
- c. SME financial facility in each ASEAN member country (2010-2011);
- d. A regional programme of internship scheme for staff exchanges and visits for skills training (2012-2013); and
- e. A regional SME development fund for use as a funding source for SMEs that are undertaking business in ASEAN (2014-2015).



Meanwhile, engagement in a wider production network through supply chain links among ASEAN firms will provide for greater access to resources, benefit from economies of scale, as well as a larger market for goods and services. A core element for a single market and production base is the free flow of goods, which will be realised through the ASEAN Customs Transit System (ACTS). This automated system is designed to monitor movement of goods through ASEAN countries to the final destination. The purpose of the system is to expedite customs clearance of goods, resulting in significant savings in logistical cost and time for businesses in the member states. SMEs in particular are expected to benefit from the establishment of a more stable and secure supply chain that provides better connectivity of goods at lower costs and risks. This will embolden SMEs to expand their markets throughout the region, sustaining economic growth for themselves, their nations, and the region.

Through the ASEAN Self-Certification Scheme, SMEs will be able to enjoy preferential tariffs under AFTA by self-certifying the origins of their products. The main aim of the Scheme is to increase efficiency by simplifying administration procedures and reducing costs. By promoting self-certification, ASEAN hopes to minimise the involvement of member state authorities, which would allow more efficient clearance of goods in the country of importation. SMEs typically do not have regional networks like multinational companies, nor are they familiar with the administrative certification procedures of other member states. The scheme which makes it easier for them to branch out into regional markets through self-certification, will facilitate and enhance intra-ASEAN trade, support a regional production network, encourage the development of SMEs, promote increased usage of AFTA preferential tariffs, and reduce the costs of doing business.

Non-tariff barriers (NTBs) can severely affect trade in the region especially for SMEs, subjecting them to difficult market conditions and unfavourable pricing. Some of the major barriers affecting intra-ASEAN trade include custom surcharges, logistics inefficiency, repetitive testing of products, labelling requirements, and monopolistic measures. A work programme has been developed to address these issues including enhancement of a non-tariff measures database and engagement with the private sector to obtain feedback on the issues. The elimination of NTBs and improvement of regulatory frameworks in ASEAN countries will give SMEs a level playing field in the regional market. This will promote further growth by allowing them to upscale production, improve efficiency, and increase their standards. Furthermore, adhering to harmonised regional compliance requirements will be a stepping stone for SMEs to aim for global standards.

An integrated ASEAN will also allow for broader means and opportunities to address a perennial and prevalent problem among SMEs in the region, namely access to finance. The growing presence of regional financial institutions is a positive development for SMEs in ASEAN as cross border financing will facilitate expansion, investment, and innovation across the region. Aside from financing, these institutions may also provide advisory and business matching services to assist SMEs entering into new markets. Furthermore, the ASEAN Finance Ministers and Central Bank Governor's Meeting has elevated financial inclusion as a regional policy priority. As such, ASEAN will continue to ramp up efforts to achieve financial inclusion with initiatives focussing on cross-border financing issues for SMEs, trade financing and investment.

Finally, a newly developed ASEAN Strategic Action Plan for SME Development encompassing the years beyond AEC from 2016-2025 will propose further measures to address concerns and strengthen efforts to support the redevelopment of ASEAN SMEs. These measures include: capacity building in areas such as ICT adoption, e-commerce, and standards conformance and compliance; facilitating inter-firm networks and linkages within ASEAN for economies of scale; and shared sectoral and geographical-based SME clusters for shared resources to lower costs.

However, in order to take advantage of the opportunities under AEC, Malaysian SMEs must first equip themselves with the relevant knowledge and prerequisites to compete successfully in the ASEAN market. The latest First Quarter 2015 SME Survey undertaken by SME Corp. revealed that only 40% of respondents were aware of the AEC. In an effort to bring SMEs on board on the AEC initiative, the Ministry of International Trade and Industry (MITI) organised the AEC Open Day on 10 August 2015 with the aim to create more awareness of AEC and ASEAN market opportunities among the SMEs in Malaysia. More than 600 participants comprising SMEs and representatives from various industry

associations were present at the session with the speakers comprising MATRADE Trade Commissioners and representatives from Malaysian Business Councils in the respective ASEAN countries. Selected Malaysian companies that have been successful in venturing into ASEAN market were also invited to share their success stories at this event.

“Malaysian SMEs should take the opportunity of AEC as Malaysian products have a high reputation in terms of quality, safety and design”

Conclusion

The integration of the ASEAN economy through the AEC will continue in stages. The aim is to create a conducive and dynamic business environment for ASEAN businesses including SMEs, which would enable them to increase production and sales, gain access to more resources, and expand their markets. As the region's leading engine of growth, SMEs are a huge priority in the integration of the ASEAN economy. Their continued development and expansion is crucial to the growth, competitiveness, and stability of the region.

Malaysian SMEs should take the opportunity of AEC as Malaysian products have a high reputation in terms of quality, safety and design. Malaysian Halal products are also regarded highly and thus, this is an opportune time for domestic SMEs to capture a larger market share within ASEAN. There are abundance of opportunities for companies to grow as the region provides avenues through an integrated channel for bigger network and market accessibility. As such, ASEAN will continue to steer the course towards the launch and implementation of the AEC and beyond, in order to preserve the region's competitive edge and foster closer cooperation and ties among member nations.

SNAPSHOT

THE ASEAN SME SHOWCASE & CONFERENCE 2015

In conjunction with Malaysia's chairmanship of ASEAN in 2015, the Ministry of International Trade and Industry (MITI) in collaboration with SME Corp. Malaysia organised the inaugural ASEAN SME Showcase & Conference (ASSC) 2015 which took place from 26 - 28 May 2015 at the Kuala Lumpur Convention Centre. Themed 'One Business One Community,' the event provided a world-class platform for local and regional SMEs to showcase their products, services and technologies for the global market and seize networking opportunities. ASSC 2015 featured a series of events under two main components namely, the Showcase and Conference.



Considered as the biggest ever exhibition organised by SME Corp. Malaysia, the Showcase this year consisted of more than 600 booths from 486 local and international exhibitors. During the Showcase, a total of 276 business-matching sessions were arranged through the ASEAN Business Xchange Platform which had successfully generated discussions on potential sales of RM418.54 million. A total of 122 SMEs took part in the matching sessions together with 32 multinational corporations (MNCs) such as BAE Systems and e-Bay, foreign companies from Singapore, Thailand and Sweden as well as Government-linked Companies (GLCs) such as Perodua, Kontena Nasional, MRT Corp. dan Sime Darby. Altogether the session involved 10 industry sectors, with three sectors namely electrical and electronics (E&E), solid state lighting (SSL) / light emitting diode (LED) as well as machinery and



engineering recording the highest potential sales value. At the sidelines, 16 pocket-talks were held to provide the trade visitors with better understanding on SME development programmes available for the various business sectors.

The highlight of the event was the ASEAN SME Conference 2015 which began with an exclusive session on 'Conversation with ASEAN Ministers' that brought together seven Ministers and Deputy Ministers in-charge of SME development in ASEAN. The leaders did not only share their visions and aspirations on the forthcoming ASEAN Economic Community (AEC) by end-2015, but more importantly, the way forward post-AEC. The proper Conference which was held from 27 - 28 May 2015 drew more than 1500 participants comprising both international and local participants and speakers from diverse group including SME entrepreneurs, policy makers, industry experts, practitioners and others. The two-day Conference was packed with insights and sharing of experiences brought upon by distinguished speakers and discussants from the local and international scenes. They range from high-ranking Government officials such as YB Khairy Jamaluddin, Minister of Youth and Sports; YBhg. Tan Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia (BNM); YBhg. Tan Sri Dr. Rebecca Fatima Sta Maria, the Secretary General of MITI, representatives from the United States Small Business Administration (SBA), Mastercard, UPS, PayPal, former World Bank consultant to reputable brand owners such as YBhg. Dato' Bernard Chandran and Jovian Mandagie among others.

Highlights of the Conference were the Luncheon and Special Talks delivered by high profile speakers from the public and corporate sectors. YBhg. Tan Sri Dr. Zeti Akhtar Aziz, Governor of BNM graced the Luncheon Power Talk whereby she spoke on 'Connecting ASEAN SMEs through Financial Integration', while Mr. Timothy Leung from the Ali Baba Group shared on their experience in charting success through e-commerce during the Luncheon Talk on day two of the Conference. Prior to that, there was a special session by YB Senator Dato' Sri Idris Jala, Minister in the Prime Minister's Department and Chief Executive Officer (CEO) of PEMANDU. Among the discussion topics presented during the conference are financing, innovation, technology, branding and the role of youth entrepreneurs as critical factors in the development, progress and success of SMEs.

In a nutshell, the Conference provided a good platform for the speakers, discussants and participants to share the opportunities and challenges ahead towards transforming ASEAN into a powerful economic block. A number of member countries regarded the Conference as a model to be emulated in providing another platform that brings the policy makers and the private sector from the member countries and their key trading partners to have conversations towards forging closer collaboration within ASEAN and between ASEAN and its trade partners.

SECTION IV

SUCCESS STORIES

- Stem Cell Therapy for Complex and Unmet Clinical Needs
by KLSMC Stem Cells
- Leveraging on Innovation
by DreamEDGE
- Booming Baby Business
by Lunatots
- Mushrooming Business
by Fatisha Agrofarm
- A Star in Cameron Highlands
by Star Regency
- Plastics Manufacturer Eyes ASEAN Market
by Tomher Industrial
- Fuelled by Passion for Green Solutions
by Builders Biomass
- A Small Business Turned Into a Conglomerate
by HMN Group of Companies

SUCCESS STORY

STEM CELL THERAPY FOR COMPLEX AND UNMET CLINICAL NEEDS

In 2012, national badminton player YBhg. Datuk Lee Chong Wei was treated at the Kuala Lumpur Sports Medicine Centre (KLSMC) following an ankle injury. 10 weeks later he was back on his feet, playing at the London Olympics where he won a silver medal.

