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# MESSAGE

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from YAB Prime Minister

Over the last decade, SME development in Malaysia has navigated a journey like no other. We have witnessed a growth momentum consistently sustained at a higher level than the overall GDP growth of the country. In 2015, SMEs contributed 36.3% to GDP from slightly below 30% in 2005, while employment share rose to 65.5% (2005: 56.8%) and exports to 17.6% (2010: 16.4%). The foundation has been laid with the institutional framework and a clear policy plan in place.

While not all SMEs can become the next 'Apple' or 'Microsoft', but collectively SMEs create jobs, uplift incomes, change the lives of communities and form essential building blocks for larger corporations. Hence, there is growing realisation worldwide on the role of SMEs to a well-functioning market economy. Similarly in Malaysia, SME is becoming a key catalyst to growth towards achieving a high income and inclusive nation by 2020. The implementation of the six High Impact Programmes and 26 other initiatives under the SME Masterplan are critical in meeting the goals and targets set for 2020.

Today, despite the increasingly challenging economic environment, SMEs remain a priority to the Government. In 2015, 150 SME development programmes were implemented with total funding of RM5 billion that reached out to more than 580,000 SMEs and its employees. Evidence suggests that despite the subdued business environment, SMEs were affected to a lesser extent compared to large firms. During the year, SMEs continued to remain resilient, expanding by 6.1% versus the overall economic growth of 5%. The encouraging performance was due in part to a series of proactive measures undertaken by the Government since early last year to cushion the impact of the economic slowdown. SME growth was sustained by continued domestic demand, particularly consumption and investment activities as well as provision of additional financial assistance.

Meanwhile, the execution of the High Impact Programmes under the SME Masterplan gathered momentum to lend further support to SMEs during the year. Greater focus was given for start-ups and existing companies to bring in innovation. These are not only sophisticated products or services, but also those affordable for the excluded group - the bottom 40% of the pyramid and rural communities. Innovative SMEs also depicted double-digit sales and export growth, and have generally higher productivity and wage levels than industry norms. New forms of alternative financing have emerged specifically to cater to innovative and high growth firms, while funding for microenterprises has widened to greater outreach.



The first phase of the High Impact Programme 1 was realised with the launch of a new information portal entitled 'MalaysiaBiz'. The Portal provides details on business registration and licensing requirements for business activities across all economic sectors, hence enhancing ease of doing business. To strengthen the long-term prospects of SMEs, the Government is also in the midst of finalising the National SME Bill 2016 which is expected to be tabled at the Parliament by end of this year.

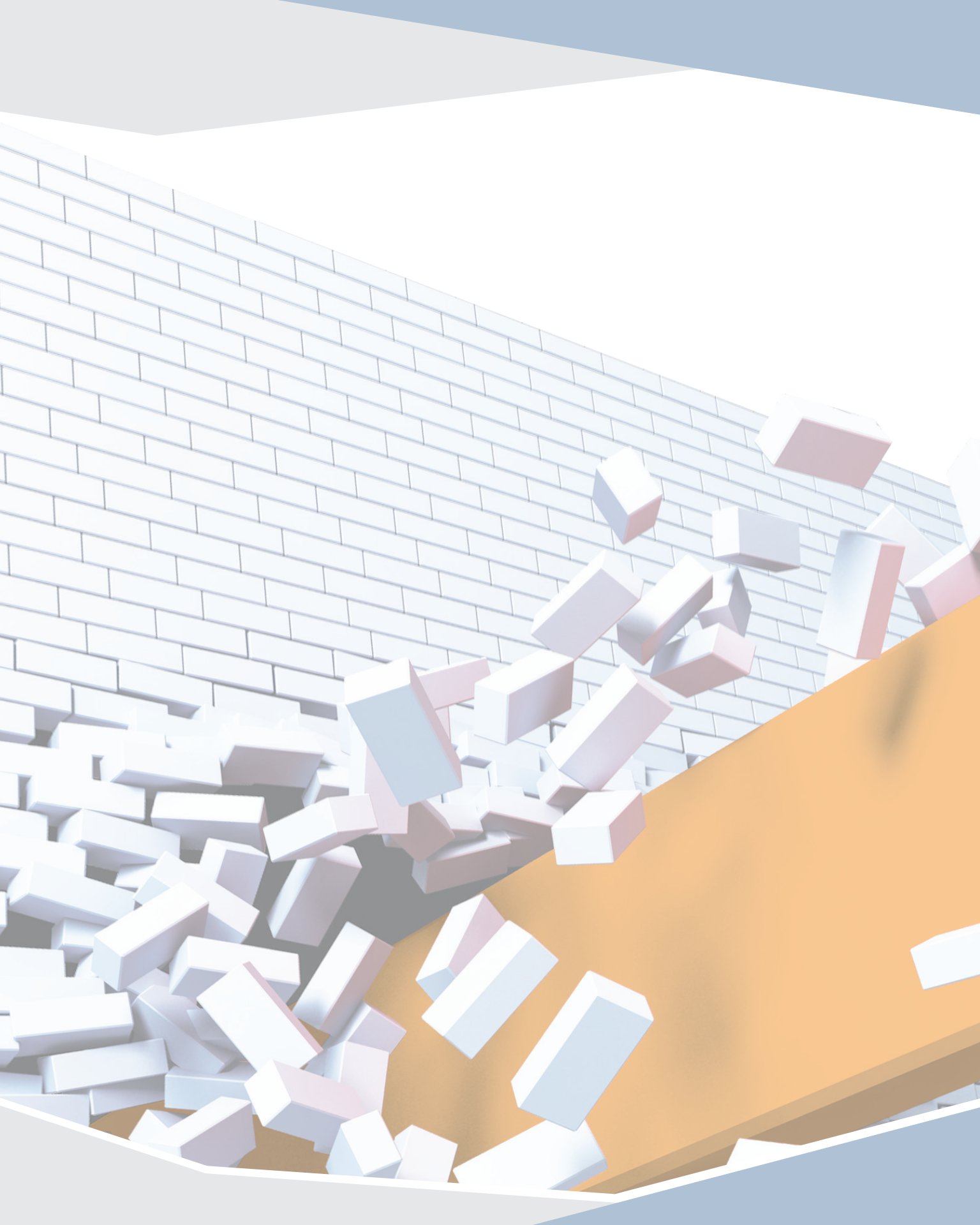
On the outlook for 2016, SME GDP growth is expected to be sustained at around 5.0 - 5.5% amidst the continued headwinds from external challenges. The Government remains committed to SME development, with 125 programmes amounting to RM4.4 billion being undertaken by the various Ministries and agencies, mainly in the area of financing, human capital development, market access and innovation / technology adoption. Surveys by SME Corporation Malaysia indicate that SMEs are responding to the current economic challenges by undertaking cost-cutting measures, finding new markets and enhancing efficiency to remain competitive.

Moving forward, a new world order is emerging that will shape the business landscape. Key megatrends that will transform businesses all over the world include, Industrial Revolution 4.0; digitisation and technological convergence giving rise to Financial Technology firms, Big Data Analytics and e-commerce; as well as regional integration and opening up of markets. As businesses enter the new era, SMEs need to adjust and reap the benefits. In addition, economic forces have changed with the advent of the ASEAN Economic Community (AEC) in 2015 and the commitment towards the Trans-Pacific Partnership Agreement (TPPA) in 2018 leading to an expanded potential market size of over 1 billion for Malaysian SMEs. Indeed, SMEs need to rise to compete globally and at the same time, maintain the local flavour - 'think global, act local'.

I am confident that the progress thus far demonstrates the resilience and agility of Malaysian SMEs to transform their businesses and align to the new trends. SMEs need to shift their mind set and overcome barriers from the convergence of these forces which is themed in the 2015/2016 SME Annual Report — *Breaking Barriers*. Integrating into the global supply chain, meeting global standards, adopting best practises and sound governance will pave the pathway to creation of a new breed of world class firms. The public sector is also adjusting to remain relevant to the needs of SMEs and creating a conducive ecosystem for businesses. The goals and aspiration remain the same, as SMEs are mainstreamed and their growth trajectory is accelerated to increase their contribution to GDP to 41% and exports to 23% by 2020.



**DATO' SRI MOHD NAJIB**  
Chairman of National SME Development Council  
September 2016



# SECTION I

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## Economic Assessment

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# The Malaysian Economy

**D**espite the challenging economic environment in 2015, the Malaysian economy remained resilient, to expand by 5.0% (2014: 6.0%), supported by the continued expansion in private sector-led domestic demand. The growth was also underpinned by modest improvement in external demand in the second half year. For 2016, the Malaysian economy is expected to continue to expand, albeit at a more moderate pace of 4.0 – 4.5%. Domestic demand will remain the key driver of growth, sustained primarily by private sector spending. The resilience in the economy is supported by the diversified economic structure, sound macroeconomic fundamentals, developed financial system and continued ability in policy flexibility.



## PERFORMANCE IN 2015

The Malaysian economy registered a moderate growth of 5.0% in 2015 (2014: 6.0%). The growth was supported by strong domestic demand, driven by the private sector.

**Private consumption** continued to record a moderate growth as households adjusted their expenditure to the higher cost of living from the implementation of Goods and Services Tax (GST), administrative price adjustments, subsidy rationalisation and depreciation in the ringgit. Nevertheless, a higher disposable income through targeted Government measures to low- and middle-income households and the stable labour market conditions supported higher spending. In addition, there was front loading of consumption activities in the early part of the year ahead of the implementation of the GST in April 2015.

**Private investment** moderated due to lower investments in new oil and gas explorations during the year. Nevertheless, the impact was partially mitigated by continued investments in downstream oil and gas activities, and investments in new and on-going projects in the manufacturing and services sectors.

**Table 1.1** : Real Gross Domestic Product (GDP) by Expenditure (constant 2010 prices)

	2014	2015 <sup>p</sup>	1H 2016 <sup>p</sup>	2016 <sup>e</sup>
	Annual growth (%)			
Domestic Demand <sup>1</sup>	5.9	5.1	5.0	4.3
Private Sector Expenditure				
Consumption	7.0	6.0	5.8	5.1
Investment	11.1	6.4	4.0	5.5
Public Sector Expenditure				
Consumption	4.3	4.4	5.2	2.0
Investment	-4.7	-1.0	1.1	1.1
Net exports of goods and services	13.2	-3.8	-9.8	1.1
Exports	5.0	0.6	0.2	3.2
Imports	4.0	1.2	1.6	3.4
<b>Real GDP</b>	<b>6.0</b>	<b>5.0</b>	<b>4.1</b>	<b>4.0~4.5</b>

<sup>1</sup>Excluding stocks, p : preliminary; e : estimate based on BNM Annual Report 2015

Source: Department of Statistics, Malaysia

On the **supply side**, all major economic sectors except mining and quarrying recorded moderate growth in 2015, weighed down by slower domestic demand. However, export-oriented manufacturing industries and trade-related services benefited from the modest improvement in external demand from both the advanced and developing economies. Growth in the mining sector was supported by higher production of crude oil, while the construction sector grew at a moderate pace amidst the slowdown in residential activity. Although the labour market remained broadly stable, the unemployment rate edged higher to 3.1% (2014: 2.9%) as more cautious business sentiments led to softer employment prospects towards the later part of the year.

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

	2014	2015 <sub>p</sub>	1H 2016 <sub>p</sub>	2016 <sub>e</sub>
	Annual growth (%)			
Agriculture	2.1	1.2	-6.0	-0.3
Mining & quarrying	3.5	4.7	1.4	3.5
Manufacturing	6.2	4.9	4.3	4.1
Construction	11.7	8.2	8.4	7.9
Services	6.6	5.1	5.4	4.4
<b>Real GDP</b>	<b>6.0</b>	<b>5.0</b>	<b>4.1</b>	<b>4.0~4.5</b>

*p* : preliminary; *e* : estimate based on BNM Annual Report 2015  
Source: Department of Statistics, Malaysia

**Headline inflation** declined to 2.1% in 2015 (2014: 3.2%), reflecting lower global energy and commodity prices which more than offset the effects from the ringgit depreciation, the implementation of GST and Government rationalisation of subsidy prices. Headline inflation was also more volatile throughout the year due to a series of adjustments in domestic fuel prices.



**Table 1.3** : Inflation and Unemployment Rate

	2014	2015 <sup>p</sup>	2016 <sup>e</sup>
	Annual growth (%)		
Inflation			
Consumer Price Index (2010 = 100)	3.2	2.1	2.0 ~ 3.0
Producer Price Index (2010 = 100)	1.4	-4.8	-
<b>Unemployment</b>	<b>2.9</b>	<b>3.1</b>	<b>3.3 ~ 3.5</b>

*p* : preliminary; *e* : estimate based on BNM Annual Report 2015  
Source: Department of Statistics, Malaysia



**Table 1.4** : Balance of Payments

	2014	2015 <sup>p</sup>	2016 <sup>e</sup>
	RM billion		
Current Account	48.6	34.7	19.1
% of GNI	4.5	3.1	1.0 ~ 2.0
Goods	113.3	109.6	99.5
Export of Goods	678.9	685.4	707.6
Gross Export (% annual change)	6.5	1.0	3.2
Import of Goods	565.5	575.8	608.1
Gross Import (% annual change)	4.5	1.8	5.6
Services	-10.7	-21.0	-19.2
Primary Income	-36.6	-32.0	-38.0
Secondary Income	-17.4	-21.9	-23.1
<b>Financial Account</b>	<b>-80.0</b>	<b>-50.9</b>	<b>-</b>
Direct Investment	-18.0	4.8	-
Assets	-52.6	-37.2	-
Liabilities	34.6	41.9	-
Portfolio Investment	-39.4	-28.2	-
Assets	-28.1	-9.1	-
Liabilities	-11.2	-19.1	-
Financial Derivatives	-1.0	-0.7	-
Other Investment	-21.7	-26.8	-
<b>Net Errors and Omissions</b>	<b>-5.5</b>	<b>21.1</b>	<b>-</b>
Overall Balance (surplus +/- deficit -)	-36.5	3.8	-
Net International Reserves BNM	405.3	409.1	-
Net International Reserves of BNM (USD billion)	115.9	95.3	-
Reserves as Months of Retained Imports	8.3	8.4	-

*p* : preliminary; *e* : estimate based on BNM Annual Report 2015  
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Against the backdrop of continued uncertainties in the global markets, Malaysia's **external sector** remained resilient. Despite the sizeable trade surplus, the current account surplus narrowed amidst larger deficits in the services and secondary income accounts. The level of international reserves remained sufficient to meet short-term external obligations, thus providing ample buffers against external vulnerabilities.



## OUTLOOK FOR 2016

While the **global economy** entered 2016 with expectations of a modest recovery, however the uncertainties and events that unfolded during the course of the year led to downward revisions in growth prospects. The International Monetary Fund (IMF) has revised downward its growth outlook for 2016 for the fourth time since October 2015 to 3.1% (Apr '16: 3.2%), as it foresees weaker-than-earlier expected growth in both the advanced economies and emerging markets. Global growth thus remains the same as in 2015.

The downside risks remained elevated due to the economic and political uncertainty from BREXIT and a sharper-than-expected growth moderation in the Chinese economy that could have a potentially significant spillover effects on global trade activity, investor sentiment and commodity prices. In addition, uncertainty surrounding global oil prices as well as high volatility in capital flows and in the financial markets will also affect growth prospects of several larger economies. Geopolitical and climate related factors tensions could also weigh down on the outlook for several economies.

**Table 1.5** : IMF World Economic Outlook (WEO) in July 2016

	2015	2016 <sup>e</sup>	2017 <sup>f</sup>
<b>World Output</b>	<b>3.1</b>	<b>3.1</b>	<b>3.4</b>
<b>Advanced Economies</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>
United States of America	2.4	2.2	2.5
Euro Area	1.7	1.6	1.4
Japan	0.5	0.3	0.1
United Kingdom	2.2	1.7	1.3
<b>Emerging and Developing Economies</b>	<b>4.0</b>	<b>4.1</b>	<b>4.6</b>
Emerging and Developing Asia *	6.6	6.4	6.3
People's Republic of China	6.9	6.6	6.2
India	7.6	7.4	7.4
ASEAN-5 **	4.8	4.8	5.1
Emerging and Developing Europe	3.6	3.5	3.2
Latin America and the Caribbean	0.0	-0.4	1.6
Middle East, North Africa, Afghanistan and Pakistan	2.3	3.4	3.3
<b>World Trade Volume (goods and services)</b>	<b>2.6</b>	<b>2.7</b>	<b>3.9</b>

Note: e : estimate, f : forecast

\* PR China, India, Indonesia, Malaysia, Philippines, Thailand & Viet Nam

\*\* Indonesia, Malaysia, Philippines, Thailand & Viet Nam

Source: IMF World Economic Outlook Update, July 2016

## IMPACT OF BREXIT TO MALAYSIA

Given the high degree of openness of the Malaysian economy, the heightened risks from the external environment including BREXIT will certainly have implications to the domestic economy. Nonetheless, the diversified economic structure continue to lend support for the economy to withstand the external shocks. The impact is likely to be seen in two fold, one the direct impact and the other the knock-on effects on other economies, thus dampening world growth and affecting Malaysia's growth prospects. The direct impact through trade is minimal as United Kingdom (UK) only contributed about 1.2% of Malaysia's total

exports, while Malaysia imports only 1% of total imports from UK in 2015. The amount is small compared with People's Republic of China (PR China), Singapore or United States of America (USA) which make up to 36.4% of Malaysia's total trade.

Meanwhile, investments in the UK could be affected to some extent due to exposure of large firms and Malaysian public-listed companies (PLCs) in regulated assets, casino operations and property developments. The weaker British pound arising from the BREXIT could result in lower translated profits and investments to these companies, but would have a positive impact on the services related to education in the UK. Financial markets are likely to remain volatile as "flight to safety" resulting in capital flows from emerging markets to safe haven countries, such as United States. However, the Malaysian economy could be affected in 2016 through the knock-on-effects of lower demand for Malaysian products and services arising from weaker global demand.

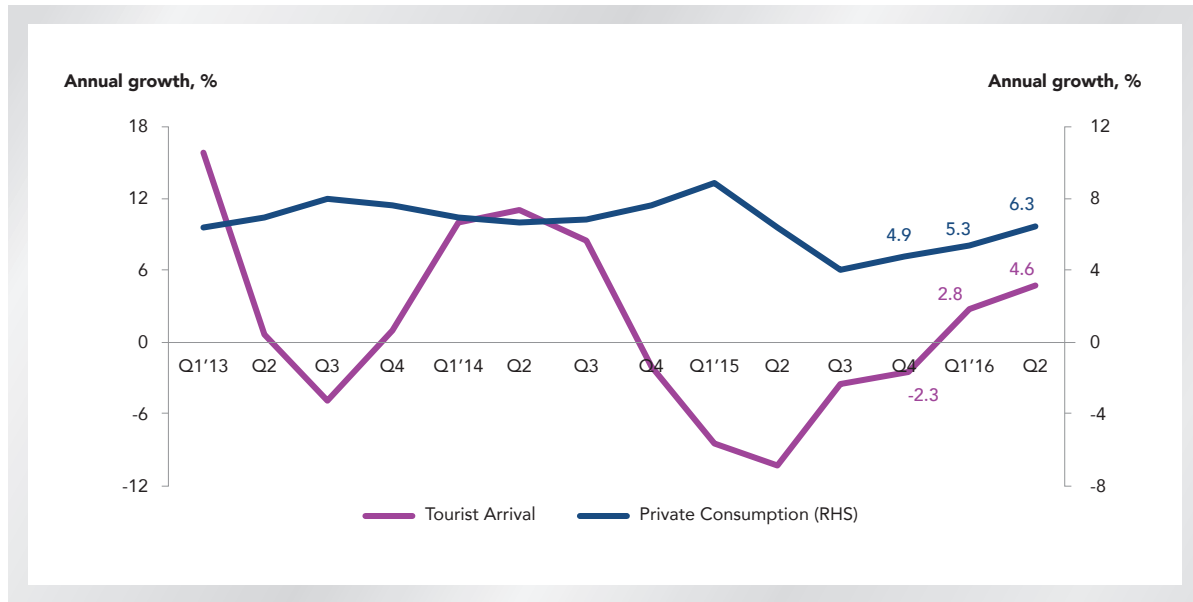
Amidst the challenging external economy, the Malaysian economy is expected to grow at a more moderate pace of 4.0 - 4.5% in 2016. The forecast is premised on continued domestic demand anchoring growth, sustained mainly by private sector spending



Amidst the challenging external economy, the Malaysian economy is expected to grow at a more moderate pace of **4.0 - 4.5% in 2016**. The forecast is premised on continued **domestic demand** anchoring growth, sustained mainly by private sector spending. However, the pace of expansion in domestic demand is expected to be more moderate due to uncertainties on both the global and domestic fronts.

**Private consumption** is projected to moderate further to 5.1% (2015: 6.0%) as households adjust to higher cost of living and market uncertainties. Consumer spending is likely taken into account the continued impact from the GST implementation and rolling back of fuel subsidy. Uncertainty in labour market conditions and the ringgit depreciation is expected to affect household spending with weaker consumer sentiments. Realising the adverse effects, the Government took proactive measures such as to increase the disposable income by reducing the employee's contribution of the Employees Provident Fund (EPF) from 11% to 8% in the period March 2016 - December 2017, raise *Bantuan Rakyat 1Malaysia* (BR1M) cash transfers and provide additional tax relief of RM2,000 for individual taxpayers. On the tourism activity, the easing of travel requirement for tourists from the PR China, introduction of the e-Visa for tourists in several countries and ongoing promotional efforts for targeted tourism, is expected to recover tourist arrivals and raise tourist spending locally.

**Chart 1.1** : Growth of Tourist Arrivals and Private Consumption, %

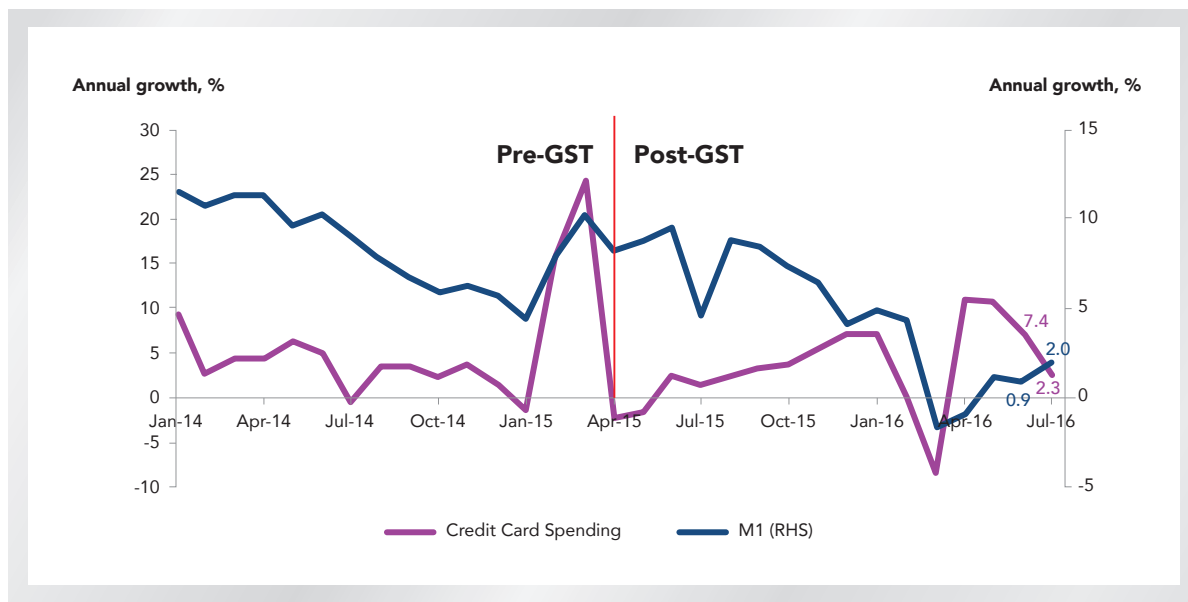


Source: Department of Statistics, Malaysia, Tourism Malaysia and CEIC

In terms of household spending, consumer spending indicators, such as growth of credit card spending and narrow money (M1) have shown a declining trend and then a spike just before the implementation of GST. Meanwhile, post-GST implementation, there has been a gradual downward trend in growth, although in recent months, there have seen a gradual pick-up in growth of credit card spending and M1.



**Chart 1.2** : Growth of Credit Card Spending and Narrow Money (M1), %



Source: Bank Negara Malaysia

**Private investment** growth is expected to trend below its long-term average to expand by 5.5% (2015: 6.4%). Investment activity in the upstream mining sector such as oil fields is projected to be weaker due to the low commodity prices. Nonetheless, the implementation of ongoing and new investment projects especially in the manufacturing and services sectors are expected to support private sector capital spending.

Reflecting the Government's commitment to more prudent spending, growth in **public consumption** is expected to be more moderate but would continue to be supportive of overall growth. **Public investment** meanwhile is projected to turn around to register a positive growth, reflecting higher spending by the Federal Government on fixed assets and the continued implementation of key infrastructure projects by public corporations.

On the **supply side**, key economic sectors are projected to expand at a more moderate pace in 2016. The services and manufacturing sectors would remain to be the key economic contributors to GDP growth. Growth in the mining sector is likely to be supported by new gas production capacity despite the lower oil and gas prices, while the construction sector growth is projected to moderate slightly. The agriculture sector is expected to contract marginally due to lower palm oil yields following the hot and dry weather conditions.

The **external sector** is expected to remain resilient with continued current account surplus despite the narrowing of the surplus due to the global weakness. Exports will be weighed down by subdued commodity prices and weaker demand, while gross imports to expand amidst the rise in demand for intermediate imports to support the continued performance of manufactured exports. In addition, capital imports is expected to be higher due to continued expansion in domestic private investment. The overall trade balance is projected to remain in a marginal surplus. The **services account** deficit is projected to narrow due to improvement in tourism activities. Hence, the **current account** surplus is expected to be lowered further to 1.0 – 2.0% of gross national income (GNI).

**Headline inflation** is projected to be at 2.0 – 3.0% in 2016, due mainly to price adjustments in several price-administered items such as intra-city highway toll charges, railway charges, reduction in electricity tariff rebates as well as weaker ringgit exchange rate. However, these inflationary pressures are expected to be mitigated by tapering first-round GST effects, low global energy and commodity prices, subdued global inflation, moderate domestic demand and accommodative monetary policy.

The Malaysian economy entered 2016 from a position of strength supported by a strong financial system. A significant aspect of this is the diversification in economic activities. Thus, **monetary policy** in 2016 focuses on ensuring monetary conditions remain supportive of sustainable domestic growth, taking into consideration the downside risks from the domestic and external environments. Given the uncertain global economic and financial developments outlooks, the Malaysian Government and Bank Negara Malaysia (BNM) will closely monitor and assess their implications to the domestic growth and inflation outlook. In the recent Monetary Policy Committee (MPC) meeting on 13 July 2016, the Overnight Policy Rate (OPR) was reduced to 3.00% from 3.25%, due to the uncertainties in the global environment which could potentially impact Malaysia's growth prospects. In ensuring that the domestic economy continues on a steady growth path amid stable inflation, the new adjustment to the OPR is intended for the degree of monetary accommodativeness to remain consistent with the policy stance. This is against an environment of increased downside risks to global growth.

**Fiscal policy** in 2016 will continue to focus on fiscal consolidation amidst the challenging external and domestic environment. The 2016 Budget, tabled in October 2015, was recalibrated in January 2016 to incorporate the expected decline in global oil price. The budget restructuring is to ensure that the economy and financial position remain on the right trajectory. Aside from that, the Government introduced measures to broaden the revenue sources with redistribution of the telecommunications spectrum, stricter duty enforcement on sales of cigarettes, liquors and imported vehicles in duty-free islands as



well as streamlining the foreign worker levy system. The implementation of GST had also led to broadening of the sources of income for the Government. Hence, the fiscal deficit target for 2016 is at 3.1% of GDP (2015: 3.2%).

With the Eleventh Malaysia Plan being the most crucial plan in the nation's progress towards Vision 2020, fiscal resources in 2016 will be prioritised towards high impact projects with large multiplier effects to reduce cost. Emphasis will continue to be accorded towards ensuring inclusive and sustainable growth through welfare enhancements especially in the form of socio-economic support to cope with the rising cost of living and encourage private consumption. Going forward, in facing the uncertain environment, **sustaining fiscal reform** and **prudent macroeconomic measures** would remain crucial components of the Government's economic transformation agenda.

# SME Developments and Outlook

**M**alaysian SMEs remained resilient, with real gross domestic product (GDP) sustaining a respectable growth of 6.1% in 2015 despite the weak external environment. The expansion was broad based, reflecting growth across all major economic sectors. SME GDP was supported by domestic demand, particularly consumption and investment activities. Proactive measures announced during the revised Budget 2015 in January and September 2015 helped to soften the impact on local SMEs as evidence showed that SMEs were less affected than the overall business community. Against a backdrop of a more challenging global and domestic economic environment, the Malaysian SMEs are expected to expand by 5.0 – 5.5% in 2016. This projection is barring any unexpected developments such as a sharp deterioration in private consumption, decline in tourism activity or fall in external demand.

## DEVELOPMENTS OF SMEs IN ADVANCED AND EMERGING ECONOMIES

Since the global financial crisis in 2008/09, SMEs around the world particularly in the Organisation for Economic Co-operation and Development (OECD) countries have not fully recovered from the effects of the aftermath. It is believed that the journey towards recovery would need to rely on structural adjustments. Evidence shows that SMEs continue to face challenges particularly in accessing financing, which is key ingredient to the development of their business. Many governments in these countries were actively fostering SMEs to access to finance through provision of credit guarantees and also increasingly paying attention to financing innovative firms by introducing new programmes and encouraging venture capital.

Meanwhile in the developing countries, there is growing recognition on the important role of SMEs as an economic agent. Many governments have begun to place high priority to SME development as they strive to achieve sustainable and inclusive growth. In Africa and Asia, the financing gap is wide, especially larger when micro and informal enterprises are included. Some countries were looking at drawing up a proper SME policy framework and plan for future development while others were actively focusing on encouraging start-ups and small businesses as a means to creating jobs, reducing poverty and for overall social cohesion.

Some countries were looking at drawing up a proper SME policy framework and plan for future development while others were actively focusing on encouraging start-ups and small businesses as a means to creating jobs, reducing poverty and for overall social cohesion



At the Association of Southeast Asian Nations (ASEAN) level, the ASEAN Strategic Action Plan for SME Development (SAPSMED 2016-2025) was launched at the sidelines of the 27th ASEAN Summit in November 2015. The Plan, which was developed by the ASEAN SME Agencies Working Group (SMEWG), serves to strengthen the engagement with SMEs, including microenterprises, in an increasingly competitive economic environment. The aim is to support the growth and development of SMEs towards creating globally competitive and innovative SMEs by 2025. The Action Plan's five goals are to promote technology, productivity and innovation; increase access to finance; enhance market access and internationalisation; enhance the policy and regulatory environment; and promote entrepreneurship and human capital development.

Meanwhile, Asia-Pacific Economic Cooperation (APEC)'s Small and Medium Enterprises Working Group (SMEWG) is focussing on completing its own Strategic Plan for 2013–2016 and developing a new Plan for the period 2017–2020. As part of the plan, the Group has implemented a number of projects such as the Digital Economy Action Plan and Work Agenda (DEAP), which includes a workshop on Enhancing Micro, Small and Medium Enterprises (SMEs) Access to the Internet Economy. Through this workshop, SMEs are able to exchange information on the challenges they face. The workshop also highlights best practises for supporting SME access, and raises awareness of private sector efforts to integrate SMEs into global and regional markets.

In 2016, APEC is also funding the 'New Era of Growth for APEC SMEs through Online-to-Offline (O2O) Business Models' project. In cooperation with top e-commerce platforms such as eBay, Amazon and Alibaba, this project will advance and facilitate SMEs' access to global markets through O2O business models and best practices. Additionally, the Philippines, with support from member economies, is working on implementing the Iloilo Initiative, to focus on the establishment of the SME Marketplace, a virtual tool that is expected to promote SMEs participation in the Global Value Chains (GVCs) and international trade. This project dovetails with the APEC aim to mainstream SMEs into the global economy.

Other programmes in line with this objective include the APEC Workshop on Promoting SMEs Participation in the Food Supply Chain, which was held in May 2016. The recommendations from the workshop include: enhancing financial availability and access for SMEs; modernising SMEs through enhancing their access to innovation, advanced technology, e-commerce and digital trade; encouraging mentorship by big companies; establishing smart network leadership and coordination; and strengthening marketing ability.

## PERFORMANCE OF SMEs IN MALAYSIA

### Overview: Growth Trends of SMEs during 2011-2015

Since the establishment of the National SME Development Council (NSDC) in 2004, SME gross domestic product (GDP) growth has surpassed that of the overall GDP growth. Likewise in the Tenth Malaysia Plan period of 2011-2015, SMEs continued to perform favourably. In 2014, the SME definition was revised resulting in about 8,000 additional firms joining the category of SMEs. As a result, SMEs recorded a significant one-off growth of 13.5%. However, excluding the redefinition effect, the underlying growth for 2014 was 7.9% and the average annual growth for the period 2011-2015 was 6.7% versus the overall economic growth of the country of 5.3%. As a result, SME contribution to GDP increased from 32.2% in 2010 to 36.3% in 2015.

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

	SME Contribution to GDP			SME GDP Growth
	2010 (% share)	2015 (% share)	Increase / decrease in share	CAGR <sup>1</sup> 2011 - 2015 (%)
<b>Overall<sup>2</sup></b>	<b>32.2</b>	<b>36.3</b>	<b>+4.1</b>	<b>6.7</b>
Construction	0.9	2.1	+1.2	10.9
Services	19.6	21.4	+1.8	7.1
Mining & Quarrying	0.05	0.2	+0.15	9.3
Agriculture	4.3	4.3	0.0	2.9
Manufacturing	7.2	7.9	+0.7	6.7

1/ CAGR refers to compounded annual growth rate (underlying growth of 7.9% for 2014)

2/ Total value-added after taking into account import duties

Source: Department of Statistics, Malaysia

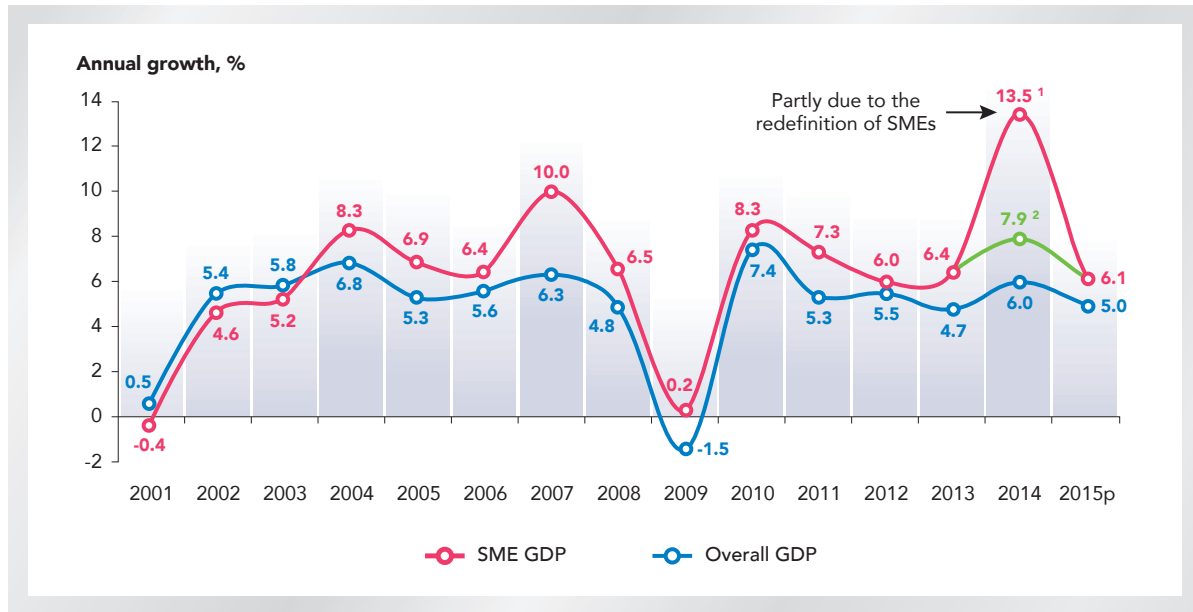
In terms of sectoral performance, SMEs in the mining and quarrying and construction sectors performed better than the other sectors expanding at an average growth rate of 9.3% and 10.9%, respectively during this period (refer to Table 2.1). Thus the shares of these sectors increased in 2015.

This Report has included a new series of statistics on exports of SMEs. The Department of Statistics, Malaysia (DOSM) is also currently undertaking the 2016 Economic Census for reference year 2015 which updates the statistics on SME profile across all sectors except distributive (wholesale and retail) trade. The Distributive Trade Census was undertaken in 2014. Report of both the Census will be used to produce the SME statistics and to be completed and published in stages starting June 2017.

## Performance in 2015

SME GDP grew moderately by 6.1% in 2015 compared with the underlying growth of 7.9% recorded in 2014. The growth was nevertheless higher than the overall GDP of the country of 5.0% (refer to Chart 2.1). Growth of SMEs continued to be supported by consumption and investment activities, although moderating than the year before.

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



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

All key economic sectors recorded moderation across the board. SMEs in non-major economic sectors, namely mining and quarrying, and construction, registered the highest growth of 8.9% and 7.6% respectively. SMEs in all sectors except construction grew at a faster pace than the overall GDP growth.

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

	2014 SME GDP Growth <sup>1</sup> (underlying)	2015 SME GDP Growth	Overall GDP Growth
Mining & Quarrying	7.7	8.9	4.7
Construction	12.6	7.6	8.2
Services	8.3	6.6	5.1
Manufacturing	8.6	6.0	4.9
Agriculture	2.7	2.0	1.2
<b>Total</b>	<b>7.9</b>	<b>6.1</b>	<b>5.0</b>

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

Source: Department of Statistics, Malaysia

**Table 2.3:** SME GDP and Overall GDP Share by Key Economic Activity in 2015  
(constant 2010 prices)

	Year 2015 (percentage share to total, %)	
	SME GDP	Overall GDP
Services	58.9	53.5
Manufacturing	21.7	23.0
Agriculture	12.0	8.9
Construction	5.7	4.4
Mining & Quarrying	0.4	9.0
Plus: import duties	1.3	1.3
<b>Total</b>	<b>100</b>	<b>100</b>

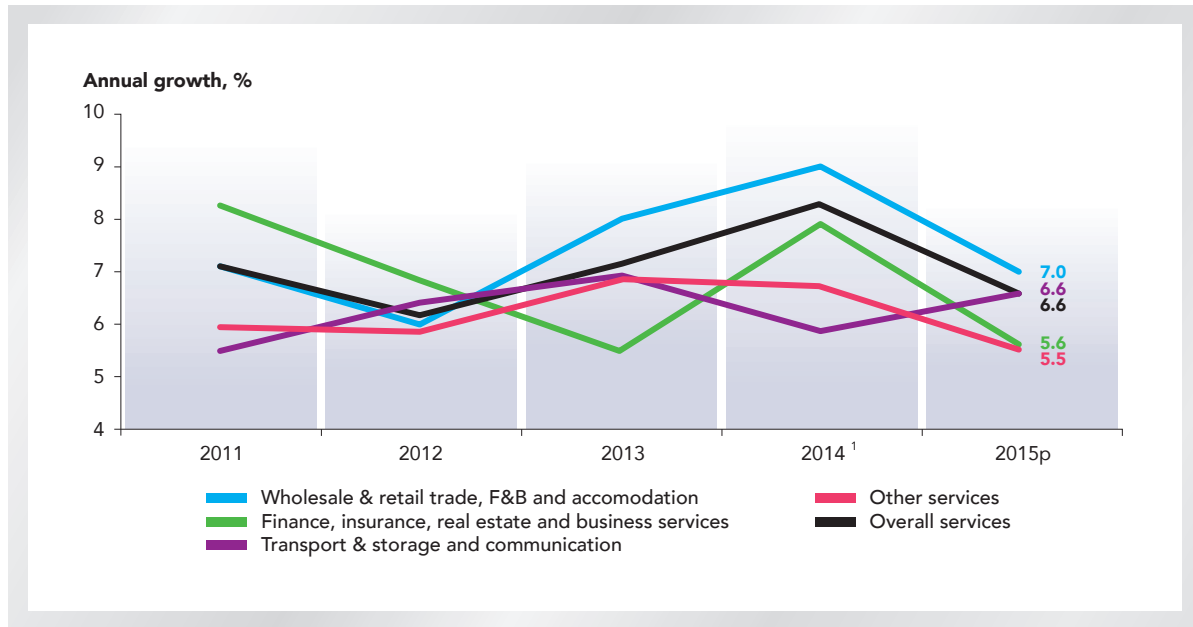
Source: Department of Statistics, Malaysia

In terms of sectoral contribution, the services, agriculture and of late construction have become important contributors with higher shares recorded compared with the overall GDP structure.