In typical scenario, it would take at least a couple of months to recover, but YBhg. Datuk Chong Wei underwent stem cell therapy, a treatment proposed by Dr. Saw Khay Yong, a Consultant Orthopaedic Surgeon, to accelerate the repair process. As a practising surgeon for many years, Dr. Saw finds cartilage injury challenging to treat and was frustrated with the existing treatment methods. This led him to explore other alternatives including the possibility of using patient's own blood stem cells to repair and regenerate damaged cartilage.

He began his research with Universiti Putra Malaysia (UPM) in 2005, which involved using bone marrow stem cells to repair cartilage defects in goats' knee joint. The study concluded that it was possible to improve on the quality of the repair cartilage with the application of stem cells. This breakthrough led to a series of clinical trials in Malaysia, of which the latest trial was partially funded by the Ministry of Science, Technology and Innovation (MOSTI). The result of the clinical trials has been published in numerous peer-reviewed journals and has received many local and international awards. The peak of KLSMC's achievement in the local scene was when it was conferred the Most Innovative SME Award and the Best SME Innovation Award in Biotech & Agro-Technology Category in 2014 by SME Corp. Malaysia with a grand prize of RM1 million.

KLSMC Stem Cells (KLSMC-SC), a subsidiary of Kuala Lumpur Sports Medicine Centre, was established in 2005 to spearhead research on the application stem cells for the musculoskeletal system. Nevertheless, KLSMC-SC realised that it will not go far in the industry without getting recognition from the United States Food and Drugs Administration (US-FDA). After two years of pursuing, KLSMC-SC has recently received an approval from US-FDA to conduct a clinical trial.

“Typically, when you start doing clinical trials in the US, you have to start with animal testing and it will take another 8 to 10 years before you get to where we are now. So, we have actually leapfrogged the process with the work done in Malaysia,” continued Dr. Saw with a sense of pride and satisfaction.

He said that the US-FDA clinical trial was initiated to address unmet clinical needs for the treatment of large and complex cartilage defects. An example of such a case would be his former Consultant Orthopaedic Surgeon and ex-boss in Liverpool who sustained a cartilage injury in the knee joint while skiing. When surgery in the United Kingdom was unsuccessful in treating his injury, he decided to undergo treatment at KLSMC and returned to skiing 14 months later. To date, KLSMC has treated almost 600 patients with this patented technology including individuals from the USA, Canada, Europe, Australasia, People’s Republic of China, Indonesia and Singapore.

The US-FDA clinic trial will cost approximately USD20 million and KLSMC-SC is currently exploring various options for funding. Despite its challenges, KLSMC-SC is committed to embark on the journey to obtain global recognition which allows for the worldwide application of this technology once approved. “We have a vision of what we want to do and how to get there. If the treatment becomes accepted and widely available, a lot of patients will benefit from it,” concluded Dr. Saw.



SUCCESS STORY

LEVERAGING ON INNOVATION

“I don’t like doing paper presentations,” says Encik Khairil Adri Adnan, the Chief Executive Officer of DreamEDGE.

So when asked to take part in a pitch to meet Mr. Barack Obama, the President of the United States, he brought Nao along. Not only can Nao excite her audience with impressive dance moves, she can hold their undivided attention when she gives presentations. Thanks to Nao’s successful pitch, DreamEDGE was one of the three companies given the chance of a lifetime to have a face-to-face session with Mr. Barack Obama during his short visit to Malaysia last year. However, Nao had to be programmed to perform all the functions mentioned because she is a robot.

“I purchased Nao to develop local talent in programming,” says Encik Khairil who paid over RM50,000 for the female sounding android. He considers the robot a worthwhile investment, foreseeing a future where automation will be in demand. When that happens, he knows he will need experts who can do programming. His forward thinking approach is what has gotten DreamEDGE this far where it is now on the verge of making the transition from being an engineering based company to one that is focused on offering solutions through innovation.

As an engineering service provider, the company has worked for clients in various industries including automotive, heavy industries, precision equipment, and railway, among others, both locally and abroad. In fact, DreamEDGE has a subsidiary in Japan and has successfully completed jobs for clients from the United Kingdom, Austria, Brazil, India, Australia, Indonesia, and Thailand. “Things were going well, but I thought it is risky to concentrate on one type of business. So in 2013, we started developing our own products to mitigate the risk. If we develop 10 to 20 products and at least one of them takes off, it could become the company’s main source of revenue in the future,” says Encik Khairil, recalling the company’s first move to diversify its business.

After careful study and consideration, the company decided to venture into the production of electric vehicles. The business involves mechanical, electronic, and programming expertise, all of which they have in-house expertise. The company’s range of electric vehicles to date includes the Future Friendly Eco Commuter, Electrifying Three Wheeler, and Green Community Bus. These



socially conscious forms of transportation are energy efficient, have low carbon emissions, and are disabled access friendly. Aside from vehicles, the company is also developing its own robots. They may not be as charming as Nao, but they are designed and programmed to fulfil specific functions. The Automated Guided Vehicle (AGV) for example, according to Encik Khairil, is able to haul a complete car on its own and would be useful in automotive manufacturing plants.

The company has been recognised as one of the Top 10 Fast Growing Companies at the SME Award in 2012 and was a recipient of the 1-InnoCERT Best Innovation Award in Engineering and Industrial Design in 2014. However, one of its most memorable

achievements is the establishment of its Digital Engineering Design Centre (DEDC) in Taiping, Perak. DEDC serves as a platform to coordinate collaborations between universities and the industry. Now in its third year, the Centre has hired and developed more than 200 local graduates as engineers. In fact, Encik Khairil is proud that DreamEDGE is able to give many young people a leg up in the field of engineering and innovation. "Growing up, I used to watch enviously as my cousins played with remote control cars, Game Boy, and PlayStation as I could not have one. So now I want to create opportunities for those who have passion for gadgets and technology like I do. I want them to turn their imagination and creativity into endless possibilities," concludes Encik Khairil.

SUCCESS STORY

BOOMING BABY BUSINESS

As a new mother back in 2008, Puan Siti Nur Suraya Mohamed Ali was concerned when her newborn began suffering from rashes in the rear area. She tried different brands of diapers before she found a brand that was suitable for her child, which cost RM2 per diaper.

"I was earning about RM1,500 as a fresh graduate so RM300 is big money to spend on diapers monthly," she laments. Aside from monetary challenges, Puan Suraya's primary concern was to prevent the recurrence of rashes. Through research, she learned that it was the chemical composition of the diapers that caused the rashes. She also came across a new type of diaper that was gaining popularity in the United States and the United Kingdom, the cloth diapers. "I thought other mothers would be interested in them as well so I ordered 500 pieces to start with and began marketing them to friends on my blog. At RM50 a piece and lasting for six years, the cloth diaper is not only a huge savings, it is also environmentally friendly as disposable diapers take 500 years to degrade. Aside from industrial waste, they are the biggest contributors of waste in our landfills and we are running out of space," says Puan Suraya.

The cloth diaper is the pioneer product under the Lunatots brand, which began as an online business. However, these days customers are more likely to visit one of its brick-and-mortar stores to purchase the brand's range of products. What sets Lunatots apart from other boutiques that sell baby products is its focus on natural parenting which emphasises the importance of bonding between parent and child. This is exemplified in a product called Baby Wearing. "Strollers are actually scary for a baby because we are pushing them forward and facing strangers. With Baby Wearing, parents carry their child through a harness attached to their chest. This solidifies the bond between the baby and the mother as the baby can feel the mother's heart beating while facing her and it is easier for mothers to see if their child is sleeping, breathing properly or needs more milk," she explains.



The company also offers a range of home-grown products under the Milk Story brand. The products under this range, which come in the form of beverage, oat cookies and chocolate bar, among others, are also known as milk boosters as they help stimulate the production of milk in breastfeeding mothers. Aside from diversifying its product range,

Lunatots has also expanded its physical presence and currently has nine retail outlets; five of them are licensed while the other four are run by the company itself.

Some of the initial challenges of running the business include cash flow problems but Puan Suraya says she was able to overcome this by obtaining a RM50,000 loan from PUNB. Now that the company has overcome the major hurdle of the first three years, that is to survive, its founder says their focus now is on sustainability. The strategy will be to increase distribution channels, enhance training at all levels of personnel from management to operational staff and improve customers' satisfaction. "All these will be geared towards achieving our vision of making Lunatots a place where we can share the beauty and joy of parenting," she concluded.

SUCCESS STORY

MUSHROOMING BUSINESS

Cik Rusila Yusof's mushroom business was almost over before it even began.

In its first year back in 2007, almost all the grey oyster mushrooms she cultivated were damaged or destroyed due to her lack of expertise and experience. With her RM20,000 capital going down the drain, Cik Rusila contemplated throwing in the towel. It was a good thing that she did not because Fatisha Agro Farm has now grown into an integrated mushroom business, which includes the farm, a factory manufacturing mushroom-based products, and a mushroom-themed eatery called Fatisha Mushroom Kopitiam.

The business evolved gradually over the years, starting as a small farm in Kampung Sungai Ramal Dalam, Selangor before moving to Kampung Pengkalan Pandan Luar in Kemaman, Terengganu where the larger land area allowed Cik Rusila to upscale her operations. However, the real turning point in her business came when she won a RM500,000 grant in the Rural Business Challenge competition organised by the Economy Empower Division of the Ministry of Rural and Regional Development.

Her success in the competition prompted another move, this time to Bandar Al Muktafi Billah Shah in Dungun Terengganu where Cik Rusila continued to expand her operations. "Winning the competition has had a huge impact on my business as it has provided me with the working capital I needed to pay wages, as well as to purchase new machinery and equipment," she says. The grant was also used to set up a full-scale facility, which includes a mushroom house and an office. In addition, Fatisha has a mushroom product processing facility that produces items such as mushroom samosas and popias, mushroom chilli sauce and black pepper mushroom sauce, as well as mushroom flavoured flour for frying. The company also manufactures and supplies mushroom farming equipment including mushroom media-mixers and mushroom bagging machines, among others.

Its operational growth and diversification have resulted in a three-fold increase in Fatisha's monthly revenue from RM20,000 a month to about RM50,000 a month. Cik Rusila is delighted that Fatisha's good fortune has enabled her to contribute to the community through creation of employment and business opportunities. In its early years, the company only had three employees but its staff has now grown to 22. It has also produced 10 entrepreneurs *to date* through its Kiosk Fatisha Cendawan Corner (KFCC) and Kiosk Fatisha Hot & Blenz (KFHB) programmes. With the success of her business, Cik Rusila is now widely regarded as an expert in all mushroom related products. She has solidified this reputation by authoring a book on making money from mushrooms and a guide on how to start a grey oyster mushroom farm project using Effective Microorganisms (EM) technology. Furthermore, the former part-time lecturer with Universiti Pertahanan Nasional Malaysia (UPNM) now puts her teaching skills to use at local colleges and polytechnics where she imparts her expertise and knowledge on mushroom cultivation.

However, the story of how she was able to turn things around after a very disastrous start is probably the most valuable lesson to be learnt from Cik Rusila. "I do not believe in giving up and am always ready to face any challenges. That's how you ensure the longevity of your business," she ended with an optimist note.



SUCCESS STORY

A STAR IN CAMERON HIGHLANDS

When it comes to hotels, it is not just the big brand names or franchise establishments that can provide good service, pleasant ambience, and comfortable accommodation.

The Star Regency Hotel and Apartments is one of the many small players in the industry that strives to ensure that the needs of its guests are met and that their stay is pleasant and comfortable, according to the owner, Mr. Selvam Kuppusamy. Star Regency has opened its door for 10 years now, welcoming visitors to Cameron Highlands. Mr. Selvam attributes the consistently high occupancy rate of his accommodation to word-of-mouth and positive reviews on the social media.

Mr. Selvam's past experience in managing a hotel cum pub in Kuantan, Pahang certainly helped in the new venture. Star Regency was initially rented out to Mr. Selvam. After managing it successfully in the first year, the hotel's former owner offered to sell the business to Mr. Selvam. He was so confident with Mr. Selvam's ability to manage the business that he even became the guarantor for the loan Mr. Selvam took from the Malaysian Industrial Development Finance Berhad (MIDF). Upon taking over Star Regency, Mr. Selvam immediately went about improving the hotel's maintenance and fixtures, and establishing links with travel agents. As a result, the business volume picked up and the number of walk-ins increased.

As the business grew, Mr. Selvam made a decision to move the hotel from Tanah Rata to Brinchang town centre by acquiring a new property near the site of a popular night market. It was a bold move that has paid off well as Star Regency is now thriving in a prime location that is within walking distance of restaurants, shops, and markets. Another strategic move was getting the Halal certification, which the Star Regency maintains until today. "Becoming a Halal business was a big deal because 90% of our customers today are Muslim," he says.



Currently, Star Regency is being run by Mr. Selvam, his wife and his brother. Through the implementation of a good pricing strategy and consistent promotion, Star Regency has established itself as one of the most popular choices for accommodation, particularly for those who come in groups to Cameron Highlands. "We feel that our knowledge and experience in the hospitality industry stand us in good stead. Our current method of handling the stiff competition is through innovation of the basic 4P marketing tools: product, price, promotion, and place," says Mr. Selvam. Going forward, he intends to ensure that Star Regency continues to attract customers and maintain its high occupancy rate. In addition to carrying out room upgrades, efforts will also be made to further boost promotion by leveraging on the hotel's strategic location.



SUCCESS STORY

PLASTICS MANUFACTURER EYES ASEAN MARKET

In the early years of its existence it was an uphill battle but having weathered the storm, Tomher Industrial Sdn. Bhd. has carved a big name in the plastics manufacturing industry in Sabah as the pioneer in polyethylene building materials manufacturing.

Started by its late founder/chairman, Mr. Tan Ching Kuan in 1994, the company ventured into the plastics manufacturing industry some 10 years ago when the industry was still new in Sabah. "It took years for us to change the mindset of our clients to shift to plastic-based building materials and we did all that was possible to stay afloat," began Mr. Ethan Tan, the company's Managing Director.

Over the years, the company has diversified its portfolio and now offers various engineering products made from high density polyethylene (HDPE) including water and chemical storage tanks, prefab septic tank, rainwater harvester and portable toilets. Its HDPE Spiral Culvert System and HDPE Gravity Conveyor System for oil palm plantation are widely used by the plantation giants like Sime Darby, Felda, Genting and IOI. Through stringent in-house quality control, Tomher has also captured a major market share for water and sewerage pipeline as well as underground electric cable-line. Over the years, the company has been recognised through various awards at the domestic and international level. These include the Industry Excellence Award for Innovative Product by the Ministry of International Trade and Industry (MITI), the Sabah Industry Excellence Award and the SIRIM Quality Award. The company was also acknowledged at the international level with the New Millennium Award for Best Trade Name in Madrid, Spain.

Recently, Tomher was approached by the Malaysia External Trade Development Corporation (MATRADE) to participate in the Mid-Tier Companies Development Programme (MTCDP). "We think this is a good initiative from the Government to help accelerate the growth of local companies," Mr. Tan says. In the past, the company had also benefited from a loan by the Malaysian Industrial Development Finance (MIDF), which enabled Tomher to improve its production capability to cater for its growing market share. Tomher hopes the Government will continue to support SMEs that are hoping to spread its wings beyond the local market.



“Our plan is to expand our sales and marketing reach to ASEAN countries and we definitely need assistance from Government agencies like MATRADE that can make a positive impact by encouraging more SMEs to take the first step to venture abroad,” says Mr. Tan. He also believes that entry into the ASEAN market can be facilitated by forging

partnerships with local businesses as they will know their market better. He further added that joint ventures with local players are the best way to increase capacity without having to invest in new infrastructure.

Nevertheless Mr. Tan is being cautiously optimistic when it comes to taking his business abroad. While the move will provide the company with more scope to expand, globalisation can be a ‘double-edged sword’ as it will result in more competition. With that in mind, his advice to SMEs that want to thread on Tomher’s path is “in order to capitalise on the opportunities and not be sidestepped by competition, SMEs need to value add to their product offerings and services. Do thorough research on the market and be well prepared for the battle. Always seek ways to adjust your strategy to keep up with globalisation.”

SUCCESS STORY

FUELLED BY PASSION FOR GREEN SOLUTIONS

“All hard knock experiences will eventually lead to success,” says Ms. Ooi Suan Kim, Chairman of Builders Biomass.

This conviction has sustained her through some of the major challenges in the company's growth. An integrated bio-energy solutions provider, Builders Biomass manufactures solid biofuel, biomass products, and provides related technological services. “During the course of building up the business, perhaps the most significant challenge was in the research and development (R&D) stage as Malaysian biomass is varied in its inherent properties, biological behaviour, characteristics and texture,” she says.

Nevertheless, Builders Biomass took the challenge and turned it into an opportunity by formulating and perfecting its patented award-winning BiOEn technology and biomass pellets. Since its establishment in 2010, the company has exported hundreds of thousands metric tonnes of BiOEn solid biofuel globally with its primary export market being Asia, namely Korea, China, Japan and Singapore. However Ms. Kim noted that when they were starting out, market acceptance was a hurdle they had to overcome. “Asian markets were still struggling with implementation and changing guidelines for biomass imports as legislation was still new,” she explains.

Fortunately, the tide turned in the company's favour in 2011 when oil and gas prices began to increase. This had compelled more users to convert their fuel needs to biomass pellets and Builders Biomass was able to grow their business from there on. Sales revenue has been increasing by leaps and bounds over the years and as of 2013, the company managed to garner a sizable share in the Korean market. Today, the European Union (EU) also makes up a small percentage of its market although high shipping costs make it impractical to grow their market in the EU region for now.

Builders Biomass has been awarded a number of accolades including the Prime Minister's Best Innovation Award in Green Technology 2014, GreenTech Industry Award by the Ministry of Energy, Green Technology and Water (KeTTHA) and the Malaysia Greentech Awards. The

company also received awards as the Top 10 National Women Entrepreneurs 2014, and at the 10th Asia Pacific International Entrepreneur Excellence Awards. In addition, the company has been featured in the Sustainable Development Solutions Network Success Stories of Malaysia and in a number of international industry publications including Alternate Energy Mag, Environmental Expert, and Bioenergy International. Builders Biomass has also advised in the areas of Sustainability Assessment of Biomass Utilisation in East Asian Countries to the Economic Research Institute For ASEAN and East Asia, which provides guidance to Heads of States and policy decision makers.

The company's accomplishment is commendable given that Biomass Builders is only in its fifth year of operation and that the growth thus far has been internally funded.



“We wanted to prove ourselves with a solid track record before considering other forms of financing. New green technologies can appear exciting theoretically, but have to be proven with high quality results, cost efficiency and most importantly, in market acceptance,” she says. Ms. Kim believes that with Builders Biomass business modelled upon the 3Ps of sustainability namely, people, planet and profit, the company's targeted growth over the coming years is realisable.