## SME Valued-added in the Services Sector

**Value-added of SMEs in the services sector** grew by 6.6% in 2015 (2014: 8.3%) in line with the moderate expansion in consumption activity and weaker tourism activity. The performance was reflected in slower growth in the wholesale and retail trade, food and beverages and accomodation sub-sector which account for 60.0% of SME value-added in the services sector and moderation in the finance, insurance, real estate and business services sub-sector that account for 20.0% share (refer to Chart 2.3). In contrast, the performance of transport and storage sub-sector continued to remain favourable, supported to some extent by trade related activities, benefiting from the weaker ringgit exchange rate. The information and communications technology (ICT) sub-sector also recorded a strong growth due to the higher demand for data communication services.

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

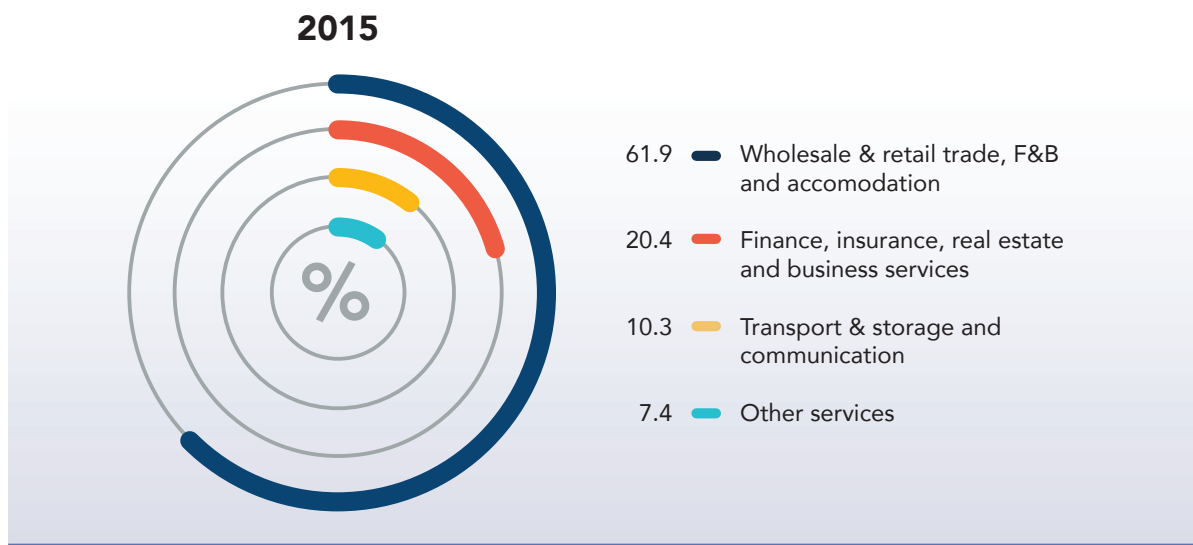


1/ Growth based on 2014 New SME Definition versus 2013 New SME Definition (redefinition effect has been eliminated)

p : preliminary

Source: Department of Statistics, Malaysia

**Chart 2.3:** Components of Value-added of SMEs in the Services Sector, %

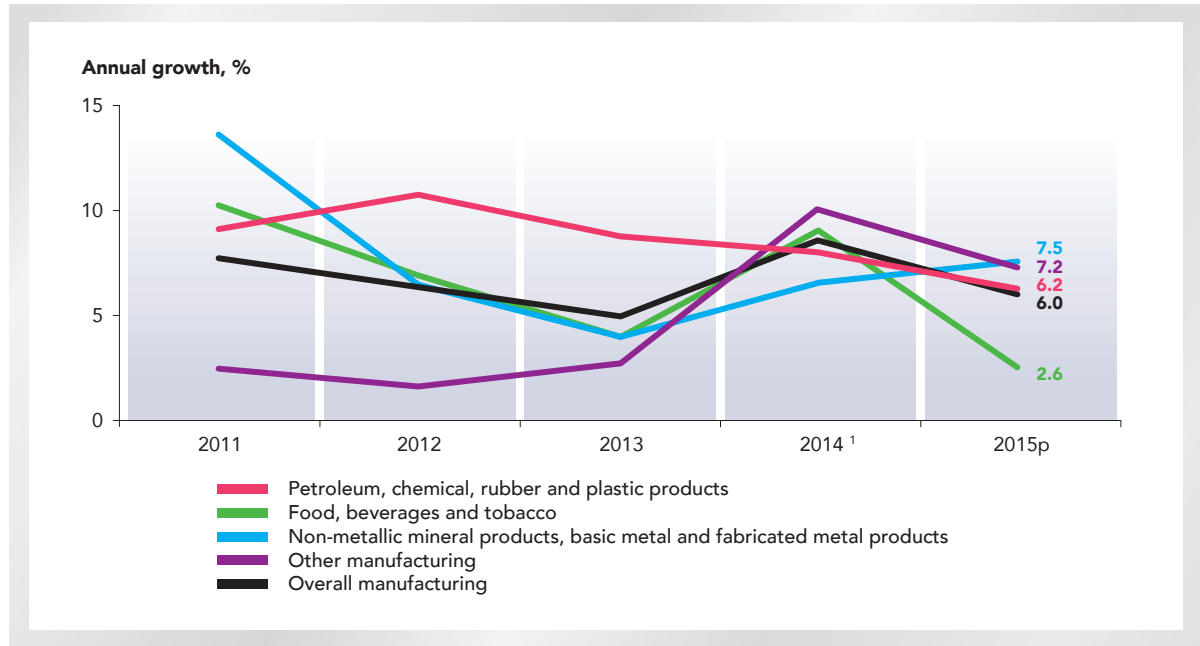


Source: Department of Statistics, Malaysia



## SME Value-added in the Manufacturing Sector

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

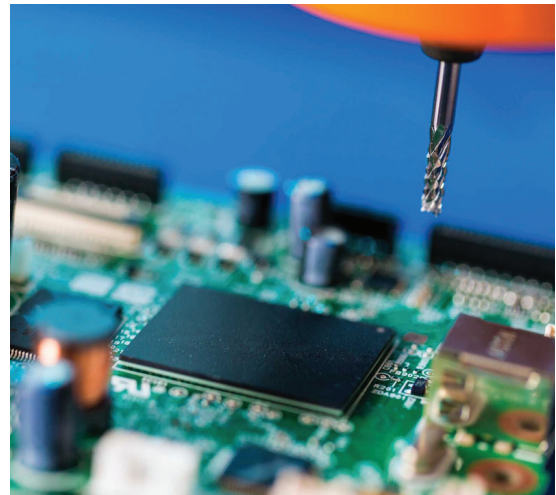


*1/ Growth based on 2014 New SME Definition versus 2013 New SME Definition (redefinition effect has been eliminated)*

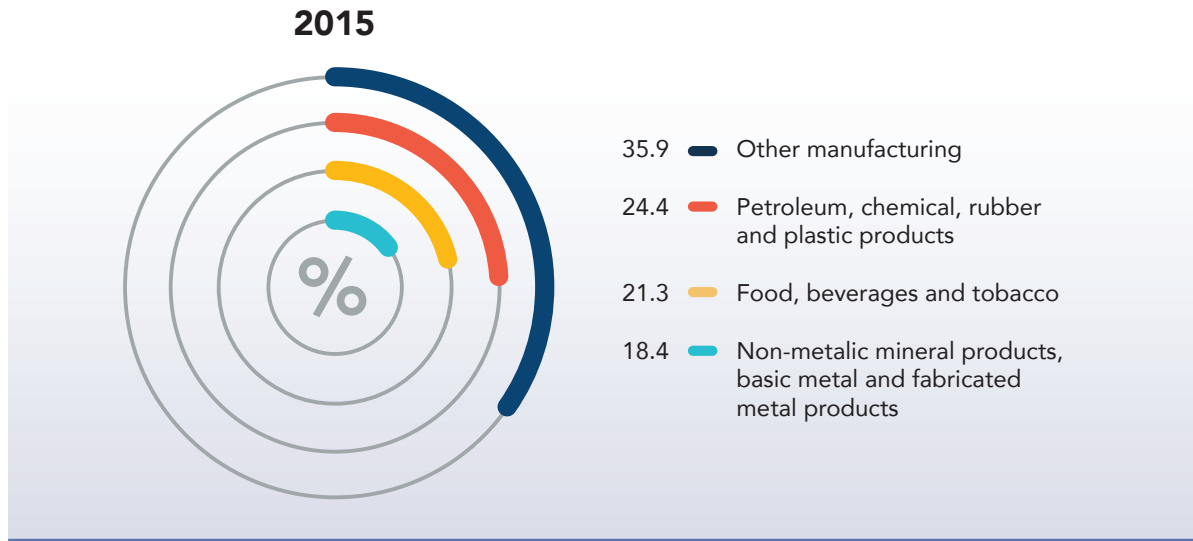
*p : preliminary*

*Source: Department of Statistics, Malaysia*

**Value-added growth of SMEs in the manufacturing sector** expanded by 6.0% (2014: 8.6%), reflecting the moderation in consumer-related cluster mainly food and beverages (F&B) and tobacco products (21.3% of total value-added of SME manufacturing sector) and primary-related cluster such as petroleum, chemical, rubber and plastic products (about one-quarter of total value-added of SME manufacturing sector). This was partly offset by higher growth in the non-metallic mineral products, basic metal and fabricated metal products (refer to Chart 2.4), which grew by 7.5% (2014: 6.5%).



**Chart 2.5:** Components of Value-added of SMEs in the Manufacturing Sector, %



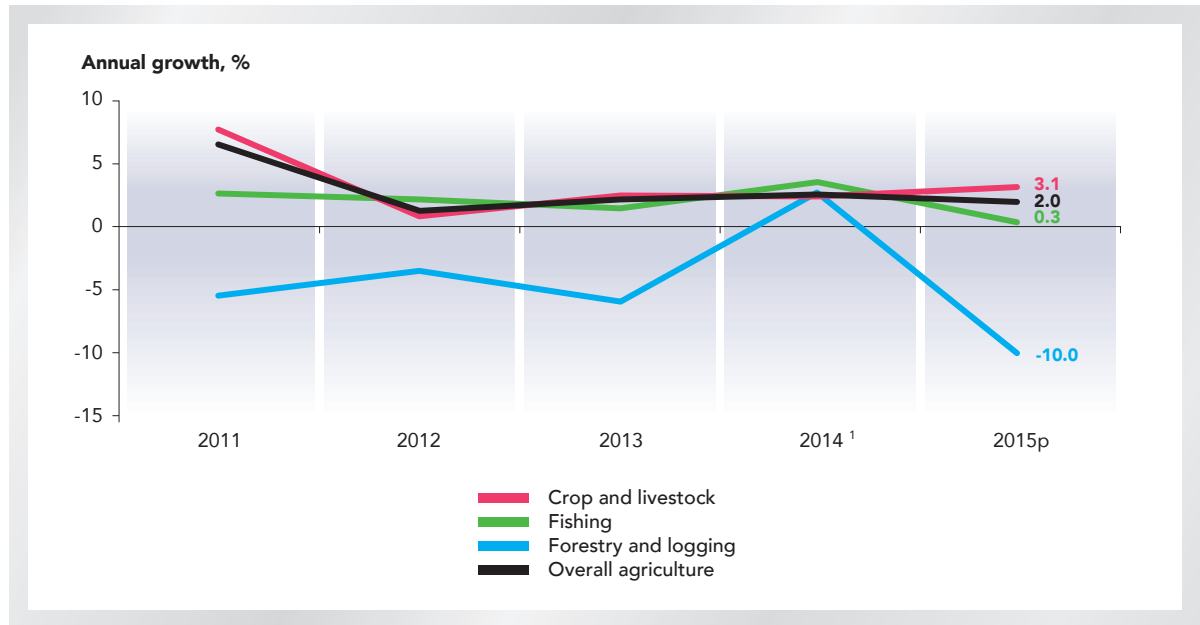
Source: Department of Statistics, Malaysia

## SME Value-added in the Agriculture Sector

In the **agriculture sector, value-added growth of SMEs** also moderated albeit slightly to 2.0% (2014: 2.7%), due partly to the lower crude palm oil (CPO) output of smallholders following unfavourable weather conditions. This includes excessive rain in the first quarter of 2015 causing floods in the east coast of Peninsular Malaysia and the strong haze and El Niño weather phenomenon in the second half of the year, which led to lower yields affecting SMEs' income. Forestry and logging activities and livestock production recorded a decline in value-added growth during the year. Almost 80.0% of the SME value-added in the agriculture sector are involved in agriculture crops and livestock activities, besides fishing and forestry activities.



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

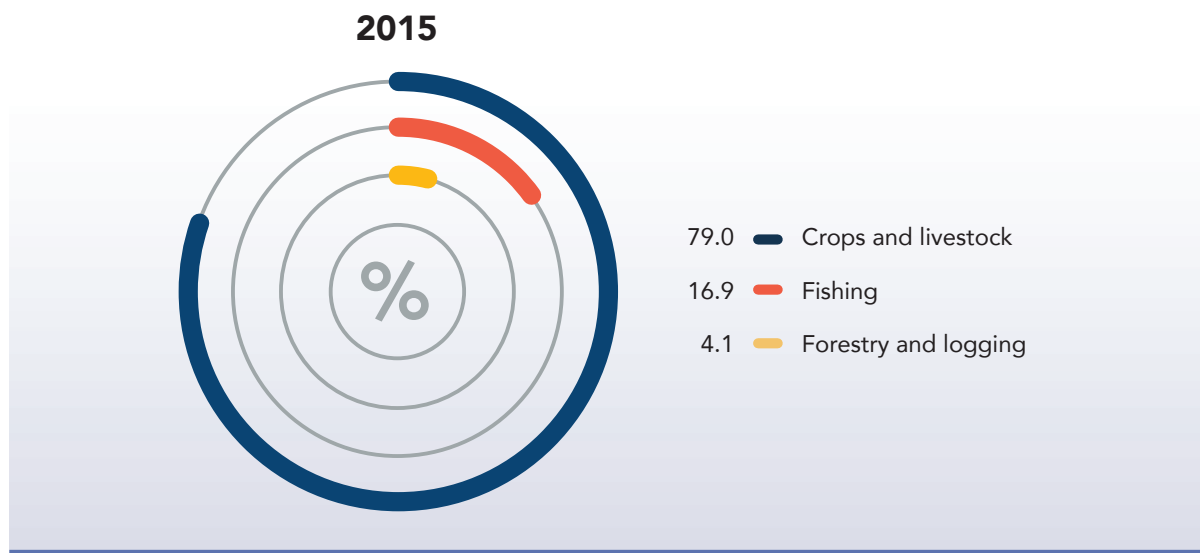


1/ Growth based on 2014 New SME Definition versus 2013 New SME Definition (redefinition effect has been eliminated)

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 Sectors

**SME value-added growth in the construction sector** grew at a more moderate pace of 7.6% in 2015 compared with the double-digit growth of 12.6% in 2014. This in line with the moderating growth of the overall value-added in the construction sector during the year. The moderation was in special trades, non-residential and residential sub-sectors, while activity in civil engineering segment which account for about 20.0% of the total SME value-added in the construction sector was sustained.



**Chart 2.8:** SME Value-added Growth in the Construction and Mining & Quarrying Sectors, %

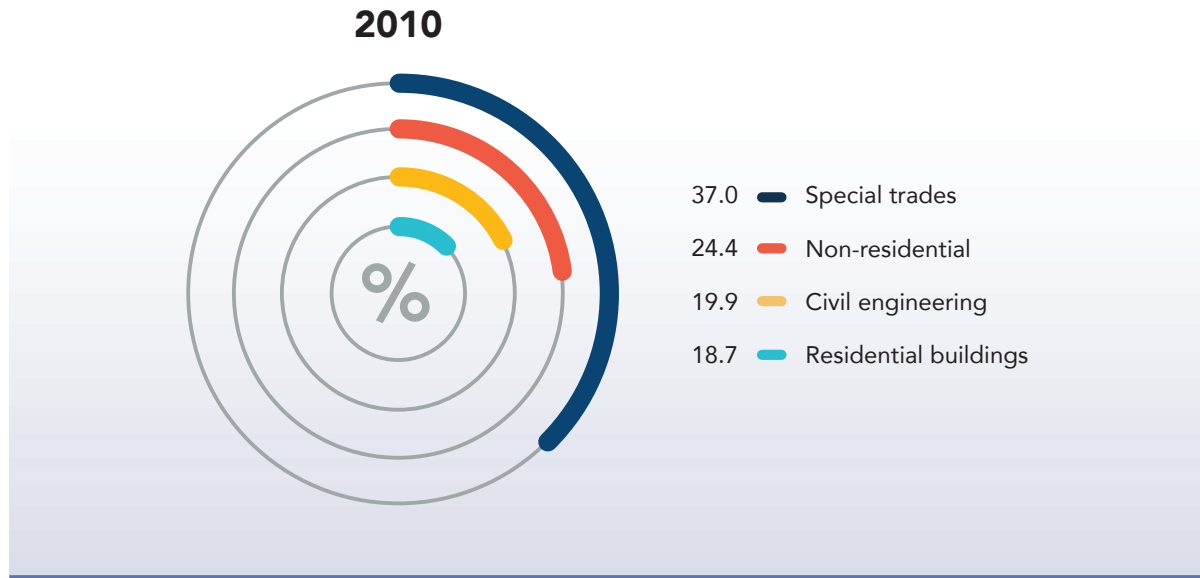


<sup>1/</sup> Growth based on 2014 New SME Definition versus 2013 New SME Definition (redefinition effect has been eliminated)

p : preliminary

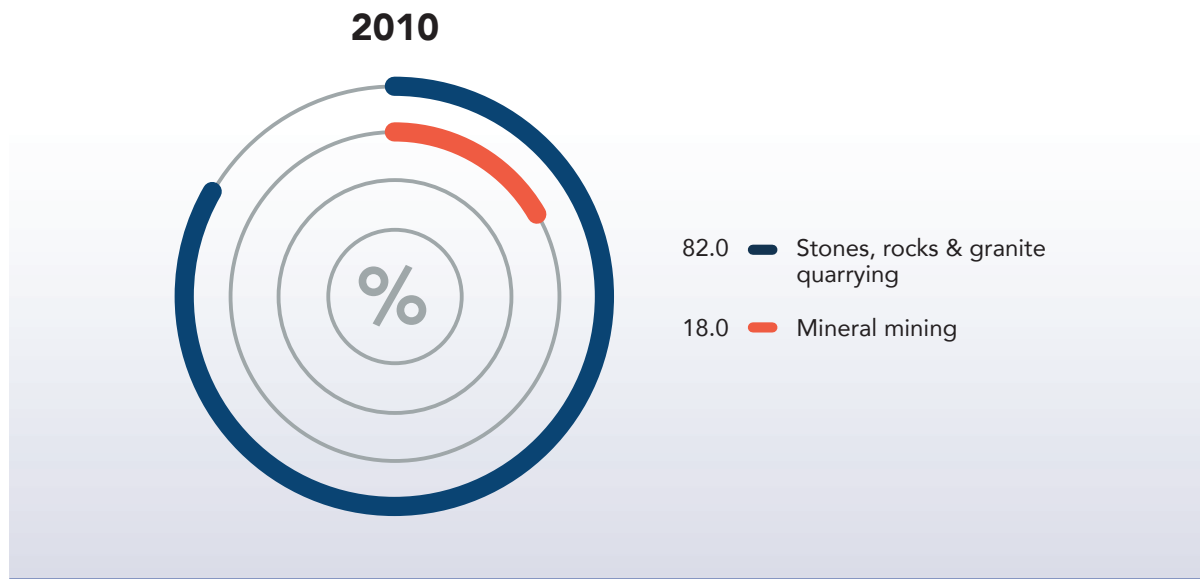
Source: Department of Statistics, Malaysia

**Chart 2.9:** Components of Value-added of SMEs in the Construction Sector, %



Source: Economic Census 2011, Profile of Small and Medium Enterprises, Department of Statistics, Malaysia

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



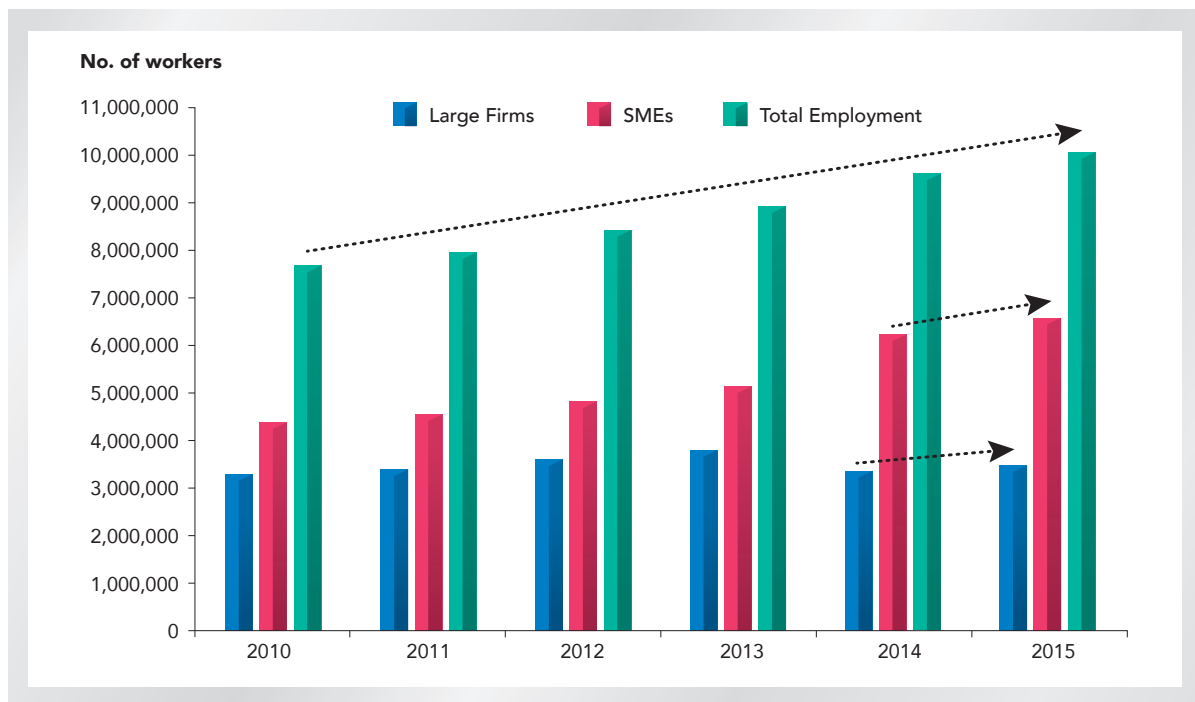
Source: Economic Census 2011, Profile of Small and Medium Enterprises, Department of Statistics, Malaysia

Meanwhile **SMEs growth in the mining and quarrying sector** continued to be sustained at a high level of 8.9% in 2015 (2014: 7.7%), driven by stone quarrying activity. The SME growth was higher than the overall sector growth of 4.7% as the latter was weighed down by weaker oil and gas production which are mostly owned by large firms.

## SME Employment

Contribution of SMEs to total employment has been increasing as a result of the steady increase in employment by SMEs compared to that of large firms. In 2015, SME employment grew by 5.6% to 6.6 million workers compared with the employment growth of large firms of 3.4%. However, the SME employment growth was lower than in 2014 since there was an adjustment made in 2014 due to the one-off effect of the SME redefinition that came into force in January 2014 where about 8,000 firms previously considered as large firms were categorised as SMEs. This resulted in an abnormal double-digit employment growth of 21.6% in 2014.

**Chart 2.11:** Employment by Firm Size

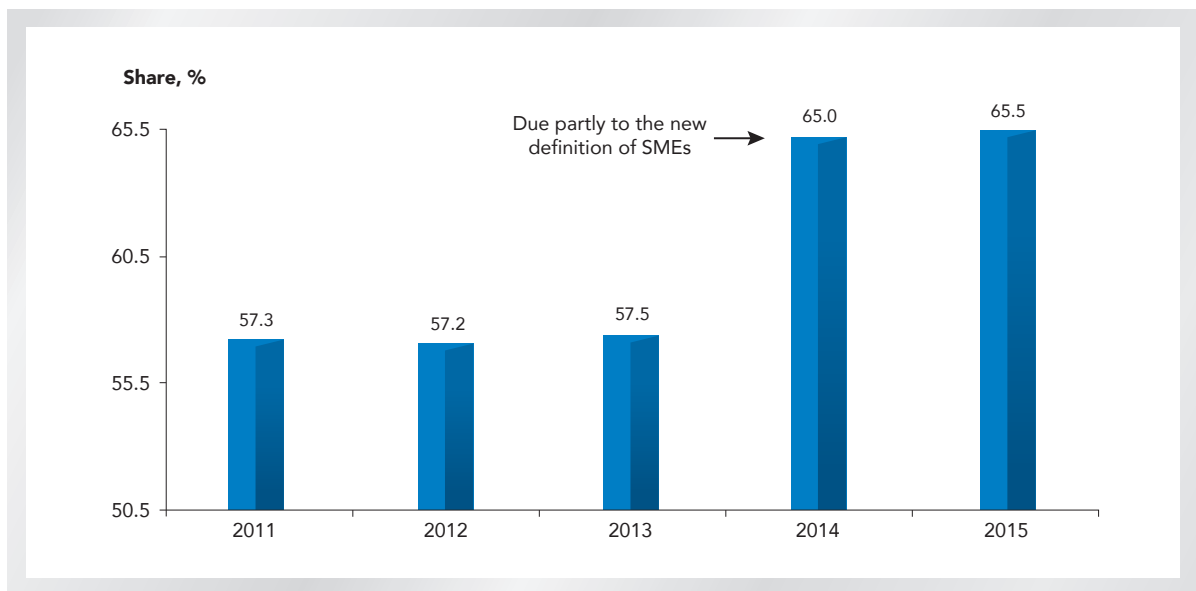


Source: Department of Statistics, Malaysia

As a result of the higher employment growth of SMEs versus large firms, the percentage share of employment by SMEs to total employment increased from 57.5% in 2013 to 65.5% in 2015. The higher employment share was contributed mainly by the services sector (62.6%), followed by the manufacturing sector (15.8%), construction (11.8%), agriculture (9.6%) and mining and quarrying (0.2%). In recent years, it is important to note that the share of SME employment in manufacturing to total employment has declined from 19.9% in 2010 to 15.8% in 2015 as more SMEs in the sector have automatised and mechanised their activities compared to SMEs in other sectors.

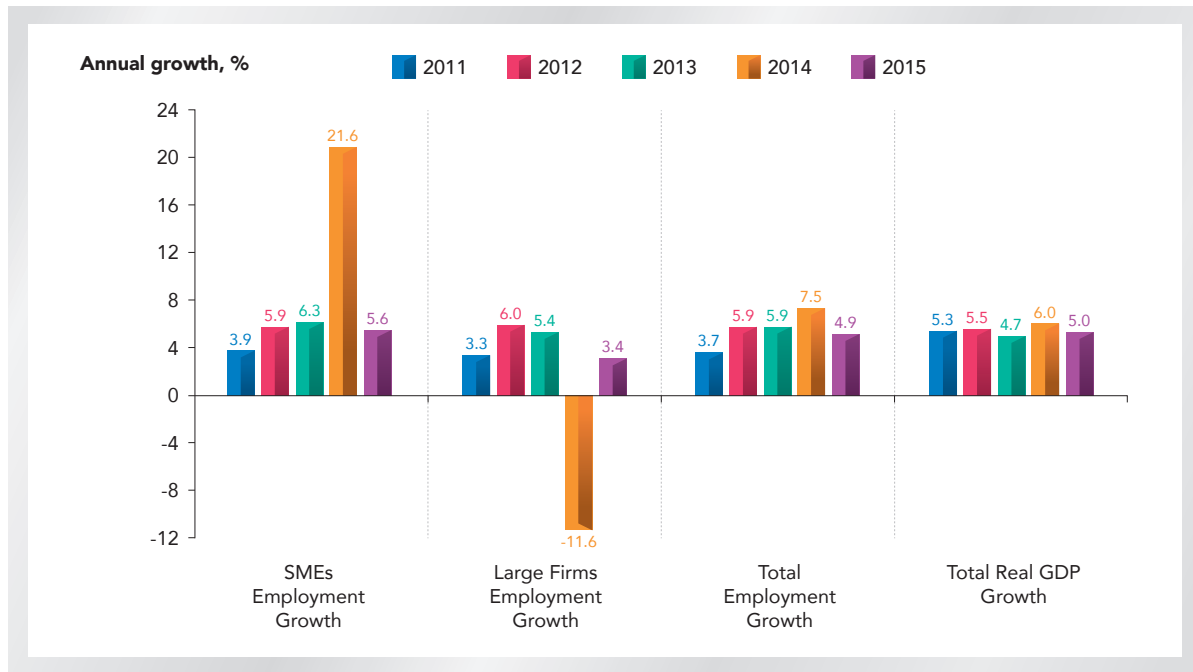


**Chart 2.12:** Employment Share of SMEs to Total Employment, %



Source: Department of Statistics, Malaysia

**Chart 2.13:** Employment Growth Performance by Firm Size, %



Source: Department of Statistics, Malaysia

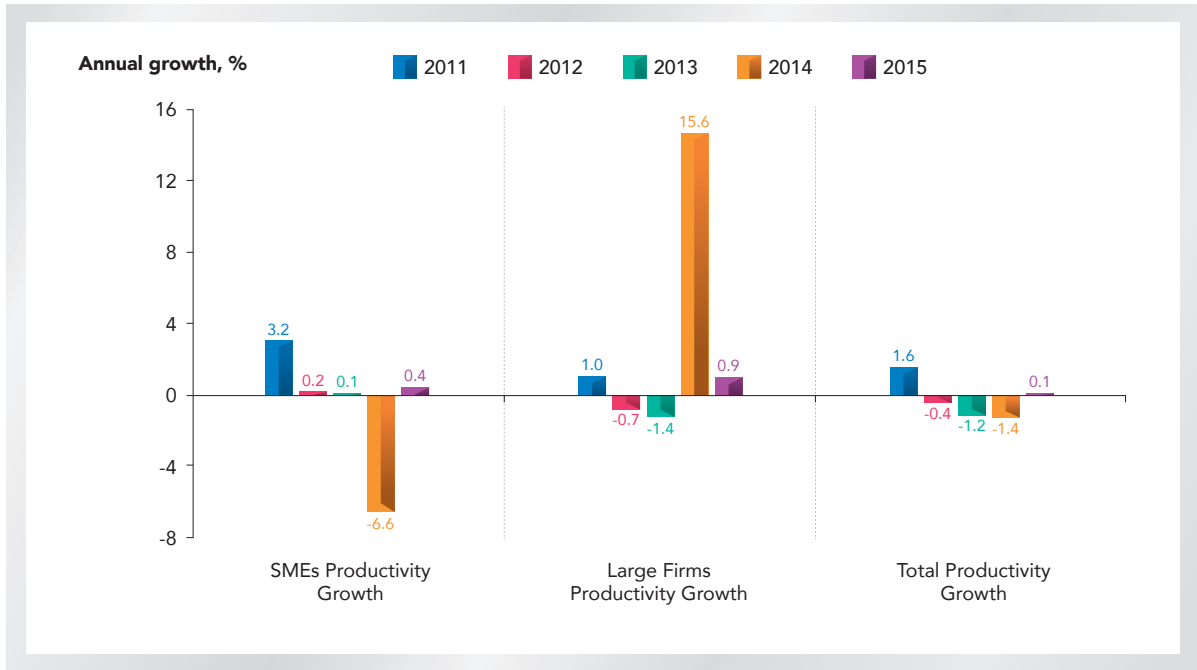
## SME Productivity

In 2015, labour productivity of SMEs as measured by real value-added per worker, grew marginally by 0.4% after declining by 6.6% in 2014 (refer to Chart 2.14). The turnover was due to higher SME GDP growth of 6.1% against SME employment growth of 5.6%. Nevertheless, the marginal growth demonstrates the fact that SME productivity remains low due to being input-driven rather than productivity-led as reflected in increase in labour, particularly in the services sector.



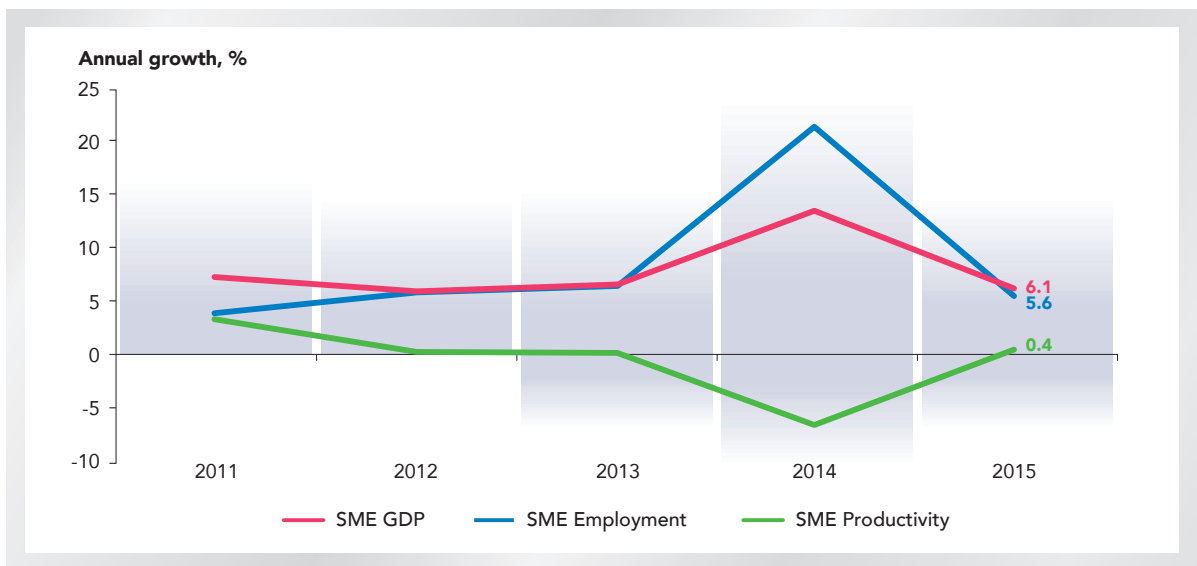


**Chart 2.14:** Productivity Growth by Firm Size, %



Source: Department of Statistics, Malaysia

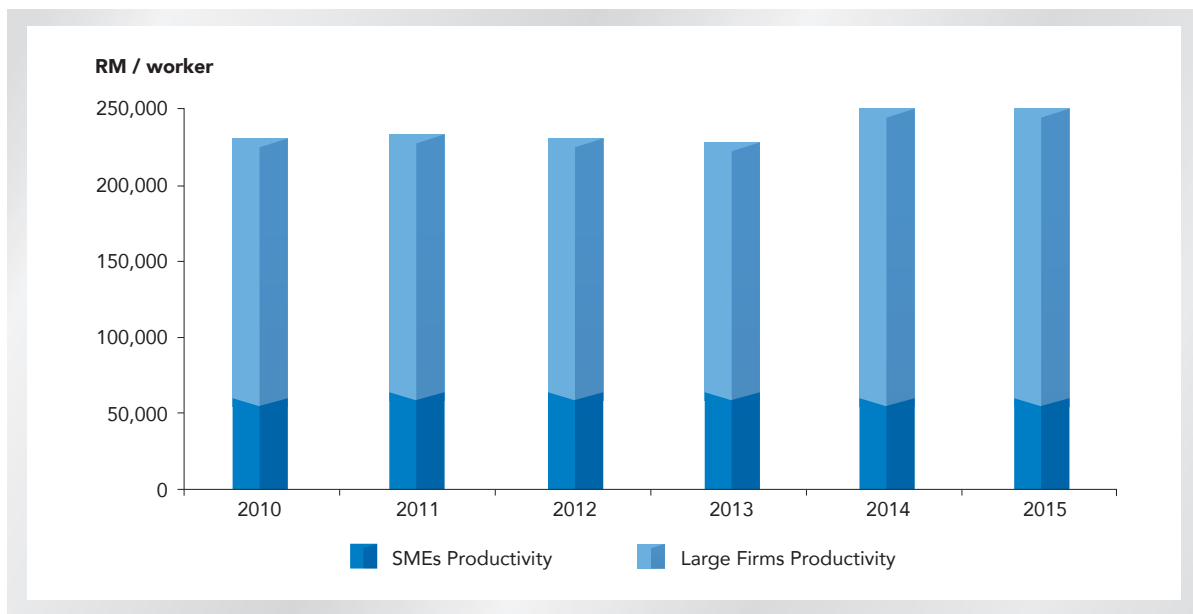
**Chart 2.15:** Growth for SME GDP, SME Employment and SME Productivity, %



Source: Department of Statistics, Malaysia

As shown in Chart 2.16, the productivity gap between SMEs and large firms was relatively high as SME labour productivity was 3.3 times lower than the large firm productivity for two consecutive years, i.e. in 2015 and 2014. The gap has widened in comparison with 2.8 times in 2010. The deterioration of SME productivity versus the large firms was mainly seen in the services (5.6 times), agriculture (2.2 times) and construction sectors (1.2 times). Meanwhile, the productivity gap of the manufacturing sector remained unchanged at 1.5 times as in 2014. The issue is serious particularly in the services sector given the dominance of SMEs in low valued-added activities mainly in the distributive trade, F&B and accommodation sub-sectors rather than in business services and finance related activities. Overall, SMEs need to improve labour productivity through continuous shift from labour-intensive to knowledge and innovation-based economic activities.

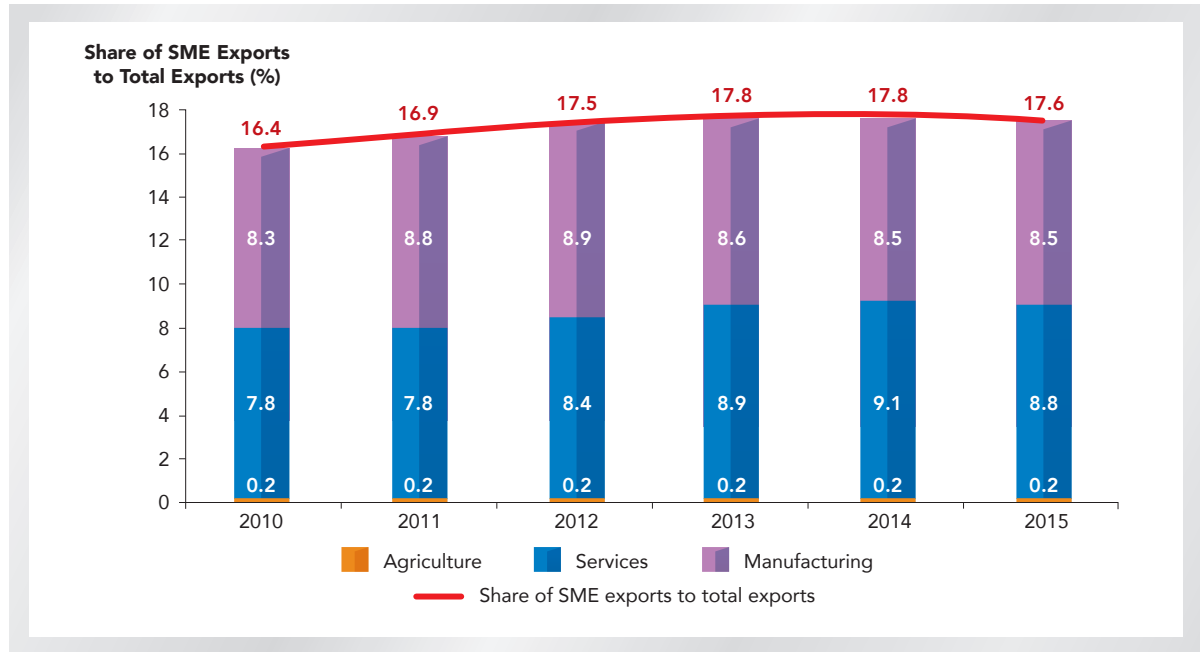
**Chart 2.16:** Productivity of Firms by Size



Source: Department of Statistics, Malaysia

## SME Exports

**Chart 2.17:** Share of SME Exports by Economic Sector, %

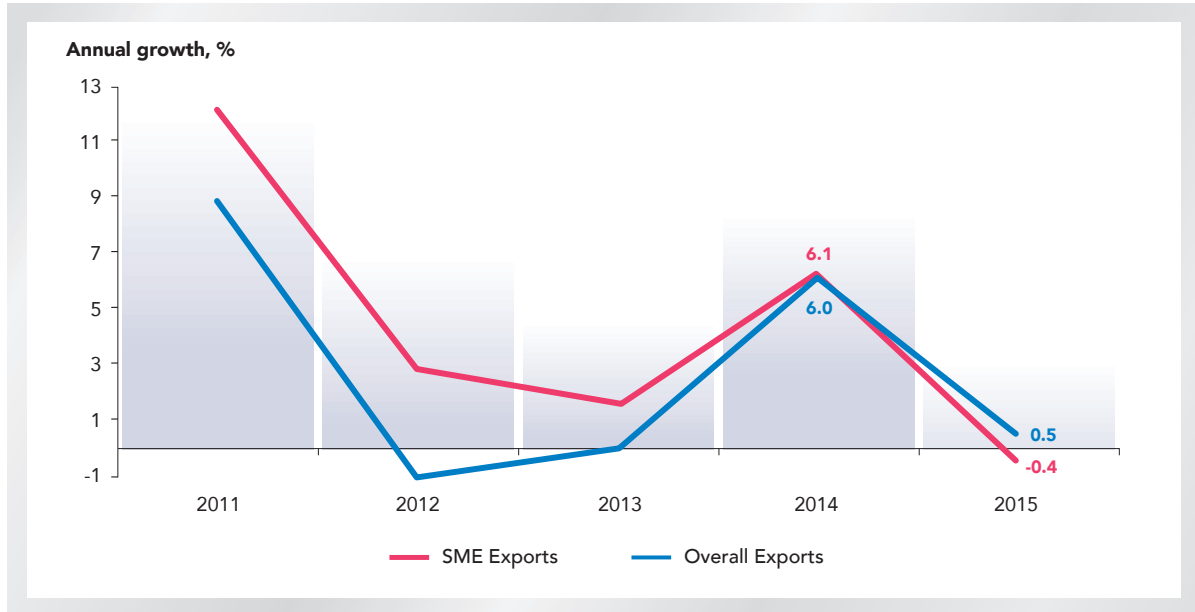


Source: Department of Statistics, Malaysia

New statistics released by the Department of Statistics, Malaysia showed that share of SME exports to total exports increased very gradually in the period 2010 to 2014 from 16.4% to 17.8% before declining to 17.6% in 2015. Since 2013, contribution (percentage share) of services exports has superseded that of the goods sector (refer to Chart 2.17). In 2015, the marginal decline of the SME exports by 0.4% was mainly influenced by lower tourism-related and other services activities.