SUCCESS STORY

A SMALL BUSINESS TURNED INTO A CONGLOMERATE

The tagline 'small is the new big' is commonly used to depict the potential of small businesses to become big but in the case of HMN Group of Companies, it is a dream which has indeed turned into a reality.

"I am fond of saying 'nothing is impossible' so I venture into the corporate world with a pocketful of dreams and today I am pleased to see how far HMN Group of companies has come," says Encik Awang Habiburllah Awang Ismail, the Managing Director of HMN Group of Companies.

The history of HMN Group of Companies started way back in 1999 with the setting up of a small business known as Cybertech Information System by Encik Awang Habiburllah to cater to the growing demand for Information Technology (IT) systems particularly among the public administration offices in Kuching, Sarawak. In the next few years, the business grew to compete not only in providing IT systems but other logistic needs of the Government offices. Encik Awang Habiburllah then realised a need for business expansion so he established HMN Nadhir Sdn. Bhd. in 2003 with the purpose of further exploring opportunities in the supply and service industry. Little that he knew it would become the turning point of the business that led to the formation of HMN Group of companies.

Today, HMN Group is a well-known conglomerate among businesses in Kuching comprising a number of subsidiaries to manage its diversified business activities. These include HMN Edaran Sdn Bhd (logistics & warehousing, paddy/rice packaging & distribution), HMN Taqwa (aquaculture equipment, chemicals & industrial/agricultural fertilisers and pesticides supplier), Qudrat Resources (office equipment distributor, service & maintenances provider), Cybertech Information System (ICT equipment, networking maintenances service provider) and Koperasi NILAM (consumer goods wholesaler & distributor) among others.

While the entrepreneurial journey of Encik Awang Habibullah appears to be smooth sailing, he admits that success did not come without painstaking patience and hard work. During the early years, he was strained by the heavy workload, particularly when his staff size was still small. The company also suffered from financial constraints. "In order to grow the business, we badly needed fresh infusion of capital and other forms of financial assistance. In the early stage we had to depend on assistance from the Government such as MARA, SME Corp. Malaysia and MIDF, but as we grow, we managed to secure financing from the commercial banks," recalls Encik Awang Habibullah.

However as the saying goes, behind every cloud there is a silver lining. For Encik Awang Habibullah, his hard work had paid off with successful years of the business growing in strength and depth. Not only has the Group been entrusted with many high profile projects in Sarawak which signify its credibility in the various industry segments, but personally Encik Awang Habibullah has been awarded with a few awards as a successful and model entrepreneur. The highlight of his personal achievement came very recently when he was awarded the Most Promising Entrepreneur in the recent Asia Pacific Entrepreneurship Awards (APEA) held in Miri, Sarawak in August 2015. The awards are presented to a handful of entrepreneurs and business leaders



across the Asia-Pacific region every year. When he was posed the question on naming one characteristic which attributed to his success, Encik Awang Habibullah was quick to point out his opportunistic trait. "Along the way, I tried to seize every opportunity I came across and turned it into my advantage," he says. Moving forward, while his eyes are set on growing and excelling internationally in all his ventures, his personal goal is to see his company listed on the main bourse.

APPENDIX 1

KEY STATISTICS ON SMEs

Table 1: Number of Establishments by Sector and Size

Sector	Micro	Small	Medium	Total SMEs	Total SMEs	Large Firms	Total Establishments
	Number of Establishments				% Share	Number	Number
Manufacturing	21,619	13,934	2,308	37,861	5.9	1,808	39,669
Services	462,420	106,061	12,504	580,985	90.0	10,898	591,883
Agriculture	3,775	1,941	992	6,708	1.0	2,121	8,829
Construction	8,587	6,725	3,971	19,283	3.0	2,857	22,140
Mining & Quarrying	57	126	116	299	0.1	119	418
Total SMEs	496,458	128,787	19,891	645,136	100.0	17,803	662,939

Source: Economic Census 2011, Profile of Small and Medium Enterprises (reference year 2010), Department of Statistics, Malaysia.

Table 2 : Number of SME Establishments by State

State	Total SMEs	%	State	Total SMEs	%
Johor	68,874	10.7	Sarawak	43,830	6.8
Kedah	37,092	5.7	Selangor	125,904	19.5
Kelantan	37,823	5.9	Terengganu	22,514	3.5
Melaka	21,675	3.4	W.P. Kuala Lumpur	84,261	13.0
Negeri Sembilan	24,542	3.8	W.P. Labuan	1,952	0.3
Pahang	29,462	4.6	W.P. Putrajaya	418	0.1
Perak	60,028	9.3	Total SMEs	645,136	100.0
Perlis	5,053	0.8			
Pulau Pinang	40,824	6.3			
Sabah	40,884	6.3			

Source: Economic Census 2011, Profile of Small and Medium Enterprises (reference year 2010), Department of Statistics, Malaysia.

Table 3: SME GDP Growth by Key Economic Activity, Annual Change in %
(constant 2010 prices)

Year	2010	2011	2012	2013 ^e	2014 ^p
Agriculture	-	6.6	1.3	2.3	17.2
Mining & Quarrying	-	7.3	14.5	8.1	182.6
Construction	-	4.4	16.6	14.0	98.7
Manufacturing	-	7.8	6.2	5.0	10.9
Services	-	7.1	6.2	7.2	8.7
Plus: import duties	-	32.9	29.6	18.2	21.6
Total SME GDP	-	7.3	6.0	6.4	13.6

e : estimate p : preliminary
Source : Department of Statistics, Malaysia

Table 4: Contribution of SMEs to Overall GDP by Key Economic Activity (%)

Year	2010	2011	2012	2013 ^e	2014 ^p
Agriculture	4.3	4.3	4.1	4.0	4.5
Mining & Quarrying	0.0	0.0	0.1	0.1	0.1
Construction	0.9	0.9	1.0	1.1	2.0
Manufacturing	7.2	7.4	7.4	7.5	7.8
Services	19.6	19.9	20.0	20.5	21.1
Plus: import duties	0.2	0.3	0.3	0.3	0.4
Share SME GDP to Overall GDP	32.2	32.8	33.0	33.5	35.9

e : estimate p : preliminary
Source : Department of Statistics, Malaysia

APPENDIX 2

LIST OF SME DEVELOPMENT PROGRAMMES IN 2015

MINISTRY OF AGRICULTURE AND AGRO-BASED INDUSTRY (MOA)

Tel : 03-8870 1200 / Fax: 03-8888 6020 / Website: www.moa.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	SME Development in Agriculture and Food Industry	Provide information / advisory, product analysis, entrepreneur clinics, seminars and test bed technology	MARDI
	Product Development	Increase the quality of new product development	MADA
	Change Upgrade Product (CUP)	Increase the product quality, development and expansion beyond product capability	
Human Capital Development	Production Capability and Premises	Build capacity through development of new premises that comply with Halal certification and MeSTI	MADA
Access to Financing	TEKUN Financing	Provide funds, entrepreneurship information, business opportunities, advisory and support to create competent, innovative and progressive entrepreneurs	TEKUN
	<i>Tabung Pembangunan Usahaniaga Peladang (TPUP)</i>	Improve the net income of farmers to more than RM4,000 per month and create new capable agropreneurs to undertake agriculture production, processing of large-scale services and quality products	LPP
	Agrobank Financing Scheme <ul style="list-style-type: none"> • Paddy – I • <i>Skim Kredit Pengeluaran Makanan</i> • <i>Perusahaan Kecil dan Sederhana (PKS)</i> 	Provide financial assistance to various target groups: <ul style="list-style-type: none"> • Malaysian paddy growers • Malaysian food manufacturers/ entrepreneurs • Malaysian entrepreneurs 	Agrobank

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Market Access	Certification & Accreditation	Provide certifications such as MeSTI, GMP and MyGAP to deserving companies	MADA
	Branding, Packaging and Labelling of Product	Provide assistance in standardisation of product packaging, labelling and branding	
	Development of Product Collection Centre	Develop Farmers Mart Shoppe and product sales centres	
	Marketing and Promotion	Develop the marketing skills of entrepreneurs through promotional and business matching programmes	
	Training for Marketers on Quality and Safety	Increase the application of technology in marketing and post-harvest practices	FAMA
	Strengthening of Agro Food Export Distributions	Develop competitive exporters and create new export markets	
	<i>Pengukuhan Bekalan Ladang Kontrak ke Pasar Tani (KUKUH)</i>	Develop marketing infrastructure for crop production that complies to GMP to ensure agriculture products gain better access to export markets	
Infrastructure	Provision and Strengthen Retail Network of Farmers' Markets and Fresh Fruit Stalls	Provide a variety of retail outlets for farmers / small producers to market their products directly	FAMA

Related Agencies	Acronym	Website
Bank Pertanian Malaysia Berhad	Agrobank	www.agrobank.com.my
Federal Agriculture Marketing Authority	FAMA	www.fama.gov.my
Malaysian Agriculture Research & Development Institute	MARDI	www.mardi.gov.my
Tabung Ekonomi Kumpulan Usaha Niaga	TEKUN	www.tekun.gov.my
Muda Agriculture Development Authority	MADA	www.mada.gov.my
Department of Fisheries	DOF	www.dof.gov.my
Department of Veterinary Services	DVS	www.dvs.gov.my
Fisheries Development Authority of Malaysia	LKIM	www.lkim.gov.my
Farmers Organisation Authority	LPP	www.lpp.gov.my
Department of Agriculture	DOA	www.doa.gov.my
Malaysia Pineapple Industry Board	MPIB	www.mpib.gov.my

MINISTRY OF PLANTATION INDUSTRIES AND COMMODITIES (MPIC)