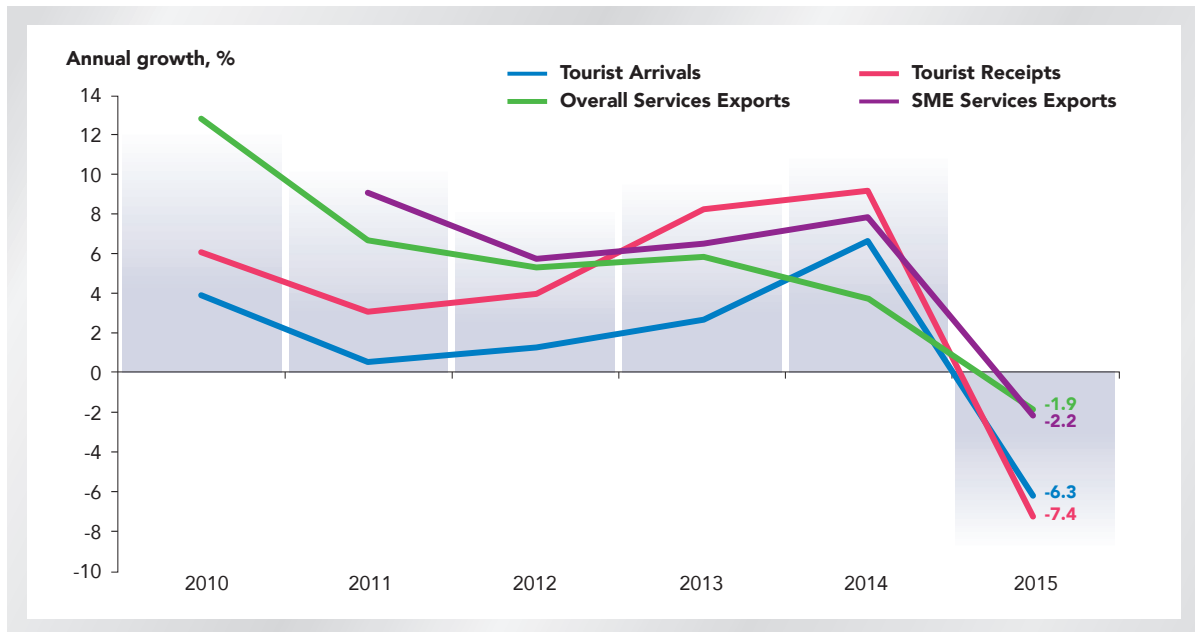


**Chart 2.18:** SME Exports Growth, %



Source: Department of Statistics, Malaysia

**Chart 2.19:** Annual Growth of Tourism Activity has a Correlation to Overall and SME Services Exports, %

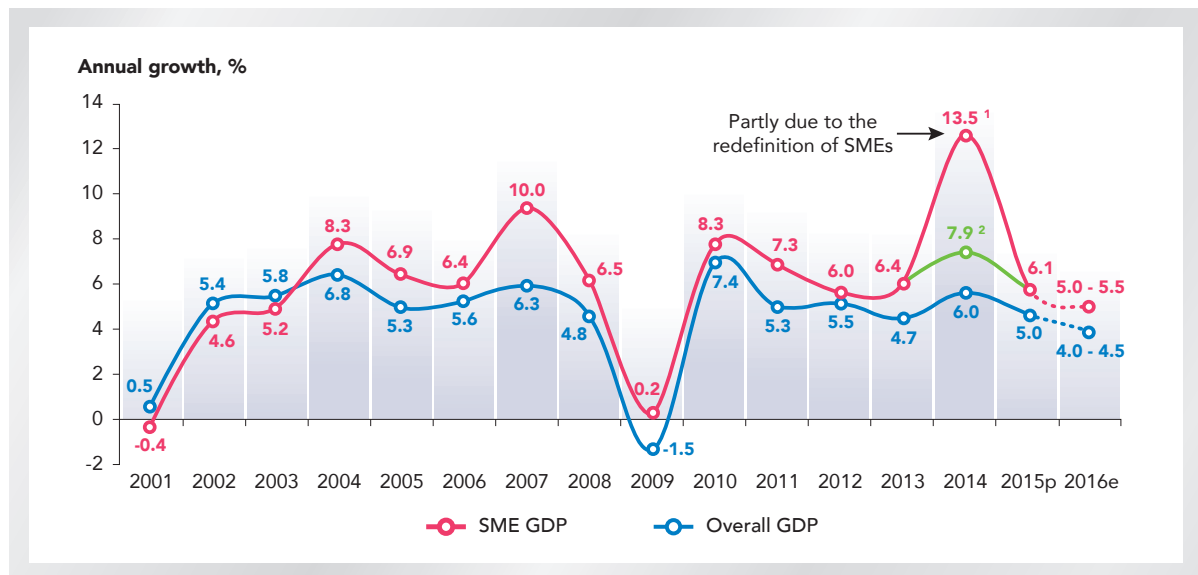


Source: Department of Statistics, Malaysia and CEIC

Evidence suggest that tourism has a strong multiplier effect on SMEs through backward and forward linkages. There is positive correlation between foreign tourist arrivals, tourist receipts and SME services exports (refer to Chart 2.19). Tourist arrivals consolidated to normal levels of 25.7 million in 2015 from 27.4 million in 2014 following the Visit Malaysia Year 2014. The impact on tourism also translated to weaker demand for SME goods and services via retail trade, restaurant, F&B manufacturing, accommodation, transportation services and demand for leisure and local products.

## OUTLOOK FOR SMEs IN 2016

**Chart 2.20:** Growth Projections of SME GDP and Overall GDP, %



p : preliminary e : estimate

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

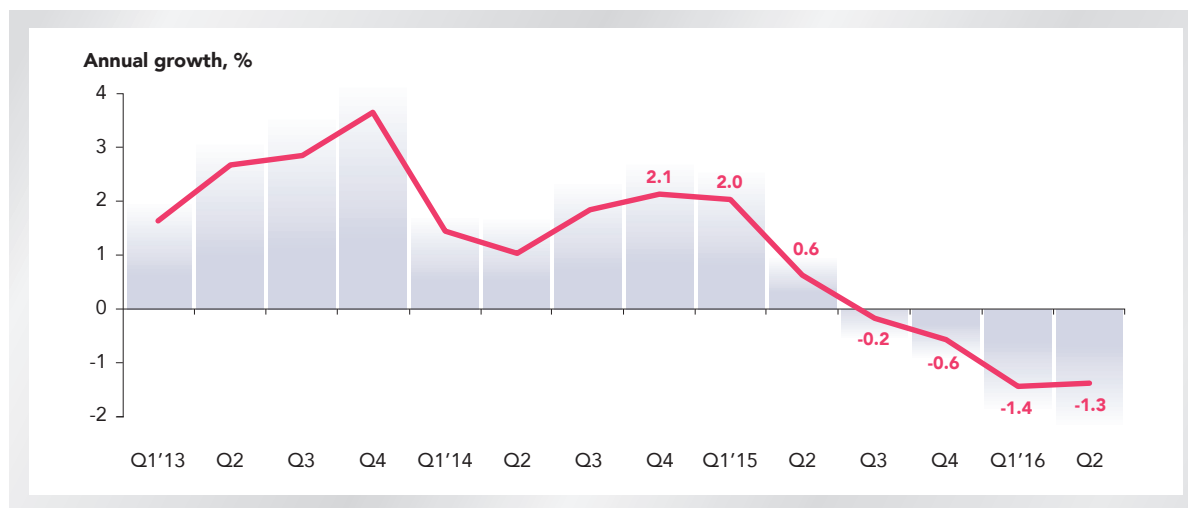
2/ Growth based on 2014 New SME Definition versus 2013 New SME Definition

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

Given the continued weakness in the global economy and high degree of uncertainty, SME business are likely to face a more challenging year in 2016. SME GDP growth is projected to expand by 5.0% - 5.5% in 2016 (2014: 13.5% due partly to the SME new definition, refer to Chart 2.20). The growth is premised on barring any sharp deterioration in external demand, volatility in financial markets due to uncertainty in the policy direction of developed markets and also unexpected fall in domestic demand. The impact of BREXIT on SMEs is expected to be negligible given the relatively low exposure of SMEs to the UK market. Nevertheless, the impact for BREXIT could be through the indirect impact of lower

global growth. Forward looking indicators, such as the DOSM Leading Index as well as Malaysian Institute of Economic Research (MIER) indices on retail trade and tourism activity points towards modest SME activity in 2016. Notwithstanding, some support from tourism activity is expected due to the weaker exchange rate that places Malaysia as an attractive destination for tourists compared to the developed countries.

**Chart 2.21:** DOSM’s Leading Index, %



Source: Department of Statistics, Malaysia

**Table 2.4:** 1Q 2016 SME Survey Findings on Business Performance versus 3Q 2015

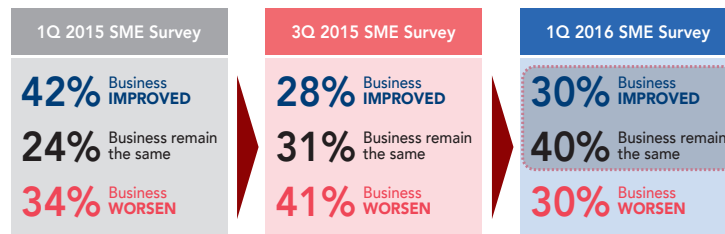
Indicators	Percentage share of total respondents, %					
	Decreased		Same		Increased	
	1Q 2016	3Q 2015	1Q 2016	3Q 2015	1Q 2016	3Q 2015
Sales Turnover	32.8	30.7	25.0	32.0	42.2	37.3
Pre-tax Profit	28.4	24.4	39.5	47.9	32.1	27.7
Exports Sales	16.3	20.7	50.7	46.9	33.0	32.4
Domestic Sales	30.9	28.4	29.2	38.6	39.9	33.0
Average Selling Price	14.4	11.3	53.0	55.2	32.6	33.5
Production (manufacturing & agriculture)	13.0	16.4	61.1	55.7	25.9	27.9

Source: SME Corp. Malaysia

\* Note: The business performance of SMEs in 1Q 2016 is compared against the one in 4Q 2015, while the business performance of SMEs in 3Q 2015 is compared against the one in 2Q 2015.

Findings from the First Quarter 2016 (1Q 2016) SME Survey, undertaken by SME Corp. Malaysia (sample size of 2,176 SMEs) showed that the business performance of SMEs have gradually improved in the first quarter of 2016. More respondents experienced an increase in sales and profits as compared to the findings in the Third Quarter 2015 (3Q 2015) SME Survey. About 42.2% of respondents recorded increased sales in 1Q 2016 compared to the previous quarter, which was higher than 37.3% of respondents recorded in the 3Q 2015 SME Survey (refer to Table 2.4). Nevertheless, there was also slightly more respondents who indicated a worse performance in the 1Q 2016 survey compared to the previous survey.

**Chart 2.22:** Near-term Business Outlook



Source: SME Corp. Malaysia

The gradual improvement in business performance was further reflected in a better near-term outlook (refer to Chart 2.22). About 30.4% of the respondents were expecting their business to improve compared to 28.3% in the previous quarter survey, while the number of respondents citing a worsening outlook reduced significantly to only 30.2% as compared to 40.5% recorded in the previous survey. The improved outlook was also reflected by the higher orders or bookings received (27.5%) during the quarter (refer to Chart 2.23).

**Chart 2.23:** 1Q 2015 SME Survey Finding on New Orders / Bookings of Products and Services, %



Source: SME Corp. Malaysia

**BOX ARTICLE**

## **SME Surveys in 2015 and 2016**

Since 2009, SME Corporation Malaysia (SME Corp. Malaysia) as the Secretariat to the National SME Development Council (NDSC) has been conducting surveys on SMEs as part of the surveillance work in monitoring their business performance and outlook. The surveys are also meant to identify current challenges on the ground and structural issues faced by SMEs in Malaysia. Through the SME Corp. Malaysia state offices, as well as support from Bank Negara Malaysia, various Government agencies and SME-related associations, the surveys were conducted comprehensively, covering SMEs across all economic sectors, regions (including Sabah and Sarawak) and establishment size.

### **Third Quarter 2015**

The Third Quarter 2015 (3Q 2015) SME survey covering 2,336 respondents indicated that there was a sign of weakening business performance among SMEs. More respondents recorded weaker sales and exports as compared to the previous quarter, particularly among the small and medium-sized firms. Findings also highlighted that SMEs were concerned on the weakening demand for their goods and services and rising cost of doing business, arising partly from the Goods and Services Tax (GST) implementation and ringgit depreciation effects. The weak performance and concerns on the current economic conditions were further reflected in a less optimistic short-term outlook, as 40.5% cited worsening outlook for the next six months i.e. outlook for the month of October 2015 till March 2016. This is a significant change in perception compared to only about 13.8% citing a worsening outlook in the previous year (3Q 2014 SME Survey). Respondents who did indicate worsening outlook were particularly from the medium and small-sized firms as well as from the agriculture, construction and services sectors.

As in the previous surveys, high cost of doing business continued to be one of the key challenges faced by SMEs. During the quarter under review, majority of the respondents (83.2%) experienced on average an increase in operating cost of 10.0% year on year. In terms of selling price, half of the respondents (54.3%) cited that they had to increase prices of their goods and services with majority of them increasing the selling price by 1.0 -10.0%. Besides the one-off effect from the GST implementation, the ringgit depreciation had also partly contributed to the higher costs of imported raw materials and other inputs. Meanwhile, SMEs also found the volatility of the ringgit added further uncertainty to their business operations.



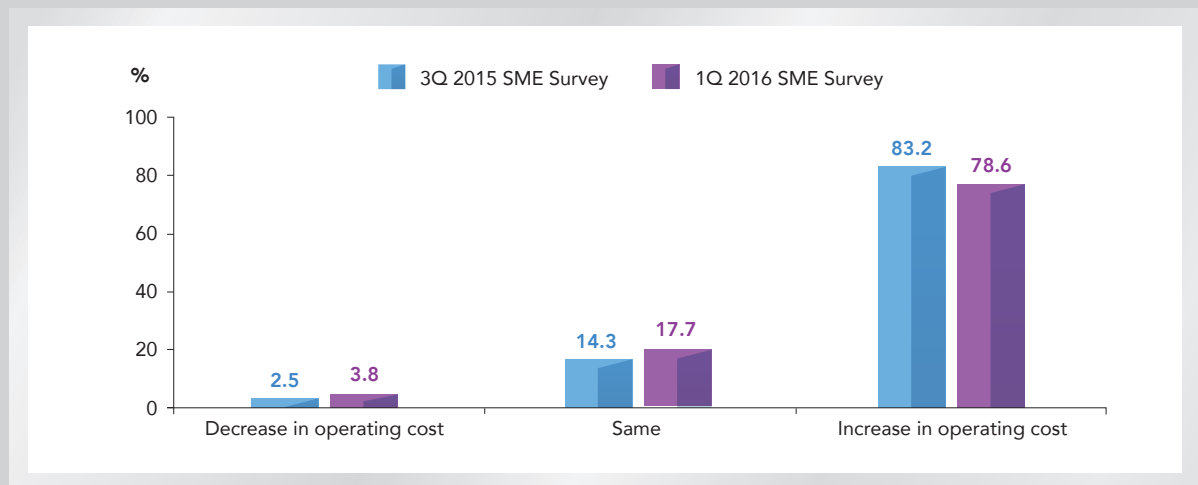
Relating to the cost issue and also some delays in GST refunds, more SMEs cited cash flow problems. In managing the cash flow issue, about 40.6% of respondents required additional capital, particularly medium-sized firms and those in the manufacturing sector. Given the increasingly challenging business environment, respondents planned to undertake various initiatives in the near term such as reducing the operating cost, entering new markets and intensifying promotional activities to remain competitive.

### First Quarter 2016

The First Quarter 2016 (1Q 2016) SME Survey which covered 2,176 respondents was aimed at gauging the SME business performance as well as identifying challenges pertaining to cost of doing business, GST, financing, human capital, adoption of information and communications technology (ICT) and export market, especially with the ASEAN Economic Community (AEC) and Trans-Pacific Partnership Agreement (TPPA) coming on board.

### Cost of Doing Business

**Chart 1:** Operating Cost of SMEs, %



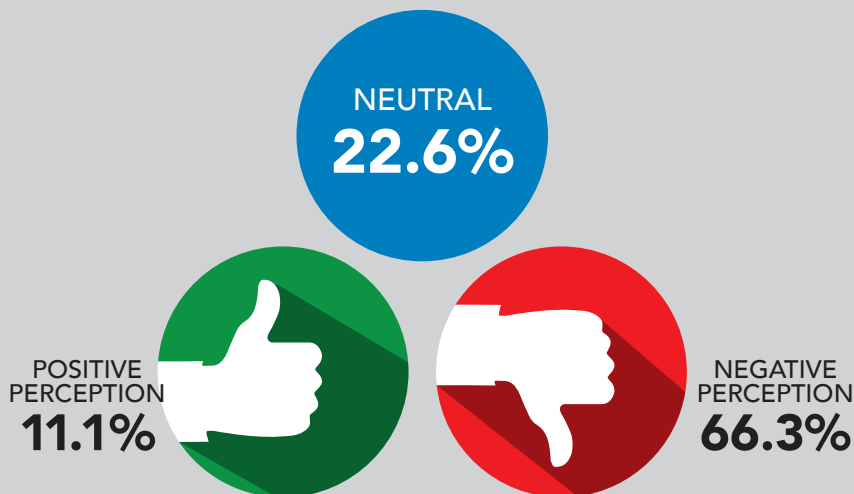
Source: SME Corp. Malaysia

The business operation of SMEs was affected by the series of cost increases in recent years. Findings of the Survey indicated that respondents continued to face an increase in operating cost, but to a much lesser extent as compared to the findings in the 3Q 2015 SME Survey. About 78.6% of respondents reported an increase in their operating cost, particularly microenterprises and firms in the manufacturing sector, with an average increase of 8.0% year-on-year during the 1Q 2016 (refer to Chart 1). The higher cost was due to higher raw materials and other input costs, higher electricity bill and higher cost of imports due to ringgit depreciation.

### Goods and Services Tax (GST)

With the implementation of the GST, most respondents were affected with two-third perceived that the GST brought negative impact. Some respondents (72.7% of those cited negative impact) cited that the GST implementation has led to higher operating cost of their business operation. Meanwhile, another 11.1% believed that GST gave positive impact to their businesses in the aspect of better business management including bookkeeping system (refer to Chart 2). In terms of selling price, almost half of the respondents (48.8%) tried not to increase their prices in order to stay competitive following the GST implementation, particularly among the medium-sized firms and those in manufacturing sector.

**Chart 2:** Respondents' Perception on GST Implementation

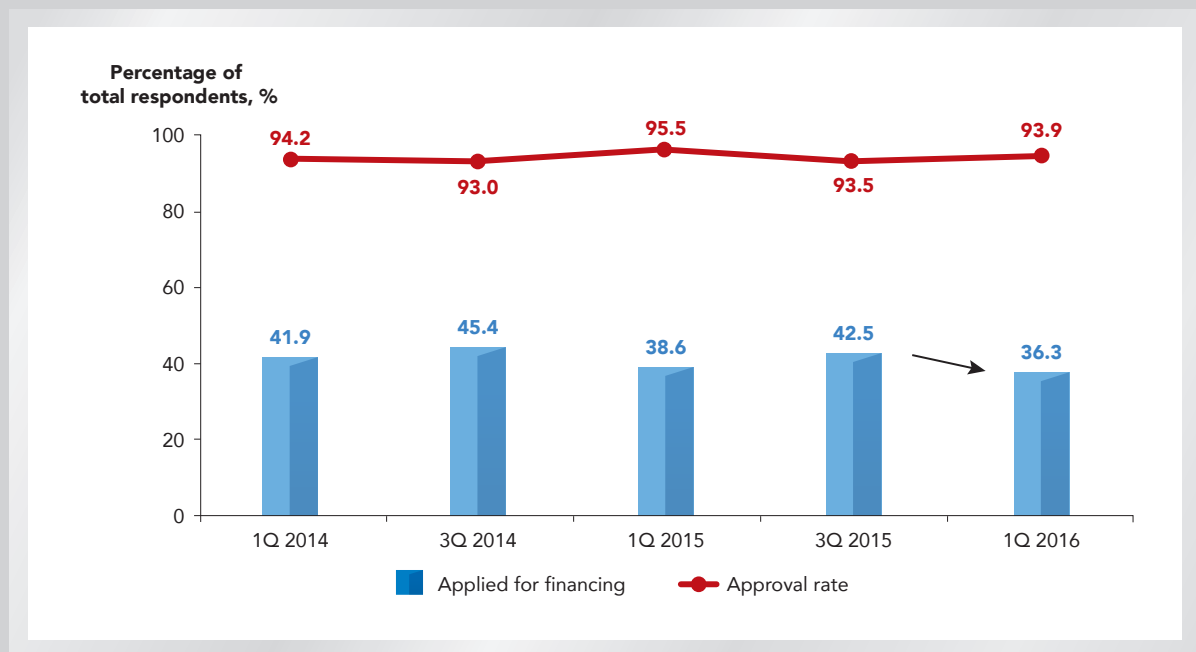


Source: SME Corp. Malaysia

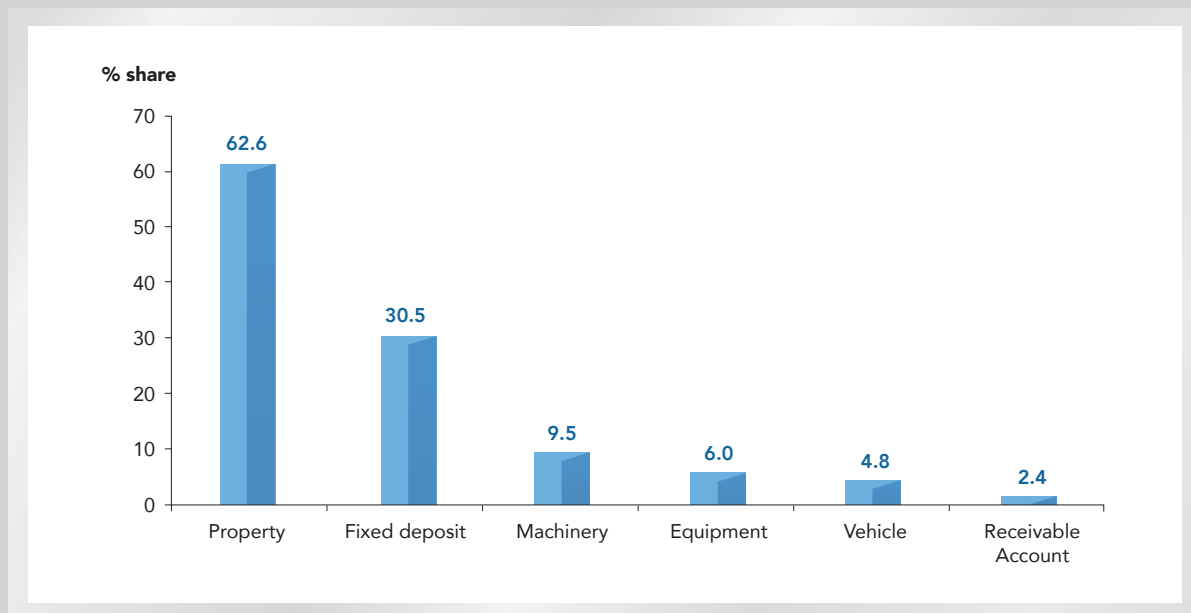
## Business Financing

With the continuing challenging business environment, the survey findings highlighted that about 44.8% of respondents cited facing cash flow or liquidity problem, particularly microenterprises and SMEs in manufacturing and agriculture sectors. While the SMEs need funds and liquidity to sustain their business operation, demand for financing from financial institutions has decreased. This may indicate that SMEs were reluctant to further widen the debt exposure of their businesses.

**Chart 3:** Financing Demand and Approval Rate, %



Source: SME Corp. Malaysia

**Chart 4:** Type of Collateral, %

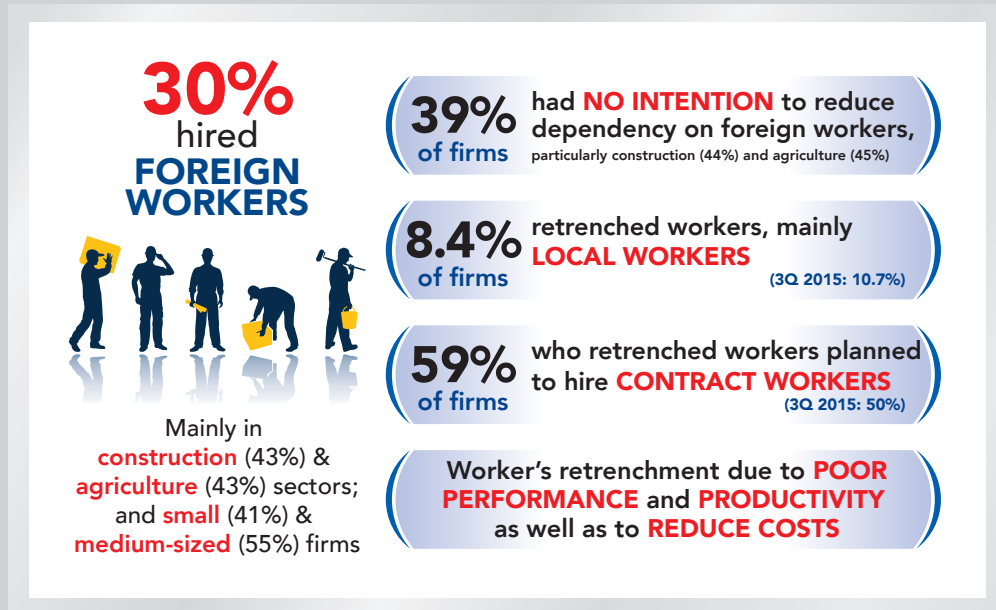
Source: SME Corp. Malaysia

During the quarter, only about 36.3% of respondents requested for new or additional financing for business purposes as compared to 42.5% recorded in the previous survey (refer to Chart 3). With high approval rate of 93.9%, SMEs continued to have access to financing and interestingly about 40.3% of those approvals were from the first-time borrowers. Nevertheless, financial institutions are also becoming more cautious, as reflected by the increase in request for collateral such as property and fixed deposit (refer to Chart 4).

## Human Capital

Focusing on labour market issues, the survey findings revealed that only about 30.4% of respondents hired foreign workers, which is considered relatively low (refer to Chart 5). Despite the low hiring of foreign workers, SMEs that hired foreign workers are highly dependent on them as about 39.0% of them had no intention to reduce the dependency on foreign workers. In fact, SMEs tend to retrench local workers, instead of foreign workers. A close look at the findings showed that about 8.4% of respondents retrenched their workers, which are mainly local workers partly due to their poor performance and as a part of cost-cutting measure. Of those respondents who retrenched their workers, 58.8% of them intend to hire temporary or contract workers, irrespective of whether they are local or foreign contract or temporary workers.

Chart 5: Foreign and Local Workers



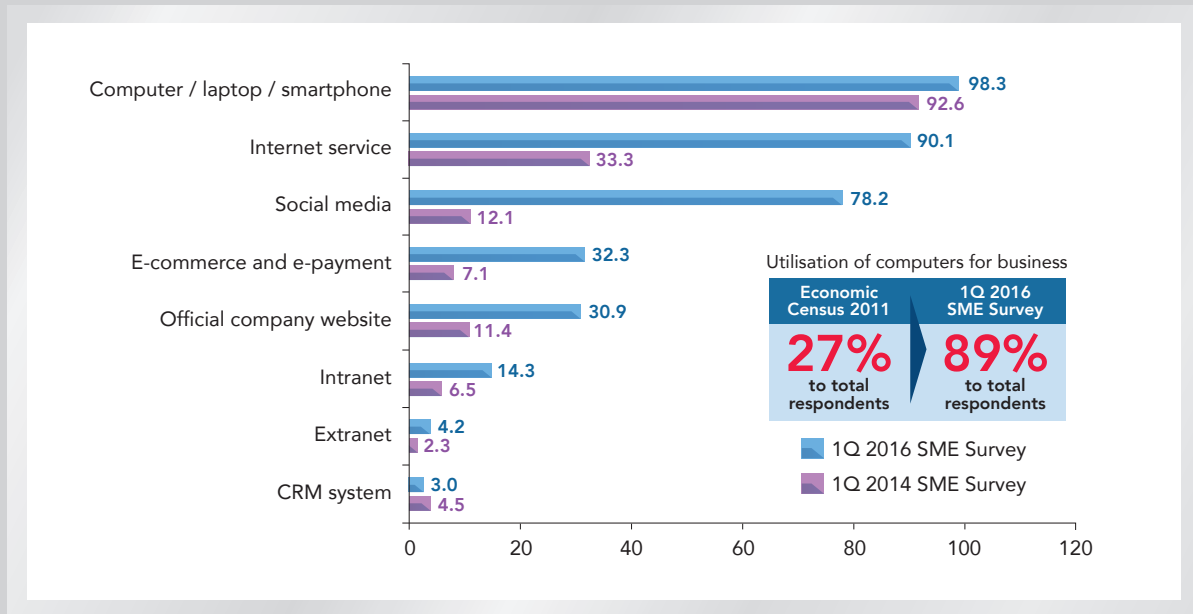
Source: SME Corp. Malaysia

## ICT Adoption

On the utilisation of ICT among SMEs, there has been discernible increase among SMEs in recent years. Findings revealed that majority of respondents utilised computers, smartphones and internet in their daily life, both for business operation or for personal use (refer to Chart 6). Looking at the business usage, about 89.1% of the respondent cited that they have utilised computers for business as compared to only 27.0% recorded in 2010 based on the Economic Census 2011 conducted by the Department of Statistics, Malaysia. In addition, there was a big improvement among respondents in the use of internet and social media since the last two years indicating greater exposure to ICT and better awareness of its benefits. Respondents had also leveraged on the social media platform to promote their businesses and attract new customers.



**Chart 6:** ICT Adoption among SMEs in Recent Years



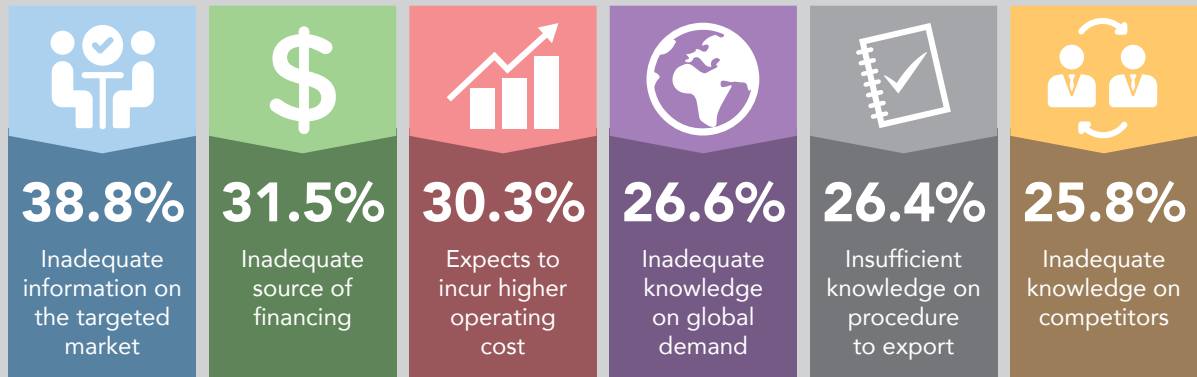
Source: SME Corp. Malaysia

Meanwhile, about 20.3% of respondents were involved in online transactions to better reach out to their customers. Respondents involved in online business were particularly microenterprises and firms in services and manufacturing sectors. The use of e-payment facilities such as internet banking, credit card and debit card helped to expedite the online transaction processes. Going forward, SMEs should further capitalise on ICT and social media to modernise and upgrade their businesses.

### Export Market

With regards to the exports market, about 14.2% of respondents have penetrated into the international markets, with an average of 25.0% of their total products or services were sold abroad. These exporters concentrated their export activity mainly in ASEAN, People’s Republic of China and the United States. Taking a closer look at the constraints in exporting, the survey findings cited that inadequate market intelligence and trade financing were the main concerns among respondents (refer to Chart 7). Access to market information such as on global demand and business competitors is very crucial as it gives better picture (more information) to current or potential exporters, thus allowing them to strategise their business needs with regard to exports. Also, inadequate source of financing might also hinder SMEs to export. Survey findings showed that only 16.6% of total respondents use trade financing facilities, which include for both exports and imports activities.

**Chart 7:** Constraints in Exporting

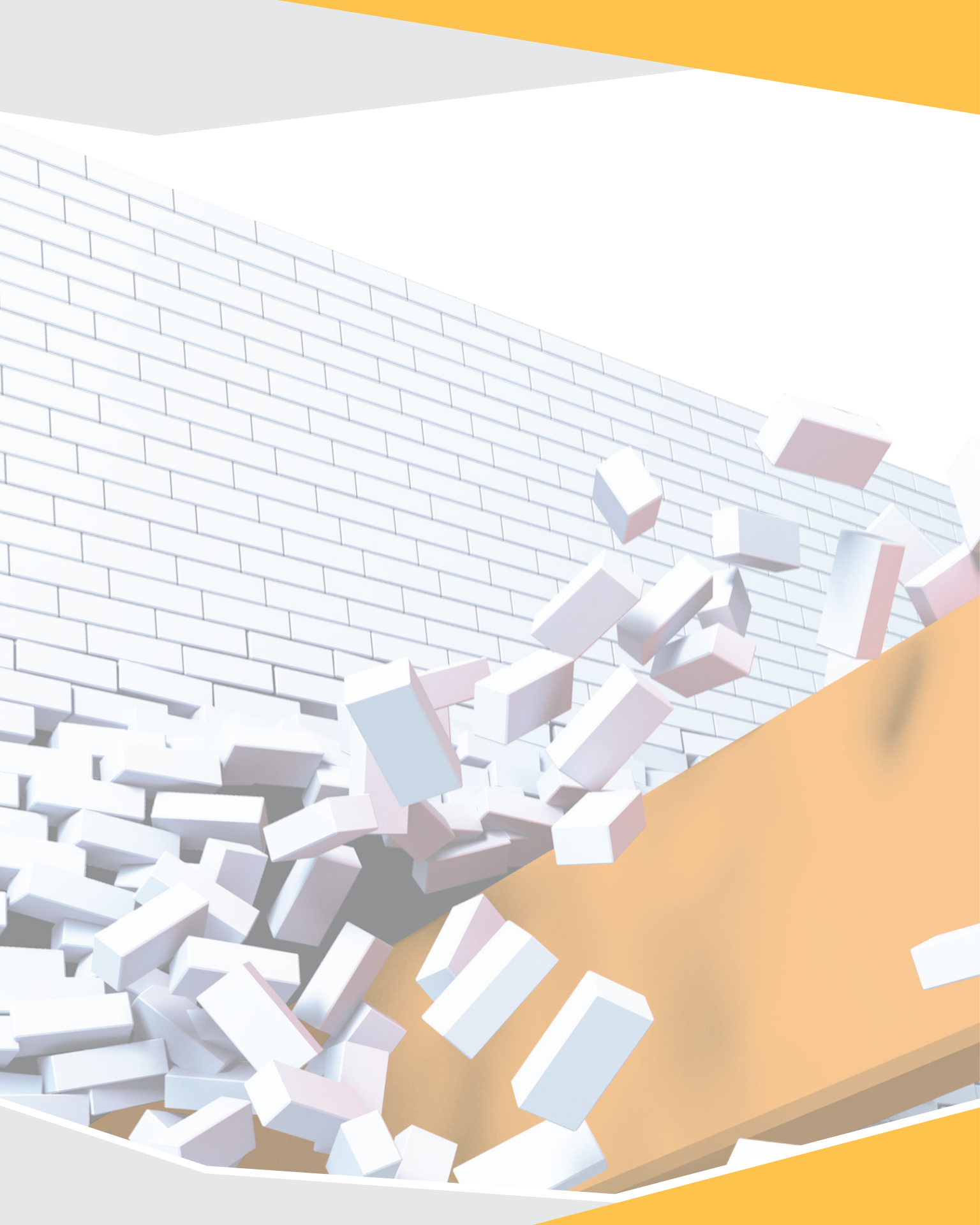


Source: SME Corp. Malaysia

Moving forward, SMEs are very much interested in boosting export. About 23.7% of total non-exporters intend to penetrate markets abroad, while 9.9% of total respondents plan to increase their exports activity following the implementation of the AEC and the newly signed TPPA. Meanwhile, SMEs are showing interest and readiness to take advantage of the huge market abroad by undertaking these measures:

- upgrading current procedures or systems of doing business (48.0%);
- attending trainings, seminars or conferences.(39.9%); and
- building business networking to face competition (28.2%).

Furthermore, respondents also undertook various initiatives to further boost their export such as diversifying into new markets, participating in international trade and customising its products or services according to international standards.





# SECTION II

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## SME Development Policies and Programmes

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# Policies on SME and Entrepreneurship Development

Over the last one decade, SME and entrepreneurship development has emerged as a national agenda following the setting up of the National SME Development Council (NSDC). Initiatives over the years, including the institutional building and structured policy framework put in place, further reinforced by the implementation of the SME Masterplan has laid the foundation towards building a comprehensive ecosystem for SMEs. The policies in the New Economic Model (NEM), Economic Transformation Programme (ETP) and the Tenth and Eleventh Malaysia plans are consistent, focusing on the role of SMEs to bolstering economic growth and achieving the inclusiveness agenda. The SME Masterplan brings a new dimension to SME development, advocating public-private partnership and end-to-end facilitation, thus stimulating growth through productivity and innovation. Thus, despite the challenging economic environment, evidence shows that SMEs have continued to expand at a higher rate than large firms.

Moving ahead, the on-going trade liberalisation through the ASEAN Economic Community (AEC) and the Trans-Pacific Partnership Agreement (TPPA) is expected to open 'new doors' for market opportunity and access to greater resources. This is at a time when technological disruptions are also taking place with the advent of big data, robotics, cloud computing and other megatrends. Now as Malaysia steps into the final phase of its journey towards achieving a developed nation status, it is imperative that SMEs address these challenges and find new niches in the Fourth Industrial Revolution, for SMEs to assume a bigger role in the country's development process.

## NATIONAL SME DEVELOPMENT COUNCIL AND KEY INITIATIVES

Since its inception in 2004, the **National SME Development Council (NSDC)** has continued to steer SME development in Malaysia by setting the strategic direction and formulating policies to promote the growth of SMEs across all economic sectors. As the highest policy making body, the Council has been crucial in promoting a more holistic and coordinated approach in SME development. The success of NSDC in this journey can be measured through a number of outcomes which includes adoption of a national definition for SMEs, developing SME database and statistics, monitoring and analysing SME performance to facilitate policy formulation, streamlining dissemination of information on SMEs, developing the SME financial infrastructure and endorsing the formulation of an SME Masterplan. As a result, SMEs have progressed well over the years with its contribution to GDP increasing steadily from 29.6% in 2005 to 36.3% in 2015.

The Tenth Malaysia Plan (10MP), from 2011 to 2015 was critical in setting the stage for a major structural transformation towards becoming a high income nation. Aligning SME development to this bigger aspiration, the focus under 10MP was to further develop SMEs and entrepreneurship as the engine of growth and innovation. This was the centrepiece that motivated the SME Masterplan. The Masterplan put in place the strategies, goals, measures, and programmes to create a conducive environment to transform SMEs to become the new growth engine. The main focus was on enhancing ease of doing business, access to finance and market access; promoting human capital and entrepreneurship development; and fostering innovative SMEs.

The **SME Masterplan (2012-2020)** introduced in July 2012 is aimed at bringing SMEs to the next level by raising its contribution to GDP to 41% by 2020. The implementation of the Plan is currently underway with some areas already showing results, particularly in innovation and enhancing ease of doing business. The Masterplan served as the basis for SME development in the Eleventh Malaysian Plan (11MP), as the country steps into the last mile to become a high income nation. With the various policy reforms underway, SMEs would also require adjustments and recalibration of their business operations to remain competitive. The Government through SME Corporation Malaysia (SME Corp. Malaysia) as the agency tasked to coordinate and drive the SME Masterplan concentrated on the implementation of the six High Impact Programmes (HIPs) which is critical for the success of the Plan. At the same time, the Plan also enlisted 26 other supporting measures to reinforce the ecosystem.

Taking into consideration the developments in the economy and statistics including the new SME definition introduced in 2014, the macro targets set under the SME Masterplan were reviewed in 2015. The SME GDP target for 2020 of 41% remained unchanged. SME share to employment was revised upward slightly to 65% in 2020 from 62% previously, while the share of SME exports was revised to 23% from 25% previously.

## UPDATES ON THE SME MASTERPLAN (2012-2020)

At the recent NSDC meetings in December 2015 and June 2016, the focus of the deliberation was on the progress of the SME Masterplan. Early results were also noted in some of the programmes. For instance, under **HIP 2 – Technology Commercialisation Platform (TCP)** implemented by Agensi Inovasi Malaysia (AIM) through its subsidiary PlaTCOM Ventures Sdn. Bhd., has successfully brought eight new products to market. Some of these products were considered as ground-breaking innovations and game-changers in their respective industries.

The Programme which started in May 2014, has exceeded the target set in 2015 whereby 63 Intellectual Property (IP) have been transferred to the industry for commercialisation compared with 23 IPs targeted earlier. This programme has also led to commercialisation of 5 innovations last year compared with only 2 commercialisation targeted. As of August 2016, the programme had screened over 776 innovative projects and out of these, 88 have been approved and a total of 110 license deals have been signed. In 2016, TCP has also undertaken the Dengue Tech Challenge involving 14 innovations in diagnostic, treatment, vector control, vaccine and awareness solutions as well as the Halal Hi-Tech Challenge which is a national effort to drive Malaysian innovations to boost the Halal industry through strategic partnerships with Agensi Inovasi Malaysia (AIM), SME Corp. Malaysia, Jabatan Kemajuan Islam Malaysia (JAKIM) and Halal Industry Development Corporation (HDC).

For the bottom 40% of the income pyramid (B40), innovation is facilitated through the **Inclusive Innovation Programme (HIP 6)** which is implemented by Yayasan Inovasi Malaysia (YIM), an agency under the Ministry of Science, Technology and Innovation (MOSTI). Since its inception, the programme has received 262 innovations from various sources, with 22 shortlisted under the programme. Currently, Inclusive Innovation has six on-going projects namely, Portable Water Filter, Multi-purpose Truck, Sopa Dibbling Machine, Micro Hydro, CNC Machine and Paddy Thresher. Apart from that, there are 11 other new projects in the pipeline through the Inclusive Innovation Challenges.

Meanwhile, 111 SMEs have reaped the benefits of participating in the **Going Export Programme (HIP 4)** managed by Malaysia External Trade Development Corporation (MATRADE), to internationalise export-ready SMEs. These companies have managed to achieve potential export sales contracts amounting to more than RM14.5 million.



**The Catalyst Programme (HIP 5)**, undertaken by SME Corp Malaysia in collaboration with Malaysian Bioeconomy Development Corporation Sdn. Bhd. (Bioeconomy Corporation) for the BioNext segment, has been completed with 10 companies that participated in the Oxford Accelerator Programme implementing the individually designed action plans for them to become high growth companies. Moving forward, the focus for 2016 will be in three sub-sectors namely medical devices, oil, gas & energy and shipbuilding & ship repair.

The project on **Integration on Business Registration and Licensing (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 is being rolled out in stages. The first deliverable, i.e an information portal, the MalaysiaBiz Portal, was officially launched by YAB Prime Minister on 23 June 2016 and can be accessed by public at <http://malaysiabiz.mampu.gov.my>. As at May 2016, a total of 1,917 licenses at the Federal level and 10 states agencies have been uploaded to the portal for 1,174 activities across all economic sectors. The portal is targeted to be fully complete with business registration and licensing information throughout Peninsular Malaysia by December 2016. First glimpse of the HIP 1 is expected to be realised in November 2016 when application for business registration and licensing can be done online through the Government Digital Gateway (MOSP). As this is a huge project, the ultimate integration of online services will be done in stages based on the readiness of the systems in other registration and licensing bodies.

Meanwhile, the **SME Investment Partner (SIP) Programme - HIP 3** is expected to begin towards end of 2016 as the SME Partner is appointed with seed capital of RM15 million from the Government. The supporting initiatives to reinforce implementation of HIPs in achieving the Masterplan goals are being implemented with substantive progress in the areas of policy reforms, human capital development and ease of doing business.

## KEY INITIATIVES ON SME DEVELOPMENT UNDER THE ELEVENTH MALAYSIA PLAN (11MP)

Under the 11MP, emphasis is on four key areas namely, productivity, innovation, entrepreneurship, and inclusiveness aligned towards promoting growth, resilience and sustainability of SMEs able to withstand the economic changes. Among the key initiatives for SMEs under 11MP are:

### a) Human capital development

- Reskilling and upskilling talent including through Technical Vocational Education and Training (TVET);
- Incentivise industries to mechanise and automate;
- Implement Productivity Linked Wage System;
- Implement certification programme to motivate SMEs in training employees;
- Implement training programmes on management of modern businesses; and
- SMEs co-fund local scholars to secure top talent.

### b) Capacity building

- Increase scale through partnership with large corporations (LCs) or form multi-disciplinary consortia for bidding of international projects;
- Form a multi-disciplinary consortium for bidding of Government projects; and
- Expand factory-in-factory concept whereby SMEs to operate within multinational corporations (MNCs) facilities.

### c) Innovation

- Scale up platforms such as AIM-Steinbeis, SIRIM-Fraunhofer, Public Private Research Network (PPRN) and PlaTCOM Ventures Sdn. Bhd.; and
- Establish joint-collaborative research and development (R&D), and design and development (D&D) with MNCs, LCs and SMEs.

### d) Market access

- Encourage SMEs to leverage online retails through e-commerce and e-payment;
- Impose tighter conditions to MNCs to encourage sourcing of SME inputs; and
- Strengthen Vendor Development Programme.

### e) Financing

- Establish independent panel of experts to evaluate business and innovation projects;
- Standardise loan procedures, reduce demand for collateral and monetise intellectual properties (IPs); and
- Simplify process for securing loans through PARTNER Programme.

**f) Information and communications Technology (ICT) development**

- Promote e-commerce, cloud services, IoT applications and services, e-payment and crowdfunding;
- Offer on-boarding programmes for SMEs, including platforms for online businesses;
- Match ICT start-ups with potential funders and technology partner; and
- Link entrepreneurs through digital platforms in telecentres with LCs.

In addition, SME Corp. Malaysia has been tasked to coordinate entrepreneurship initiatives for B40 households in collaboration with various Ministries and agencies. These initiatives will be implemented to achieve the following objectives:

- Enlarge the size of the middle-class society;
- Increase the use of ICT;
- Improve support for entrepreneurship in an integrated manner; and
- Increase productivity by promoting the use of modern technology.

The target group for these initiatives will include B40 entrepreneurs in rural and urban areas, Sabah and Sarawak, youth, women, Orang Asli, retirees and disabled people.

## Highlights of Key Achievements on SME Development under TENTH MALAYSIA PLAN (10MP)

### Technology & Innovation

- Creation of specialised agencies to drive innovation programmes such as AIM, YIM and National Science & Research Council.
- Intermediaries such as PlaTCOM Ventures and Steinbeis Malaysia Foundation were also set up to enhance collaboration and provide advisory services to both researchers and SMEs.

### Human Capital Development

- Skills Development Fund expanded in 2011 to offer loans to employees for skills upgrading, which until 2014 has benefited 3,424 employees.
- Skills upgrading programmes for employees of SMEs benefited 32,850 employees as of 2014.
- Labour market transformation through Minimum Wage Order to benefit 1.9 million wage earners.

### Bumiputera

- 413,278 entrepreneurs benefited from RM8.6 billion loans by Amanah Ikhtiar Malaysia and TEKUN Nasional.
- RM495.2 million financial assistance to 760 Bumiputera SMEs by MTDC, MAVCAP, MDV and MDEC.

### Microenterprises

- Mean monthly household income of the B40 households increased to RM2,537 in 2014 (2009: RM1,440).
- A total of 1,726 GIATMARA incubators developed.
- More than 16,000 participated in various support programmes.
- Entrepreneurship and skills training programmes for poor Indian community, benefiting 167,500 individuals including youth.
- 10,812 youths participated in entrepreneurship programmes such as 3K Programme, Belia Bestari, Outreach Usahawan and Smart Partnership Usahawan Belia.

### Liberalisation and Regulatory Reform

- 18 services sub-sectors were liberalised in 2012 that allowed up to 100% foreign equity within the wholesale & retail trade, healthcare, professional services, environmental services, telecommunications, courier and education sub-sectors.
- Competition Act 2010 enforced on 1 January 2012 provides a regulatory framework against anti-competitive practices such as the information of cartels, as well as horizontal and vertical agreements.

## SMEs UNDER BUDGET 2016

On 23 October 2015, the Government announced the Budget 2016 with a total allocation amounting to RM267.2 billion. The 2016 Budget supports the long-term development of SMEs with a total of RM9.5 billion allocation, including RM107 million under the SME Masterplan to continue with the implementation of the High Impact Programmes. The highlights of the Budget include allocations for:

- Enhancing access to financing by reducing the cost of funds through the Shariah compliant scheme;
- Developing entrepreneurship;
- Promoting automation and technology transformation;
- Modernising microenterprises;
- Formalising the agriculture sector through Goods and Services Tax (GST) registration;
- Internationalisation of SMEs and mid-tier companies to becoming global champions;
- Commercialisation of R&D products particularly benefiting SMEs, youth and the bottom 40% of the pyramid; and
- Various tax incentives to encourage R&D activities (double tax deduction) and to promote exports (tax exempt on 10-15% of export receipts).

The initiatives under Budget 2016 are in line with the direction of 11MP and the goals of the SME Masterplan, in addition to reducing the burden of SMEs in the current economic situation. Taking into account the changes in global and domestic economic condition, on 28 January 2016, the Government announced the recalibration of the 2016 Budget, which was centred on two main pillars namely, to ensure that the economy remains on a strong growth trajectory as well as to protect and safeguard the welfare and well-being of the *rakyat*.

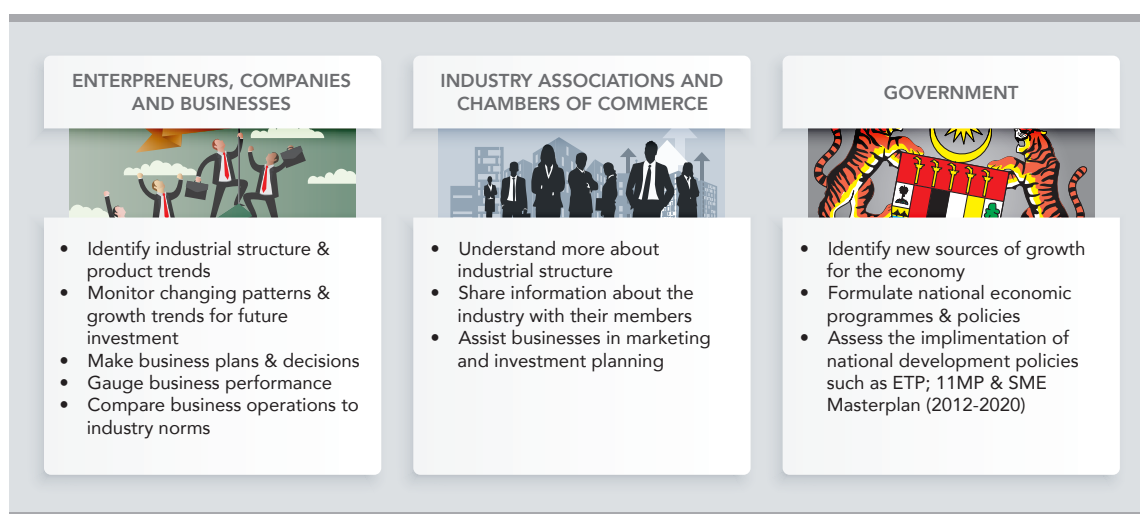
Overall, the measures announced under the revised budget is supportive of SME activities as it will help to cushion the impact from the current economic challenges. Measures on enhancing private consumption and tourism activities will have a multiplier effect on increasing demand for SME products and services. At the same time, the measures are also intended to ensure that viable businesses continue to remain and grow through restructuring of loans and having access to finance; reductions in cost of doing business; as well as improving market access including making inroads to the ASEAN market. The measures should help to enhance the overall resilience of SMEs to tide over the current challenging period.



## OTHER INITIATIVES RELATED TO SMEs

### i) Economic Census 2016

The Department of Statistics Malaysia (DOSM) is conducting the Economic Census 2016 for reference year 2015. In April 2016, DOSM began distributing questionnaires to 700,000 registered entrepreneurs, companies or businesses that operate in the agricultural, mining and quarrying, manufacturing, construction, and services sector (excluding distributive trade) via mail. The data obtained from the Census provides benefits to various stakeholders as follows:



Besides updating the SME profile, the Census is also meant for rebasing of GDP and other economic indices (Index of Industrial Production, Index of Services and Producer Price Index) as well as compilation of the Input-Output Tables and satellite accounts.

### ii) New Levy for Foreign Workers

During the recalibration of Budget 2016, the Government announced few measures pertaining to the new levy for foreign workers, among which:

- Streamline the management of foreign workers' system by clustering the levy into just two categories (exclude maids);
- Implement the Rehiring Programme by issuing valid work permits to Foreign Workers without Permits (PATI) to fulfil the industry demand; and
- 30% levy contribution from HRDF amounting to RM200 million to be provided to enhance employees' (including retrenched workers) competency and skills through reskilling and upskilling.

Effective 18 March 2016, the new levies for foreign workers were implemented:

Levy for Foreign Workers	Old Rates	New Rates
Manufacturing	RM1,250	RM1,850
Construction	RM1,250	RM1,850
Services	RM1,850	RM1,850
Plantation	RM590	RM640
Agriculture	RM410	RM640

*\* Rates are effective for Peninsular Malaysia only*

The difference in rate increase is reflective of the income or incentives offered to workers in the particular sectors. In addition, the revised monthly Minimum Wages of RM1,000 in Peninsular Malaysia (from RM900) and RM920 for Sabah, Sarawak and Labuan (from RM800) came into effect on 1 July 2016.

As the country has moved towards full employment, foreign workers have been important in supplementing the workforce for Malaysia's economic success. Nevertheless there have been concerns that overdependence on foreign workers may be detrimental in the long run as it deters firms from investing in automation and mechanising their operations which has constrained productivity efforts. The policy focus is now towards better management of foreign works and having an appropriate number and right skill mix of foreign workers. At the same time, the Government is looking at incentivising firms to move up the value chain and to step up productivity through support programmes and even possibly tax measures.



# SME and Entrepreneurship Development Programmes in 2015

**T**he significance of SMEs as the main pillar of economic growth of the nation continues to be the focus in 2015. Efforts were undertaken by various Ministries through their agencies to create a conducive entrepreneurial environment for SMEs to flourish by increasing the access and ease of doing business, strengthening human capital and by implementing programmes that focuses on enhancing productivity, innovation and export readiness. These wide variety of programmes were aimed to support SME development by creating resilient and sustainable SMEs. The programmes are offered under five out of the six key focus areas outlined in the SME Masterplan which aims towards optimising the performance and creating opportunities for SMEs to grow and develop their businesses through market expansion, innovation and increasing productivity. Programmes for start-ups and on entrepreneurship have also been enhanced in 2015.

In **2015**, a total of **150 Government programmes** were carried out amounting to about RM5 billion which had benefited more than 580,100 SMEs. These programmes were monitored and reported in the SME Integrated Plan of Action (SMEIPA). In addition, SMEIPA also reported another 20 programmes implemented in collaboration with the private sector, amounting RM3.1 billion which had benefited some 12,900 SMEs. Overall, there were 170 SME development programmes implemented last year with funds amounting to RM8.1 billion which had benefited 593,000 SMEs.

**Table 4.1** : SME Development Programmes in 2015 by Focus Area

Focus Area	No. of Programmes	Financial Expenditure (RM mil)	Beneficiaries
Human Capital Development	39	79.4	97,095
Market Access	37	99.0	14,553
Access to Financing	36	4,393.8	456,328
Innovation & Technology Adoption	22	258.1	11,819
Infrastructure	16	194.4	306
<b>TOTAL</b>	<b>150</b>	<b>5,024.7</b>	<b>580,101</b>

Source: SME Integrated Plan of Action (SMEIPA) 2016, SME Corp. Malaysia

Similar to previous years, bulk of the expenditure in 2015 was directed towards enhancing access to financing (87.4%), followed by programmes for innovation and technology adoption (5.1%) and infrastructure (3.9%). In terms of number of programmes, majority were in the area of human capital development, market access and access to financing. Programmes under access to financing will be deliberated in Chapter 6.

In 2015, a total of 150 Government programmes were carried out amounting to about RM5 billion which had benefited more than 580,100 SMEs



**Chart 4.1 :**

No. of Programmes by Focus Area, %



- 26.0 ■ Human Capital Development
- 24.7 ■ Market Access
- 24.0 ■ Access to Financing
- 14.7 ■ Innovation & Technology Adoption
- 10.6 ■ Infrastructure

**Chart 4.2 :**

Financial Expenditure by Focus Area, %



- 87.4 ■ Access to Financing
- 5.1 ■ Innovation & Technology Adoption
- 3.9 ■ Infrastructure
- 2.0 ■ Market Access
- 1.6 ■ Human Capital Development

**Chart 4.3 :**

SMEs Benefited by Focus Area, %



- 78.7 ■ Access to Financing
- 16.7 ■ Human Capital Development
- 2.5 ■ Market Access
- 2.0 ■ Innovation & Technology Adoption
- 0.1 ■ Infrastructure

## HUMAN CAPITAL DEVELOPMENT

The lifeblood of any business is its human capital. This includes entrepreneurship development as well as enhancing the skills and competencies of employees. The lack of **skilled and capable employees** can be detrimental to the growth of a company. This is a problem that many SMEs encounter as they have to compete with larger and well established companies that can offer better incentives and perks to potential employees. Many SMEs have resorted to hiring foreign labour to deal with the shortage of employees and inability to offer higher wages. In the long term, this would undermine the company's productivity and ability to move up the value chain to higher value added activities. The country's aspiration to becoming a high-income nation will depend on highly skilled and creative workforce. To address these concerns, a total of RM79.4 million was spent to assist 97,095 SMEs through 39 programmes. Among the programmes include the following:

- **HR Capabilities Building Programme** for SMEs implemented by the Ministry of Human Resources (MOHR) through Pembangunan Sumber Manusia Berhad (PSMB) aims at providing up-skilling and HR related programmes to HRDF registered SMEs. A total of RM7.1 million was spent to conduct 1,601 upskilling training courses and 29,571 human resource related sessions, benefiting 31,172 SMEs;
- **National Dual Training System (NDTS)** by Jabatan Pembangunan Kemahiran (JPK) of MOHR aims to train and educate school dropouts and workers for the SME workforce besides providing skills upgrading for new and existing employees in SMEs. A total of RM19.5 million was channelled to certify 1,741 apprentices and 726 employees under the programme in 2015;
- **GroomBig Programme** by the Malaysia Digital Economy Corporation (MDEC) under the Ministry of Communications & Multimedia Malaysia (KKMM) conducts ICT-enablement programmes to spur the development of Bumiputera micro and small entrepreneurs with the adoption of digital technologies. A total of RM5 million was channelled to this programme, resulting in 1,044 micro and small entrepreneurs trained with online presence and internet marketing skills; and
- **Human Capital Development Programme** under the Malaysia Automotive Institute (MAI) of Ministry of International Trade and Industry (MITI) resulted in the certification of some 4,000 skilled workers under the Industrial Lead Professional Certificate (IPC) and 750 engineers under the Automotive Industry Certification Engineering (AICE) in 2015, utilising RM8.5 million during the year.

Another important aspect of human capital development in SMEs is **entrepreneurship**. Hence, besides building the capacity and capability of the SME firms, the Government has placed a great emphasis on nurturing SME entrepreneurs, particularly among youth and graduates. Various initiatives were implemented to promote acculturation of entrepreneurship in these groups which include:

- **Youth Entrepreneurship Programme** (Business and Agriculture Business) by the Department of Youth and Sports (DYS) under the Ministry of Youth and Sports (KBS) that provided labelling and packaging technology as well as entrepreneurship courses to SMEs. A total of RM3.1 million was spent for the programme which benefited 2,089 participants; and
- **Entrepreneurship Training Programme** by Majlis Amanah Rakyat (MARA) under the Ministry of Rural & Regional Development (KKLW) which utilised RM10.7 million benefiting a total of 43,972 entrepreneurs, of which 34% were youth and graduate participants who ventured into business after three years.

## MARKET ACCESS

Broader market access allows SMEs to take advantage of untapped business opportunities and unearth new possibilities for increasing their revenue and growing their business. This includes both the local and export markets. The failure of SMEs to expand their market overseas can be attributed to various factors including lack of knowledge, market intelligence and international networking. It has been recognised that given Malaysia's relatively small domestic market, more local companies, particularly SMEs need to expand internationally to achieve the aspiration of becoming a high income nation by 2020.

In light of the challenging global environment, in 2015 the Government accorded greater focus on boosting exports with the establishment of the 'National Council for Exports'. Many initiatives were taken including implementing programmes to help SMEs widen their market access. Aside from promotional and developmental initiatives, there were also programmes to improve operational and production standards as well as attain certification for compliance and quality. In 2015, a total of RM99 million was channelled for 37 programmes under this focus area, of which some of the key programmes were as follows:

- The Malaysia External Trade Development Corporation (MATRADE) received RM7 million in 2014 from SME Corp. Malaysia to conduct **Going Export (GoEx) Programme**, which aims to assist SMEs to become more competitive in the international arena. This programme assisted SMEs in getting information and



access to international networks, increase their exports and expand their business opportunities. As of December 2015, there were 102 companies under this programme;

- In addition, MATRADE provided a financial assistance namely **Market Development Grant (MDG)** for SMEs, Trade and Industry Associations, Chambers of Commerce and Professional Bodies in undertaking eligible export promotional activities. This programme has spent RM30.7 million and approved a total of 3,386 claims throughout 2015;



- **Women Exporters Development Programme (WEDP)** by MATRADE assisted 32 women entrepreneurs penetrate the international market by developing the necessary skills and knowledge to enable the women SMEs venture into export market and expand their business. This programme utilised RM0.7 million to secure export sales amounting RM96 million in 2015;
- **Promotion & Marketing Programme** implemented by the Ministry of Tourism & Culture Malaysia (MOTAC) through Malaysian Handicraft Development Corporation (HANDICRAFT) aimed to increase craft sales in the domestic and international markets. Utilising a budget of RM16 million, the programme generated a total sales value of RM505.4 million and benefited over 4,000 SMEs;
- The programme **Showcase Satu Daerah Satu Industri (SDSI) 2015** implemented by the Ministry of International Trade and Industry (MITI) utilised the allocation of RM2.5 million. The main objective of the Showcase was to promote and market goods and services produced by local entrepreneurs based on the SDSI guidelines. In the year 2015, a total of RM6.3 million in contract sales and RM1.7 million in cash sales were recorded. The Showcase was participated by 471 entrepreneurs and attracted a total of 184,224 visitors;

- MITI also spearheaded **Vendor Development Programme (VDP)**, which facilitated Bumiputera SMEs' vendors through partnerships with Government-linked Companies (GLCs), Multinational Corporations (MNCs) and private companies in various industries in the manufacturing and services sectors. A total of RM3.7 million was spent to implement the programme that benefited 54 vendor companies;
- In the year 2015, **Product and Quality Enhancement (GroomBig) Programme** was allocated with RM3.5 million to nurture, groom and elevate Bumiputera SMEs to a higher level towards export readiness. GroomBig Programme succeeded in assisting 500 companies to be ready for Halal Certification and 450 companies to improve their quality of products and services. Furthermore, a total of 296 companies participated in GroomBig's promotion and business matching programmes in 2015; and
- **Entrepreneur Development Programme** implemented by the Federal Land Development Authority (FELDA) to increase the competitiveness of FELDA settlers and their involvement in non-farm activities. The programme utilised RM6.3 million benefiting 22,380 entrepreneurs who generated sales of RM1.7 billion.

## INNOVATION AND TECHNOLOGY ADOPTION

The ability to innovate and adopt technological changes is a crucial factor determining the growth of a business. Studies under the SME Masterplan had demonstrated that innovation and technology adoption is closely linked to the performance of SMEs. Technically, SMEs have the advantage to respond and adapt more quickly to latest business and technological changes due to small scale of their operations. The main factor constraining SMEs from innovating and adopting new technology is the high cost involved. In many advanced countries, new innovations and ideas come from small businesses. In 2015, the Government implemented 22 programmes assisting 11,819 local entrepreneurs and technopreneurs in the area of innovation and technology adoption with the fund amounting to RM258.1 million. Among the programmes are:

- **Cradle Investment Programme 500 (CIP 500)** by Cradle Fund Sdn Bhd under the Ministry of Finance (MOF) offers conditional grants of up to RM500,000 (maximum of two consecutive approvals per company) to local start-up companies with innovative and technology-based products or services to attain commercialisation. During the year, a total of RM20.3 million was channelled to the programme which approved 41 applications out of 375 applications received;

- **Pre-Commercialisation Fund** administered by the Ministry of Science, Technology and Innovation (MOSTI) is to help SMEs develop and improve products, technologies and processes with the aim of commercialising them. The Fund also aims to create an environment that fosters technopreneurship and innovation. In 2015, a total of RM175.2 million was channelled for the fund, which received 369 applications and 174 projects were approved;
- **Biotechnology Commercialisation Fund (BCF)** by MOSTI through Malaysia Bioeconomy Corporation Sdn. Bhd. (Bioeconomy Corporation) provides funding for biotechnology focussed areas and complements existing public and private sector funding by providing easy access to financing facilities. With utilisation of RM12 million, four companies with the potential of commercialisation had their loans approved under the programme;
- Through **#MYCYBERSALE 2015**, SMEs are encouraged to be part of the local e-commerce ecosystem and to increase domestic e-commerce revenue. A total of RM2.5 million was utilised by MDEC to oversee the programme, which attracted participation of 6,000 SME companies. SMEs also doubled their revenue during #MYCYBERSALE 2015 that brought in a total revenue of RM61 million;
- **Change Upgrade Product (CUP)** Programme by the Minister of Agriculture and Agro-based Industry (MOA) is for product development and to enhance product quality. A total of RM4.3 million was spent for the programme assisting 270 entrepreneurs develop a total of 540 new products;
- **Bumiputera Vendor Development Programme** implemented by the Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Timber Industry Board (MTIB) aims to increase the productivity and efficiency of Bumiputera SMEs in manufacturing of timber based products. With a total of RM15 million utilised fund, 25 SMEs participated in the programme, improving their SME Competitiveness Rating for Enhancement (SCORE) rating and annual sales; and
- **Entrepreneur Development Programme for Homemade Chocolate** by the Malaysian Cocoa Board (MCB) under MPIC encourages hand-made local cocoa and chocolate products. A total of RM1.5 million was spent for the programme, which registered and produced 25 new entrepreneurs in the chocolate business. Eight of the entrepreneurs achieved 301kg to 800kg monthly production, while seven of them produced more than 800kg of chocolates monthly. A total of 21 courses were conducted in 2015 (five courses conducted in Sarawak, three courses in Sabah and 13 courses conducted throughout Peninsular Malaysia) with a total of 410 participants.

## INFRASTRUCTURE

Proper and well-developed infrastructure is necessary to create an enabling environment that supports the growth of SMEs and entrepreneurs. Programmes under this focus area are aimed at encouraging entrepreneurship by providing access to business premises, facilities and other SME related infrastructure. A total of RM194.4 million was channelled to assist 306 SMEs through 16 programmes. Among these are the programmes implemented by MOF namely:

- **Redevelopment of Pekan Melayu, Mukim Sena, Perlis**, a project by Perbadanan Kemajuan Ekonomi Negeri Perlis (PKENPs) to build business premises for Bumiputera entrepreneurs in the city of Kangar. RM10.2 million was spent for this project to build 21 business premises; and
- **Development of Business Premises** in Melaka Halal Hub Phase II and IKS Duyong Phase III were managed by Perbadanan Kemajuan Ekonomi Negeri Melaka (PKNM). The former aims to provide premises for the production of halal products equipped with infrastructures that comply with Good Manufacturing Practice (GMP), Hazard Analysis and Critical Control Point (HACCP), and HALAL specifications, while the latter provides workshop premises for automotive services entrepreneurs. A total of RM45.6 million was spent for both projects, with the Melaka Halal Hub project fully completed, while IKS Duyong is almost complete (99%).



Meanwhile, the Sabah State Government implemented the following programmes:

- **Building shophouses in Sindumin**, managed by the Sabah Economic Development Corporation (SEDCO) with a total sum of RM1 million to enable entrepreneurs to operate and start businesses in Sindumin; and
- **Pembangunan Usahawan Desa** implemented by the Ministry of Rural Development District Office (KPLB) to build and upgrade buildings in Rural Entrepreneur Centres (RECs) and provide necessary equipment for entrepreneurs to operate and start or expand their businesses. The project used RM1 million to implement seven projects operated by seven SMEs.



In addition, the Ministry of Industrial and Entrepreneur Development, Trade and Investment Sarawak (MIETI Sarawak) managed the following programmes:

- **Industrial Estate Development Programme** for Demak Laut Industrial Park, Phase 2B and Samajaya Free Industrial Zone, Phase 5 has been developed to provide better amenities and infrastructure through proper industrial estate development. Demak Laut Industrial Park, Phase 2B has been fully completed, while Samajaya Free Industrial Zone, Phase 5 is 97% completed. As of December 2015, a total of RM129.6 million has been spent for both projects; and
- **Incubator Development** for Biovalley Park has been established to support the development of new products and processes of bio-based products as a pilot project. The plant is to provide facilities to assist industries in producing phytochemical extracts and inoculum at pilot scale, and provide infrastructure and facilities at the incubator. A total of RM13.7 million has been spent for the project, which is at 59% completion.

Finally, Perbadanan Usahawan Nasional Berhad (PUNB) had spent RM59.3 million for **PROSPER Property Programme**. The programme aims to increase Bumiputera ownership in commercial property and purchase retail premises at strategic locations. PROSPER Property also purchased 38 premises of which 93% of these were rented out.

## Feature Programme

# Developing and Promoting Malaysian Handicraft

From the textile arts of songket and batik to wood carved sculptures, pottery, and pewter, Malaysia's exciting and diverse range of handicrafts reflect the country's melting pot of ethnic groups and cultures. These unique and beautiful artwork are produced by artisans throughout the country. While universally popular handicrafts like batik are produced all over Malaysia, other more specialised crafts like the Mah Meri wood sculptures and Labu Sayong pottery are typically created and crafted in their areas of origin and its vicinity. The Malaysian Handicraft Development Corporation (Kraftangan Malaysia) was established in 1979 to promote local handicrafts and support the growth of the local craft industry. This is achieved by creating awareness on local handicrafts and facilitating market access so that craft entrepreneurs can reach out to potential customers to promote and sell their crafts.

Kraftangan Malaysia implements a Craft Marketing Programme that aims to increase the value and sale of local crafts through promotional and marketing activities in both local and global markets. The programme was initially implemented as a Trade Incentive Programme under the Ninth Malaysia Plan but has since evolved into the Craft Marketing Programme under the Tenth Malaysia Plan. It provides a platform for craft entrepreneurs to promote and market their products directly to buyers. The programme is open to entrepreneurs that market all forms of crafts including textile, metal, wood-based, and various other crafts throughout the country. In 2015, implementation of the Craft Marketing Programme was divided into two levels:

### a) Promotional activities at the local level, which include:

- Themed promotions such as National Craft Day, Colourful Aidilfitri Promotion, Interior Design and Landscaping Promotion;
- Craft promotions throughout the country via state craft festivals, which were held in Perlis, Sabah, Sarawak, Perak, Kedah, Terengganu, Kelantan, Malacca and Johor;
- Promotion in shopping complexes such as AEON Bukit Raja, Klang Selangor, Great Eastern Mall Kuala Lumpur, Straits Quay Pulau Pinang, KB Mall Kelantan, Mesra Mall Kemaman Terengganu, AEON Kulai Jaya Johor, Suria Sabah and East Coast Mall Kuantan Pahang; and
- Promotion at the State departments of Kraftangan Malaysia.



#### b) Promotions at the international level, which cover:

- Promotion at trade fairs overseas including at Ambiente 2015, Frankfurt, Jerman, INDEX 2015, Dubai, Tokyo International Gifts Show 2015, Who's Next Paris 2015, Bazaar Berlin 2015 and L'artigiano In Fiera 2015; and
- Promotions at domestic trade exhibitions including Kuala Lumpur International Gifts and Premium Fair 2015, Kuala Lumpur International Craft Festival (KLICF) 2015 and International Trade Malaysia (INTRADE) 2015.

## NATIONAL CRAFT DAY 2015

Although named as the National Craft Day, the annual festival is dedicated to creating awareness and appreciation of Malaysian traditional arts and crafts that takes place for more than a week at the Kuala Lumpur Craft Complex. Since its introduction in 2003, the National Craft Day has grown in popularity and is today considered an important platform for craft entrepreneurs to showcase their wares to both local consumers and foreign tourists.

In 2015, a total of 667 craft entrepreneurs participated in National Craft Day, themed 'Eco-Crafts as Prosperity Investment'. The theme reflected the economic opportunities available in the craft industry and how it has contributed to increasing the income of local entrepreneurs. National Craft Day was held from 26 March to 7 April 2015 featuring products with a futuristic concept that were developed through art and social movements emphasising speed, technology,

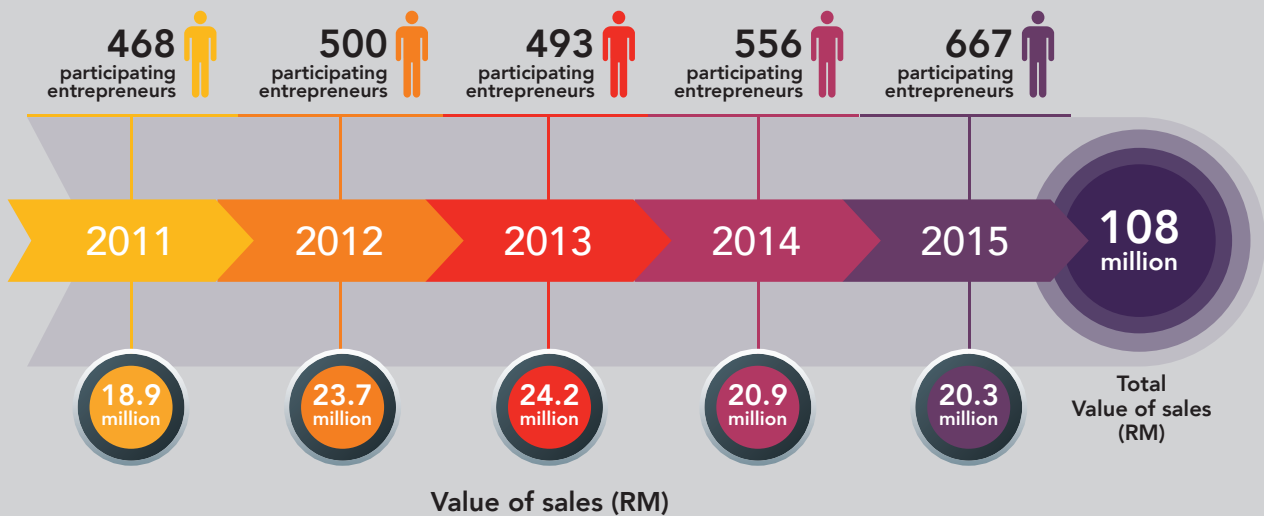
...aims to increase the value and sale of local crafts through promotional and marketing activities in both local and global markets





forward thinking, and other characteristics that reflect progress and achievement. Various activities were organised throughout the 13-day event including craft sales, exhibition of craft products featuring the latest designs, exhibition on craft technology, incoming buying mission, creative discussions, fashion shows, interactive craft programmes, craft and traditional cooking demonstrations as well as art performances.

During the period of the Tenth Malaysian Plan (2011-2015), the value of sales achieved from National Craft Day is as follows:







The growing number of entrepreneurs participating in National Craft Day and value of sales indicate the success of Kraftangan Malaysia's promotional programmes. Thirty-seven years after it was established, the Corporation continues to play an important role in developing the local craft industry. Aside from promotional activities, Kraftangan Malaysia also supports industry growth through programmes that focus on research and development, training and workshops, as well as provision of financial assistance to artisans and craft entrepreneurs. Kraftangan Malaysia ensures that Malaysia's traditional and cultural heritage continue to be preserved and appreciated as the country transforms to become a developed nation.

# SME and Entrepreneurship Development Programmes in 2016

The SME development programmes are further strengthened in the Eleventh Malaysia Plan (11MP), 2016-2020, in line with the SME Masterplan objectives and towards achieving a high income nation by 2020. Focus is on productivity, innovation, entrepreneurship and inclusiveness. In addition to programmes to enhance economic growth, new programmes are also being implemented for the bottom 40% of the pyramid largely comprising self-employed micro entrepreneurs to raise their incomes and standard of living. This is to ensure that the country is transitioning into an advanced and inclusive nation in the true sense. The Government will continue to monitor and measure the effectiveness and impact of these programmes through an outcome-based approach.



The programmes and initiatives for SMEs are to accelerate **productivity** through automation and human capital development including transforming technical vocational education and training (TVET) to become industry relevant; intensifying innovation and commercialisation through industry-academia collaboration; internationalisation and creating homegrown champions; enhancing alternative modes of financing to support activities in the new economy; improving ease of doing business and specific initiatives for Sabah and Sarawak particularly in upgrading infrastructure and connectivity. As in previous years, the programmes cut across five main focus areas namely, market access, human capital development, access to financing, innovation and technology adoption and infrastructure.

For 2016, with a total allocation of RM4.3 billion, the Government is currently implementing 125 programmes, which are expected to benefit 453,945 SMEs. Access to financing has the majority of programmes (24.8%) and the highest amount of financial commitment of RM3.8 billion. More information on these programmes is detailed in Chapter 6 on Access to Finance. As for the rest of the programmes, about one-quarter of the amount each is dedicated to human capital development (24.8%) and market access (24%), followed by innovation and technology adoption (16%) and infrastructure (10.4%). Overall, another 27 programmes with an additional allocation of RM2.9 billion are being implemented in collaboration with the private sector, thus bringing the total to 152 programmes and RM7.3 billion for 2016.

**Table 5.1** : SME Development Programmes in 2016 by Focus Area

Focus Area	No. of Programmes	Financial Allocation (RM mil)	Expected Beneficiaries
Access to Financing	31	3,843.0	417,416
Human Capital Development	31	83.1	21,800
Market Access	30	107.1	7,175
Innovation & Technology Adoption	20	208.1	7,004
Infrastructure	13	112.0	550
<b>TOTAL</b>	<b>125</b>	<b>4,353.3</b>	<b>453,945</b>

Source: SME Integrated Plan of Action (SMEIPA) 2016, SME Corp. Malaysia

**Chart 5.1 :**

No. of Programmes by Focus Area, %



- 24.8 ■ Human Capital Development
- 24.8 ■ Access to Financing
- 24.0 ■ Market Access
- 16.0 ■ Innovation & Technology Adoption
- 10.4 ■ Infrastructure

**Chart 5.2 :**

Financial Allocation by Focus Area, %



- 88.3 ■ Access to Financing
- 4.8 ■ Innovation & Technology Adoption
- 2.6 ■ Infrastructure
- 2.4 ■ Market Access
- 1.9 ■ Human Capital Development

**Chart 5.3 :**

SMEs to Benefit by Focus Area, %



- 92.0 ■ Access to Financing
- 4.8 ■ Human Capital Development
- 1.6 ■ Market Access
- 1.5 ■ Innovation & Technology Adoption
- 0.1 ■ Infrastructure

## HUMAN CAPITAL DEVELOPMENT

A perennial challenge faced by many SMEs is the dearth of knowledgeable, skilled and capable employees. This is vital as strong and efficient workforce contributes significantly to the growth of a company. Moreover, entrepreneurs need to have clear vision, wisdom, and skills to nurture and motivate their employees as well as expand their business. As such, programmes under this focus area will target both entrepreneurs and employees to strengthen human capital capability that can both spearhead and work towards generating high growth businesses and a thriving SME business community in the country. In total, there are 31 programmes that are expected to benefit some 21,800 SMEs. The programmes, which have a total allocation of RM83.1 million include the following from the Ministry of Human Resources (MOHR):

- **National Dual Training System (NDTS)** has a budget of RM37.5 million being implemented by Jabatan Pembangunan Kemahiran (JPK). NDTS is expected to register 4,000 apprentices in its training sessions for school leavers and the unemployed in line with supporting the workforce demands of SMEs. The programme also provides skills upgrading for existing and new employees in SME companies and is expected to train 2,000 employees; and
- Pembangunan Sumber Manusia Berhad (PSMB) is in implementing **SME Capability Programme** with an allocation of RM15 million. This programme is to enhance the capability of 3,000 SMEs who are business owners and decision makers in the areas of business strategies, innovation and productivity development.