Tel: 03-8000 8000 / Fax: 03-8880 3441 / Website: www.kppk.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Entrepreneur Development Programme for Homemade Chocolate	Encourage hand-made chocolate production, increase the production capacity and promote local cocoa and chocolate products	MCB
	Bumiputera Vendor Development Programme	Increase productivity and efficiency of Bumiputera SMEs	MTIB
	Improvement in Bumiputera SMEs' Timber Production Capacity	Increase productivity and efficiency of Bumiputera SMEs in manufacturing of timber-based products	MTIB
Human Capital Development	<i>Kursus Pengredan untuk Peniaga Buah</i>	Assist smallholders to implement Good Argonomics Pratices (GAP)	MPOB
Access to Financing	Raw Material Procurement Programme for Bumiputera SMEs	Provide financing for Bumiputera entrepreneurs to ensure continuous supply of quality raw materials	MTIB
Market Access	Business Opportunities Talk	Provide information on commercialisation and business planning in the palm oil industry	MPOB

Related Agencies	Acronym	Website
Malaysian Palm Oil Board	MPOB	www.mpob.gov.my
Malaysian Rubber Board	MRB	www.lgm.gov.my
Malaysian Timber Industry Board	MTIB	www.mtib.gov.my
National Kenaf and Tobacco Board	LKTN	www.lktn.gov.my
Malaysian Cocoa Board	MCB	www.koko.gov.my
Malaysian Pepper Board	MPB	www.mpb.gov.my

MINISTRY OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM (KPDNKK)

Tel: 03-8000 8000 / Fax: 03-8882 5762 / Website: www.kpdnkk.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Market Access	Produk Citarasa Malaysia (PCM)	Promote and market SME products to local and foreign hypermarkets in Malaysia	
	Business Matching Programme	Assist SMEs in getting access to hypermarkets through products listing (local and foreign hypermarkets and supermarkets in Malaysia)	
	Product Development Programme	Assist SMEs to increase the quality of products in terms of packaging, shelf-life and other criteria in order to fulfil the standards of hypermarkets and supermarkets in Malaysia	

Related Agencies	Acronym	Website
Malaysia Co-operative Societies Commission	SKM	www.skm.gov.my
Bank Kerjasama Rakyat Malaysia Berhad	Bank Rakyat	www.bankrakyat.com.my
Perbadanan Nasional Berhad	PNS	www.pns.com.my
Intellectual Property Corporation of Malaysia	MyIPO	www.myipo.gov.my

MINISTRY OF ENERGY, GREEN TECHNOLOGY AND WATER (MEGTW)

Tel: 03-8000 8000 / Fax: 03-8889 3712 / Website: www.kettha.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	MyHIJAU Industry & SME	Create more local green SME companies in the industry by providing coaching programmes	Green Tech Malaysia
Access to Financing	Green Technology Financing Scheme (GTFS)	Reduce energy consumption and facilitate the growth of the green technology industry and enhance its contribution to the national economy	

Related Agencies	Acronym	Website
Malaysian Green Technology Corporation	Green Tech Malaysia	www.greentechmalaysia.my

MINISTRY OF FINANCE (MOF)

Tel: 03-8000 8000 / Fax: 03-8882 3893/94 / Website: www.treasury.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	CIP Catalyst	Facilitate the transformation of innovative technology-based ideas into commercially viable business enterprises to spur the growth of an innovative knowledge-based society and economy in Malaysia	Cradle Fund Sdn. Bhd.
	CIP500	Help Malaysian start-up companies with technology based products or services attain commercialisation	
Access to Financing	Special Tourism Fund	Provide financial assistance for the tourism industry	SME Bank
	Dana Modal Teroka	Provide venture capital financing to companies in the electrical and electronics sub-sector	Kumpulan Modal Perdana Sdn. Bhd. (KMPSB)
	Business Start-Up Fund (BSF)	Encourage and facilitate the growth of technopreneurs and new start-up companies	MTDC
	Business Growth Fund (BGF)	Provide early stage commercialisation and venture capital financing for high growth companies	MTDC
	Angel Tax Incentive	Ensure that start-up companies in the technology space seeking investments from accredited angel investors are eligible and that investments made into these companies are genuine	Cradle Fund Sdn. Bhd.
	Pembiayaan Skim Harta Intelek (IPFS)	Provide special funding for companies to use their registered IP as collateral	MDV

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Infrastructure	Upgrading of Halal Hub Collection Centre in Pengkalan Chepa, Kelantan	Provide a one-stop collection centre for products from Perbadanan Kemajuan Iktisad Negeri Kelantan	PKINK
	Redevelopment of <i>Pekan Melayu</i> in Mukim Sena, Perlis	Building of business premises for Bumiputera entrepreneurs	PKENP
	Development of Business Premises i.e. <i>Pusat IKS dan Usahawan</i> in Mukim Maka, Tanah Merah, Kelantan	Building of business premises	PKINK
	Development of Business Premises in Pulau Sebatik, Tawau	Building of business premises	PKEN Sabah
	Development of Business Premises - Halal Food Hub Phase II in Melaka	Provision of premises for the production of Halal products equipped with the infrastructure that comply with GMP, HACCP and HALAL requirements	PKENM

Related Agencies	Acronym	Website
Malaysia Venture Capital Management Sdn. Bhd	MAVCAP	www.mavcap.com
Malaysia Debt Ventures Berhad	MDV	www.mdv.com.my
Export-Import Bank of Malaysia Berhad	EXIM Bank	www.exim.com.my
Bank Pembangunan Malaysia Berhad	BPMB	www.bpmb.com.my
Bank Simpanan Nasional	BSN	www.mybsn.com.my
Cradle Fund Sdn. Bhd.	Cradle	www.cradle.com.my
Perbadanan Kemajuan Iktisad Negeri Kelantan	PKINK	www.pkink.gov.my
PROKHAS Sdn. Bhd.	PROKHAS	www.prokhas.com.my
Malaysian Technology Development Corporation	MTDC	www.mtdc.com.my

MINISTRY OF HUMAN RESOURCES (MOHR)

Tel: 03-8000 8000 / Fax: 03-8889 2381 / Website: www.mohr.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	SME Training Needs Analysis Consultancy Scheme	Assist SMEs to identify current and future training needs in a systematic manner through preparation and implementation of annual training plans	PSMB
	Trainers Development Programme (TTT/ EET/ Master Trainers)	Produce experts in training programmes	
	HR Capabilities Building Programme for SMEs	Provide up-skilling and human resource programmes related to SMEs registered under HRDF	
	Fully Subsidised Training Needs Analysis for SMEs	Increase the competency of HR practitioners of SME companies in Training Needs Analysis	
	HR Consultancy Workshop for SMEs	Provide HR advisory and consultancy services to SME employers in order for them to resolve their HR issues	
	Skills Upgrading Programme	Enhance the capabilities of SMEs' employees in technical and managerial skills such as financial, quality and business management	
	SME Peer Sharing	Provide coaching and handholding to SME owners in managing their human resources	
Short-Term and Part-Time Courses	Enable industrial workers to obtain training despite their full time engagement at work in order to upgrade and enhance their multitasking capabilities	JTM	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Industrial Collaboration	Create collaborations through memorandum of understanding (MoU), smart partnership (SP) and training cum production (TCP)	JTM
	National Dual Training System (NDTS)	Provide skills upgrading programme for existing, new employees and school dropouts to ensure employability	DSD

Related Agencies	Acronym	Website
Pembangunan Sumber Manusia Berhad	PSMB	www.hrdf.com.my
Manpower Department	JTM	www.jtm.gov.my
Labour Department	JTK	www.jtksm.mohr.gov.my
Department of Skills Development	DSD	www.dsd.gov.my

MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION (MOSTI)

Tel: 03-8000 8000 / Fax: 03-8888 9070 / Website: www.mosti.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Pre- Commercialisation Fund	Develop process, technology or new products or improvements to existing processes and technologies to be commercialised	
	TPM Accelerator Programme	Nurture start-up technopreneurs from idea generation to commercialisation of innovative products and services through comprehensive and integrated handholding programme via coaching, training, mentoring and consultancy by physical intervention and virtual incubation services	TPM
	Biotechnology Commercialisation Funding (BCF)	Provide funding for Biotechnology focus areas to complement the existing funds to enhance access to financing	Biotech Corp.
	Advanced Virtual Incubation Service (ADVISE)	Support start-ups and ease their entrance to entrepreneurship by providing comprehensive support services and shared facilities apart from incubation services	TPM
Human Capital Development	Quality, Technology & Best Practices Training & Consultancy Programme	Assist SMEs to develop their employees through continuous human capital development, innovation and investment in training and education programmes apart from upgrading the technological skills and capabilities of SMEs	SIRIM
Market Access	Product and Quality Enhancement Programme	Nurture, groom and elevate Bumiputera SMEs to a higher level from micro to small to medium enterprises and ultimately become export-ready companies	SIRIM
	Calibration and Measurement Services	Ensure all measurement services are competent and products tested are globally recognised through calibration & measurement services that comply with national and international standards	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Infrastructure	Technopreneur Development Programme	Facilitate research & development, innovation and commercialisation activities and nurture knowledge based enterprises by providing expertise, facilities, equipment and support services	TPM

Related Agencies	Acronym	Website
Technology Park Malaysia	TPM	www.tpm.com.my
Standards and Industrial Research Institute of Malaysia Berhad	SIRIM Berhad	www.sirim.my
Malaysian Biotechnology Corporation	Biotech Corp.	www.biotechcorp.com.my
Malaysian Technology Development Corporation	MTDC	www.mtdc.com.my

MINISTRY OF RURAL AND REGIONAL DEVELOPMENT (KKLW)