- Jabatan Perdana Menteri (JPM) is implementing the following Bumiputera programmes through Institut Keusahawanan Negara (INSKEN), now under Unit Peneraju Agenda Bumiputera (TERAJU):
  - **INSKEN500 | SCALEUP Programme** is providing comprehensive entrepreneurial skills and knowledge in developing sustainable businesses through business counselling, training, consulting, and facilitating. A total of RM6.6 million has been earmarked to scale up 500 companies; and

- **INSKEN Public Programme** to share knowledge and experience among industrial practitioners. The programme has a budget of RM3.9 million for 3,000 participants.
- The following programmes are being managed by Jabatan Pembangunan Wanita (JPW) under the Ministry of Women, Family, and Community Development (KPWKM):
  - **Inkubator Kemahiran Ibu Tunggal (I-KIT)** has an allocation of RM750,000 to provide intensive skills training and entrepreneurship assistance for low income single mothers to enable them to start their own business. The programme is expected to enrol 290 participants in 15 training sessions in the areas of tailoring, beauty therapy, commercial cooking, crafts, childcare and travel; and
  - **Inkubator Keusahawanan Wanita (I-KeuNITA)** provides intensive skills training and entrepreneurship assistance for low income women to enable them to start their own business. With a budget of RM750,000, the programme is targeted to increase the income of 90 women participants by 50%.

## MARKET ACCESS

The Trans-Pacific Partnership Agreement (TPPA) and the ASEAN Economic Community (AEC) will create more opportunities for SMEs to explore and broaden the market for their products and services. The programmes in this focus area are aimed at facilitating SME access to a wider market both locally and abroad through promotional initiatives and by boosting SME prospects in the export market through support assistance. A total of RM107.1 million has been allocated for 30 programmes under market access that are expected to benefit 7,175 SMEs.

- Malaysian External Trade Development Corporation (MATRADE) will implement the following programmes for the Ministry of International Trade and Industry (MITI):
  - **Going Export (GoEx) Programme** introduced as one of the High Impact Programme under the SME Masterplan has an allocation of RM7.7 million to identify, nurture and develop 125 SMEs in 2016 to be more competitive in the international arena;
  - With a budget of RM20 million, **Market Development Grant (MDG)** will provide advisory and financial assistance to 1,500 SMEs, Trade and Industry Associations, Chambers of Commerce and Professional Bodies to undertake activities for development of export market; and

- **eTRADE Programme** implemented by MATRADE, provides assistance to SMEs to accelerate their exports by participating in leading international e-marketplaces. This programme is targeted to benefit 1,000 SMEs and to generate RM10 million in sales.
- Additionally, MITI will oversee the following programmes:
  - **Galakan Eksport Bumiputera (GEB)** programme provides integrated assistance towards exploring the export market for capable Bumiputera SMEs. SME Corp. Malaysia is implementing the programme with an allocation of RM30 million to develop 15 Bumiputera SMEs; and
  - **Strategies to Enhance Export of Automotive Parts and Components** programme has a budget of RM2.9 million and will be implemented by the Malaysia Automotive Institute (MAI). Sixty participants are expected to participate in the programme to develop local auto component vendors with potential to export their products, and the amount of annual export is expected to increase to RM522 million.

Finally, the Ministry of Tourism and Culture Malaysia (MOTAC) is expected to increase craft sales in the domestic and international markets by 10%, amounting a sales value of RM500 million. This will be achieved through its **Craft Industry Development Programme**, which has a budget of RM2 million and is managed by the Malaysian Handicraft Development Corporation (HANDICRAFT).

## INNOVATION AND TECHNOLOGY ADOPTION

In order to enhance the quality of products and services as well as cultivate a strong business reputation, SMEs must keep up-to-date with the latest technologies. Innovation has also become increasingly crucial in helping a company distinguish itself from the competition and upgrading its operational standards, which will help improve growth prospects and business opportunities. The Government has earmarked RM208.1 million for 20 programmes that are aimed at assisting SMEs in exploring innovation and technology adoption.

Innovation has also become increasingly crucial in helping a company distinguish itself from the competition and upgrading its operational standards

With a target of 7,004 beneficiaries, the programmes include the following, which will be managed by MITI:

- **Bumiputera Enterprise Enhancement Programme (BEEP)**, implemented by SME Corporation Malaysia provides comprehensive assistance package to Bumiputera SMEs. The programme has a budget of RM10 million and is expected to benefit 80 SMEs; and
- **MAI Intelligence Technology System** programme by MAI is aimed at developing existing local vendors and vehicle service centres to level four standard. With an allocation of RM4.4 million, the programme is expected to involve 180 vendors and 500 workshops.
- The Ministry of Science, Technology and Innovation (MOSTI) manages **Pre-Commercialisation Fund** to assist SMEs in developing processes, technology, as well as new products and improvements to existing processes and technologies to be commercialised. A total of RM40 million has been earmarked for the programme which is targeted to produce 20 projects with potential for commercialisation.
- In addition, MOSTI implements the following programmes through the Malaysian Technology Development Corporation (MTDC):
  - **Commercialisation of R&D Fund (CRDF)** leverages on Science, Technology, and Innovation (STI) for national development and wealth creation via commercialisation of products and processes. With a financial commitment of RM40 million, it is expected to come up with five products or services for the overseas market; and
  - **Technology Acquisition Fund (TAF)** has an allocation of RM20 million to promote deployment of foreign technology in the manufacturing sector and physical development of existing and new products and processes towards wealth creation and increasing the technology content of Malaysian companies. About three companies are expected to be approved for this grant.
- A total of RM25.5 million has been earmarked for **Bumiputera ICT Demand Aggregation (BiDA) 2.0** programme, which is managed by the Malaysia Digital Economy Corporation (MDEC) under the Ministry of Communications and Multimedia Malaysia (KKMM). The programme is aimed at creating and identifying possible business opportunities for qualified Bumiputera Technopreneurs and information and communications technology (ICT) companies based on market needs towards creating a pool of market-compliant companies.



- **Demand-Driven Innovation Project by Public-Private Research Network (PPRN)**, is an initiative spearheaded by the Ministry of Higher Education (MOHE) to create a knowledge-friendly ecosystem where knowledge is produced and diffused from those who have it, to those who need it. PPRN will optimise and leverage resources and expertise available at Higher Education Institutions and other Research Institutions in Malaysia in providing scientific and technological solutions to problems faced by the industry and SMEs. PPRN provides matching grants up to RM50,000 per project. For 2016, PPRN aims for 300 projects to be successfully matched.



## INFRASTRUCTURE

The Government's infrastructure development programmes are aimed at supporting economic development throughout the country by providing SME businesses with conducive environment to operate, complete with facilities and located in areas that have strong commercial potential. In addition, these programmes are also aimed at encouraging entrepreneurship in local communities while offering these communities with the opportunity to improve their income and standard of living. To that end, the Government has earmarked RM112 million for 13 programmes that are expected to benefit 550 SMEs.

- The following programmes will be implemented by the Ministry of Finance (MOF):
  - **Development of Business Premises** by Perbadanan Kemajuan Ekonomi Negeri Sabah (SEDCO) will focus on four projects: SEDCO SME Industrial Park, Bazaar Masjid Negeri Kota Kinabalu, Sandakan Industrial Premis and Shoplot at Sook, Keningau. With a financial commitment of RM4.6 million in total, the programme is expected to develop 94 units for all four premises combined;



- o **Development of SME Factory and Shoplot** in Kelantan by Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK) will provide conducive manufacturing factories and retail trade premises for SMEs to expand their businesses through construction of SME factories in Pengkalan Chepa and shoplots in Jeli projects respectively. The programme has been allocated RM4 million to develop 22 units in total for both premises; and
- o **Upgrading of Business Premises** in Kelantan which includes two projects: Upgrading of Wet Market in Berek 12 Kota Bharu to provide conducive retail trade premises to micro entrepreneurs, and Upgrading of Water Breaker in Medan Ikan Bakar to protect existing premises, which consists of 37 entrepreneurs' houses. With a total budget of RM8.9 million, the former is expected to be 58% completed, while the latter is targeted to be fully completed by end of 2016.

- Aside from MOF, other Ministries and agencies will also be involved in programmes to develop infrastructure including the Sabah State Government (Sabah Govt). Through the Sabah Economic Development Corporation (SEDCO), the Sabah Government will build shophouses for entrepreneurs to operate and start businesses under **Shophouses at Sindumin, Sabah Programme**. A total of RM2.8 million has been earmarked for the programme, which will target to build 12 units of shophouses.
- In addition, Jabatan Kemajuan Orang Asli Malaysia (JAKOA) has received an allocation of RM1.8 million from the Ministry of Rural and Regional Development (KKLW) to **Build Business Premises**. The programme is expected to provide business premises for 32 Orang Asli entrepreneurs, and provide 16 Orang Asli entrepreneurs with assistance for machineries, furniture, boats and other items related to their needs.
- Under the **Industrial Estate Development Programme**, the Ministry of Industrial and Entrepreneur Development, Trade and Investment Sarawak (MIETI Sarawak) will develop Sibu Industrial Estate. The project is to provide proper infrastructure for the industrial estate development as well as create a more conducive environment for the local business communities particularly for SMEs. For 2016, a budget of RM30,000 is allocated for this programme.



# Access to Finance

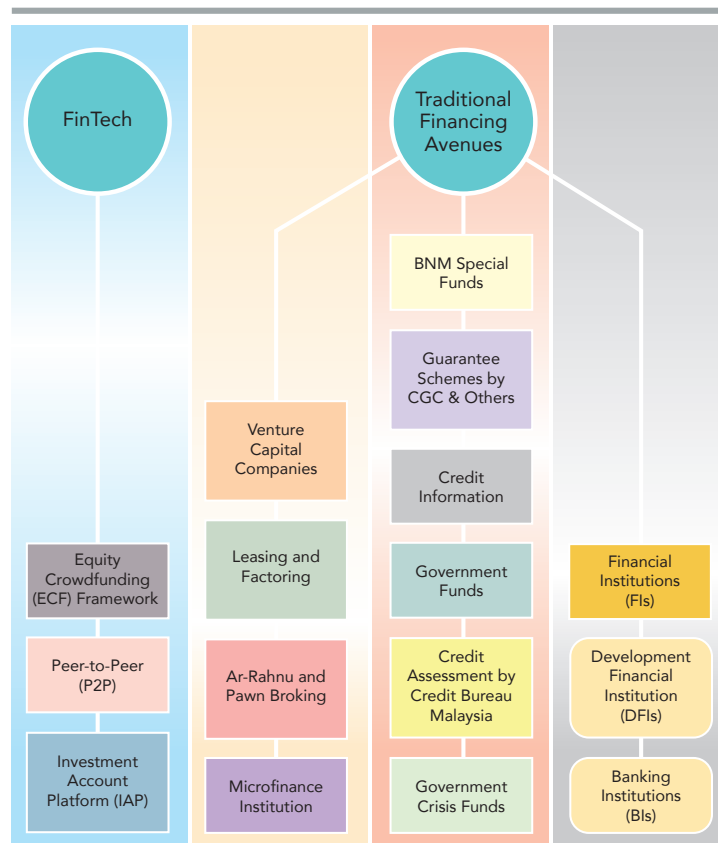
**M**alaysian SMEs continued to have access to diversified sources of financing to address their needs at the various stages of development. Over the years, financial institutions which accounted for 96% of total SME financing have been the main pillar in supporting the growth of SMEs. The share of SME financing to total business financing of financial institutions had risen further to 46.6% in 2015 from 43.8% in 2014.

Going forward, as SME activities intensify especially with the emergence of new types of business that are innovative, in new areas of the economy, or of high growth in nature, the traditional forms of financing may no longer be sufficient. Realising this, access to financing for SMEs has taken a new turn with the focus shifting to development of more non-banking avenues and platform financing such as venture capital, angel investors, crowdfunding, Investment Account Platform and Peer-to-Peer. At the same time, the advent of Financial Technology (FinTech) is transforming the financial landscape. These developments are expected to reduce the cost and the time taken to access funding as well as enable SMEs access to formal funding at start-ups and early stage of growth.

## COMPREHENSIVE FINANCIAL LANDSCAPE FOR SMEs

Malaysia offers a wide and diversified financing landscape for SMEs. Financial Institutions (FIs) which comprise banking institutions (BIs) and development financial institutions (DFIs) are the main source of financing for SMEs in the country. SMEs can also have access to a wide range of special funds and schemes made available by the Government through various Ministries and agencies, including Bank Negara Malaysia. Aside from these sources of financing, there are also options from non-banking avenues such as venture capital companies, factoring and leasing, and microfinance institutions. The emergence of FinTechs opens up greater financing options for SMEs which include Equity Crowdfunding (ECF) Framework, Investment Account Platform (IAP) and Peer-to-Peer (P2P) lending.

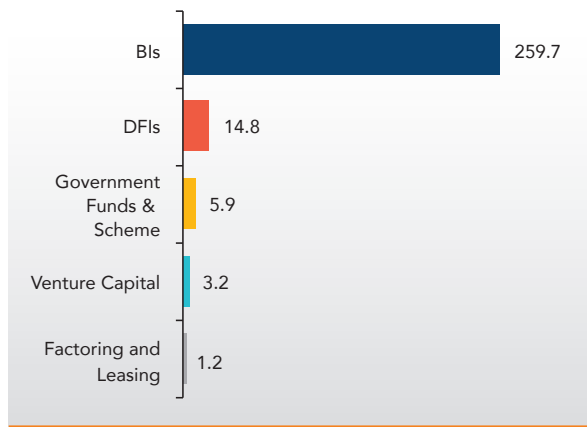
**Chart 6.1** : Financial Landscape for SMEs



## FINANCIAL INSTITUTIONS

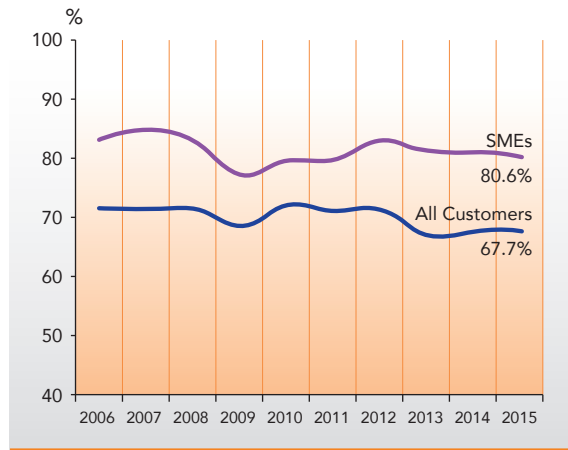
FIs continued to serve as the primary source of financing for SMEs. As at end-2015, financing to SMEs by FIs recorded double-digit growth of 14.6% which stood at RM274.5 billion that extended to 729,983 SME accounts (2014:13.3%). Hence, share of SME finance from total business financing had increased to 46.6% in 2015 from 43.8% recorded in 2014. The approval rate remained relatively high at 80.6%, albeit marginally lower than 81.6% in 2014. During the year, a total of RM71.9 billion financing was approved to 128,924 SMEs. The bulk of the financing was channelled to the services sector (61% or RM167.5 billion), followed by manufacturing sector (15.4% or RM42.4 billion), and construction sector (12.6% or RM34.5 billion). Total financing outstanding rose to RM285.5 billion, which is an increase of 9.2% as at end-June 2016.

**Chart 6.2 :**  
Financing Outstanding as at end-December 2015



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

**Chart 6.3 :**  
Financial Approval Rate, %



Source: Bank Negara Malaysia

## CREDIT GUARANTEE SCHEMES

Credit Guarantee Corporation Malaysia Berhad (CGC) remains as the main institution to provide guarantees for SMEs which may have otherwise not succeeded in getting financing from FIs. The institution continued to leverage on FIs as the key channel to

market and provide products and services to SMEs while forging alliance with non-FIs to further expand its outreach to SMEs. Besides the various guarantee schemes, CGC also plays the role of catalyst for new growth areas by providing direct financing schemes to start-ups and women entrepreneurs and for SMEs involved in green technology and undertaking intellectual property.

CGC's support for SMEs is not only confined to the provision of loan guarantee and financing facilities, but also advisory services such as financial and business development, credit information and credit rating services in collaboration with Credit Bureau Malaysia Sdn. Bhd. Since its establishment in 1972, CGC has availed more than 437,000 financing valued at RM59 billion. For year 2015, more than 8,225 new financing were approved valued at RM3.4 billion. In 2016, the institution is targeting a loan approval of 8,650 accounts valued at RM4 billion.

In addition, CGC has introduced innovative products designed to improve the turnaround time for loan processing and disbursement of funds. One of the products include Portfolio Guarantee (PG), which allow banks to select customers based on a pre-determined set of criteria and process loan applications on a portfolio basis. This enabled both CGC and the banks to expedite the approval and disbursement of loans to SMEs. In 2015, CGC approved a total of RM1.7 billion worth of PGs with five FIs, which made up 50% of total loan approvals. In late 2015, CGC launched two new schemes for niche target groups:

a) ***BizWanita-i***

This scheme is targeted at women entrepreneurs (women-owned businesses), as well as businesses and companies that are managed and operated by women. It aims at reducing the accessibility gap for women. Within two months of its launch in October 2015, CGC approved RM10 million of financing to 76 SMEs; and

b) **Special Assistance Scheme-i (SAS / SAS-i)**

This scheme is a direct financing facility to assist existing customers recover and resume their business operation after disasters such as floods, tsunami, earthquake and epidemics. The fund can be used for repairs and purchases of assets for commercial use to replace those damaged during the disaster as well as for working capital. The financing facility would be available to those who are in towns or districts defined as a disaster area by the National Security Council of the Prime Minister's Department or deemed as a disaster area by CGC. The portfolio size of RM35 million based on commodity *Murabahah* concept provides financing ranging from RM20,000 to RM200,000 with a financing tenure of up to 5 years.

## MICROFINANCE

In the last decade, FIs have been supporting microenterprises through *Skim Pembiayaan Mikro*. This scheme allows microenterprises to receive financing up to RM50,000 for business purposes in an easy, fast and convenient way without the need to put up collateral.

Since its inception in 2006 until end-2015, a total of 185,000 microenterprises have received RM3.1 billion financing via 10 participating FIs. Total financing outstanding by the Scheme stood at RM912.5 million as at end-2015 and grew further to RM940.8 million as at end-June 2016.

The microfinancing initiatives also complemented by schemes offered by the microfinance institutions namely Amanah Ikhtiar Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN Nasional). AIM provides microfinancing primarily to women for income-generating activities. Total disbursement made as at end-June 2016 was RM15.7 billion with number of financing more than 3.7 million. TEKUN Nasional provides financing facilities for entrepreneurs to kick-start and further expand their businesses. Currently, the financing schemes that TEKUN Nasional offers include *Skim Pembiayaan TEKUN Nasional*, *Skim Pembiayaan TEMAN TEKUN* and *Skim Pembiayaan i-Factoring*.

## VENTURE CAPITAL AND PRIVATE EQUITY INDUSTRY

As at end-December 2015, there were a total of 121 registered venture capital corporations in the country. In 2015, 12 new registrations were approved while three companies were deregistered. Two additional types of registered corporations were introduced by the Securities Commission Malaysia (SC) following the Venture Capital (VC) / Private Equity (PE) Guidelines, which came into effect in 2015 namely, PE Management Corporations (PEMC) and PE Corporations (PEC). As at end 2015, two corporations were registered as PEMCs. During the same period, there were 229 VC and PE professionals in the industry with at least four years of experience.

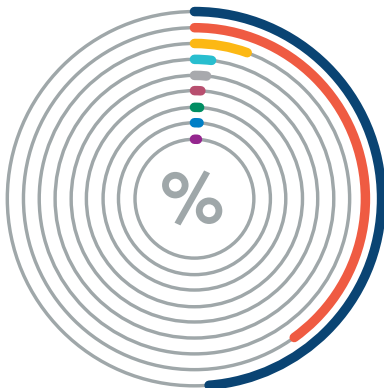
There was RM7.1 billion in total committed funds under management as at end-2015, which represented an increase of 15.2% year-on-year. However, the total investments during the period decreased by 31.6% to RM2.2 billion compared with RM3.2 billion as at the end of 2014. Investments made in 2015 increased by 14.8% to RM365 million from RM318 million in 2014. The number of investee companies received funding was 74, which was the same number recorded in 2014. Meanwhile, divestments decreased by 3.3% from RM421 million in 2014 to RM407 million in 2015. In this regard, 38 companies were divested in 2015 compared with 59 companies in 2014. Divestments recorded during the year were mainly through trade sales and initial public offering (IPOs), or sales to public markets.



The largest source of capital for the industry emanated from public funds with sovereign wealth funds and Government investment companies making up 49.8% of total funding, while Government agencies contributed 38.0%. Corporate investors led private sector contribution to the industry at 6.4%, while foreign investors contributed 2% and asset managers contributed 1.5%.

The bulk of the funding in 2015 amounting RM320 million was channelled to 56 early stage and growth stages investee companies, representing 87.5% of total investments made during the year. Investments into seed and start-up stages collectively stood at 10.3% of total investments made during the year. These were channelled into 17 investee companies compared to 14 companies in 2014, which made up 7% of total investments. Investments in the life-sciences sector continued to dominate, accounting for 48.5% of total investments in 2015, followed by other sectors (wholesale and retail trade, electricity and power generation, education, and media production) at 23.5%, information technology (IT) and communication at 17.4%, while manufacturing stood at 10.6%.

**Chart 6.4 :**  
Sources of Venture Capital Funds, %



49.76	■ Sovereign wealth funds and Government investment companies
37.98	■ Government agencies
6.43	■ Corporate investors
1.97	■ Foreign investors
1.45	■ Fund of funds and other asset managers
0.86	■ Individuals and family offices
0.60	■ Pension and provident funds
0.63	■ Other investors
0.33	■ Insurance companies

**Chart 6.5 :**  
Investments by Stage of Business Cycle, %



64.07	■ Early stage
23.41	■ Growth
7.67	■ Start-up
2.66	■ Seed
2.19	■ Turnaround restructuring

## SME FINANCING IN 2015

In 2015, the Government has spent a total of RM4.4 billion to enhance access to financing for SMEs through 36 programmes, which among others include:

- **Soft Loan Scheme for SME (SLSME)** under the Ministry of International Trade and Industry (MITI) through the Malaysian Industrial Development Finance Berhad (MIDF). The Scheme which aims to assist existing and new start-up companies in terms of financing working capital, fixed assets, relocation of business operations to legal industrial sites, and improving SMEs' overall competitiveness, saw an approval of RM174.5 million to assist 187 SMEs;
- MITI through SME Bank channelled a total RM71.5 million under **Dana Pinjaman PKS** to assist 87 SME entrepreneurs by providing various financial assistance through development programmes such as *Dana 1-SME, Tabung Usahawan Siswazah, Dana Usahawan Negeri Terengganu, Skim Modal Asas, Skim Pembiayaan Ekonomi Desa (SPED), Program Usahawan Agro-Based*, and the ASEAN Japan Development Fund.
- MITI through SME Corp. Malaysia granted rebates amounting to more than RM20 million to 874 SMEs under **Shariah Compliant SME Financing Scheme (SSFS)** whereby the Government pays 2% of the profit rate charged on the financing provided by participating Islamic Banks. Through the **Business Accelerator Programme (BAP)**, SME Corp. also approved additional financing amounting to RM183.2 million in the form of loan and grant to nurture and develop 879 SMEs.
- The Ministry of Finance (MOF) spent RM10.9 million to Kumpulan Modal Perdana Sdn. Bhd. (KMPSB) for **Dana Modal Teroka**, which provides venture capital financing to related companies in the electrical and electronics (E&E) sector. In 2015, the Fund assisted two companies to invest and developed 11 intellectual property (IPs) with 24 knowledge-based employees trained;
- **Program Sokongan Bahan Mentah kepada Usahawan Kayu Bumiputera** by the Malaysian Timber Industry Board (MTIB) under the Ministry of Plantation Industries and Commodities (MPIC) managed to generate RM67.2 million worth of contract sales throughout 2015. A total of RM10.2 million was spent on the programme which has benefited 62 Bumiputera entrepreneurs in the timber industry; and
- Ministry of Domestic Trade, Cooperative and Consumerism (KPDNKK) implemented their signature programme **Business in Transformation (B.I.T.)** to develop new entrepreneurs. In 2015, the programme channelled RM2.3 million to 324 SME entrepreneurs which has in turn created more than 1,557 new job openings.

## BNM SPECIAL FUNDS

Bank Negara Malaysia (BNM) has six special funds which provide concessionary lending rates to finance SME's working capital requirements, expansion of productive capacity and awarded projects/contracts by the Government. The funds are as follows:

1. Bumiputera Entrepreneurs Project Fund (Islamic)
2. Fund for Food
3. New Entrepreneurs Fund 2
4. Fund for Small and Medium Industries 2
5. Micro Enterprise Fund
6. Special Relief Facility

With the exception of the Bumiputera Entrepreneurs Project Fund (Islamic), which is channelled through CGC, the rest of the funds are disbursed through BIs and DFIs. As at end-2015, more than 67,000 SMEs had received approval amounting to RM27.5 billion. This amount includes RM1.7 billion in new financing to 4,797 firms. In the first six months of 2016, there were 2,909 additional accounts approved with funds amounting to RM1.1 billion.

Following the establishment of a Special Relief Facility (SRF) with an allocation of RM500 million in January 2015, a total of 931 SMEs were assisted with approved financing amounting to RM138.1 million. The facility, extended at a concessionary financing rate of up to 2.25%, is aimed to alleviate the financial burden of SMEs and assist businesses in designated districts that were affected by the massive floods which hit the country at the end of 2014.



**Table 6.1** : Status of BNM Special Funds as at end-2015

Type of Fund/Scheme	Allocation	Approval	Disbursement	Repayment	Loans Outstanding	Utilisation Rate*
	RM million					%
Fund For Food	300.0	2,030.3	1,994.8	1,741.6	253.2	86.3
New Entrepreneurs Fund 2	2,300.0	4,542.2	4,360.5	3,826.2	534.3	31.1
Fund for Small and Medium Industries 2	6,050.0	19,690.4	18,697.2	14,186.8	4,510.4	90.9
Micro Enterprise Fund	200.0	355.2	353.0	230.0	123.0	62.6
Bumiputera Entrepreneurs Project Fund – Islamic	300.0	743.7	430.5	347.1	83.4	27.8
Special Relief Facility 2015**	500.0	138.1	135.5	0.9	134.6	27.4
<b>Total</b>	<b>9,650.0</b>	<b>27,499.9</b>	<b>25,971.5</b>	<b>20,332.6</b>	<b>5,638.9</b>	<b>70.7</b>

\*  $Utilisation\ Rate = \frac{(Allocation - Fund\ Available)}{Allocation} \times 100$  ;  $Fund\ Available = Allocation - Approval + Repayment\ Allocation$

\*\* Opened and closed for new applications on 23 January 2015 and 30 June 2015 respectively

Source: Bank Negara Malaysia

## SMALL DEBT RESOLUTION SCHEME

Since its inception in 2003, the Small Debt Resolution Scheme (SDRS) has been offering assistance to SMEs across all economic sectors that are constrained by impaired financing or those struggling with financing from multiple FIs. Through SDRS, problematic financing accounts are rehabilitated by restructuring or rescheduling existing financing facilities, or if applicable, via the provision of new facilities.

The SDRS has received a total of 1,448 applications since its establishment, of which 977 (83%) applications were approved for restructuring and rescheduling, amounting to RM1.1 billion in financing. As a result, half (54%) of the SMEs assisted were able to remain in business as they were able to address their cash flow problems and revive their operations again. This demonstrates the instrumental role of SDRS in helping financially

distressed SMEs survive and continue to operate. Distressed SMEs are given a new lease of hope through amicable restructuring and rescheduling arrangement, in addition to offering of new financing, on a case by case basis, mainly to SMEs pursuing new projects.

Before SMEs are referred to the SDRS, FIs on their own undertake rehabilitation programmes to assist financially impaired SMEs. In 2015, a total of 548 SMEs received assistance from FIs amounting to RM554 million in financing. SDRS supplemented this initiative by approving RM25.7 million in financing for 34 SMEs to reschedule or restructure their financing in 2015.

## **FINANCIAL INCLUSION**

Promoting inclusive finance that enables access to suitable and affordable financial services by all segments of society has been a key focus of BNM in recent years. In 2015, the Financial Inclusion Index score increased significantly to 0.90 from 0.77 in 2011 (1.00 indicates full inclusion). The index measures the level of financial inclusion and the effectiveness in achieving the four desired outcomes of financial inclusion namely, convenient accessibility, high take-up, responsible usage and high satisfaction. Generally, the improvements were across the board, attributable to several factors including improved financial accessibility to financial access points throughout the country, increasing responsibility in the usage of products, and greater levels of satisfaction among financial consumers.

There was a significant improvement in convenient accessibility, which measures the availability of financial access points at the district and sub-district levels. All 144 districts and 97% (2011: 46%) of the 866 sub-districts with a population of above 2,000 now have access to essential financial services. As a result, 99% of Malaysians (2011: 82%) have convenient access to financial services that are reliable, affordable and safe. The expansion of access points, especially in the rural areas, is largely attributed to agent banks. The volume of financial transactions conducted through agent banks increased exponentially from 3 million transactions as at end-2012 to 63 million as at end-2015, which amounted to a value of RM5.7 billion. The growing popularity of Internet and mobile banking had also contributed to convenient accessibility. The number of Internet banking subscribers rose to 19.8 million (2011: 11.9 million) representing 63.7% of the total population, while the number of mobile banking subscribers increased to 7.3 million (2011: 1.6 million) comprising 23.5% of the total population, as at end-2015.

Similarly, there has been a noticeable improvement in the overall level of satisfaction with financial services in the country. The percentage of FI customers who are satisfied with overall financial services increased to 73% (2011:61%) with higher satisfaction levels

recorded across every segment of the population, including low-income households that recorded a rise in satisfaction to 67% (2011:60%). This is credited to the upgrading of services and conducts of FIs with the aim of enhancing customer experience. The reduction of red tape, notably in key private sector initiatives, such as the PARTNER programme by the banking industry to simplify documentation and improve the turnaround time for processing SME financing and housing loans have also contributed to increased levels of satisfaction.

Nevertheless, there are still gaps, predominantly among low-income households, when it comes to usage of financial products and services. To address the gaps, BNM has undertaken various measures which include encouraging FIs to provide microsaving products with low committed periodical savings, offer affordable microinsurance / microtakaful products by insurance companies and takaful operators, support the provision of customised microfinancing solutions for SMEs. The other indicator, which is responsible usage that measures whether financial products are used properly, remains high.

## FINANCIAL ADVISORY SERVICES AND OUTREACH

SMEs can avail themselves to a wide range of channels to obtain advisory and information on Government and private sector financing schemes and programmes. 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.

### **BNM *Laman Informasi Nasihat dan Khidmat* (BNMLINK)**

Tel: 1300 88 5465

Fax: 03-2147 1515

Email: [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my)

[bankinginfo.portal](http://bankinginfo.portal)

[www.bankinginfo.my](http://www.bankinginfo.my)

### **One Referral Centre (ORC)**

SME Corporation Malaysia

Tel: 1300 30 6000 Fax: 03-2775 6000

Email: [info@smecorp.gov.my](mailto:info@smecorp.gov.my)

[www.smecorp.gov.my](http://www.smecorp.gov.my)

### **CGC's Client Service Centre**

Tel: 03-7880 0088

Fax: 03-7803 0077

Email: [csc@cg.com.my](mailto:csc@cg.com.my) [www.iguarantee.com.my](http://www.iguarantee.com.my)



## OUTREACH

BNM continuously conduct various outreach initiatives to enhance awareness and educate SMEs, particularly microenterprises and new businesses on the various financial schemes available, and the qualifying criteria to obtain financing. BNM had participated in 387 events and distributed about 1.6 million flyers, brochures and booklets to more than 245,000 SMEs nationwide as at end-2015. In addition, as part of its financial inclusion initiative, BNM also engaged with the rural communities through its MobileLINK services whereby nearly 60,000 individuals from rural communities in 366 *mukim* 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 those events organised by MobileLINK was 16% with total transaction value amounting to RM16.1 million. BNM also conducted site visits and provided briefings to FIs and SMEs on the Special Relief Facility 2015 at the various states affected by the flood last year.

In addition, BNM in collaboration with ABM and Association of Islamic Banking Institutions Malaysia (AIBIM) regularly held industry dialogues with the business community to obtain feedback on financing issues and challenges facing SMEs and micro entrepreneurs.

## SME FINANCING IN 2016

In 2016, the Government has allocated RM3.8 billion to various Ministries to implement 31 programmes through its agencies. Aside from addressing the wide range of financing concerns and challenges faced by SMEs, there are programmes targeted at particular groups and for specific niches, as well as programmes to encourage and support entrepreneurship.

- With an allocation of RM2.5 billion, AIM is implementing **Ikhtiar Financing Scheme** to reduce poverty rate in Malaysia by providing financing to poor households to enable them to undertake viable economic activity to upgrade their household income. Through the various programmes under the Scheme, which include **i-MESRA**, **i-Srikandi**, and **i-Wibawa**, the target is to help 95% of members get out of the poverty income line and transform 1,000 micro enterprises into small and medium-sized firms;
- Meanwhile, under **Tabung Projek Usahawan Bumiputera-i (TPUB-i)**, CGC has allocated RM220 million to provide financing to 200 Bumiputera entrepreneurs who have been allotted projects / contracts but were unsuccessful in obtaining financing from FIs. This is to ensure business continuity of SMEs;
- KPDNKK has earmarked RM58 million for **PNS Franchise Scheme** which is managed by Perbadanan Nasional Berhad (PNS). The programme, which develops and promotes Middle-Level Bumiputera Entrepreneurs in franchise businesses, is targeted to assist 160 companies and create 640 new jobs;
- An allocation of RM50 million was allocated to SME Bank to implement **Financing to Indian Community Programme**. This is a collaborative effort with the Secretariat for Empowerment of Indian Entrepreneurs (SEED) to provide financing to 50 eligible Indian entrepreneurs to ensure sustainability of their business;
- Under the Budget 2016 announcement, SME Bank was provided RM20 million to undertake **Skim Anjakan Usahawan**. The Scheme is targeted to assist 80 entrepreneurs, particularly small Bumiputera companies that have been in operation for a minimum of two years to expand their business;
- SME Bank and Bank Kerjasama Rakyat Malaysia Berhad (BKRM) have been tasked to provide financing for rural entrepreneurs in the manufacturing, services, agriculture and countryside tourism through **Rural Economy Funding Scheme (SPED)**. A sum of RM15 million has been allocated to assist 300 entrepreneurs; and



- Unit Peneraju Agenda Bumiputera (TERAJU) is managing **Dana Pembangunan Usahawan Sabah** and **Dana Pembangunan Usahawan Sarawak** programmes with a budget allocation of RM15 million each. Aside from assistance in the form of facilities and funding, these programmes also provide entrepreneurial training targeted for about 500 entrepreneurs.

## ALTERNATIVE FINANCING AVENUES

Across the globe, alternative modes of financing such as equity crowdfunding (ECF), peer-to-peer (P2P) lending and invoice trading have gained momentum in recent years. In Europe, the European online alternative finance increased by 144% to register approximately €3 billion in 2014. The fund has benefited around 5,801 SMEs, including start-ups. As for Australia, the crowdfunding grew by 167% in 2014 to US\$16.2 billion from merely US\$6.1 billion in 2013. Similarly in Malaysia, there is emergence of new market-based funding to meet SMEs' changing needs, particularly for the new growth areas and innovative SMEs. Of late, we can see democratisation of financing in the new form of financial intermediaries particularly via technology-based platform and innovative financing that offer financial products in the form of equity or debt.

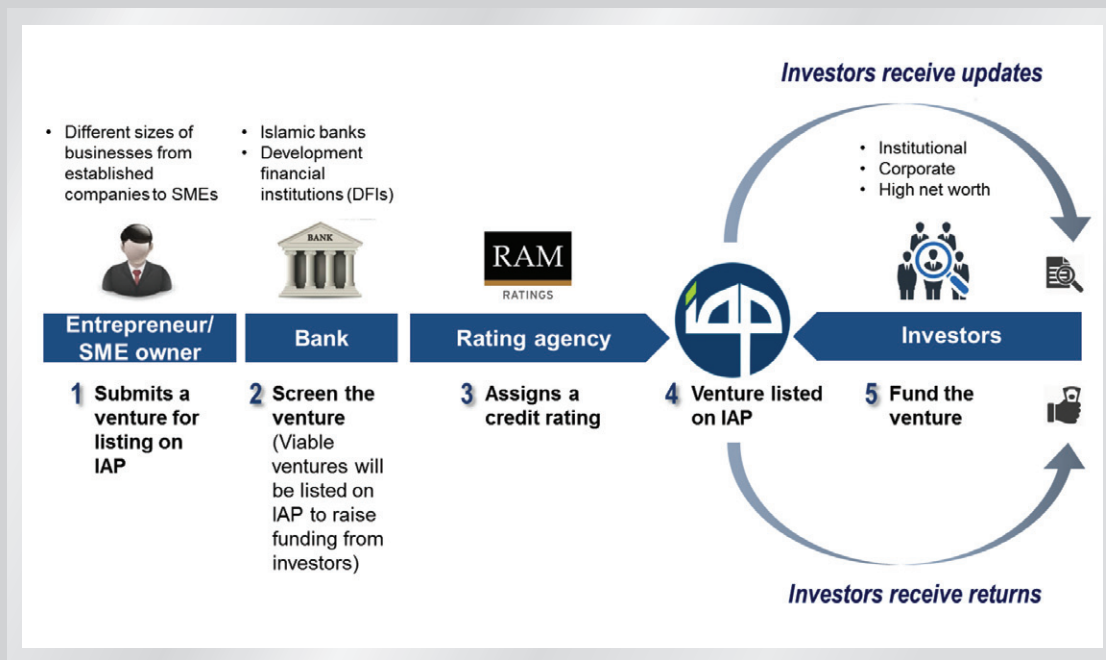
Malaysia was the third country in the world to announce a regulatory framework for equity crowdfunding, the Equity Crowdfunding Framework in 2015. Six ECF platforms have since been licensed which are Alix Global, Ata Plus, Crowdo, Eureeca, PitchIN and Propellar CrowdPlus. The selected platforms not only offer differentiated services, but also their wide range of networks which include a regional investor base, tie-ups with angel investor networks, credible local presence within the start-up ecosystem, clear venture capital (VC) linkages, ancillary digital media competencies or a focus on Shariah-compliant investments with a social impact dimension.

In April 2016, SC introduced the regulatory framework for P2P platform which will enable sole proprietorships, partnerships, incorporated limited liability partnerships, private limited and unlisted public companies to access market-based financing to fund their projects or businesses, via an electronic platform. As for FinTech, SC has introduced the 'Alliance of FinTech Community' (aFINity@SC) to catalyse greater interest towards the development of emerging technology-driven innovations in financial services, while BNM is developing the regulatory framework for FinTech which will be announced by the end of 2016. For many of these forms of funding, the move is towards public-private partnership as finance providers seek assistance from Government agencies such as SME Corp. Malaysia and others to get the profile of potential investees or borrowers. This is a trend that should be encouraged to provide greater access to finance for the more credible SMEs which may not have much track record to seek other forms of formal financing.

## INVESTMENT ACCOUNT PLATFORM: A NEW FINANCING AVENUE FOR SMES

In February 2016, a consortium of Islamic banking institutions in Malaysia launched the Investment Account Platform (IAP) which was initiated by Bank Negara Malaysia. A pioneer in the financial technology platform for banking intermediation, IAP was conceived to enhance user experience in investing and fundraising.

**Chart 1** : Business listing and investment processes on IAP



Source: Bank Negara Malaysia

IAP facilitates the participating bank's role as financial intermediary through its online system which streamlines the process of evaluating potential ventures for investment. A key facet of the IAP mechanism is that it also involves the input of a reputable credit agency to independently assign ratings to businesses that apply to be listed on the IAP. The participation of the banks and rating agency is a unique feature of the IAP and is aimed at strengthening investor confidence and improving the odds for entrepreneurs in need of funding.

As an alternative to traditional financing, the IAP is ideal for SMEs as it offers the following advantages:

- A wider range of financing options with possibilities for all types of SMEs including start-ups and new growth areas as investors directly assume underlying risks associated with their investments, shifting the considerations in extending SME financing from banks, which have to take into account regulatory and cost perspectives, to the risk-return preferences of investors, potentially spurring growth of SME financing; and
- Alternative financing structures beyond debt financing (such as equity financing), which is more suitable for SMEs with high growth potential but are struggling with credit worthiness.

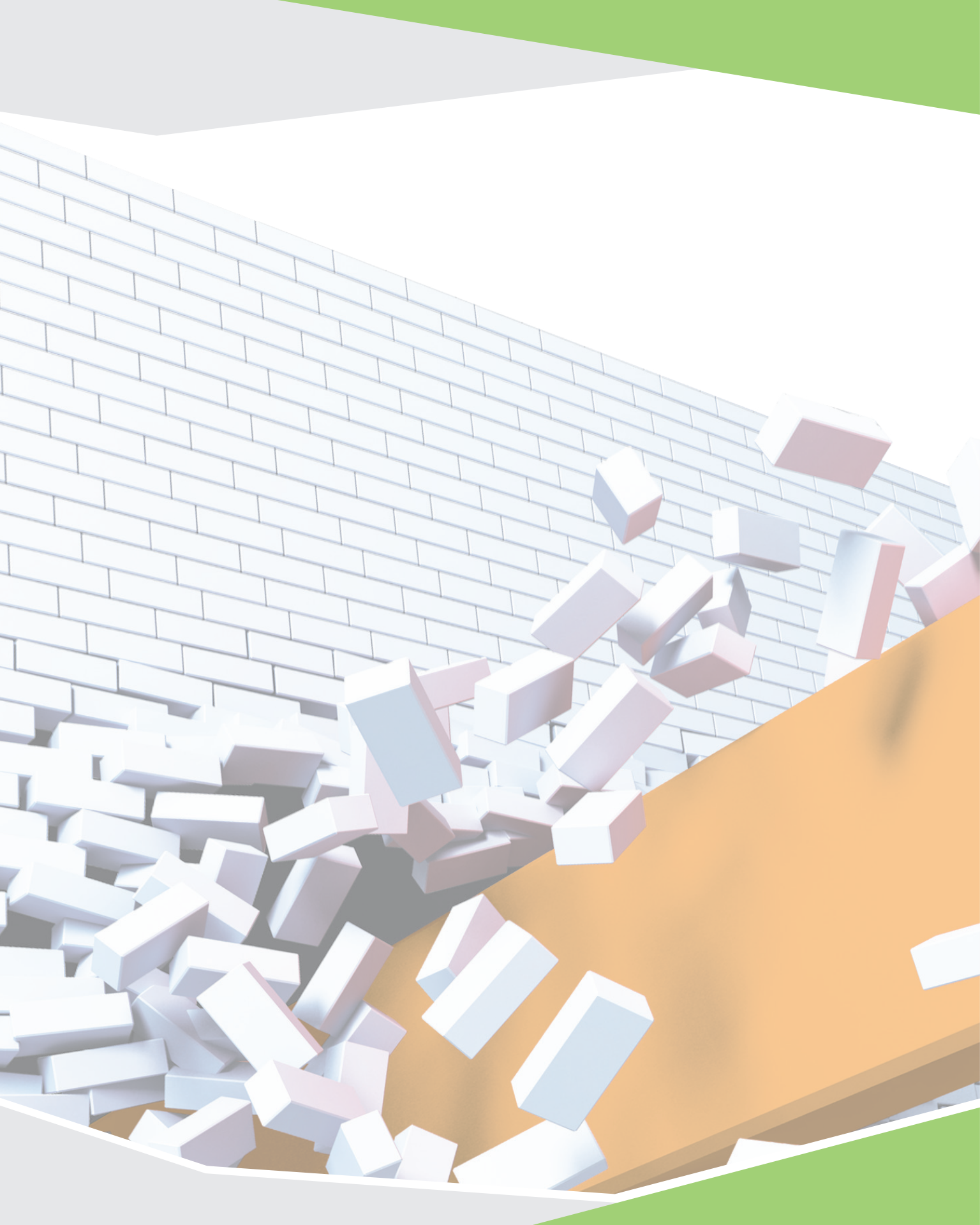
The IAP framework also sets a competitive environment for SME owners in raising funds for their business growth, as facilitated by the following features:

- Ability to submit a proposal simultaneously to multiple banks and select the best options that fit their requirements;
- Ability to structure their financing according to their needs and based on banking know-how, while meeting targeted investors' requirements; and
- Access to a broad network of investors with diverse risk-reward preferences, which are otherwise only available for established companies.

The aim for IAP is for it to thrive as an active platform that connects entrepreneurs and investors with common financial objectives. Potential collaborations are currently being explored towards achieving this goal, including:

- Forming partnerships with institutions that have specific mandates to support particularly niche businesses by raising funds via IAP as part of the effort to enhance their prominence to investors; and
- Promoting IAP to Government agencies as a system for channelling their grants and aids to targeted SMEs by leveraging on the banks' vigorous evaluation guidelines to select suitable proposals. Furthermore, these agencies can use IAP to attract private sector funding to supplement SME grants.

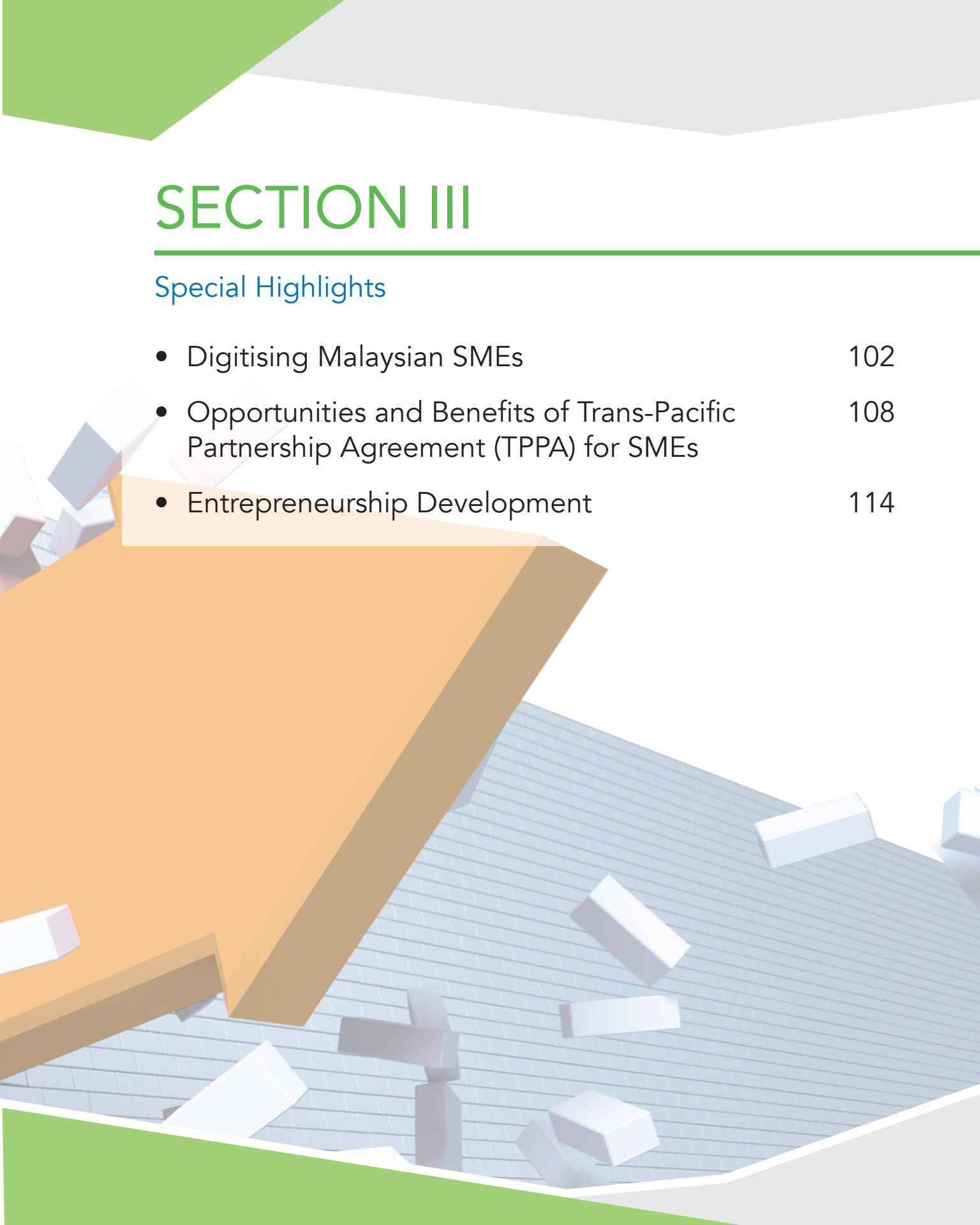
IAP became active on April 2016 when participating banks begin listing ventures and businesses for investment consideration. IAP is a worthwhile fundraising option for SME owners seeking financing for their businesses to consider. For further information and to register as an IAP user, please visit [www.iapplatform.com](http://www.iapplatform.com).



# SECTION III

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## Special Highlights

- Digitising Malaysian SMEs 102
  - Opportunities and Benefits of Trans-Pacific Partnership Agreement (TPPA) for SMEs 108
  - Entrepreneurship Development 114
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## Special Highlights

# Digitising Malaysian SMEs

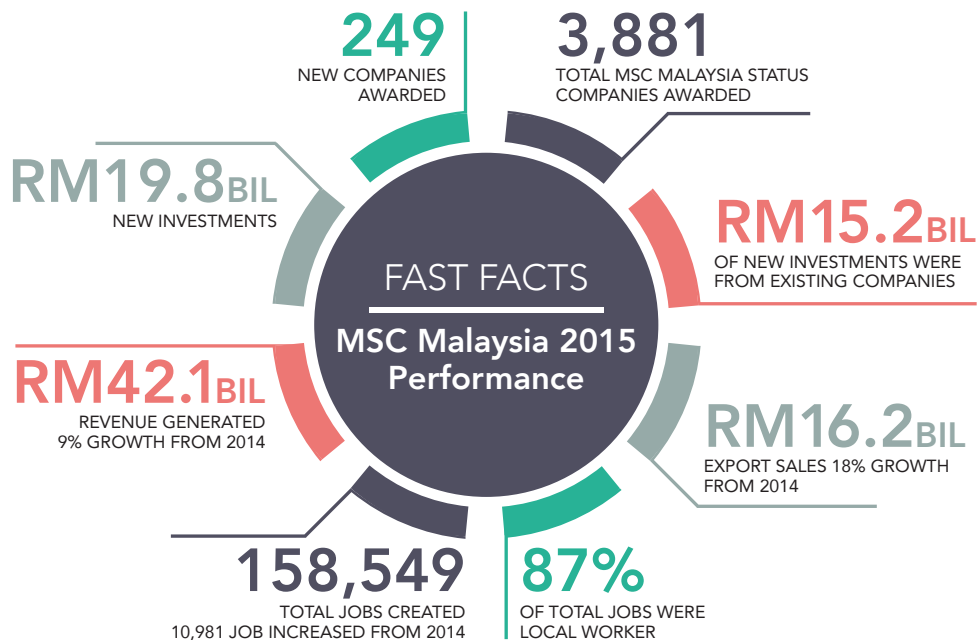
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**T**he digital revolution may have begun in the 20<sup>th</sup> century but it is in this day and age that its full potential is being realised in the business world. All across the globe, digital technologies are contributing to the growth of economies by providing a competitive edge, driving innovation and opening up new market opportunities. According to the European Commission, the digital economy contributes up to 8% of the gross domestic product (GDP) of the G20 major economies. In fact, digital technology has continued to evolve rapidly and now applications such as mobile, cloud, Big Data and the Internet of Things (IoT) are providing businesses with unique ways to nurture their reputation, develop and expand their products and services as well as connect with a larger audience. For example e-commerce which began with buying and selling electronically through the Internet has also matured in its applications over the years. E-commerce now offers information technology (IT) savvy businesses a competitive advantage by enabling them to automate their operations, extend market reach, communicate expediently with customers, and promote products and services more efficiently.



In Malaysia, the digital economy is recognised as a key element in driving the country's future economic growth. Malaysia scored at the higher end of the 'Break Out Trajectory Zone' in the Digital Evolution Index (DEI). Countries in this zone have the potential to develop a strong digital economy and are poised to join the ranks of 'Stand Out' countries such as Singapore, Hong Kong, United States of America (USA) and Switzerland in the future. In 2014, the digital economy contributed 17% (2013: 16.4%) or RM188.3 billion of the national GDP.

The **Digital Malaysia** programme, spearheaded by the Malaysian Digital Economy Corporation or MDEC (formerly known as Multimedia Development Corporation Sdn. Bhd.), was established to realise the country's potential as a significant player in the global digital economy. The programme began in 1996 with the launch of the Multimedia Super Corridor (MSC Malaysia) project. Over the years, the advent of more advanced digital technologies and its impact on the economy has warranted the need to revisit Malaysia's initial objectives, particularly in light of the country's goal of becoming a high-income and developed nation.



Source: MSC Malaysia Annual Industry Report 2015

As a result, the Digital Malaysia programme was launched in 2012 to advance the country to become a developed digital economy by 2020. In particular, Digital Malaysia aims to:

- Tap global demand for digital products and services;
- Increase citizen income and unlock entrepreneurship potential for the bottom 40% household income (B40) group;
- Empower the next generation workforce with digital skillsets and the productive use of digital tools; and
- Drive technology adoption amongst Malaysian SMEs to enhance productivity.

To achieve these goals, the Government has established a number of key initiatives to develop the e-commerce industry as follows:

## ENABLING E-PAYMENT SERVICES PROGRAMME FOR SMEs

As technology continues to develop, the range of devices and processes to transact electronically continues to increase while the percentage of cash and cheque transactions have reduced significantly. The Internet has the potential to become the most active trade intermediary within the decade. The Enabling e-Payment Services Programme for SMEs aims to facilitate and encourage SME participation in the digital economy by increasing their adoption of e-payment. The ultimate objective is to simplify the purchasing process and lower the cost.

SME Corp. Malaysia being the implementing agency of the programme introduces low cost e-payment devices that can be connected to the existing network infrastructure. The target groups for the e-payment programme are the microenterprises or operators of 'pasar tani', small restaurants, and small businesses dependent on night markets, flea bazaars and cottage industries. For the period of 2015, a total of 13,846 SMEs have been enabled with the e-payment solutions involving 22,236 terminals. By 2020, the project is expected to generate 1,125,000 e-payment merchant outlets points enabled by Electronic Funds Transfer Point-of-Sale (EFTPOS) terminal.





## eTRADE PROGRAMME

The eTRADE programme, implemented by Malaysia External Trade Development Corporation (MATRADE) is working with other agencies like SME Corp. Malaysia under Digital Malaysia with the objective to accelerate Malaysia's exports through the participation of Malaysian SMEs in leading international e-marketplaces.

The three core activities undertaken through the eTRADE programme involve selection of international e-marketplace, awareness and outreach programmes, as well as on-boarding the qualified SMEs on the e-marketplace.

The Alibaba.com was the first Business to Business (B2B) e-marketplace under the eTRADE programme through MATRADE's collaboration with Alibaba in October 2014. A total of 40 awareness programmes in the form of Seminars, Workshops and Information Booths were conducted by MATRADE or jointly with Alibaba. Application for eTRADE could be done online by Malaysian SMEs through MATRADE's website and qualified SMEs were provided with e-voucher to cover partially the cost of their first year subscription or listing fee as Alibaba Gold Supplier.

As of 31 December 2015, a total of 416 SMEs from various industries such as prepared food, beverages, furniture, pharmaceuticals, personal care and automotive parts qualified for the eTRADE programme. The qualified SMEs can attend the on-boarding training conducted by Alibaba's appointed agents in Malaysia to enable them to understand the features of Alibaba as well as to acquire the necessary knowledge to manage their products information, photos and business leads on the platform.

Additional international B2B and Business to Consumer (B2C) e-marketplaces, namely TradeIndia.com, Amazon.com and eBay.com were selected for the eTRADE programme for 2016. Collaboration was also initiated with JinBaoMen (M) Sdn. Bhd., to expand the B2C e-marketplaces serving the China market which include JD.com, TMall.com, Suning.com, Kjt.com and Yhd.com.

The three core activities undertaken through the eTRADE programme involve selection of international e-marketplace, awareness and outreach programmes, as well as on-boarding the qualified SMEs on the e-marketplace



## #MYCYBERSALE

#MYCYBERSALE is Malaysia's biggest online sale event, which gathers Malaysia's popular online merchants to provide significant discounts on their products and services during a stipulated period of time. It is organised by MDEC as the main driver of this programme and supported by the Ministry of Domestic Trade, Cooperative and Consumerism (KPDNKK), CyberSecurity Malaysia and SME Corp. Malaysia. #MYCYBERSALE aims to boost the e-commerce industry in Malaysia through these objectives:

- To generate online shopping demand from consumers;
- To encourage SMEs to adopt e-commerce in their businesses; and
- To increase domestic revenue of e-commerce

#MYCYBERSALE was first introduced in 2014 under the Digital Malaysia initiative as a catalyst to the e-commerce industry. The first #MYCYBERSALE generated RM67 million in SME gross merchandise value (GMV), demonstrating that SMEs play a vital role in increasing domestic e-commerce revenue and have the potential to become a net exporter in the region. For 2015, a total of RM117 million worth of transactions generated through #MYCYBERSALE and RM61 million is from SMEs' GMV. In 2016, #MYCYBERSALE will be held from 26 - 30 September, which includes some popular retailers in the e-commerce sphere such as Lazada, Zalora, Lelong, Uniqlo, Bonia, Padini, Tanamera, Malaysian Airlines, Malindo Air and Air Asia Berhad. The event is targeted to generate RM150 million in GMV this year.

## ICT ADOPTION BY SMEs

Recent statistics suggest a discernible increase in the adoption of information and communications technology (ICT) among SMEs, particularly in the last two years from 2014 to 2016. In the First Quarter 2016 (1Q 2016) SME Survey conducted by SME Corp. Malaysia covering 2,176 SMEs, the findings showed that while the devices namely mobile phones, computers and laptops used by the respondents did not change much (from 92.6% recorded in the 1Q 2014 to 98.3% in the 1Q 2016), the number of respondents using the Internet has increased significantly to 90.1% (1Q 2014: 33.3%), usage of social media to promote and market their products and services also increased to 78.2% (1Q 2014: 12.1%), about 32.3% conducting e-commerce and e-payment (1Q 2014: 7.1%) while 30.9% having websites (1Q 2014: 11.4%). The survey also revealed that about 10.8% of the respondents were first-time users of ICT tools. In essence, about 89.1% of the respondents cited that they have utilised computers for business purpose as compared to 27.0% recorded in 2010 based on the 2011 Economic Census conducted by the Department of Statistics, Malaysia (DOSM).



Based on another survey conducted by the DOSM on the ICT use by individuals and households in 2015, the findings also corroborated to reveal that the usage of mobile phones and computers have increased including for business purpose. Social networking tops the list with 84.3% respondents using it, while about 79.6% utilised the Internet to get information on goods and services, 27.4% were involved in Internet banking and about 16.1% purchased good and services online. These findings suggest that consumers are more well-informed about their personal needs through Internet and have begun relying on ICT to make up their mind upon purchase of products and services. At the same time, there has been a mindset change among businesses particularly SMEs who are coming on board to respond to the consumer behaviour and leverage on ICT, the Internet and social media to conduct more online business transactions.

## Special Highlights

# Opportunities and Benefits of Trans-Pacific Partnership Agreement (TPPA) for SMEs

**A**s a developing country with a small domestic market, it is crucial for Malaysia to continue its current trading regime and open investment concept to encourage economic growth, job opportunities and development of technology and innovation. International trade, as a result, has become a key contributor in driving growth in the past and in realising Malaysia's vision of attaining a fully developed nation by 2020. Internationalisation and integrating local companies into the global value chains (GVCs) will enhance their overall competitiveness as they need to meet global standards, keep their unit cost low, scale up and enhance productivity.

Given the benefits, Malaysia has negotiated Free Trade Agreements (FTAs) with several trading partners to obtain greater market access. This includes FTAs with Japan, Pakistan, India, New Zealand, Chile, Australia and Turkey. At the regional level, Malaysia and other Association of Southeast Asian Nations (ASEAN) members have concluded FTAs with People's Republic of China, Japan, Republic of Korea and India, as well as Australia and New Zealand.

In addition to the above mentioned FTAs, Malaysia is currently also negotiating the following FTAs:

- Regional Comprehensive Economic Partnership (RCEP);
- Malaysia-European Union (EU) FTA;
- Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA); and
- ASEAN-Hong Kong FTA.

Another regional agreement is the recently concluded Trans-Pacific Partnership Agreement (TPPA). The 12 nations of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States of America (USA) and Viet Nam have come together to form the TPPA, a comprehensive regional trade agreement with the purpose of promoting economic integration through liberalisation of trade and investment. These 12 countries together form about 40% of the global economy, with a cumulative gross domestic product (GDP) of roughly USD30 trillion and a population of more than 800 million, as of 2014. For 2015 itself, Malaysia's trade with the TPPA partners has accounted for more than 38% of its total trade.

The TPP is an important milestone towards achieving more open trade and regional integration at the Asia-Pacific region. Apart from offering new market access for goods and services producers exporting to and investing in TPP markets, the TPP also reinforces the region's commitment to a rules-based trading system by updating international rules that apply to cross-border trade and investment. The TPP also addresses emerging business challenges in a 21<sup>st</sup> century economy by establishing enforceable disciplines to help the digital economy, innovative industries, companies and workers to compete fairly in the global marketplace. The Agreement is viewed as a highly significant initiative to help Malaysia expand its market access opportunities, enhance its competitive advantage, improve investor confidence, and attract more foreign investments into the country.

After seven years of on-going negotiations, the TPPA was concluded on 5 October 2015. For the first time ever, an SME chapter was included at a regional or bilateral agreement. The TPPA comprises 30 chapters with 7 new chapters on State-owned Enterprises and Designated Monopolies, Labour, Environment, Development, Small and Medium Sized-Enterprises, Regulatory Coherence and Transparency and Anti-Corruption are brought on board. Following a long debate in the Malaysian Parliament, on 28 January 2016, a consensus was finally reached to vote in favour of its implementation. Which thereafter, the signing ceremony of the agreement was held in Auckland, New Zealand on 4 February 2016.

TPPA became the first largest FTA to date and heralded a new era of economic opportunities for Malaysia. As of today, the Agreement is currently being ratified by all 12 signatories. Details of how the deal will be implemented will be argued out in individual countries' legislatures. In the US, it comes before Congress in the midst of a presidential election in November, which is likely to turn it into a major political matter within both parties. However, Congress has granted President Obama 'fast-track' (Trade Promotion) authority over the deal, which only allows lawmakers to either reject it or ratify it. For TPPA to take effect, the deal has to be ratified by February 2018 by at least six countries that account for 85% of the group's economic output. This means that Japan and the US will need to be on board for the Agreement to take force.



In addition to providing market access to investments, goods and services, TPPA also standardises the laws for Government procurement, competition, intellectual property, digital economy, labour and environment. The four essential elements of the Agreement are:

- Collaboration between TPPA members;
- Good and transparent corporate governance;
- Harmonisation of standards; and
- Access to larger markets.

## IMPACT OF TPPA ON MALAYSIAN SMEs

A notable attention is given to SME development through a chapter on SMEs. Chapter 24 of the TPPA is focused specifically on SMEs and emphasises the importance of developing SMEs in TPPA countries and ensuring that they are able to derive the full benefits of the Agreement. Two deliberate measures outlined are establishment of a:

- Publicly accessible website for SMEs to inform them of relevant provisions in the agreement, as well as provide information that is useful for SMEs interested in benefitting from the TPPA; and
- Committee of SMEs to assist SMEs in taking advantage of the commercial opportunities under the TPPA. The Committee will also facilitate the development of programmes to assist SMEs to participate and integrate effectively into the global supply chain.

In addition, some other chapters also outlines measures to facilitate SMEs such as in e-commerce whereby customs duties for electronic transactions will be abolished and the rules of origin to promote SMEs in the regional supply chain as well as provide opportunities for SMEs to be service providers.

TPPA brings new golden opportunities for SMEs with preferential tariff being awarded for finished and intermediate goods, apart from the reduction in non-tariff barriers that will also enhance exports and grow the economy. The Agreement will open up access to a wider market, thus promoting growth, creating jobs and improving economic well-being. By opening up market access to goods and services, investment, and free movement of skilled labour, it encourages innovation and enhance the competitiveness of SMEs in Malaysia. With TPPA, Malaysian SMEs are now able to penetrate into four new markets; Canada, Mexico, Peru and the US. It is anticipated that Malaysia would be able to increase exports to these countries following the removal of or reduction in tariff. This could transform member countries into a 'Single Market' for Malaysian products and services, thus taking the country's export potential to a much higher level.

SMEs will be able to leverage on the value brought about by TPP as it will help establish better recognition of their products and services as well as access new markets at a reduced cost, through elimination of trade barriers. This FTA will help increase their export margins and apart from providing opportunities for enterprise development between Malaysia and other TPP member nations, it will also strengthen the cooperation in brand building, organic growth in bilateral trade, regional productivity, and above all, global competitiveness.

The Government remains committed to the agenda of developing and promoting local companies through various developmental policies, and through TPPA, local companies including SMEs can participate in government procurement in all TPP member countries, expanding their trading prospects. At the same time, Malaysian firms have some certain flexibilities, including on government procurement, the purchase by State-Owned Enterprises (SOEs) and matters relating to Bumiputera policy. Waiver has also been given to state governments on government procurement commitments, SOEs as well as environmental and land-related matters.

The perception that SME businesses will be affected by the implementation of TPPA is speculative as local regulations will still prevail although TPPA is in force. In many cases, products of SMEs are unique and the services are niche as thus not offered by foreign players therefore preventing a takeover. The Government is committed to protect Malaysia's interest in this important negotiation. Hence SMEs also need to take cognisance of the fact that this Agreement will bring bigger opportunities and unleash the untapped potential of each business.

## SUPPORT FOR MALAYSIAN SMEs

It is vital for SMEs to build a solid understanding of trade agreements so that they can capitalise on the opportunities presented by the Agreement. They need to be well-versed on topics such as the rules of origin, textiles, tariff reduction schedules, customs facilitation, customs regulations, as well as complaints that can be registered if the SMEs are facing problems. The main challenge for local SMEs in the context of the TPP is their level of competitiveness and efficiency. SMEs need to improve in these areas so that they can take advantage of the access to new markets provided by the TPPA. These markets present enormous prospects for business growth as their purchasing power is much higher. For example, under the current exchange rate, the United States has four times the purchasing power of the local currency.

The Government has developed a wide range of programmes and initiatives to increase capacity, competitiveness, prospects for export, productivity, innovation, branding, as well as compliance to international standards among SMEs so that they can compete at the global level. One of its latest initiatives introduced under the 11th Malaysia Plan, is the *Galakan Eksport Bumiputera* (GEB) programme, which will be jointly operated by SME Corp. Malaysia and Majlis Amanah Rakyat (MARA). With an allocation of RM200 million for the next five years, the programme aims to give Bumiputera companies a leg up to enter the export market, especially in the TPP and ASEAN countries.



Additionally, the Ministry of International Trade and Industry (MITI) has many ongoing programmes to boost the export capacity of SMEs. These programmes, managed by various agencies, include: the Going Export (GoEx) programme to provide guidance to SMEs that have high export potential; Women Exporters' Development Programme (WEDP) which is aimed at producing women exporters who are competitive and can run sustainable businesses; and the Business Accelerator Programme (BAP) that provides a comprehensive assistance package comprising business advice, technical support, and financial assistance.

These programmes offer technical advice, capacity building, assistance with technology implementation and integration, marketing support, as well as services such as monitoring and assessment



There are also programmes implemented by other Ministries and Agencies such as *Program Peningkatan Produk dan Kualiti*, managed by SIRIM to nurture, train, and elevate Bumiputera SMEs that are ready to export their product and services to the global market, as well as programmes by the Federal Agricultural Marketing Authority (FAMA) to support agro-product distributors and to equip entrepreneurs in the agricultural and agro-based industry with the skills and knowledge to improve their business professionalism. Financing assistance is also provided by agencies such as Malaysian Industrial Development Finance Berhad (MIDF) through its easy loan scheme for automation and modernisation, as well as by SME Bank which offers a Halal Development Fund to support entrepreneurs in the Halal market, which has huge potential in the global market.

Additionally, there are many initiatives to provide SME's with an advantage and increase their competitiveness. These programmes offer technical advice, capacity building, assistance with technology implementation and integration, marketing support, as well as services such as monitoring and assessment.

Going forward, efforts will be intensified to help SMEs face the TPPA. Three main strategies will be to increase the capacity to enhance the competitiveness of SMEs, increase export capacity of SMEs and encourage innovation to enable SMEs to adopt new ideas, processes and practices.

## Special Highlights

# Entrepreneurship Development

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**S**teve Job and Bill Gates have not one but two things in common – not only they are the proud founders of two global conglomerates, they were once drop-outs from the formal education system. What made them who they are today is the burning desire to turn their dreams into a reality by challenging all the odds by taking risks and bold moves. These skills are not something to be learned in schools but they are part of entrepreneurship development.

Entrepreneurship is one of the key elements particularly in a small and medium enterprise (SME) as it gives 'life' to the business. Today, the definition of entrepreneurship has changed together with the evolution of the business landscape. In addition to the process of identifying and starting a business venture, sourcing and organising the required resources and taking both the risks and rewards associated with the venture, the term 'entrepreneurship' has been redefined to include the skill of identifying, evaluating viability, as well as exploiting and developing opportunities to create new products and services into a profitable business venture as well as resilience towards adversities and failure.

## THE GLOBAL PERSPECTIVE

Globally, entrepreneurship is central to promoting economic growth by contributing to the Gross Domestic Product (GDP), stimulating investment and generating employment. It is also crucial in promoting diversity in products and services offered by businesses as well as a means to penetrate into the international market. Hence, the economic progress of a country is often determined, among others, by the entrepreneurship mind set, skills and capabilities of its people.

The concept of entrepreneurship under the Organisation for Economic Co-operation and Development (OECD) refers to enterprising individuals who display the readiness to take risks with new or innovative ideas to generate new products or services. OECD's 'Entrepreneurship at a Glance 2015' was the first attempt by OECD to build internationally-comparable statistics on entrepreneurship and its determinants. The report contains a wide range of internationally-comparable measures of entrepreneurship that include analysis and policy on entrepreneurship and entrepreneurs. It seeks to compare several areas between various countries which include new enterprise creation, self-employment, survival of the enterprise from inception to bankruptcy, as well as perceptions and attitudes towards entrepreneurship between different cultures.

Based on its findings, the rates of start-ups have been on an upward trend since the global financial crisis of 2008-09 in many countries; particularly in Australia and the United Kingdom (UK), and more recently in Denmark, Portugal and Sweden. The birth of new enterprises which reflected the business dynamism is an important dimension of entrepreneurship in a country, namely the capacity to start up entirely new businesses.

In addition, more than half of start-ups fail within the first five years, with rates of surviving firms varying from less than one in five firms in Lithuania to about two-thirds in Sweden. In Austria, Belgium, Luxembourg, the Netherlands and Sweden, the survival rates of start-ups are consistently higher than in other countries. It is important to know the percentage of firms that close their business in a given year and to compare it over time and across countries as it helps to understand the impact of economic cycles on entrepreneurship. Between 2007 and 2010, the enterprise demise rates decreased in several countries, reflecting the parallel decline in birth rates. In contrast, similar with birth rates, they picked up in more recent years.

In terms of culture, a positive perception of entrepreneurship seems to coincide with a voluntary attitude towards entrepreneurship in a country. However, the economic conditions often interfere with individual aspirations. In 2014, perceived entrepreneurial opportunities were relatively high in the United States, Canada, Norway, Denmark and Mexico, as well as Brazil and Indonesia. Meanwhile, a few Southern European countries particularly in Greece, Spain and Portugal, the perceived entrepreneurial capabilities were instead significantly higher than the perceived opportunities.

## THE GLOBAL ENTREPRENEURSHIP MONITOR REPORT 2015/16

The Global Entrepreneurship Monitor (GEM) Report is an internationally-recognised benchmark of entrepreneurial activities, participated by 60 countries worldwide including Malaysia. The report is important as it provides an indication of Malaysia's position, in the effort to cultivate entrepreneurship in the country. As entrepreneurship is a continuous process, GEM measures the actions of entrepreneurs at different stages of creating and sustaining a business; namely nascent entrepreneurship, new business ownership, Total Early-Stage Entrepreneurial Activity (TEA) and established business ownership (refer to Table 1).



**Table 1** : Entrepreneurial Activities at Different Stages in Malaysia

Entrepreneurial Activity	2009	2010	2011	2012	2013	2014	2015/16
	% of population aged 18-64						
Nascent entrepreneurship rate	2	1	3	3	2	1	1
New business ownership rate	3	4	3	4	5	5	2
Total Early-stage entrepreneurial activity (TEA)	4	5	5	7	7	6	3
Established business ownership rate	4	8	5	7	6	8	5
Discontinuation of businesses	3	2	3	2	2	2	1
Necessity-driven (% of TEA)	25	12	10	13	18	18	14
Improvement-driven opportunity (% of TEA)	44	41	72	61	65	64	67

Source: GEM Global Reports from 2009 to 2015/16



Malaysia is amongst the few economies in the Asian region where finance and physical infrastructure to support entrepreneurship are widely available. However, despite such positive factors, the country's TEA rate is the lowest in the region. According to the report, percentage of individuals who are in the process of starting or are already running new businesses in Malaysia (TEA) was at 2.9% in 2015, as compared to 6.6% in 2013 and 5.9% in 2014. This trend demonstrates that less people are pursuing entrepreneurial opportunities and innovative initiatives.

In addition to entrepreneurial activities at different stages, Table 1 also provides information on the indices for the discontinuation of businesses, necessity-driven TEA and improvement-driven opportunity TEA. The nascent stage is probably the most challenging stage for Malaysian entrepreneurs. Thus, when entrepreneurs are able to overcome this challenge, it may lead to resilience and business growth.

Malaysia is amongst the few economies in the Asian region where finance and physical infrastructure to support entrepreneurship are widely available



The data also revealed that early-stage entrepreneurial activities in Malaysia have been consistently and mainly driven by opportunity rather than necessity. In the GEM Report, Malaysia ranked sixth out of the 60 countries on the Motivational Index, as Malaysian entrepreneurs chose to pursue an opportunity on the basis of their entrepreneurial motivations, rather than starting out a business out of necessity.

Opportunity-driven entrepreneurs are relatively more innovative while necessity-driven entrepreneurship is generally influenced by the economic conditions of an individual. The seven-year trend displays a declining trend of necessity-driven entrepreneurship and an increasing trend of opportunity-driven early-stage entrepreneurship. This indicates the trend that Malaysian entrepreneurs are generally opportunity-driven and motivated by better income and independence through start-ups, and are willing to take risk in order to succeed.

Fear of failure has always been one of the factors that could deter the drive to become an entrepreneur and start a business. However, in recent years, Malaysia has cited a decreased percentage for fear of failure rate. In 2009, the fear of failure among Malaysian was 65% while in 2013 it was at 33.3%. Meanwhile, in 2015, it has further decreased to 27.1% due to a vibrant entrepreneurship ecosystem during the period (refer to Table 2).

**Table 2** : Entrepreneurial Attitudes and Perceptions in Malaysia

Entrepreneurial Attitudes & Perceptions	2009	2010	2011	2012	2013	2014	2015/16
	% of population aged 18-64						
Perceived opportunities	45	40	37	36	41	43	28
Perceived capabilities	34	24	31	31	28	38	28
Fear of failure*	65	45	30	36	33	27	27
Entrepreneurial intentions**	5	5	9	13	12	12	6
Entrepreneurship as a good career choice	59	56	52	46	42	50	39
High status to successful entrepreneurs	71	67	51	51	45	50	51
Media attention for entrepreneurship	80	88	74	63	62	70	64

\* Denominator: age group 18-64 perceiving good opportunities to start a business

\*\* Respondent expects to start a business within 3 years; denominator: age group 18-64 that is currently not involved in entrepreneurial activity

Source: GEM Global Reports from 2009 to 2015/16

Positive media attention can be a valuable means in shaping attitudes towards entrepreneurship in a society. In Malaysia, 64% think that entrepreneurship receives substantial media attention, and that entrepreneurs were perceived a high status in their society. Malaysia needs to go forward and exploit opportunity-driven entrepreneurship, in its many forms, that gives its comparative advantage. The way forward is through knowledge-intensive and innovation-led ventures. These can be done as the Government is continuously encouraging the involvement of its people, especially the Bumiputera community in entrepreneurship.

However, entrepreneurship is seen as not a career choice for countries like Malaysia (39.3% in 2015) and Singapore (51.7% in 2014), as compared to other ASEAN countries due to the abundance of job opportunities that offers attractive salary schemes. Thus, the low new business ownership rate in Malaysia (2.3% in 2015) is due to a robust job environment; whereby more Malaysians prefer to obtain a steady income via employment, as compared to having their own businesses.

## ENTREPRENEURSHIP DEVELOPMENT IN MALAYSIA

The development of entrepreneurship has been growing in its importance in Malaysia, both in terms of policy and initiatives. Entrepreneurship and SME development have become an important tool for the Government, not only to increase the level of economy, but also as a social tool to push the country out of the middle-income trap.

This is manifested through the sheer number and spectrum of initiatives by the Government to support and encourage entrepreneurial attitudes and skills in the country; including funding schemes, entrepreneurial and SME programmes and activities, physical infrastructure such as business and entrepreneur parks, as well as business incubators and advisory services. Under the SME Masterplan, SME development, which includes entrepreneurship, has been earmarked as the new engine of economic growth for Malaysia.

The existing entrepreneurship ecosystem in Malaysia is focusing on five key components to ensure a holistic approach to SME and entrepreneurship development. These include policy development, financing and guarantee schemes, registration and licensing, start-up and incubation, outreach and awareness programmes, as well as information and advisory services.

Various Ministries and agencies are involved in this ecosystem to form a partnership, and to ensure the aspiration of generating successful entrepreneurs can be attained. Agencies such as SME Corp. Malaysia, Majlis Amanah Rakyat (MARA), Institut Keusahawanan Negara

(INSKEN), Perbadanan Usahawan Nasional Berhad (PUNB), Centre for Entrepreneur Development and Research (CEDAR) and Malaysian Global Innovation & Creativity Centre (MaGIC) assume a pivotal role in providing business support and consultation as well as training. These agencies are also involved in providing financing facilities, incubation and business premises, as well as internship and mentorship to ensure that the ecosystem is fully supported.

In 2016, a total of 27 entrepreneurship programmes are being implemented by various Ministries and agencies. They include SME programmes for growth and expansion as well as programmes for business start-up. These entrepreneurship and SME programmes are important in ensuring that the productivity and contribution of SMEs to the national GDP would be increased.

The Government has also established SME Corp. Malaysia as the Central Coordinating Agency (CCA) to coordinate and streamline all SME programmes including entrepreneurship development under the purview of the National SME Development Council (NSDC) chaired by YAB Prime Minister. At the same time, the Government encourages the involvement of youth and women in entrepreneurship.

Some of the programmes are unique, where they do not only focus on business development, but also the development of human capital. This augurs well for the entrepreneurs, as they are not only able to elevate their businesses, but also improve





their knowledge of the business. These among others include the SME-University Internship Programme, *Tunas Usahawan Belia Bumiputera* (TUBE), SME Capability Programme, Entrepreneur and Cooperative Training Programme and *Inkubator Keusahawanan Wanita* (I-KeuNITA).

Under the Eleventh Malaysia Plan (11MP), entrepreneurship has been identified as one of the national priority areas towards attaining Vision 2020. In an effort to provide integrated entrepreneurship assistance and reduce overlapping activities, collaboration among agencies providing entrepreneurship and SME support programmes to entrepreneurs in both the urban and rural areas will be strengthened during the period. The support would entail agencies such as SME Corp. Malaysia, TEKUN Nasional and Amanah Ikhtiar Malaysia (AIM) to provide broader business development opportunities to entrepreneurs.