Tel: 03-8000 8000 / Fax: 03-8889 2104 / Website: www.rurallink.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Technopreneur Development Programme	Increase technopreneurs' technological competence in processing and production of herbal products based on the latest technology as well as best manufacturing practices	MARA
Human Capital Development	Entrepreneurship Training Programme	Provide various training programmes to develop new Bumiputera entrepreneurs	MARA
	Development of Business Standards	Accelerate the capacity and capability of Bumiputera entrepreneurs through business development and certification	
Access to Financing	Rural Economy Funding Scheme (SPED)	Provide financial assistance to rural entrepreneurs in manufacturing services, agriculture and rural tourism sectors	Bank Rakyat & SME Bank
	<i>Skim Pembiayaan Mudah Jaya (SPiM)</i>	Provide financing facilities to Bumiputera entrepreneurs	MARA
Market Access	Marketing	Enhance market access of Bumiputera companies through marketing and promotional programmes	MARA
Infrastructure	Building business premises	Provide business premises for Orang Asli entrepreneurs	JAKOA

Related Agencies	Acronym	Website
Federal Land Consolidation and Rehabilitation Authority	FELCRA	www.felcra.com.my
Terengganu Tengah Development Authority	KETENGAH	www.ketengah.gov.my
Kedah Regional Development Authority	KEDA	www.keda.gov.my
South Kelantan Development Authority	KESEDAR	www.kesedar.gov.my
South East Johor Development Authority	KEJORA	www.kejora.gov.my
Rubber Industry Smallholders Development Authority	RISDA	www.risda.gov.my
Majlis Amanah Rakyat	MARA	www.mara.gov.my
Community Development Department	KEMAS	www.kemas.gov.my
Department of Orang Asli Development	JAKOA	www.jakoa.gov.my

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)

Tel: 03-8000 8000 / Fax: 03-6203 2337 / Website: www.miti.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Business Accelerator Programme (BAP)	Provide an integrated programme to develop and nurture dynamic, competitive and resilient SMEs through SCORE, capacity building, advisory & technical support, and financial support	SME Corp. Malaysia
	Enrichment and Enhancement Programme (E ²)	Provide an integrated programme to develop and nurture dynamic, competitive and resilient microenterprises through M-CORE, capacity building, advisory & technical support, and financial support	
	SME Expert Advisory Panel (SEAP)	Strengthen technical advisory services to SMEs through on-site assistance by industry experts and encourage transfer of technology know-how and industry experience to SMEs	
	Halal Business Transformation	Develop and nurture the growth of selected Halal companies to become competitive players in the supply chain	HDC
	Automotive Supplier Excellence Programme (ASEP)	Elevate the local automotive suppliers to the world class level of competitiveness and sustainability through provision of technical assistance and consultancy	MAI
	NOSS Development	Develop the after sales of National Occupational Skills Standard (NOSS) for automotive industry	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	SME @ University Programme	Provide a structured learning opportunity for CEO of SMEs to help develop capable human capital that will drive diverse management innovation and creativity in developing business acumen among new and existing entrepreneurs	SME Corp. Malaysia
	SME University Internship Programme	Facilitate and upgrade SME performance including the business processes, productivity and financial performance while developing the entrepreneurship skills of the students	
	Exporters Training Programme	Enhance knowledge of SMEs in export-related areas such as export regulations, market information, international standards, branding, packaging and trade financing	MATRADE
	Capacity Development Programme	Enhance and develop capacity of SMEs' human resources in productivity and quality related matters	MPC
	SME Mentoring Programme	Enhance SMEs knowledge in production, sales and marketing and Halal related matters in the food and beverage industry through sharing of Nestle's best practices	SME Corp. Malaysia
	Industrial Lead Professional Certificate (IPC)	Transform students from existing training institutions into skilled automotive workforce	MAI
	Automotive Graduate Apprenticeship Programme	Train immediate employable engineers for automotive industry in collaboration with local universities	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Bumiputera Workshop Development Programme (BWTP)	Enhance the capability of the automotive workshop owners towards sustainability and profit generation	MAI
	Bumiputera Spare Parts Distribution Centre	Create a pool of Bumiputera suppliers who are capable to supply aftermarket parts and components	
	Bumiputera Authorised Vehicle Disposal & Treatment Centre Development	Transform and rebuilt SME companies into remanufacturing companies to supply for replacement export market	
	Bumiputera Dealership Entrepreneur Enhancement Programme	Increase Bumiputera participation in dealerships	
	Technical Talk	Provide technical seminars on automotive industry with topics relevant to the needs of entrepreneurs	
	PPT Programme Implementation	Programme offered through Associations / Public Outreach throughout Malaysia	
	National Dual Training System (NDTS)	An apprenticeship programme to develop a pool of qualified entry-level automotive technicians for the aftermarket industry	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Access to Financing	SME Development Scheme	Facilitate access to financing for local SMEs to further develop their business and accelerate their growth	SME Bank
	Public Transport Development Fund (TPPA)	Provide a special financing facility especially for commercial buses and taxis service operators to encourage growth in the public transportation industry	
	Dana Ekuiti Bumiputera (Equipbumi)	Increase Bumiputera equity ownership by providing financing to credible Bumiputera companies to take over listed companies or companies with potential to be listed on Bursa Malaysia	
	Malay Reserve Development Financing Programme (MRDF)	Provide financing facility for the development of the Malay Reserve Land in strategic areas and to assist in developing and/or redevelopment of Malay Reserve Land	
	Graduate Entrepreneur Fund (TUS)	Encourage more graduates to enter the field of entrepreneurship	
	Young Entrepreneur Fund	Provide alternative access to the young entrepreneurs in obtaining financing to start their new business as well as for the needs of their existing business	SME Bank
	Soft Loan Scheme for Automation and Modernisation (SLSAM)	Encourage industries to modernise and automate their manufacturing processes and upgrade production capacity and capability	MIDF

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Access to Financing	Halal Development Fund	Support entrepreneurs involved in Halal-related sectors through collaboration with Halal Development Corporation (HDC)	SME Bank
	Soft Loan Scheme for Small and Medium Enterprises (SLSME)	Provide assistance to existing as well as new start-up companies in project, fixed assets and working capital financing	MIDF
	SME Emergency Fund	Assist SMEs whose business are adversely affected by natural disasters through provision of soft loan for purchases of machinery and equipment, refurbishment of premises and working capital	SME Corp. Malaysia
	Soft Loan Scheme for Services Sector (SLSSS)	Assist companies and enterprises in the services sector to increase their capabilities and capacities	MIDF
	Syariah-Compliant SME Financing Scheme (SSFS)	Provide financial assistance to eligible Malaysian SMEs whereby the Government will cover 2% of the profit rate charged on the financing provided by participating Islamic banks	SME Corp. Malaysia
	Bumiputera Enterprise Enhancement Programme (BEEP)	Develop potential Bumiputera SMEs through provision of comprehensive assistance package including financial assistance and advisory services	
	Soft Loan for Bumiputera Automotive Entrepreneur (SLBAE)	Facilitate and assist Open Approved Permit (AP) holders in expanding and diversifying into other automotive-related businesses and to sustain and enhance Bumiputera participation in the automotive industry	MIDF

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Market Access	SME Brand Development Programme	Create awareness on branding among SMEs through seminars / workshops, advisory services at Branding Innovation Centre (BIC) & Branding and Packaging Mobile Gallery.	SME Corp. Malaysia
	Industrial Linkages Programmes	Develop linkages between capable SMEs, MNCs, GLCs as well as large firms	SME Corp. Malaysia
	Vendor Development Programme	Increase middle class Bumiputera in major industries such as automotive, electrical and electronics, plastics, rubber machinery and engineering, telecommunications, building equipment (IBS), furniture, repair and construction of ships etc.	
	<i>(Satu Daerah Satu Industri (SDSI) Showcase)</i>	Increase income of rural community through production of goods and services identified to each district	
	Product and Quality Enhancement Programme (Groom Big)	Nurture, groom and elevate Bumiputera SMEs to a higher level from micro to small and medium enterprises and ultimately become export-ready companies	
	Market Development Grant (MDG)	Provide assistance for SMEs to undertake activities for development of export markets	MATRADE
	Bumiputera Exporters Development Programme (BEDP)	Help Bumiputera SMEs develop the necessary skills and knowledge to penetrate and further expand their export markets	

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Market Access	Women Exporters Development Programme (WEDP)	Help women-owned SMEs develop the necessary skills and knowledge to penetrate and further expand their export markets	MATRADE
	eTRADE	Provide assistance for SMEs to participate in international leading e-marketplace	
	Going Export Programme (GoEx)	Identify, nurture and develop SMEs to be more competitive in the international arena, providing access to international networks and increase exports as well as expand new business opportunities with existing and new markets	
	Lean Production System Programme (LPS)	Transforming SMEs automotive factories and workshops from traditional management to the LPS Management	MAI
	MAI LPS Roundtable Dialogue	Conduct roundtable dialogues to address the LPS assessment criteria in the production system	
	GSAS-GVC Development Programme	Facilitate SMEs' integration into Global Value Chain / Small Medium Enterprise Automotive Sector (GSAS) in major industries within APEC Countries and build their capacity for sustainable and inclusive business growth	
	Export Capable Supplier Development	Develop the current Malaysian suppliers to meet world-class standards through quality delivery and promote national brand through export initiatives	
	Malaysia Automotive Bumiputera Business Opportunity Workshop (BumiAUTO)	Transform Bumiputera entrepreneurs by enhancing their participation in the automotive sector and identifying business opportunities in the automotive industry supply chain	
	Malaysia-Australia Free Trade Agreement (MAFTA)	Enhance the capabilities and competitiveness of Malaysian automotive community through collaboration between Malaysia and Australia	
	4R1S System	Customised quality management system for the after sales and services sector	