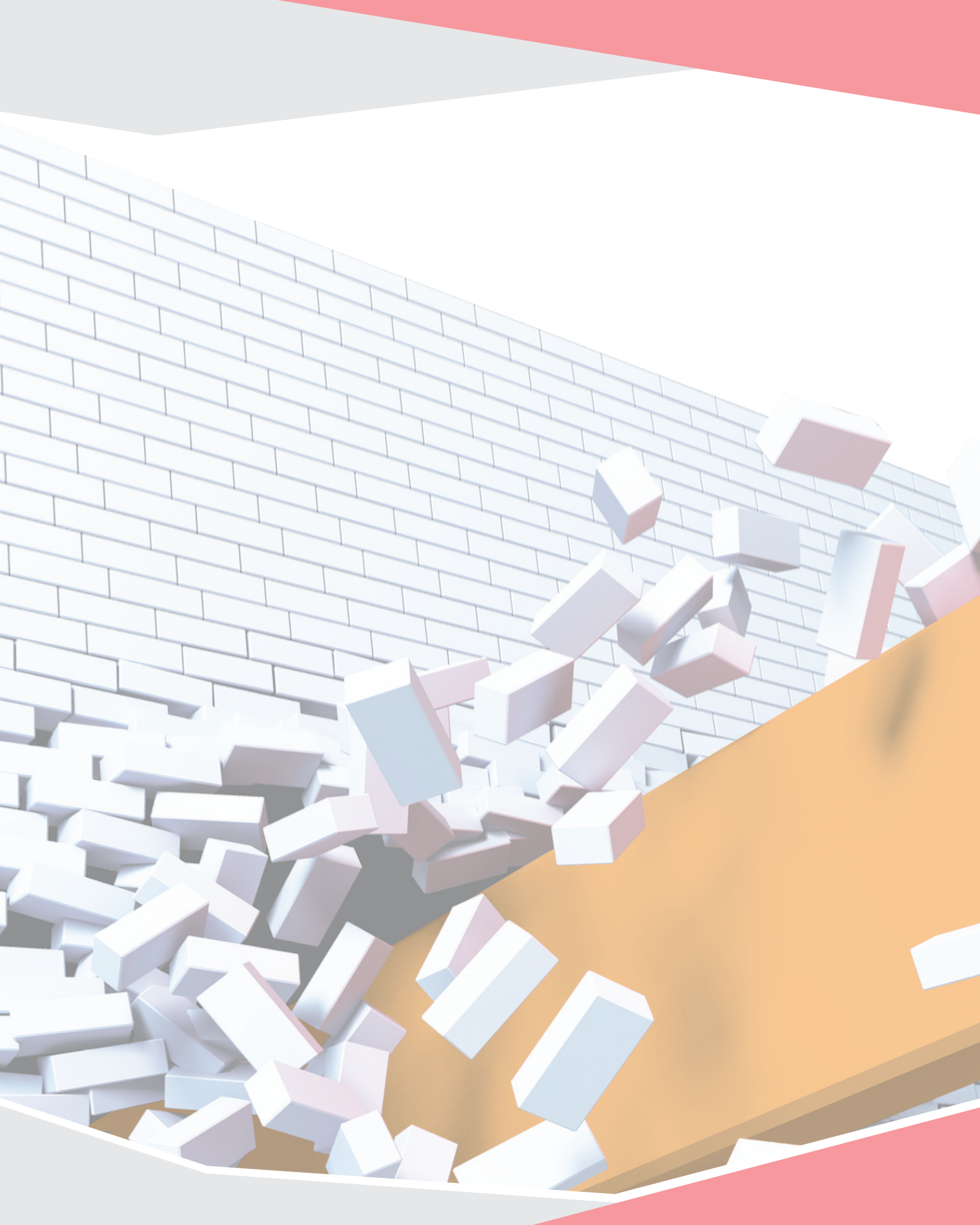
Towards this purpose, microenterprises will also be linked to banking and financial institutions for easier access to funding. Large companies including government-linked companies (GLCs) will be incentivised to increase their contribution in the creation of entrepreneurs, particularly in key areas such as ICT, biotechnology and green technology.

Meanwhile, SME Corp. Malaysia has been mandated to coordinate entrepreneurship initiatives for B40 households, in collaboration with various Ministries and agencies. This is undertaken through efforts such as smart partnerships with research and development (R&D) institutions to assist SMEs to improve their product quality, enhance compliance to standards, as well as increase market access.



In 2016, a total of 27 entrepreneurship programmes are being implemented by various Ministries and agencies.





# SECTION IV

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## Success Stories

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# Homegrown World-Class Innovation

The move to a brand new office in April this year was not the only cause for YJack Technology Sdn. Bhd. (YJACK) to celebrate. The company had also reached the RM1 million mark revenue by the first quarter of 2016.

These milestones come on the heels of their success in December 2015 as a finalist at the International Grand Prize of the CIC Innovation Award in Hong Kong. In addition, YJACK won a gold medal at the 26th International Invention, Innovation and Technology Exhibition (ITEX) in 2015, beating 60 other companies in the construction industry category. While these accomplishments are impressive, it is particularly noteworthy for a company of its size to achieve by just its second year of operation.

YJACK was established on 31 March 2014 to offer a new form of pile testing services to the construction industry. The company's name is derived from its innovative method of pile testing. According to Mr. Yeow Leong Swee, President and Co-founder of YJACK, the conventional way of conducting pile load test requires 10 days of preparation and involves loading concrete blocks onto a structure supported by the pile to determine its strength and durability. This process is not only tedious



and logistically cumbersome, it is also costly and have safety concerns. In comparison, the YJACK method only requires a day of preparation and reduces the cost of pile testing by up to 50%. It involves installing a hydraulic jack, which is embedded in the pile to conduct the pile load test, thus, eliminates the logistical and technical constraints of the conventional method and is less hazardous. The technology has been patented in Malaysia and filed under Patent Cooperation Treaty (PCT) application with World Intellectual Property Organization (WIPO).

This type of service requires direct marketing which involves face-to-face time with clients and conducting demonstrations. References are very important



Mr. Wai Yee Kong, company co-founder and inventor of the YJACK technology said, he initially offered his innovative pile testing service to friends and contacts in the industry at half price so that he could get their references and take photos to create brochures for their marketing efforts. "This type of service requires direct marketing which involves face-to-face time with clients and conducting demonstrations. References are very important," says Mr. Wai. To seek assistance particularly market acceptance and validation for his new products, Mr. Yeow sought the assistance of PlatCOM Ventures Sdn. Bhd. He sent them an email at midnight on a Friday and was surprised to receive an immediate reply. A meeting was scheduled on the following Monday. Through PlatCOM Ventures, YJACK was enrolled in the High Impact Programme 2 (HIP 2) under the SME Masterplan. Under the programme, YJACK was able to link up with relevant organisations such as the Construction Industry Development Board (CIDB) to get their innovation assessed. The YJACK technology has since been validated by Jabatan Kerja Raya (JKR) and the company was awarded a grant under the Pre-Commercialisation Fund amounting to RM700,000. The programme does not stop there. PlatCOM Ventures continues to

provide continuous advice and monitoring based on monthly reporting.

"It took us two years to start generating sales," says Mr. Yeow. However, once the ball starts rolling, YJACK has been able to sustain its momentum adding major companies such as SP Setia Berhad Group and IJM Corporation Berhad to their list of clients. One of the biggest pile testing services project they have provided for is the West Coast Expressway, which will link Taiping, Perak to Banting, Selangor. The company has also appointed a distributor for the East Malaysia and Brunei markets.

In fact, YJACK has plans to market their service even further abroad. According to their research, in 2013, the market for the construction industry was worth USD193 billion in ASEAN and USD7.5 trillion globally. After participating in HIP 2, PlatCOM Ventures set up a meeting between YJACK and Malaysia External Trade Development Corporation (MATRADE) to get YJACK to join HIP 4 or the GoEx programme. The programme enables companies to make inroads overseas. Since then, YJACK has participated in trade missions and have also been featured in MATRADE's 'What's New from Malaysia' magazine, which is distributed to 54 countries. The company has a busy travel calendar this year to participate in several trade fairs and to understand the markets through greater market information and intelligence through the GoEx programme. "Our target markets are Viet Nam, Brunei and Indonesia and also to establish joint ventures in China, India and Sri Lanka. By this year, we will definitely go outside of Asia," says Mr. Yeow.

# Aiming to be Global Player in Halal Consumer Goods

Julia and Adam which began as cute cartoon characters had started to look outdated when YBhg. Dato' Haji Zaihal Hazri bin Haji Abdul Halim took over Al-Meswak Mu'min Sdn. Bhd. in 2012. Mu'min Junior toothpaste icons were wearing 1980's childrens' clothing.

Dato' Haji Zaihal instructed a 'fashion makeover' for them to give a more Muslimah feel to the brand. He renamed 'Julia' to 'Zaharah', after his daughter.

In their new and modern outfits, 'Zaharah and Adam' continued to smile and wave their toothbrushes on the new revamped colourful boxes of Mu'min Junior toothpaste. This was all part of Dato' Haji Zaihal's strategy to enhance the product appeal when he took office as the new Chief Executive Officer (CEO) of Al-Meswak Mu'min Sdn. Bhd. (Mu'min).

Prior to that, he conducted a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and came to the conclusion that the Mu'min brand of products were not faring well in the market due to lack of product improvisation and innovation. When he came in 2012, Dato' Haji Zaihal restructured the company's product lines and re-categorised them according to their target markets. Unpopular products were discontinued and old products were



upgraded to premium status. The company also introduced new variants to their existing lines such as a new range of flavours for Mu'min Junior, which now includes strawberry, orange, grape and fruities. Adults have also been spoilt for choice as there are several Mu'min toothpaste lines for them to choose from including Premium, Max Oral Care and Economy range.

The toothpaste's halal status may be Mu'min's unique selling point but the lack of conventional ingredients such as fluoride and triclosan is also what sets it apart from

other popular brands in the supermarkets. "These ingredients are not good for your health and have been linked to cancer. Many international brands have stopped using harmful chemicals in their products. We need to educate the local market as well," maintains Dato' Haji Zaihal. He adds that Mu'min consults with the Islamic Dental Association of Malaysia. "We are the first company to develop a halal standard for toothpaste and oral care in the country."

Last year, the company started to branch out from toothpaste and began manufacturing its own range of personal care products. The products include mouth wash, body wash, hand and body lotion, as well as talcum powder. "Our goat's milk body wash sold out when it was introduced. For three months, the product was not available in the market," says Dato' Haji Zaihal. The company has 40 new products in the pipeline and is exploring potential distribution channels.

Mu'min's distribution's strategy has been instrumental to its growth. Dato' Haji Zaihal introduced a centralised distribution system and appointed a master distributor to channel the company's toothpaste to consumers. "Our master distributor is huge and has distributed products for a lot of big brands. Mu'min is the only Bumiputera product they took on." The company also appointed a distributor to focus solely on dental clinics to promote its Max Oral Care Mouthwash. In addition, Mu'min promotes its products annually at exhibitions such as the Malaysian International Halal Showcase (MIHAS) and Halal Fiesta Malaysia (HALFEST). Last year, the company exhibited its products at the Thailand Halal Assembly.



Mu'min's product line will continue to expand as the company plans to introduce its own brand of household products. The company had purchased five acres of land at the PERDA Halal Park in Penang to build three factories for each of its product range: oral care, personal care and household. This is in line with Dato' Haji Zaihal's aim for Mu'min to become a leading global player in the Fast Moving Consumer Goods (FMCG) segment. The aspiration is to make it just not at the local level but at the international level as he said, "The market potential is huge overseas."

Mu'min products are already present in Oman and even in the People's Republic of China, although on a small scale. In addition, the company has been recognised with an array of awards including the Middle East Business Leaders Award for Leadership Excellence in International FMCG in 2014. The following year, Mu'min won the Asia Pacific CSR Award for Socially Responsible Company in Health Enhancement as well as Global Leadership Awards in two categories.

While the company sets high business targets, it also aims to give back to society in a big way as how one of its employees had said, "We would like to be the largest contributor of zakat in the country."

## Success in Shoe Business in Sarawak

Once upon a time, an executive in the banking industry decided she needed to explore a new career path, so she quit her job to pursue her passion. Puan Normah Ibrahim, also known as Emma, may not be a fairy-tale princess but she has a few things in common with the protagonist in one of these tales.

Like Cinderella, she has big dreams, is a hard worker, and believes that one shoe can change your life. So she founded Red Profile Sdn. Bhd. on 15 March 2006 in Kuching, Sarawak to become the first homegrown shoe manufacturing company in Sarawak. Just like in any fairy-tale worth telling, Puan Normah faced many challenges before she could realise her dreams. "There were no skilled workers in shoe making because the shoe manufacturing industry does not exist in Sarawak and it costs a lot to hire a trainer from Kuala Lumpur to train local workers in this field. The lack of raw materials locally also posed a problem as Red Profile produces leather footwear. They either have to be sourced from Peninsular Malaysia or imported from overseas," she explains.

Despite the difficulties in the beginning, Puan Normah stayed the course. Her patience and determination paid off when the company received its first small order to supply shoes for Shell Berhad in August 2006.





With assistance from SME Bank and some Government agencies, Red Profile was able to upscale its operations the following year. In 2008, the company reached a turning point when the Ministry of Finance approved Red Profile's contract application. "Since then, our business has taken off and grown rapidly achieving RM3 million to RM12 million in annual sales from 2011 to the present," says Puan Normah.

Nevertheless, the company has felt the effects of the global economic slowdown and the surge in oil prices. The cost of raw materials including leather and soles, as well as delivery fees have shot up, says Puan Normah. "The economic slowdown has also resulted in Government departments slashing their budgets by up to 30% in the last two years and that has had an impact on our sales." She credits her experienced and committed management team with helping her through the hard times and growing the business. "Red Profile is dedicated to maintaining the quality of its shoes and continuously conducts research and development (R&D) to improve its products," says Puan Normah.

Aside from occupational footwear, the company also manufactures shoes for casual wear under the 'Emma Daniel' brand name. The quality of Red Profile's shoes have been confirmed through the International Standard certification that the company received from SIRIM QAS International. Additionally, its shoes have also been tested, measured and inspected by the Science and Technology Research Institute for Defense (STRIDE), a department under the Ministry of Defence Malaysia, providing further testament to its good calibre.

Red Profile is dedicated to maintaining the quality of its shoes and continuously conducts research and development (R&D) to improve its products

Puan Normah aims to expand the market for her products and looks forward to capitalising on the opportunities available through the ASEAN Economic Community (AEC) and Trans-Pacific Partnership Agreement (TPPA). "The AEC and TPPA enable free flow of goods, services, manpower, investments, and capital in and out among participating countries. This means skilled workers, raw materials and products can be easily acquired and sold without constraints or limitations, opening up new opportunities for businesses," she says. The main challenge for Red Profile now, says its founder, is to take the plunge and succeed in the open market. "In preparation, we will work on enhancing our image and products by ensuring that our outlets are uniquely attractive and our products are consistently up-to-date. If necessary, we will embark on rebranding our image and products," she maintains.

In real life, happy endings have to be consistently achieved, something Puan Normah is well aware of as she continues to have big dreams and aims to fulfil them. "Our ambition and vision in the next 10 years is to have our own outlet in every state in Malaysia."

# Everything You Need Under One Roof

---

The era of dietary management for companion animals began in the United States of America (USA) in 1943 when Dr. Mark Morris, a veterinarian, formulated a special prescription diet to save a guide dog with a serious kidney disorder. However, thirty five years later in Malaysia, it was still common for pets to be fed leftovers and scraps.

While pet owners in the country were sending their companion animals to the veterinarian, many failed to follow-up with proper aftercare, particularly in ensuring that their pets adhered to a diet that fulfilled all their nutritional requirements. To address this concern, Dr. S. Sivagurunathan agreed to his staff's proposal that a small area of his veterinary practise be dedicated as a special corner where pet owners do not only purchase the necessary food and grooming products to maintain their companion animals' health and well-being, but also be educated on how to properly care for them.

In the 38 years since it was established in 1978, Pets Corner has expanded into a full-fledged business that has developed in tandem with the evolving attitude towards pet care in the country. Headquartered at Jalan Tun Razak in the same building as the clinic where it was founded, Pets Corner has contributed to improving the

standards of companion animal care by making available a diverse range of high quality products including nutritionally balanced premium pet foods, healthcare, hygiene and grooming products, as well as accessories that are approved and recommended by veterinarians. Aside from importing established brand names, Pets Corner has also ventured into developing and distributing local products including pet litter, deodorisers for the litter, as well as special sanitisers and soaps that are shariah compliant and specially formulated for Muslim customers.

To extend its reach to customers from different market segments, Pets Corner has branched out into the wholesale business and distributes its products to veterinary clinics in both Government veterinary departments and private practices, as well as to pet shops and breeders. The company has also formed working relationships with

wildlife parks and animal sanctuaries, in addition to supplying products through Government tenders to national service departments that require animals' service such as the Royal Malaysian Police and the army. In line with its growing operation, Pets Corner has been certified with a four-star rating under the SME Competitiveness Rating for Enhancement (SCORE) by SME Corp. Malaysia. Also, the company has opened a new distribution and retail centre in Kepong to better display their products and to cater to large orders.



Pets Corner's growth is also marked by its workforce which has increased from merely two employees at its inception to more than 50 staffs today. "All our staff members love animals and grieve with customers at the clinic when they lose their pets. At its core, our business is about promoting responsible pet ownership in order to strengthen the human animal bond," says Mr. Shrilan Sivagurunathan, Managing Director of Pets Corner. He has witnessed for himself the value of such a bond when the clinic hired a teenager with Downs syndrome,

who had difficulty interacting with people and functioning in society, to help out with general work. Eighteen years later, that employee is still working at the clinic, now as a kennel technician who takes great pride in his job looking after and caring for sick as well as wounded pets.

In addition to compassionate hiring practices, Pets Corner supports the work of its charitable arm, the Malaysian National Animal Welfare Foundation (MNAWF), to promote a caring Malaysian society by cultivating appreciation for the value of animals and advocating for the improvement of animal welfare. To achieve this aim, MNAWF conducts a number of activities including the Canine SportzClub, which runs an outdoor obedience training programme for dogs, and Animal Assisted Therapy (AAT) for disabled orphans, and the elderly. Pets Corner is also involved in a number of initiatives to create awareness on the importance of pet nutrition and care, as well as to educate the public on the proper method of disposing pet waste in public areas. The company also donates pet food to animal shelters and welfare organisations such as the Society for the Prevention of Cruelty to Animals (SPCA).

While the mindset and attitude towards companion animals such as cats and dogs have improved since Pets Corner was initially established, Mr. Shrilan maintains that much more needs to be done to increase the level of awareness about the value of animals. "There's no point in having a pet if it doesn't teach you anything about empathy or compassion. After all, that's why we give it a home and a life," adds Dr. Sivagurunathan.

# Staying Ahead of Competition

---

They call themselves the 'rock solid management team' because no matter how harsh the environment in the meeting room, the three directors of Instant Exhibition Services Sdn. Bhd. always walk out without any ill feelings.

This is because they accept that disagreements are part of the process of finding a solution to a problem. "We trust each other to perform our respective roles and responsibilities as we are all working towards the same goal. We will question, analyse and source for solutions but ultimately, we will work together as a unit to solve any issue that arise," says Encik Herwan bin Daud, Managing Director of Instant Exhibition.

It is an operational practice that has served them well as the company has grown to become one of Sabah's leading event and exhibition management companies handling over 10 big events a year, in addition to 40 to 50 smaller events. The company provides a comprehensive range of services including stage preparation, advertising, event management and audio-visual for primarily indoor events. "In our first year, we did events mostly for IT companies but after a couple of years, the IT market wasn't doing so well. Now, our major clients are property development companies," says Encik Herwan who adds that about 80%

of the company's clients are from the private sector, while the rest are from the Government. Some of the major events that they have worked on include the Borneo International Trade Fair and the Sabah International Exposition.

One of the biggest challenges the company faces is managing its cash flow because of the nature of its business. Producing an exhibition requires huge capital investment upfront, "We have to be accurate in forecasting the supply and demand of our stock as wrong investment or bulk purchase can cost us financially," says Encik Herwan. The company also has to contend with the challenges of protecting its intellectual property as there have been instances where Instant Exhibition's design and artwork have been misappropriated to undercut its bid for a project. "Most of our work is done in-house but we've faced the problem of other event providers getting access to our event visuals and layout proposal, and then amending it slightly and quoting a slightly lower price, "It is heartbreaking as



The economy is beyond our control but we can make it work by persevering and exploring more possibilities with our clients so that the project can be achieved within their budget

our team of designers and sales personnel have spent days and nights in long meetings to develop the proposal only to have it hijacked by another company to win the contract," Encik Herwan laments.

Additionally, the company has felt the brunt of the economic downturn as it affects one of their core businesses, which is production. "Our products are calculated based on the current prices of raw materials so it is not easy to convince our clients about the changes of our prices as they also have their own budget to manage," he continues. However, this has inspired the company to strive harder for creative and innovation solutions to satisfy their clients. "The economy is beyond our control but we can make it work by persevering and exploring more possibilities with our clients so that the project can be achieved within their budget," adds Encik Herwan.

In fact, Encik Herwan always chooses to err on the side of optimism, noting that opportunities can arise from the challenges

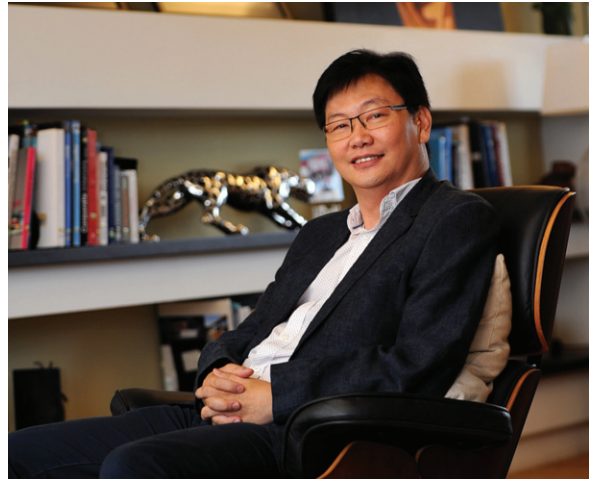
they face on a daily basis. "From the accumulation of experience, our team has become more informative and innovative. That is our strength and is what keeps us ahead of our competitors, enabling us to lead the industry at the moment," he says. When Instant Exhibition was established in 2012, its staff size was less than 15, but now, its current team consists of more than 30 employees. Last year the company set up a branch in Sarawak, after having secured a contract with a property organiser to manage three events for them in Kuching. This year, they've added a couple more projects to their portfolio in Kuching and remain hopeful about their prospects to further expand their business there. Looking even further ahead into the future, Instant Exhibition has its eye on becoming listed through its parent company. "We have seen other similar companies listed in overseas markets and they are good role models for us. So we hope and aim to have our company be part of the listing within the next 10 years," Encik Herwan says.

## Designing Dream Homes

The Asian Financial Crisis in 1997 may have been a bane for many companies, but for Oriwise Sdn. Bhd. it turned out to be a boon. Prior to the crisis, the company worked primarily on a contract basis for developers.

“From 1992 to 1997, we were well known contractors. We had a lot of clients and were making a lot of money so we felt pretty confident,” says Mr. Simon S.H. Tan, Managing Director of Oriwise Sdn. Bhd.. The signs of a crisis loomed a couple of years prior to the event, but Mr. Tan admits that he did not heed the warning signs until the problems began to unfold in 1997. When the crisis hit, the challenging market conditions that followed made him realise that it was no longer ideal to continue working on a contract basis.

“We needed to become a company that dictated our own price,” he says. In fact, the notion of having the final say on all matters related to their work was the motivating factor for the change in the business direction. “As contractors, we didn’t have a say in the designs we worked on. We can only implement the designs



based on the developers’ specifications but sometimes their designs were not practical,” he explains. He decided to reorient the business by focussing on providing interior design services directly to clients. The aim was to sustain and grow the business by working on projects for commercial offices and residential homes.

Oriwise strived to survive in its first five years, says Mr. Tan. Aside from expanding its clientele, they continued to take on contract jobs to keep the company afloat. Nevertheless, they were selective in only choosing projects that would enhance Oriwise’s reputation. Eventually, the company saw the need to expand its market beyond Johor. In the midst of another economic downturn, Oriwise made a game changing move by opening an office in Kuala Lumpur in 2008. “The market started going down that year and with the limited

market share in Johor, it was tough for a company to remain secure. Our brand was beginning to get better exposure so it was time to start targeting the KL market," says Mr. Tan.

The company also re-evaluated its business model and decided to aim for more end-users as the market potential among consumers was more promising. Oriwise positions itself as a dream home maker, working closely with customers to come up with designs that fulfil their idea of a dream home. In order to capitalise on the company's strength, a spin off venture called ORISS was established to provide kitchen cabinets and wardrobes. "The largest volume of work we do in homes is for the kitchen. This is what people spend most of their money on. ORISS is our first attempt to provide branding with a product," Mr. Tan explains. The brand has done well, winning awards from the International Interior Design Association (IIDA) in the kitchen category for three years in a row. ORISS also made a mark in the local industry by winning the National Mark of Malaysian

The largest volume of work we do in homes is for the kitchen. This is what people spend most of their money on



Brand from SME Corp. Malaysia in 2014 and was certified under its Malaysia Brand Certification Programme. Understanding the importance of branding certification, Oriwise later followed suit in receiving the same certification last year.

These achievements have bolstered Mr. Tan's plans for the company. He expects a 30% to 40% increase in sales by the end of 2015 and says that Oriwise will aim for an increase in sales of more than 40% in 2016. In the slightly longer run, his goals are even more ambitious. "I want Oriwise to be the biggest interior design firm in Malaysia in three to four years' time. After that, I want to list my company on the Malaysian stock exchange," he says.



## Suite of Solutions to Combat Crime

When TESS International Sdn. Bhd. made its debut in SME Corp. Malaysia's Enterprise 50 Award (E50) in 2014, the company turned out to be the fifth winner. This was an unprecedented achievement because new companies to the E50 Award usually do not make it within the top 10 winners in the first year and have to work their way up in the following years. However, TESS International is used to defying the odds, having done so early in the game as a young start-up trying to find its place in a saturated market.



When its founders, who were professionals in the fields of IT and investment banking, shook hands in 2000 to establish TESS International, the obvious direction for the business to take was by providing Internet and mobile banking solutions. Unfortunately, the market turned out to be more challenging than anticipated and they did not get the response that they hoped for from local banks and financial institutions. "The widely held perception was that products from the West were better so they did not have confidence in solutions available locally or even in Asia," says Mr. B. Y. Liew, TESS International's Chief Executive Officer.



In search of a more stable business model, TESS International decided to seek out a new category of clientele the following year by adapting its solution for companies in the unit trust business. While they fared better in the new market, its founders knew that the company was still vulnerable and needed to focus on a niche in order to strengthen their position. This realisation came when they were invited to participate in a tender for a project with a bank. "We were one from over 40 companies, including international organisations that sat in for the tender briefing," says Mr. Liew.

It took them over a year to brainstorm a possible niche before they came up with the idea to develop an anti-money laundering solution. "We had no clue if it could work but we put up a paper and sent it to the Malaysia Digital Economy Corporation Sdn. Bhd. (MDEC)." MDEC approved their application and provided them a matching grant in the amount of RM1.2 million, which allowed TESS International to proceed with the research and development (R&D) for their new solution.

While it took them over a year to find customers, their clientele continued to grow to financial institutions, and insurance companies not just in Malaysia but also abroad. TESS International worked with the Government of Thailand to provide a platform for Thai financial institutions to screen all their customers' financial standing. The company approached authorities in Thailand after the country was placed on an international financial blacklist for money laundering and to date, about 300 financial institutions in Thailand have subscribed to its platform. In addition, TESS International

has secured customers in the Philippines and Cambodia, and is currently participating in a few tenders in Singapore and Viet Nam. "We want to put our flag in every country. At the moment we are concentrating on ASEAN countries, the next wave will be Taiwan, Hong Kong, People's Republic of China and Sri Lanka," says Mr. Liew.

The widely held perception was that products from the West were better so they did not have confidence in solutions available locally or even in Asia



TESS International has also expanded its range of products to include solutions for detecting fraud activities, currency monitoring, as well as statistical reporting and analysis, among others, allowing the company to create an overarching brand called the 'Coral Suite of Solutions' to solidify its position as a developer and provider of financial crime solutions. Its reputation has been further enhanced by the number of awards added to the office shelf. Aside from making it to the E50 in 2014, the company won second prize in the Technology Acceleration Programme (TAP) 2013 Award and the Best of Financial Application Merit Winner Award from MSC Malaysia APICTA Awards in 2014. In addition, TESS International took home the Gold Award at the ASEAN ICT Award (AICTA) in Bangkok, Thailand in 2014.

## Selling Like Hot Cakes

The use of the word 'world' to brand their *putu bambu* may seem like a misnomer when it is sold at a small outdoor stall with only an umbrella for cover, but the two entrepreneurs were confident in the quality of their product. So they were unfazed when a customer came up to their stall and mocked their use of the word.

"I'm going to try it and judge for myself," challenged the customer. "After taking a bite he told us, you were right to use the word world!" recounts Encik Karim bin Atan, Managing Director of MD Foodstuff Sdn. Bhd. These days their brand name is seldom disputed, probably because it is no longer just handwritten on a piece of cardboard. The phrase 'Putu Bambu World' is boldly emblazoned on the food trucks and kiosks that sell their product, while

the brand name and company logo are featured prominently on their plastic bag packaging and mineral water bottles.

The hardships of selling at an outdoor stall may be far behind them but Encik Karim says even back then he believed in the huge market potential of *putu bambu*. He points out that unlike other popular traditional delicacies, people typically don't make *putu bambu* in their own kitchens. "The process of preparing it can be quite laborious so people prefer to just go out and buy it." Encik Karim can attest to the hard work involved, having toiled in the kitchen himself in the early days. "We worked from midnight to dawn getting the *putu bambu* ready to be sold by a nasi lemak seller in the morning. At the time, we didn't even think about how much we earned or whether we could have sufficient reserves to plough back to grow our business," he says. Encik Mohamad Hassan, his Business Partner and Operation Manager of MD Foodstuff, adds, "We were only earning about RM30 a day."



The process of preparing it can be quite laborious so people prefer to just go out and buy it



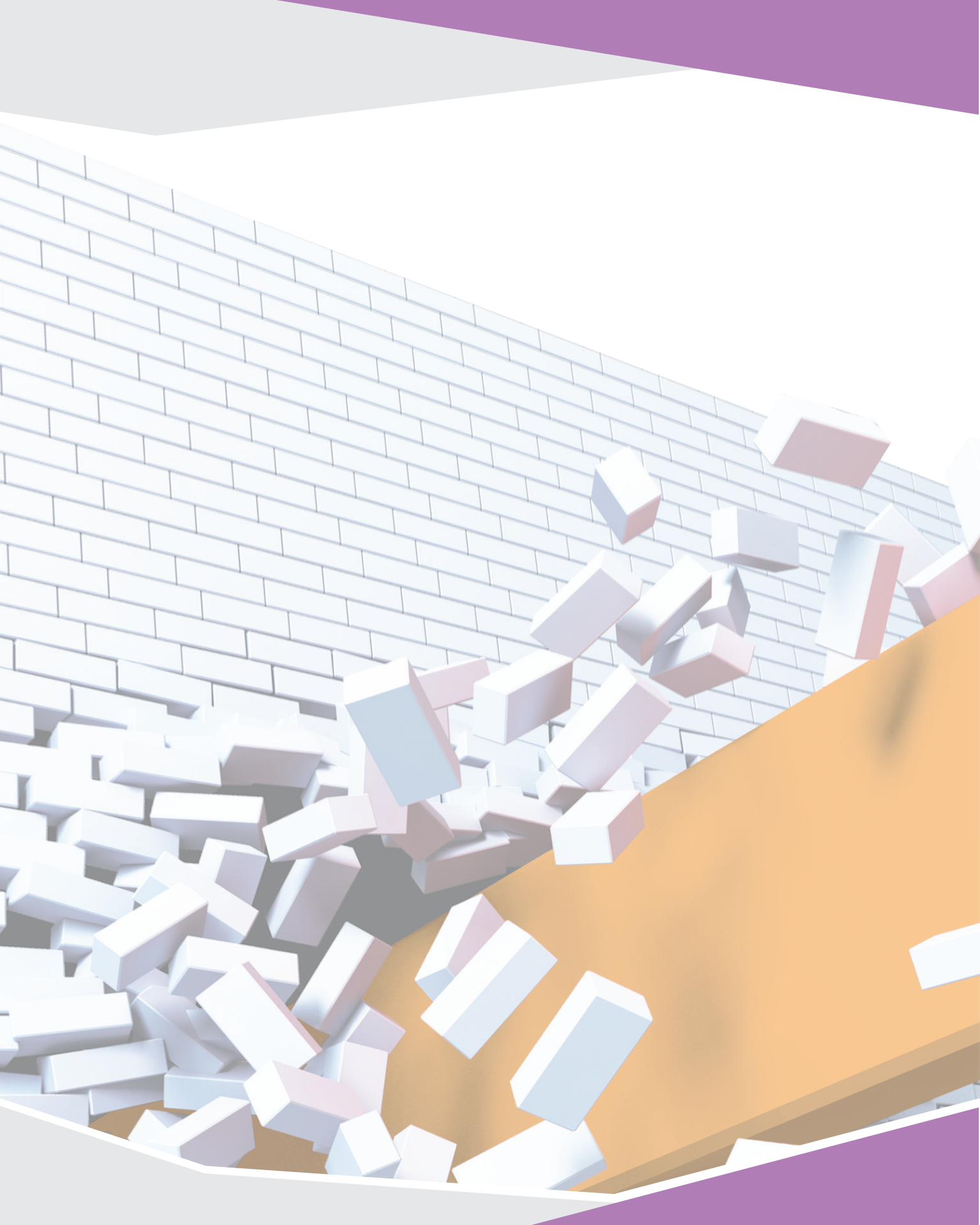
However, the encouraging response they received from customers soon motivated them to expand their horizons. They approached Majlis Amanah Rakyat (MARA) for a loan and was taken aback when told that their facilities would have to be evaluated first as part of the application process. "We had a modest kitchen with only a single stove, one steamer and a box of flour when they came to visit," chuckles Encik Mohamad. Nevertheless, their loan application was approved and they received RM10,000 from MARA. Other than MARA, financial assistance was hard to come by as they did not have a track record. "I have never been employed in my entire life," says Encik Karim. But he persevered and the company continued to upscale its operation in line with its growing business objectives. "We started operating from the Kawasan Industri Kecil dan Sederhana (IKS) in Ayer Panas because we wanted to chase bigger targets. From there, we started supplying to hotels, factories and cafes," Encik Karim adds.

MD Foodstuff is now based in Taman Perindustrian Selayang, where its operation has been streamlined. The company's headquarters houses its central kitchen and storage facilities, while also functioning as the distribution centre for all their outlets

and franchisees. MD Foodstuff currently has 24 outlets, mostly in the Klang Valley and also in neighbouring states, including Negeri Sembilan, Melaka and Pahang. One of the company's biggest challenge is securing suitable sites to situate their kiosks and trucks. Aside from difficulties getting approval from local authorities, a couple of locations were not able to generate the volume of sales expected. While Batu Caves and Taming Sari are well known tourist attractions, their *putu bambu* only sold well during peak seasons at these locations.

The company now has its own evaluation to test a location. "If it doesn't sell well in the first week, it is not likely to do well at that location," Encik Karim says. The company sets its daily and monthly sales targets for every outlet and monitors these outlets closely so that they can relocate immediately if unsatisfactory sales. The plan is to expand to 30 outlets by end-2016 and eventually to 300 outlets throughout the country. Encik Karim believes *putu bambu* can also do well in the global market but at the moment, he says there is no technology available to preserve the product for export.

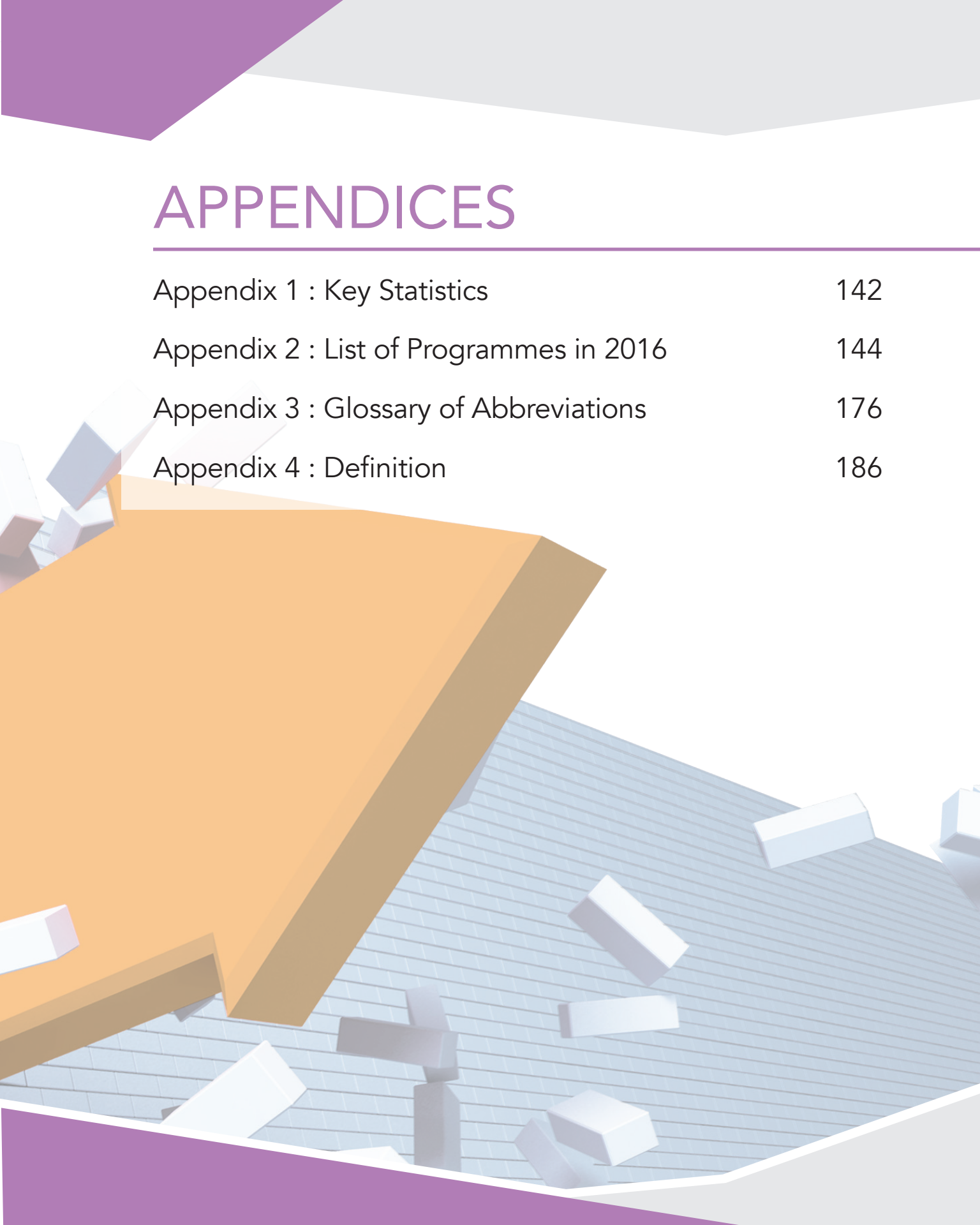
Their *putu bambu* may not yet be available to consumers around the world but there is justification for the use of the word 'world' in its brand name. By branding the product and making it widely available, MD Foodstuff has opened a new whole world of possibilities for the humble *putu bambu*. Much like what popular franchise establishments have done for doughnuts, MD Foodstuff may well elevate *putu bambu* from a traditional breakfast or teatime treat to a popular snack that can be enjoyed by the masses at any time.



# APPENDICES

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The background features abstract 3D geometric shapes. A large orange trapezoidal shape is prominent in the lower-left quadrant. Below it, a blue trapezoidal shape with a fine grid pattern is visible. Scattered around these are several smaller, light blue and white rectangular blocks. The top-left and bottom-left corners are decorated with purple geometric shapes.

## KEY STATISTICS

**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
<b>Total</b>	<b>496,458</b>	<b>128,787</b>	<b>19,891</b>	<b>645,136</b>	<b>100.0</b>	<b>17,803</b>	<b>662,939</b>

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

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

**Table 3 : Annual Growth of SME GDP by Key Economic Activity (%)**  
(constant 2010 prices)

Year	2010	2011	2012	2013	2014	2015 <sup>p</sup>
Agriculture	-	6.6	1.3	2.3	17.3	2.0
Mining & Quarrying	-	7.3	14.5	8.1	182.8	8.9
Construction	-	4.4	16.6	14.0	97.8	7.6
Manufacturing	-	7.8	6.2	5.0	10.9	6.0
Services	-	7.1	6.2	7.2	8.7	6.6
Plus: import duties	-	32.9	29.6	18.2	21.6	20.2
<b>Total SME GDP</b>	<b>-</b>	<b>7.3</b>	<b>6.0</b>	<b>6.4</b>	<b>13.5</b>	<b>6.1</b>

*p : preliminary*

Source: Department of Statistics, Malaysia.

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


Year	2010	2011	2012	2013	2014	2015 <sup>p</sup>
Agriculture	4.3	4.3	4.1	4.0	4.5	4.3
Mining & Quarrying	0.05	0.05	0.1	0.1	0.1	0.2
Construction	0.9	0.9	1.0	1.1	2.0	2.1
Manufacturing	7.2	7.4	7.4	7.5	7.8	7.9
Services	19.6	19.9	20.0	20.5	21.1	21.4
Plus: import duties	0.2	0.3	0.3	0.3	0.4	0.5
<b>Total SME GDP</b>	<b>32.2</b>	<b>32.8</b>	<b>33.0</b>	<b>33.5</b>	<b>35.9</b>	<b>36.3</b>

*p : preliminary*

Source: Department of Statistics, Malaysia.

## LIST OF PROGRAMMES IN 2016

### Ministry of International Trade and Industry (MITI)

 +603 8000 8000
  +603 6202 3446
  [www.miti.gov.my](http://www.miti.gov.my)

#### Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
SME Expert Advisory Panel Programme (SEAP)	Strengthen technical advisory services to SMEs through on-site assistance and encourage transfer of technology know-how and experience from industry experts to SMEs	SME Corp. Malaysia
Bumiputera Enterprise Enhancement Programme (BEEP)	Develop potential Bumiputera SMEs through provision of comprehensive assistance package including financial assistance and advisory services	SME Corp. Malaysia
MAI Intelligent Technology System (MITS)	Facilitate the demands of the after-sales sector through initiatives such as CarBengkel System and MAI Garage Information System (MAGIS) which integrate a vast network of service centres, sales and distribution centres and spare part warehouses across the country	MAI
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



## Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Export Training Programme	Enhance knowledge of SMEs in export related areas such as export regulations, market information, international standards, branding, packaging and trade financing	MATRADE
Bumiputera Workshop Transformation Programme (BWTP)	Enhance the capability of the automotive workshop owners towards sustainability and profit generation	MAI
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
SME Mentoring Programme	Enhance SMEs knowledge in production, sales and marketing & Halal related matters for Food & Beverage Industry through sharing of Nestlé's best practices	SME Corp. Malaysia
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

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
Soft Loan Scheme for Service Sector (SLSSS)	Assist companies and enterprises in the services sector to increase their capabilities and capacities	MIDF
Soft Loan Scheme for Automation and Modernisation (SLSAM)	Encourage industries to modernise and automate their manufacturing processes and upgrade production capacity and capability	MIDF

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
Soft Loan Scheme for SMEs (SLSME)	Provide assistance to existing as well as new start-up companies in project, fixed assets and working capital financing	MIDF
Capacity Development Programme	Enhance and develop capacity of human resource in productivity and quality to the SMEs	MPC
Financing to Indian Community	Collaborative effort with Secretariat For Empowerment of Indian Entrepreneurs (SEED) in providing financing to eligible Indian entrepreneurs	SME Bank
<i>Skim Anjakan Usahawan</i>	Financing facility for SMEs that have been in operation for a minimum of 2 years for business expansion	SME Bank
<i>Dana Ekuiti Bumiputera (EquiBumi)</i>	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	SME Bank
Malay Reserve Development Financing (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	SME Bank
Graduate Entrepreneur Fund 2 (TUS2)	Encourage more graduates to enter the field of entrepreneurship	SME Bank
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

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
SME Technology Transformation Fund (STTF)	Provide financing facility to SMEs to enhance and rectify their technologies in order to achieve higher productivity, improve process efficiency, and penetrate export market	SME Bank
IBS Promotion Fund	Facilitate eligible Industrialised Building System (IBS) contractors, manufacturers and developers for purchase of fixed asset, renovation of factory and working capital	SME Bank
SME Go	Support SMEs that has embarked or about to in an export industry	SME Bank
Online Business Financing (OBF)	Provide financing to support entrepreneurs establish a viable online business presence	SME Bank
Business Accelerator Programme (BAP)	Provide 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 <sup>2</sup> )	Provide integrated programme to develop and nurture dynamic, competitive and resilient MEs through M-CORE, capacity building, advisory & technical support and financial support	SME Corp. Malaysia
<i>Tunas Usahawan Belia Bumiputera</i> (TUBE)	Acculturate entrepreneurship among youth in making a paradigm shift from job seekers to employment providers	SME Corp. Malaysia
Shariah-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

## Market Access

Major Programme	Programme Objectives	Implementing Agency
<i>Satu Daerah Satu Industri</i> (SDSI) Showcase	Increase income of rural community through production of goods and services identified to each district	MITI
Vendor Development Programme (VDP)	Develop SME entrepreneurs to become competitive suppliers and manufacturers of component or services at domestic and global markets	MITI
Product and Quality Enhancement Programme (GroomBig)	Nurture, groom and elevate Bumiputera SMEs to a higher level from micro to small to medium enterprises and ultimately, become export-ready companies	MITI
Pre Certification Programme	Provide technical assistance on Halal certification to companies	HDC
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	MATRADE
eTRADE	Provide assistance for SMEs to participate in international leading e-marketplace	MATRADE
Market Development Grant (MDG)	Provide assistance for SMEs to undertake activities for development of export market	MATRADE
Bumiputera Exporters Development Programme (BEDP)	Help Bumiputera SMEs to develop the necessary skills and knowledge to penetrate and further expand their export markets	MATRADE
Women Exporters Development Programme (WEDP)	Help women-owned SMEs to develop the necessary skills and knowledge to penetrate and further expand their export markets	MATRADE

## Market Access

Major Programme	Programme Objectives	Implementing Agency
Youth Exporters Development Programme (YEDP)	Help SMEs from 20 to 40 years old to develop the necessary skills and knowledge to penetrate and further expand their export markets	MATRADE
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 (ILP)	Develop linkages between capable SMEs, MNCs, GLCs as well as large firms	SME Corp. Malaysia
<i>Galakan Eksport Bumiputera</i> (GEB)	Develop Bumiputera SMEs into export market through integrated assistance, networks and supply chains	SME Corp. Malaysia
4R2S System	Recommend good practices and new management system to be used by local industry players to perform the relevant activities	MAI
Strategies to Enhance Export of Automotive Parts and Component	Develop local auto components vendors that have the potential to export product	MAI

## Related Agencies

Related Agencies	Acronym	Website
Halal Industry Development Corporation	HDC	<a href="http://www.hdcglobal.com">www.hdcglobal.com</a>
Malaysia Automotive Institute	MAI	<a href="http://www.mai.org.my">www.mai.org.my</a>
Malaysia External Trade Development Corporation	MATRADE	<a href="http://www.matrade.gov.my">www.matrade.gov.my</a>
Malaysian Investment Development Authority	MIDA	<a href="http://www.mida.gov.my">www.mida.gov.my</a>
Malaysian Industrial Development Finance Berhad	MIDF	<a href="http://www.midf.com.my">www.midf.com.my</a>
Malaysia Productivity Corporation	MPC	<a href="http://www.mpc.gov.my">www.mpc.gov.my</a>
Small Medium Enterprise Development Bank Malaysia Berhad	SME BANK	<a href="http://www.smebank.com.my">www.smebank.com.my</a>
SME Corporation Malaysia	SME Corp. Malaysia	<a href="http://www.smecorp.gov.my">www.smecorp.gov.my</a>
Malaysia Steel Institute	MSI	<a href="http://malaysiasteelinstitute.com">malaysiasteelinstitute.com</a>

## Ministry of Finance (MOF)

 +603 8000 8000
  +603 8882 3893/94
  [www.treasury.gov.my](http://www.treasury.gov.my)

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
<i>Dana Modal Teroka</i>	Provide venture capital financing to companies in the electrical and electronics sub-sector	KMPSB




### Infrastructure

Major Programme	Programme Objectives	Implementing Agency
Development of Business Premises	Provision of industrial premises for entrepreneurs	SEDCO
Development of SME Factory and Shoplot in Kelantan	Provide conducive manufacturing premises to SMEs	PKINK
Upgrading of Business Premises in Kelantan	Provide conducive trading premises to micro entrepreneurs	PKINK

### Related Agencies

Related Agencies	Acronym	Website
Bank Simpanan Nasional	BSN	<a href="http://www.mybsn.com.my">www.mybsn.com.my</a>
Cradle Fund Sdn. Bhd.	CRADLE	<a href="http://www.cradle.com.my">www.cradle.com.my</a>
Export-Import Bank of Malaysia Berhad	EXIM BANK	<a href="http://www.exim.com.my">www.exim.com.my</a>
Kumpulan Modal Perdana Sdn. Bhd.	KMPSB	<a href="http://www.modalperdana.com">www.modalperdana.com</a>
Malaysian Technology Development Corporation	MTDC	<a href="http://www.mtdc.com.my">www.mtdc.com.my</a>
Malaysia Debt Ventures Berhad	MDV	<a href="http://www.mdv.com.my">www.mdv.com.my</a>
Perbadanan Kemajuan Ekonomi Negeri Perlis	PKENPs	<a href="http://www.pkenps.gov.my">www.pkenps.gov.my</a>
Perbadanan Kemajuan Iktisad Negeri Kelantan	PKINK	<a href="http://www.pkink.gov.my">www.pkink.gov.my</a>
Perbadanan Kemajuan Ekonomi Negeri Melaka	PKNM	<a href="http://www.pknm.gov.my">www.pknm.gov.my</a>
Perbadanan Kemajuan Ekonomi Negeri Sabah	SEDCO	<a href="http://www.sabah.gov.my">www.sabah.gov.my</a>

## Ministry of Agriculture and Agro-based Industry (MOA)

 +603 8870 1200
  +603 8888 6906
  [www.moa.gov.my](http://www.moa.gov.my)

### Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
<i>Perkhidmatan Teknikal kepada Golongan Sasar Seluruh Negara</i>	Support entrepreneurs by providing technical skills	MARDI
Change Upgrade Product (CUP)	Increase the product quality, development and expansion beyond product capability	IAT

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
<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
TEKUN Financing	Provide funds, entrepreneurship information, business opportunities, advisory and support to create competent, innovative and progressive entrepreneurs	TEKUN
<i>Dana Pembiayaan Usahawan Pertanian (DPUP)</i>	Provide financing to SMEs in agriculture activities	Agro Bank




## Market Access

Major Programme	Programme Objectives	Implementing Agency
Farmer's Market, Fresh Fruit Stalls (GBBS)	Provide a variety of retail outlets for farmers and small producers to market their products directly	FAMA
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	FAMA
<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	FAMA

## Related Agencies

Related Agencies	Acronym	Website
Bank Pertanian Malaysia Berhad	AGROBANK	<a href="http://www.agrobank.com.my">www.agrobank.com.my</a>
Federal Agriculture Marketing Authority	FAMA	<a href="http://www.fama.gov.my">www.fama.gov.my</a>
Agro-Based Industry Division	IAT	<a href="http://www.kada.gov.my">www.kada.gov.my</a>
Lembaga Pertubuhan Peladang	LPP	<a href="http://www.lpp.gov.my">www.lpp.gov.my</a>
Malaysian Agricultural Research & Development Institute	MARDI	<a href="http://www.mardi.gov.my">www.mardi.gov.my</a>
TEKUN Nasional	TEKUN	<a href="http://www.tekun.gov.my">www.tekun.gov.my</a>
Department of Agriculture	DOA	<a href="http://www.doa.gov.my">www.doa.gov.my</a>
Department of Fisheries Malaysia	LKIM	<a href="http://www.dof.gov.my">www.dof.gov.my</a>

## Ministry of Human Resources (MOHR)

 +603 8000 8000
  +603 8889 2381
  [www.mohr.gov.my](http://www.mohr.gov.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
National Dual Training System (NDTS)	Provide skills upgrading programme for existing, new employees and school dropouts to ensure employability	DSD
Skill Upgrading Programme	Enhance the capabilities of SMEs' employees in technical and managerial skills such as financial, quality and business management	HRDF
SME Capability Programme	Enhance the capabilities of the business owners especially in the areas of business strategies, innovation, productivity and human capital development	HRDF
Training Fund under Minimum Wage	Assist SMEs to increase the business productivity at the strategic and functional level in order to minimise the effect of Minimum Wage Policy implementation	HRDF
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	HRDF
Trainers Development Programme	Produce experts in training programmes	HRDF
HR Capabilities Building Programme for SMEs	Provide up-skilling and human resource programmes related to SMEs registered under HRDF	HRDF
Fully Subsidised Training Needs Analysis for SMEs	Increase the competency of HR practitioners of SME companies in conducting Training Needs Analysis	HRDF


## Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
HR Consultancy Workshop for SMEs	Provide HR advisory and consultancy services to SME employers in order for them to resolve their HR issues	HRDF
SME Peer Sharing	Provide coaching and handholding to SME owners in managing their human resources	HRDF

## Related Agencies

Related Agencies	Acronym	Website
Human Resources Development Fund	HRDF	<a href="http://www.hrdf.com.my">www.hrdf.com.my</a>
Department of Skills Development (Jabatan Pembangunan Kemahiran)	DSD	<a href="http://www.dsd.gov.my">www.dsd.gov.my</a>
Manpower Department	JTM	<a href="http://www.jtm.gov.my">www.jtm.gov.my</a>

## Ministry of Science, Technology & Innovation (MOSTI)

 +603 8000 8000
  +603 8888 9070
  [www.mosti.gov.my](http://www.mosti.gov.my)

## Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
Pre Commercialisation Fund	Develop process, technology or new products or improvements to existing processes and technologies to be commercialised	MOSTI
Commercialisation of R&D Fund (CRDF)	Leverage on Science, Technology & Innovation (STI) for national development and wealth creation via commercialisation of products and processes	MTDC

## Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
Technology Acquisition Fund (TAF)	Promote utilisation of foreign technology for the manufacturing and physical development of existing and new products to increase wealth creation and technology content of Malaysian companies whilst enhancing their global competitiveness	MTDC
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
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
Biotechnology Commercialisation Fund (BCF)	Provide funding for Biotechnology focus areas to complement the existing funds to enhance access to financing	Bioeconomy Corporation

## Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
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

Major Programme	Programme Objectives	Implementing Agency
Conformity Assessment Programme Specifically Targeted for SMEs	Support SMEs in complying with national and international standards in order to penetrate the global market	SIRIM
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	SIRIM
Enhancing Productivity and Market Expansion of SME in Collaboration with SIRIM–Fraunhofer	Enhance productivity and market expansion of SMEs through increase technology uptake of SMEs, nurture growth of small and micro SMEs and organise cross-cutting programme	SIRIM

### Related Agencies

Related Agencies	Acronym	Website
Malaysian Bioeconomy Development Corporation Sdn. Bhd.	Bioeconomy Corporation	<a href="http://www.biotechcorp.com.my">www.biotechcorp.com.my</a>
Malaysian Technology Development Corporation	MTDC	<a href="http://www.mtdc.com.my">www.mtdc.com.my</a>
SIRIM Berhad	SIRIM	<a href="http://www.sirim.my">www.sirim.my</a>
Technology Park Malaysia	TPM	<a href="http://www.tpm.com.my">www.tpm.com.my</a>

## Ministry of Rural & Regional Development (KKLW)

 +603 8000 8000 
  +603-8889 2104 
  [www.rurallink.gov.my](http://www.rurallink.gov.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
<i>Pembangunan Usahawan Lepasn Institusi Pendidikan MARA (IPMa)</i>	Develop dynamic entrepreneurs from the younger generations, especially students or IPMa graduates who want to start a business for the first time	MARA
<i>Pemantapan Syarikat Usahawan Korporat</i>	Provide business financing to eligible firms for investment and equity purposes	MARA
Rural Entrepreneur Transformation Programme	Help rural entrepreneurs whether existing or potential entrepreneurs to develop and conduct viable, sustainable as well as competitive businesses	MARA
<i>Pembangunan Usahawan PKS</i>	Provide various training courses to entrepreneurs who are starting own business until export-ready, through entrepreneurship and technical knowledge such as accounting and labelling	MARA

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
Rural Economy Funding Scheme (SPED)	Provide financial assistance to rural entrepreneurs in manufacturing services, agriculture and rural tourism sectors	BKRM / SME Bank
Business Financing Distribution	Provide business financing to support Bumiputera entrepreneurs in trading	MARA

### Infrastructure

Major Programme	Programme Objectives	Implementing Agency
Building business premises	Provide business premises for Orang Asli entrepreneurs	JAKOA

## Related Agencies

Related Agencies	Acronym	Website
Department of Orang Asli Development	JAKOA	<a href="http://www.jakoa.gov.my">www.jakoa.gov.my</a>
Majlis Amanah Rakyat	MARA	<a href="http://www.mara.gov.my">www.mara.gov.my</a>
Community Development Department	KEMAS	<a href="http://www.kemas.gov.my">www.kemas.gov.my</a>
Institut Kemajuan Desa	INFRA	<a href="http://www.infra.gov.my">www.infra.gov.my</a>
Rubber Industry Smallholders Development Authority	RISDA	<a href="http://www.risda.gov.my">www.risda.gov.my</a>
Federal Land Consolidation and Rehabilitation Authority	FELCRA	<a href="http://www.felcra.com.my">www.felcra.com.my</a>
Kedah Regional Development Authority	KEDA	<a href="http://www.keda.gov.my">www.keda.gov.my</a>
South East Johore Development Authority	KEJORA	<a href="http://www.kejora.gov.my">www.kejora.gov.my</a>
Lembaga Kemajuan Terengganu Tengah	KETENGAH	<a href="http://www.ketengah.gov.my">www.ketengah.gov.my</a>
South Kelantan Development Authority	KESEDAR	<a href="http://www.kesedar.gov.my">www.kesedar.gov.my</a>




## Ministry of Education Malaysia (MOE)

 +603 8000 8000
  +603 8000 8001
  [www.moe.gov.my](http://www.moe.gov.my)

## Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
Public-Private Research Network (PPRN)	Create knowledge friendly ecosystem by strengthening public-private collaboration through research and innovation	MOE

## Ministry of Tourism & Culture Malaysia (MOTAC)

 +603 8000 8000
  +603 8891 7100
  [www.motac.gov.my](http://www.motac.gov.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Homestay Entrepreneur Training & Skill Enhancement	Instil entrepreneurship skills among homestay operators to help enhance their quality of services	MOTAC

### Market Access

Major Programme	Programme Objectives	Implementing Agency
Craft Marketing Programme	Increase craft sales in domestic and international markets	MOTAC

### Related Agencies

Related Agencies	Acronym	Website
Malaysian Handicraft Development Corporation	HANDICRAFT	<a href="http://www.kraftangan.gov.my">www.kraftangan.gov.my</a>
Tourism Malaysia	TOURISM	<a href="http://www.tourism.gov.my">www.tourism.gov.my</a>



## Ministry of Domestic Trade, Cooperative and Consumerism (KPDNKK)

+603 8000 8000    +603 8882 5762    [www.kpdnkk.gov.my](http://www.kpdnkk.gov.my)

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
PNS Franchise / Pre-Franchise / Franchisor Financing Scheme	Develop and promote Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses as well as provide financial assistance for purpose of business expansion and new start-up franchise companies	PNS
Business in Transformation (B.I.T) Programme	Transform entrepreneurs from small-sized firms to become more competitive and systematic	PNS




### Market Access

Major Programme	Programme Objectives	Implementing Agency
<i>Program Citarasa Malaysia</i> (PCM)	Promote and market SME products to local and foreign hypermarkets in Malaysia	KPDNKK
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	KPDNKK

## Related Agencies

Related Agencies	Acronym	Website
Perbadanan Nasional Berhad	PNS	<a href="http://www.pns.com.my">www.pns.com.my</a>
Intellectual Property Corporation Of Malaysia	MyIPO	<a href="http://www.myipo.gov.my">www.myipo.gov.my</a>
Bank Kerjasama Rakyat Malaysia	BKRM	<a href="http://www.bankrakyat.com.my">www.bankrakyat.com.my</a>
Malaysia Co-operative Societies Commission	SKM	<a href="http://www.skm.gov.my">www.skm.gov.my</a>

## Ministry of Plantation Industries and Commodities (MPIC)

 +603 8000 8000
  +603 8880 3441
  [www.kppk.gov.my](http://www.kppk.gov.my)

## Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
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
Entrepreneur Development Programme for Homemade Chocolate	Encourage hand-made chocolate production, increase the production capacity and promote local cocoa and chocolate products	MCB

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
Raw Material Procurement Programme for SME Bumiputera	Provide financing for Bumiputera entrepreneurs to ensure continuous supply of quality raw materials	MTIB

### Market Access

Major Programme	Programme Objectives	Implementing Agency
Wood & Lifestyle Fair	Showcase timber products ranging from home and office furniture of timber products by SMEs and increase sales in domestic market	MTIB

### Related Agencies

Related Agencies	Acronym	Website
Malaysian Cocoa Board	MCB	<a href="http://www.koko.gov.my">www.koko.gov.my</a>
Malaysian Palm Oil Board	MPOB	<a href="http://www.mpob.gov.my">www.mpob.gov.my</a>
Malaysian Timber Industry Board	MTIB	<a href="http://www.mtib.gov.my">www.mtib.gov.my</a>
Malaysian Rubber Board	LGM	<a href="http://www.lgm.gov.my">www.lgm.gov.my</a>
National Kenaf and Tobacco Board	LKTN	<a href="http://www.lktn.gov.my">www.lktn.gov.my</a>
Malaysian Pepper Board	MPB	<a href="http://www.mpb.gov.my">www.mpb.gov.my</a>

## State Government of Sabah (SABAH)



+088 255 055



+088 267 727



[www.sabah.gov.my](http://www.sabah.gov.my)

### Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
Packaging and Product Development Programme	Improve product quality and obtain Halal certificate for food & beverages and cosmetics products	MID SABAH

## Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Food Technology Processing Course	Upgrade and increase skills and expertise of entrepreneurs in food product processing to improve the quality of products	JPPP
Entrepreneurship Training	Assist entrepreneurs to acquire necessary entrepreneurship skills and knowledge	KPLB
Entrepreneurship for Single Mothers	Provide training for single mothers to become entrepreneurs and to expand their businesses	JHEWA
Basic Courses for Contractor	Enhance the knowledge and skills for D, E and F contractors in various fields of the construction industry	KPSKTM
Training for Potential and New Entrepreneurs	Instil entrepreneurship and impart technical knowledge	SEDCO
<i>Skim Usahawan Siswazah</i>	Provide training to develop progressive and resilient Bumiputera entrepreneurs among the students	SEDCO
<i>Kursus Untuk Usahawan</i>	Provide skills and capacity building training in various fields	MID SABAH

## Market Access

Major Programme	Programme Objectives	Implementing Agency
<i>Pameran dan Jualan</i>	Assist entrepreneurs in promoting and selling their products	KPLB


## Infrastructure

Major Programme	Programme Objectives	Implementing Agency
<i>Pembangunan Usahawan Desa</i>	Build and upgrade additional buildings in Rural Entrepreneurs Centre and provide necessary equipment for entrepreneurs to operate businesses	KPLB
<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	KPLB
Shophouses at Sindumin, Sabah	Build shophouses for entrepreneurs to operate and start businesses in Sindumin, Sabah	SEDCO
Shophouses at Merotai, Tawau, Sabah	Build shophouses for entrepreneurs to operate and start businesses in Tawau, Sabah	SEDCO
Shophouses at Kinabatangan, Sandakan, Sabah	Build shophouses for entrepreneurs to operate and start businesses in Sandakan, Sabah	SEDCO

## Related Agencies

Related Agencies	Acronym	Website
Sabah Women's Affairs Department (Jabatan Hal Ehwal Wanita Sabah)	JHEWA	<a href="http://www.wanita.sabah.gov.my">www.wanita.sabah.gov.my</a>
Jabatan Pembangunan Perindustrian dan Penyelidikan	JPPP	<a href="http://www.didr.sabah.gov.my">www.didr.sabah.gov.my</a>
Ministry of Rural Development	KPLB	<a href="http://www.sabah.gov.my/kplb">www.sabah.gov.my/kplb</a>
Kementerian Pembangunan Sumber dan Kemajuan Teknologi Maklumat	KPSKTM	<a href="http://www.kpsktm.sabah.gov.my">www.kpsktm.sabah.gov.my</a>
Ministry of Industrial Development Sabah	MID SABAH	<a href="http://www.sabah.gov.my/mid">www.sabah.gov.my/mid</a>
Sabah Economic Development Corporation	SEDCO	<a href="http://www.sedco.com.my">www.sedco.com.my</a>

## State Government of Sarawak (SARAWAK)

 +082 441 957

 +082 441 677

 [www.sarawak.gov.my](http://www.sarawak.gov.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Entrepreneurship Training	Enhance entrepreneur skills through training	UPUIH
Entrepreneurship Development Programme	Enhance entrepreneurship, technical knowledge and skills to existing, potential and new entrepreneurs through training	MID SARAWAK

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
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
<i>Program Galakan Usahawan</i>	Increase the number of entrepreneurs in various sectors	UPUIH

### Market Access

Major Programme	Programme Objectives	Implementing Agency
Domestic & International Trade Fair & Expo	Assist entrepreneurs in promoting their products in the domestic and international markets	MID SARAWAK
Showcase Usahawan Bumiputera Sarawak	Provide business opportunities to increase income of the entrepreneurs	UPUIH

## Infrastructure

Major Programme	Programme Objectives	Implementing Agency
Industrial Estate Development - Samajaya Free Industrial Zone & Sibu Industrial Estate	Provide better amenities and infrastructure through proper industrial estates development	MID SARAWAK
Incubator Development – Biovalley Park	Support the development of new products and processes of bio-based products by providing infrastructure and facilities for incubators	MID SARAWAK
<i>Anjung Usahawan</i>	Provide business premises to enhance capacity and entrepreneurial skills development	UPUIH

## Related Agencies

Related Agencies	Acronym	Website
Ministry of Industrial and Entrepreneur Development, Trade and Investment Sarawak	MIETI Sarawak	<a href="http://www.mieti.sarawak.gov.my">www.mieti.sarawak.gov.my</a>
Sarawak Economic Development Corporation	SEDC	<a href="http://www.sedc.com.my">www.sedc.com.my</a>
Unit Pembangunan Usahawan & Industri Halal	UPUIH	<a href="http://www.jkm.sarawak.gov.my">www.jkm.sarawak.gov.my</a>

## Ministry of Youth and Sports (KBS)

 +603 8871 3333 / 3000  +603 8888 8770  [www.kbs.gov.my](http://www.kbs.gov.my)




### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Youth Entrepreneurship Programme	Provide basic entrepreneurship course, labelling and packaging technology course and one stop centre for youth entrepreneurs to build networking with Entrepreneur Development Organisation (EDO) and Entrepreneur Financing Institution (EFI)	DYS

### Related Agencies

Related Agencies	Acronym	Website
Department of Youth and Sports	DYS	<a href="http://www.kbs.gov.my">www.kbs.gov.my</a>

## Ministry of Communication & Multimedia Malaysia (KKMM)

 +603 8000 8000  +603 8911 5248  [www.kkmm.gov.my](http://www.kkmm.gov.my)

### Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
Bumiputera ICT Demand Aggregation (BiDA) 2.0	Develop new and sustainable Bumiputera entrepreneurs in the ICT industry	MDEC
MYCyberSALE 2016	Encourage SMEs to be part of the eCommerce eco-system with the aim to increase the domestic eCommerce spending and revenue	MDEC



## Related Agencies

Related Agencies	Acronym	Website
Malaysia Digital Economy Corporation	MDEC	www.mdec.my

## Ministry of Energy, Green Technology and Water (KeTTHA)

 +603 8000 8000
  +603 8889 3712
  [www.kettha.gov.my](http://www.kettha.gov.my)

## Innovation & Technology Adoption

Major Programme	Programme Objectives	Implementing Agency
MyHIJAU Industry & SME	Create more local green SME companies in the industry by providing coaching programmes	GreenTech Malaysia




## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
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	GreenTech Malaysia

## Related Agencies

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

## Ministry of Women, Family and Community Development (KPWKM)

 +603 8000 8000
  +603 8323 2000
  [www.kpwkm.gov.my](http://www.kpwkm.gov.my)



### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
<i>Inkubator Kemahiran Ibu Tunggal (I-KIT)</i>	Eradicate poverty and increase the quality of life of single mothers	JPW
<i>Inkubator Keusahawanan Wanita (I-KeuNITA)</i>	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	JPW

### Related Agencies

Related Agencies	Acronym	Website
Jabatan Pembangunan Wanita	JPW	<a href="http://www.jpw.gov.my">www.jpw.gov.my</a>

## Jabatan Perdana Menteri (JPM)

+603 8000 8000  +603 8888 3904  [www.jpm.gov.my](http://www.jpm.gov.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Business Facilitator Training	Strengthen the entrepreneurship learning and development ecosystem	INSKEN
INSKEN Start-Up Programme	Provide entrepreneurial skills and knowledge for start-up businesses	INSKEN
INSKEN Business Scale Up Programme	Provide comprehensive entrepreneurial skills and knowledge in developing sustainable businesses	INSKEN
INSKEN High Performing Programme	Provide comprehensive entrepreneurial skills & knowledge in sustaining high performing businesses	INSKEN
INSKEN Public Programme	Support SMEs by providing knowledge sharing & experience platform among industrial practitioners	INSKEN

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
Teras Fund	Facilitate business expansion under the Syarikat Bumiputera Berprestasi Tinggi (Teras) programme for working capital and asset purchases	TERAJU
Dana Pembangunan Usahawan Sabah	Provide entrepreneurial training for entrepreneurs and assist in the form of facilities and funding	TERAJU




## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
<i>Dana Pembangunan Usahawan Sarawak</i>	Provide entrepreneurial training for entrepreneurs and assist in the form of facilities and funding	TERAJU
Bumiputera Entrepreneurs Start-up Scheme (SUPERB)	Support innovative and creative business ideas and help start-up companies	TERAJU

## Related Agencies

Related Agencies	Acronym	Website
Institut Keusahawanan Negara	INSKEN	<a href="http://www.insken.gov.my">www.insken.gov.my</a>
Unit Peneraju Agenda Bumiputera	TERAJU	<a href="http://www.teraju.gov.my">www.teraju.gov.my</a>



## Bank Negara Malaysia (BNM)

 +603 2698 8044 / 9044   
  +603 2691 2990   
  [www.bnm.gov.my](http://www.bnm.gov.my)  
 +603 9179 2888

## Access to Financing

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

## Perbadanan Usahawan Nasional Berhad (PUNB)

+603 2785 1515  +603 2780 2100  +www.punb.com.my

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
<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	PUNB

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
SME Scheme	Increase the number and quality of Bumiputera entrepreneurs in manufacturing and services sectors	PUNB
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	PUNB
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	PUNB
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	PUNB
PROSPER <i>Usahawan Muda (PUMA)</i>	Assist young Bumiputera to embark on retail and distribution business through structured and systematic development mechanism	PUNB

## Infrastructure

Major Programme	Programme Objectives	Implementing Agency
PROSPER Property	Increase Bumiputera ownership in commercial property	PUNB



## Credit Guarantee Corporation (CGC)

 +603 7806 2300
  +603 7806 3308
  [www.cgc.com.my](http://www.cgc.com.my)

## Access to Financing

Major Programme	Programme Objectives	Implementing Agency
<i>Tabung Projek Usahawan Bumiputera-i</i> (TPUB-i)	Provide financing to small & medium scale Bumiputra entrepreneurs who had been allotted projects/contracts but was unsuccessful to obtain financing from FIs	CGC
Guarantee Schemes	Provide guarantee scheme to help SMEs secure credit facilities from financial institutions	CGC
Guarantee Scheme for Green Technology Financing Scheme	Assist companies (including SMEs) to obtain financing to support Government's initiative to promote investments in green technology	CGC
<i>BizMula-i</i>	Provide financing to new businesses viewed as high risk within the financial sector and uplift new businesses devoid of track records or collateral	CGC



## Amanah Ikhtiar Malaysia (AIM)

 +603 6274 8810  +603 6274 8809  [www.aim.gov.my](http://www.aim.gov.my)

### Access to Financing

Major Programme	Programme Objectives	Implementing Agency
<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	AIM

## Federal Land Development Authority (FELDA)

 +603 2191 2191  +603 2191 2590  [www.felda.net.my](http://www.felda.net.my)

### Human Capital Development

Major Programme	Programme Objectives	Implementing Agency
Synergy Enhancement Entrepreneur Day (SEED)	Provide necessary information, identify issues and build networking among existing entrepreneurs under FELDA's scheme	FELDA
Entrepreneur & Cooperative Training	Improve skills, gain knowledge, increase productivity and develop competitiveness among entrepreneurs	FELDA
Incubator Programme	Develop new entrepreneurs among FELDA's generations in various sectors and industries	FELDA

## GLOSSARY OF ABBREVIATIONS

### Organisations / Associations / Institutions

Name	Acronym
Association of Banks in Malaysia	ABM
Associations of Islamic Banking Institutions Malaysia	AIBIM
Asia-Pacific Economic Corporation	APEC
ASEAN Economic Community	AEC
ASEAN Working Group on Intellectual Property Corporation	AWGIPC
Committee on Trade and Investment	CTI
Emergency Preparedness Working Group	EPWG
National SME Development Council	NSDC
Organisation for Economic Co-operation and Development	OECD
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
Malaysia Institute of Economic Research	MIER
Malaysian Administrative Modernisation and Management Planning Unit	MAMPU
Malaysian National Animal Welfare Foundation	MNAWF
National Security Council	NSC
Universiti Pertahanan Nasional Malaysia	UPNM
Universiti Putra Malaysia	UPM
Yayasan Inovasi Malaysia	YIM
Jabatan Kemajuan Islam Malaysia	JAKIM
Jabatan Kerja Raya	JKR



Name	Acronym
Penang Regional Development Authority	PERDA
Science and Technology Research Institute for Defense (STRIDE)	STRIDE
Scientific and Industrial Research Institute of Malaysia	SIRIM
World Intellectual Property Organization	WIPO

## Funds

Name	Acronym
Agrobank Financing Scheme	AFS
Biotechnology Commercialisation Funding	BCF
Bumiputera Entrepreneur Project Fund - Islamic	BEPF-i
Bumiputera Entrepreneurs Start-up Scheme	SUPERB
Business Startup Fund	BSF
Commercialisation of Research and Development Fund	CRDF
<i>Dana Modal Teroka</i>	Mudharabah & OSP-3
<i>Dana Pembiayaan Usahawan Pertanian</i>	DPUP
<i>Ekuiti Bumiputera</i>	EquiBumi
Fund for Food	3F
Fund for Small and Medium Industries 2	FSMI2
Green Technology Financing Scheme	GTFS
Human Resources Development Fund	HRDF
Islamic Wholesale Guarantee	WG-i
Malay Reserve Development Financing	MRDF
Micro Enterprise Fund	MEF
New Entrepreneur Fund 2	NEF2
Online Business Financing	OBF

Name	Acronym
Portfolio Guarantee	PG
Pre-Commercialisation Fund	PCF
<i>Skim Pembiayaan Ekonomi Desa</i>	SPED
<i>Skim Pembiayaan Mudah Jaya</i>	SPiM
Small and Medium Industry Financing Scheme	SPIKS
Small Debt Resolution Scheme	SDRS
SME Emergency Fund	SMEEF
SME Technology Transformation Fund	STTF
Soft Loan for Bumiputera Automative Entrepreneur	SLBAE
Soft Loan Scheme for Automation and Modernisation	SLSAM
Soft Loan Scheme for Service Sector	SLSSS
Soft Loan Scheme for Small and Medium Enterprise	SLSME
Special Relief Facility	SRF
<i>Tabung Pembangunan Usahaniaga Peladang</i>	TPUP
<i>Tabung Projek Usahawan Bumiputera-i</i>	TPUB-i
Technology Acquisition Fund	TAF

## Government Programmes

Name	Acronym
Advanced Virtual Incubation Service	ADVISE
Agriculture Marketing and Investment Mission	AMIM
Automotive Industry Certification Engineering	AICE
Bumiputera Enterprise Enhancement Programme	BEEP
Bumiputera Exporters Development Programme	BEDP
Bumiputera ICT Demand Aggregation	BiDA
Bumiputera in Transformation	BIT
Bumiputera Vendor Development Programme	BVDP
Business Accelerator Programme	BAP
Business Licensing Electronic Support System	BLESS
Change Upgrade Product	CUP
Cradle Investment Programme	CIP
Cradle Investment Programme 500	CIP500
Economic Transformation Programme	ETP
Franchise Export Programme	FRANEX
<i>Galakan Eksport Bumiputera</i>	GEB
<i>Gerai Buah-Buahan Segar</i>	GBBS
Going Export Programme	GoEx
Halal Business Transformation HBT 3.0	HBT 3.0
Halal Fiesta Malaysia	HALFEST
High Impact Programmes	HIPs
Industrial lead Professional Certificate	IPC
Industrial Linkage Programme	ILP
<i>Inkubator Kemahiran Ibu Tunggal</i>	I-KIT
<i>Inkubator Keusahawanan Wanita</i>	I-KeuNITA

Name	Acronym
Intellectual Property Creators Challenge	IPCC
International Trade Malaysia	INTRADE
Kuala Lumpur International Craft Festival	KLICF
Malaysian International Halal Showcase	MIHAS
Market Development Grant	MDG
Mid-Tier Companies Development Programme	MTCDP
National Dual Training System	NDTS
<i>Pembangunan Usahawan Lepasn Institusi Pendidikan MARA</i>	IPMa
<i>Pengukuhan Bekalan Ladang Kontrak ke Pasar Tani</i>	KUKUH
Portfolio Guarantee	PG
Product and Quality Enhancement Programme	GroomBig
<i>Produk Citarasa Malaysia</i>	PCM
<i>Program Pembangunan Usahawan Baru</i>	PIONEER
<i>Program Pembangunan Usahawan Warisan</i>	POWARIS
<i>Program Pemerkasaan Usahawan</i>	PREMIER
Raw Material Procurement Program For Bumiputera SMEs	RMPPB
<i>Satu Daerah Satu Produk</i>	SDSP
Shariah-Compliant SME Financing Scheme	SSFS
<i>Showcase Satu Daerah Satu Industri</i>	SDSI
SME Competitiveness Rating for Enhancement	SCORE
SME Investment Partner	SIP
Special Assistance Scheme-i	SAS / SAS-i
Technology Acceleration Programme	TAP
Technology Commercialisation Platform	TCP
<i>Tunas Usahawan Belia Bumiputera</i>	TUBE

<b>Name</b>	<b>Acronym</b>
Vendor Development Programme	VDP
Women Exporters Development Programme	WEDP
Youth Exporters Development Programme	YEDP

## Government Documents

<b>Name</b>	<b>Acronym</b>
ASEAN Strategic Action Plan for SME Development	SAPSMED
Competition Act 2010	CA 2010
Digital Economy Action Plan and Work Agenda	DEAP
Eleventh Malaysia Plan	11MP
Islamic Financial Services Act 2013	IFSA 2013
Malaysia-European Free Trade Association Economic Partnership Agreement	MEEPA
National Franchise Development Blueprint	NFDB
Regional Comprehensive Economic Partnership	RCEP
Small and Medium Enterprise Act	SME Act
SME Integrated Plan of Action	SMEIPA
Tenth Malaysia Plan	10MP
Trans-Pacific Partnership Agreement	TPPA

## Other Terms

Name	Acronym
Animal Assisted Therapy	AAT
ASEAN ICT Award	AICTA
ASEAN SME Agencies Working Group	SMEWG
Asia Pacific Entrepreneurship Award	APEA
Automated Guided Vehicle	AGV
Automotive Supplier Excellence Programme	ASEP
Bank Negara Malaysia Laman Informasi Nasihat dan Khidmat	BNMLINK
Banking Institutions	BIs
Branding Innovation Centre	BIC
Bumiputera Workshop Transformation Programme	BWTP
Business to Business	B2B
Business to Consumer	B2C
Compounded Annual Growth Rate	CAGR
Consumer Price Index	CPI
Credit Guarantee Corporation Malaysia Berhad	CGC
Crude Palm Oil	CPO
Design and Development	D&D
Development Financial Institutions	DFIs
Digital Evolution Index	DEI
Effective Microorganisms	EM
Electronic Funds Transfer Point-of-Sale	EFTPOS
Equity Crowdfunding	ECF
Fast Moving Consumer Goods	FMCG
Financial Institutions	FIs
Financial Technology	FinTech

Name	Acronym
Food Safety is the Industry's Responsibility	MeSTI
Food, beverages and tobacco	FBT
Foreign Workers without Permits	PATI
Global Value Chains	GVCs
Good Agricultural Practices	GAP
Good Manufacturing Practices	GMP
Goods and Services Tax	GST
Government-linked Companies	GLCs
Gross Merchandise Value	GMV
Hazard Analysis and Critical Control Point	HACCP
High Density Polyethylene	HDPE
<i>Industri Kecil dan Sederhana</i>	IKS
Industrialised Building System	IBS
Information and Communication Technology	ICT
Initial Public Offering	IPO
Innovation and Technology Exhibition	ITEX
Intellectual Property	IP
International Interior Design Association	IIDA
Internet of Things	IoT
Investment Account	IA
Investment Account Platform	IAP
Islamic Financial Institutions	IFIs
Large Corporations	LCs
MAI Intelligent Technology System	MITS
Malaysia Corporate Identity	MyCoID

Name	Acronym
Mimimum Wages	MW
Monetary Policy Committee	MPC
Multimedia Super Corridor	MSC
Multinational Companies	MNCs
myGovernment Online Services Portal	MOSP
New Growth Areas	NGAs
One Referral Centre	ORC
Overnight Policy Rate	OPR
Patent Cooperation Treaty	PCT
PE Corporations	PEC
PE Management Corporations	PEMC
Peer-to-Peer	P2P
Petroleum, chemical, rubber and plastic products	PCRP
Private Equity	PE
Producer Price Index	PPI
Public Private Research Network	PPRN
Research and Development	R&D
Rural Business Challenge	RBC
Rural Entrepreneur Centres	RECs
Science, Technology, and Innovation	STI
Small and Medium Enterprises	SME
State-Owned Enterprises	SOEs
Strengths, Weaknesses, Opportunities and Threats	SWOT
Technical Vocational Education and Training	TVET
Venture Capital	VC



## APPENDIX 3

### Glossary of Abbreviations

Name	Acronym
Venture Capital Companies	VCCs
Venture Capital Management Corporations	VCMCs
World Economic Outlook	WEO

# DEFINITION

## 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	RM 300,000 to < 15 Million	5 to < 75 employees	RM 15 Million to ≤ 50 Million	75 to ≤ 200 employees
Services & Others			RM 300,000 to < 3 Million	5 to < 30 employees	RM 3 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 companies on the main board
- 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.