Related Agencies	Acronym	Website
SME Corporation Malaysia	SME Corp. Malaysia	www.smecorp.gov.my
Malaysia Productivity Corporation	MPC	www.mpc.gov.my
Malaysia Investment Development Authority	MIDA	www.mida.gov.my
Malaysia External Trade Development Corporation	MATRADE	www.matrade.gov.my
Malaysian Industrial Development Finance Berhad	MIDF	www.midf.com.my
Small Medium Enterprise Development Bank	SME Bank	www.smebank.com.my
Malaysia Automotive Institute	MAI	www.mai.org.my
Halal Industry Development Corporation	HDC	www.hdcglobal.com

MINISTRY OF COMMUNICATION AND MULTIMEDIA MALAYSIA (KKMM)

Tel: 03-8000 8000 / Fax: 03-8911 5255 / Website: www.kkmm.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Bumi Demand Aggregation (BIDA)	Develop new and sustainable Bumiputera entrepreneurs in the ICT industry	MDeC
	MYCyberSALE 2015	Encourage SMEs to be part of the eCommerce eco-system with the aim to increase the domestic eCommerce spending and revenue	
Human Capital Development	Groombig	Conduct ICT enablement programme to spur the development of Bumiputera micro and small entrepreneurs with the adoption of digital technologies (ICT & social media)	

Related Agencies	Acronym	Website
Malaysian Communications and Multimedia Commission	MCMC	www.skmm.gov.my
Multimedia Development Corporation	MDeC	www.mdec.my

MINISTRY OF WOMEN, FAMILY AND COMMUNITY DEVELOPMENT (MWFCDD)

Tel: 03-8000 8000 / Fax: 03-8323 2000 / Website: www.kpwkm.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Inkubator Keusahawanan Wanita (I-KeuNITA)	Provide intensive skill training and entrepreneurship assistance for low-income women to enable them to start their own business. Training areas include sewing, beauty therapy, commercial cooking, crafts, childcare and travel	Women Development Department

Related Agencies	Acronym	Website
Women Development Department	JPW	www.jpw.gov.my

MINISTRY OF TOURISM AND CULTURE MALAYSIA (MOTAC)

Tel: 03-8000 8000 / Fax: 03-8891 7100 / Website: www.motac.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Homestay Entrepreneur Training & Skill Enhancement	Instil entrepreneurship skills among homestay operators to help enhance their quality of services	
Market Access	Promotion & Marketing Programme	Increase craft sales in domestic and international markets	KRAFTANGAN

Related Agencies	Acronym	Website
Tourism Malaysia	TOURISM	www.tourism.gov.my
Malaysian Handicraft Development Corporation	KRAFTANGAN	www.kraftangan.gov.my

MINISTRY OF YOUTH AND SPORTS (MOYS)

Tel: 03-8000 8000 / Fax: 03-8888 8770 / Website: www.kbs.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Youth Entrepreneurship Programme	Provide basic entrepreneurship course, labelling and packaging technology course, Smart Partnership Programme (Youth Entrepreneur), Smart Financial Manager Programme, Technical Agriculture Course	

Related Agencies	Acronym	Website
Jabatan Belia dan Sukan Negeri	JBSN	www.kbs.gov.my

MINISTRY OF INDUSTRIAL DEVELOPMENT SABAH (MID SABAH)

Tel: 088-255 055 / Fax: 088-267 727 / Website: www.sabah.gov.my/mid

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Innovation & Technology Adoption	Packaging and Product Development Programme	Increase product quality and obtain Halal certification for food & beverages and cosmetics	
Human Capital Development	Entrepreneur Development Scheme	Develop progressive and resilient SME Bumiputera entrepreneurs	SEDCO
	<i>(Bengkel Pembangunan Keusahawanan MID 2015)</i>	Provide training and motivation for entrepreneurs	
	<i>(Kursus pelbagai Kemahiran untuk Usahawan)</i>	Provide training on skills and capacity building in various fields	
	Entrepreneurship for Single Mother	Provide training for single mothers to become entrepreneurs and to expand their businesses	Kementerian Pembangunan Masyarakat dan Hal Ehwal Pengguna (KPMHEP)
	Food Technology Processing Course	Upgrade and increase skills and expertise of entrepreneurs in food product processing to improve the quality of products	Department of Industrial Development & Research (DIDR)
	Training for Potential and New Entrepreneurs	Instil entrepreneurship and impart technical knowledge	SEDCOVEST
	Technical Entrepreneur Scheme	Provide training in preparing business plan for technical school leavers and workshop workers	SEDCOVEST
	Entrepreneurship Training	Assist entrepreneurs to acquire necessary entrepreneurship skills and knowledge	Ministry of Rural Development (KPLB)/ District Office
	Basic Courses for Contractors	Enhance the knowledge and skills for D, E and F contractors in various fields of the construction industry	Kementerian Pembangunan Sumber dan Kemajuan Teknologi Maklumat

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Market Access	<i>Pameran dan Jualan</i>	Assist entrepreneurs in promoting and selling their products	KPLB/District Office
Infrastructure	Shophouses	Develop shop houses for entrepreneurs to operate and start their business	SEDCO
	Incubators	Build incubators for entrepreneurs to operate and start business	SEDCOVEST
	Rural Entrepreneur Development	Build and upgrade additional infrastructure in the Rural Entrepreneurs Centre and provide necessary equipment for entrepreneurs to operate, start or expand their businesses	KPLB/ District Office
	<i>Satu Daerah Satu Produk (SDSP)</i>	Build and upgrade additional infrastructure and provide necessary equipment for entrepreneurs to operate and start businesses in selected villages	

Related Agencies	Acronym	Website
Sabah Economic Development Corporation	SEDCO	www.sedco.com.my
Sedcovest Holdings Sdn.Bhd.	SEDCOVEST	www.sedco.com.my
Department of Industrial Development & Research	DIDR Sabah	www.didr.sabah.gov.my

MINISTRY OF INDUSTRIAL DEVELOPMENT SARAWAK (MID SARAWAK)

Tel: 082- 313 212 / Fax: 082-445 337 / Website: www.mid.sarawak.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Entrepreneurship Development Programmes	Enhance entrepreneurship, technical knowledge and skills to existing, potential and new entrepreneurs through training	
Access to Financing	Small and Medium Industry Financing Scheme (SPIKS)	Provide financing for working capital, renovation of existing business premise and purchase of machinery / business equipment for SMEs in manufacturing, services and ICT sectors	SEDC
Market Access	Domestic & International Trade Fair & Expo	Assist entrepreneurs in promoting their products in the domestic and international markets	
Infrastructure	Industrial Estate Development - Demak Laut Industrial Park Phase 2B	Provide better amenities and infrastructure through proper industrial estates development	
	Incubator Development - Biovalley Park	Support the development of new products and processes of bio-based products by providing infrastructure and facilities for incubators	

Related Agencies	Acronym	Website
Department of Agriculture, Sarawak	DOA	www.doa.sarawak.gov.my
Unit Pembangunan Usahawan Bumiputera	UPUB	www.upub.sarawak.gov.my
Sarawak Economic Development Corporation	SEDC	www.sedc.com.my

BANK NEGARA MALAYSIA (BNM)

Tel: 03-2698 8044 / Fax:03-2691 2990 / Website: www.bnm.gov.my

Focus Area	Major Programmes	Programme Objectives
Access to Financing	New Entrepreneur Fund 2 (NEF2)	Promote the growth of Bumiputera SMEs through access to financing at a reasonable cost
	Fund for Small and Medium Industries 2 (FSMI2)	Ensure eligible SMEs have access to financing at a reasonable cost
	Micro Enterprise Fund (MEF)	Provide micro enterprises continuous access to financing

PERBADANAN USAHAWAN NASIONAL BERHAD (PUNB)

Tel: 03-2785 1515 / Fax:03-2780 2100 / Website: www.punb.com.my

Focus Area	Major Programmes	Programme Objectives
Human Capital Development	<i>Program Siswazah Perantis</i>	Equip young Bumiputera graduates and certificate holders with skills and knowledge to venture in the retail and distributive sectors through a structured and systematic development mechanism
Access to Financing	SME Scheme	Increase the number and quality of Bumiputera entrepreneurs in manufacturing and services sectors
	PROSPER <i>Pemborong</i>	Develop Bumiputera entrepreneurs in the wholesale / big scale retailing by providing goods and materials at cost that will enhance their competitiveness in retail industry
	PROSPER <i>Runcit</i>	Increase the number of Bumiputera entrepreneurs in the distributive and retail sub-sectors by inculcating entrepreneurial culture via knowledge and experience
	PROSPER <i>Teras</i>	Improve the standards of Bumiputera retail entrepreneurs through effective product selections and layout, and the application of an integrated system to operate their businesses
	PROSPER <i>Usahawan Muda (PUMA)</i>	Assist young Bumiputera to embark on retail and distribution business through structured and systematic development mechanism
Infrastructure	PROSPER Property	Increase Bumiputera ownership in commercial property

CREDIT GUARANTEE CORPORATION (CGC)

Tel: 03-7806 2300 / Fax:03-7806 3308 / Website: www.iguarantee.com.my

Focus Area	Major Programmes	Programme Objectives
Access to Financing	Guarantee Schemes Enhancer / Enhancer-i / Enhancer Express	Provide guarantee scheme to help SMEs secure credit facilities from financial institutions
	Green Technology Financing Scheme	Assist companies (including SMEs) to obtain financing to support Government's initiative to promote investments in green technology
	<i>Tabung Projek Usahawan Bumiputera – Islamic (TPUB-i)</i>	Provide financing to small and medium scale Bumiputera entrepreneurs who had been allotted projects/contracts but was unsuccessful to obtain financing from FIs

FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)

Tel: 03-2191 2191 / Fax:03-2191 2590 / Website: www.felda.net.my

Focus Area	Major Programmes	Programme Objectives
Market Access	Entrepreneur Development	Improve entrepreneurs' competitiveness by increasing the number of entrepreneurs in non-farm activities

AMANAH IKHTIAR MALAYSIA (AIM)

Tel: 03-6274 8810 / Fax:03-6274 8809 / Website: www.aim.gov.my

Focus Area	Major Programmes	Programme Objectives
Access to Financing	<i>Ikhtiar</i> Financing Scheme	Reduce poverty rate in Malaysia by providing financing to poor households to enable them to undertake viable economic activity to upgrade their household income

CHIEF MINISTER OFFICE, SARAWAK

Tel: 03-082-441 957 / Fax:03-082-449 079 / Website: www.upub.sarawak.gov.my

Focus Area	Major Programmes	Programme Objectives	Implementing Agency
Human Capital Development	Basic Course Entrepreneurs	Improve the skills and capacity of entrepreneurs and potential entrepreneurs in Sarawak	Unit Pembangunan Usahawan Bumiputera (UPUB)
	Business Plan Preparation Workshop	Improve the skills of entrepreneurs and potential entrepreneurs in preparing a quality business plan	
	<i>Latihan Peningkatan Kemahiran (LPK)</i>	Change the paradigm of new or existing entrepreneurs	
Market Access	<i>Program Pembangunan dan Peningkatan Kejayaan Usahawan Eksport (SEED-Eksport)</i>	Strengthen and develop existing entrepreneurs to expand their businesses globally	

The list of programmes can also be obtained from SMEinfo portal at www.smeinfo.com.my.

APPENDIX 3

GLOSSARY OF ABBREVIATIONS

ORGANISATION/ ASSOCIATIONS/ INSTITUTIONS

Name	Acronym
Association of Banks in Malaysia	ABM
Association of Islamic Banking Institutions Malaysia	AIBIM
Asia-Pacific Economic Cooperation	APEC
Association of Southeast Asian Nations	ASEAN
ASEAN Economic Community	AEC
ASEAN Working Group on Intellectual Property Cooperation	AWGIPC
Committee on Trade and Investment	CTI
Emergency Preparedness Working Group	EPWG
International Monetary Fund	IMF
National SME Development Council	NSDC
Organisation for Economic Co-operation and Development	OECD
Perbadanan Kemajuan Ekonomi Negeri	PKEN
United States Food and Drugs Administration	US-FDA
Department of Prime Minister	DPM
Department of Statistics, Malaysia	DOSM
Malaysia Competition Commission	MyCC
Malaysia Franchise Association	MFA
Malaysian Administrative Modernisation and Management Planning Unit	MAMPU
National Security Council	NSC
Universiti Pertahanan Nasional Malaysia	UPNM
Universiti Putra Malaysia	UPM
Yayasan Inovasi Malaysia	YIM

FUNDS

Name	Acronym
Agrobank Financing Scheme	AFS
Biotechnology Commercialisation Funding	BCF
Bumiputera Entrepreneur Project Fund	TPUB-i
Bumiputera Entrepreneurs Project Fund – Islamic	BEPF-i
Business Start-up Fund	BSF
Commercialisation of Research and Development Fund	CRDF
Dana Modal Teroka	Mudharabah & OSP-3
Fund for Food	3F
Fund for Small and Medium Industries 2	FSMI2
Green Technology Financing Scheme	GTFS
<i>Ikhtiar</i> Financing Scheme	IFS
Islamic Wholesale Guarantee	WG-i
Micro Enterprise Fund	MEF
New Entrepreneurs Fund 2	NEF2
Portfolio Guarantee	PG
Pre-Commercialisation Fund	PCF
<i>Skim Pembiayaan Mudah Jaya</i>	SPiM
Small Debt Resolution Scheme	SDRS
SME Emergency Fund	SMEEF
Soft Loan Scheme for Automation and Modernisation	SLSAM
Soft Loan Scheme For Small and Medium Enterprises	SLSME
Special Relief Facility	SRF
Technology Acquisition Fund	TAF

GOVERNMENT PROGRAMMES

Name	Acronym
Agriculture Marketing and Investment Mission	AMIM
Automotive Industry Certification Engineering	AICE
Bumiputera Exporters Development Programme	BEDP
Bumiputera Vendor Development Programme	BVDP
Business in Transformation	BIT
Business Licensing Electronic Support System	BLESS
Cradle Investment Programme	CIP
<i>Gerai Buah-Buahan Segar</i>	GBBS
Franchise Export Program	FRANEX
Going-Export Programme	GoEx
Halal Business Transformation HBT 3.0	HBT 3.0
High Impact Programmes	HIPs
Industrial Lead Professional Certificate	IPC
Industrial Linkage Programme	ILP
<i>Inkubator Keusahawanan Wanita</i>	I-KeuNITA
Intellectual Property Creators Challenge	IPCC
Market Development Grant	MDG
Mid-Tier Companies Development Programme	MTCDP
National Dual Training System	NDTS
<i>Program Pembangunan Usahawan Baru</i>	PIONEER
<i>Program Pembangunan Usahawan Warisan</i>	POWARIS
<i>Program Pemeriksaan Usahawan</i>	PREMIER
<i>Produk Citarasa Malaysia</i>	PCM
Raw Material Procurement Programme for Bumiputera SMEs	RMPPB
<i>Satu Daerah Satu Industri</i>	SDSI
Technology Commercialisation Platform	TCP
Women Exporters Development Programme	WEDP

GOVERNMENT DOCUMENTS

Name	Acronym
11 th Malaysia Plan	11 th MP
Competition Act 2010	CA 2010
Islamic Financial Services Act 2013	IFSA 2013
National Franchise Development Blueprint	NFDB

OTHER TERMS

Name	Acronym
Asia Pacific Entrepreneurship Awards	APEA
Automated Guided Vehicle	AGV
Bank Negara Malaysia Laman Informasi Nasihat dan Khidmat	BNMLINK
Banking Institutions	BIs
Change Upgrade Product	CUP
Compounded Annual Growth Rate	CAGR
Consumer Price Index	CPI
Development Financial Institutions	DFIs
Effective Microorganisms	EM
Financial Institutions	FIs
Good Agricultural Practices	GAP
Good Manufacturing Practices	GMP
Goods and Services Tax	GST
Government-linked Companies	GLCs
Gross Domestic Product	GDP
Gross National Income	GNI
Food Safety is the Industry's Responsibility	MeSTI
High Density Polyethylene	HDPE
Information and Communication Technology	ICT
Islamic Financial Institutions	IFIs
Intellectual Property	IP
Investment Account	IA
Investment Account Platform	IAP
Fatisha Cendawan Corner	KFCC
Fatisha Hot & Blenz	KFHB
Malaysia Corporate Identity	MyCoID
Malaysian Institute of Economic Research	MIER
Minimum Wages	MW
Monetary Policy Committee	MPC

Name	Acronym
Multinational Companies	MNCs
New Growth Areas	NGAs
One Referral Centre	ORC
Overnight Policy Rate	OPR
Producer Price Index	PPI
Rural Business Challenge	RBC
Small and Medium Enterprise	SME
SME Integrated Plan of Action	SMEIPA
SME Investment Partner	SIP
Venture Capital	VC
Venture Capital Companies	VCCs
Venture Capital Management Corporations	VCMCs
World Economic Outlook	WEO

APPENDIX 4

DEFINITION OF SMEs

New Definition of SMEs (effective 1 January 2014)

Under the new SME definition, the existing qualifying criteria i.e. sales turnover and employment remain but the threshold has been increased to:

- Manufacturing sector: Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200.
- Services and other sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75.

Detailed definition by category namely micro, small and medium is as follows:

Size	Micro		Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	< RM300,000	< 5 employees	RM300,000 to < 15 Million	5 to < 75 employees	RM15 Million to ≤ 50 Million	75 to ≤ 200 employees
Services & Others			RM300,000 to < 3 Million	5 to < 30 employees	RM3 Million to ≤ 20 Million	30 to ≤ 75 employees

Note : < is less than
≤ is not exceeding

Under the new definition, all SMEs must be entities registered with SSM or other equivalent bodies. It however excludes:

- Entities that are public-listed on the main board; and
- Subsidiaries of:
 - Public-listed companies on the main board;
 - Multinational corporations (MNCs);
 - Government-linked companies (GLCs);
 - Syarikat Menteri Kewangan Diperbadankan (MKDs); and
 - State-owned enterprises.

Definition of SMEs (2005 - 2013)

The definition of SMEs is based on two criteria:

- The total sales turnover/revenue by a business in a year; OR
- The number of full-time employees by a business.

Generally SMEs in Malaysia are defined as follows:

- Manufacturing sector: Sales turnover of less than RM25 million OR full-time employee of less than 150
- Services and other sectors: Sales turnover of less than RM5 million OR full-time employee of less than 50

Detailed definition by the three categories namely micro, small and medium is as follows:

Annual Sales Turnover:

Size	Manufacturing (including agro-based) & Manufacturing-related Services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than RM250,000	Less than RM200,000	Less than RM200,000
Small	From RM250,000 to less than RM10 million	From RM200,000 to less than RM1 million	From RM200,000 to less than RM1 million
Medium	From RM10 million to less than RM25 million	From RM1 million to less than RM5 million	From RM1 million to less than RM5 million

Number of Full-Time Employees:

Size	Manufacturing (including agro-based) & Manufacturing-related Services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	From 5 to less than 50 employees	From 5 to less than 20 employees	From 5 to less than 20 employees
Medium	From 50 to less than 150 employees	From 20 to less than 50 employees	From 20 to less than 50 employees