

SME ANNUAL REPORT | 2018
2019



**ENTREPRENEURSHIP
DRIVING SMES**



NATIONAL ENTREPRENEUR AND SME DEVELOPMENT COUNCIL (NESDC)

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Message from **YAB PRIME MINISTER**

The 2018/19 edition of the SME Annual Report comes at a significant juncture as the nation embarks on a new economic development narrative. The Shared Prosperity Vision 2030 (SPV 2030) launched on 5 October 2019 aspires to propel the nation towards high value-added economic activities in a more inclusive manner and which aims to result in enhanced role of entrepreneurs and Small and Medium Enterprises (SMEs).

Representing the vast majority (98.5%) of the business population with contribution of 38.3% to overall GDP, 17.3% to total exports and 66.2% to overall employment in 2018, Malaysian SMEs are indeed the catalysts to address economic disparities across income groups, ethnicities, regions and supply chains.


The Government has also launched the National Entrepreneurship Policy 2030 (DKN 2030) in July 2019 to facilitate a more coherent entrepreneurship policy and development. DKN 2030 outlined key strategies to increase the number of competitive and resilient entrepreneurs as well as to enhance the capabilities of SMEs. Nevertheless, translating high-level commitment into concrete outcome requires action plans with clearly identified objectives that progressively encompass all the cross-cutting policies of the Government. Therefore, I hope the implementation of DKN 2030 will be rolled out with a set of concrete, timely and future-proof action plans complemented by structured monitoring mechanism and milestones that will put the country at the right trajectory to become an “Entrepreneurial Nation” by 2030.

Delivering effective policy does not only require a cross-cutting perspective, but more importantly, it must be supplemented with sufficient resources that are efficiently managed to support the critical areas required in the ecosystem to chart the growth and expansion of Malaysian SMEs. In connection to this, I am pleased to note that Budget 2020 allocates a total of RM13.1 billion for measures to stimulate economic growth and benefit businesses and entrepreneurs directly and indirectly. Of this, a total of RM4.3 billion has been allocated specifically for entrepreneurs and SMEs, notably with an increase in allocation for the development of Bumiputera entrepreneurs, Halal industry and capacity building for SMEs. In addition, SMEs also stand to benefit from other funds in various categories of businesses totalling RM8.8 billion.

The commitment to drive SME development is visible through Government's facilitative role in creating a more conducive environment for businesses to thrive. In 2018, a total of 153 programmes were implemented through public and private sector funding amounting to RM13.7 billion. The programmes which covered access to financing, technology and innovation, access to market, human capital development, infrastructure as well as legal and regulatory have benefited 637,808 SMEs. Meanwhile for 2019, a similar amount of RM13.7 billion has been allocated for implementation of 164 programmes to assist 555,408 SMEs. The commitment of the Government towards SME development is evident with enhanced strategies and identified key result areas, cemented to cultivate Malaysian SMEs as the cornerstone for a more progressive, knowledge-based nation, with greater community participation at all levels.

The development of inclusive business emerges as one of the new strategies to optimise the potential of the private sector which in turn will play a bigger role in developing innovative ways of undertaking commercially-viable businesses catering for those at the base of the pyramid. Given its wide-ranging multiplier effect, inclusive business has been included in the DKN 2030 and will form one of the strategic recommendations under the Twelfth Malaysia Plan, 2021 – 2025 (RMKe-12), consistent with the priorities of the Government to empower the B40. Advantageously, companies are in position to embrace low income population into the value chain of their core business as suppliers, distributors, retailers or even as skilled employees, instead of merely regarding them as prospective consumers. Therefore, I would like to very much encourage Malaysian companies to look through the lenses of inclusive business and pivot their strategies towards becoming a more responsible corporate citizen while maintaining sustainable and profitable businesses.

Formulating business strategies in this age of rapidly evolving technologies, one ought to recognise that digitalisation lies at the heart of increasingly disruptive business models. Digitalisation also enables business process transformation, be it in operating a machine, managing customers, carrying-out transactions, delivering services and soliciting feedback in a completely digital environment. Accordingly, to thrive in today's atmosphere, entrepreneurs must acclimatise to the digital disruption by ensuring the adoption of digitalisation in their business, minimising the gap between man and machines as well as exploiting the true wealth that comes in the form of big data analytics. Moving forward, I would like to call upon all entrepreneurs to ride the wave of digitalisation and use hard data to make informed-decision ~ for it is the entrepreneurs who lead businesses to seize every opportunity for growth, as fittingly themed in this year's report **'Entrepreneurship Driving SMES'**.



TUN DR. MAHATHIR BIN MOHAMAD
4 December 2019





Section 1
Economic Assessment

Chapter
ONE

The
Malaysian
Economy

Chapter ONE | The Malaysian Economy

The Malaysian economy continued to demonstrate considerable resilience in the face of multiple headwinds by registering a moderate growth of 4.7% in 2018 (2017: 5.7%). Several external and domestic challenges arising partly from global trade tensions and the historic change of Government have weighed on the overall GDP growth. Apart from that, supply disruptions have adversely affected activity in the mining and agriculture sectors, as well as commodity exports, consequently resulted in a larger-than-expected moderation in growth.

Amid uncertainties in the economic landscape, the growth prospect of the Malaysian economy remains robust for the year 2019, with the overall GDP is projected to expand by 4.7%. Resilient domestic demand will continue to anchor growth, particularly household spending following stable labour market and low inflation. The resilience in the economy will be backed up by the diversified economic structure, sound macroeconomic fundamentals and developed financial system.



PERFORMANCE IN 2018

The Malaysian economy grew at a more moderate pace of 4.7% in 2018 (2017: 5.7%). The growth continued to be anchored by domestic demand, supported mainly by private sector expenditure. Meanwhile, net exports rebounded during the year as the growth in real exports outpaced real imports.

Private consumption expanded at its fastest pace since 2012 at 8.0% (2017: 6.9%). Favourable income and labour market conditions continued to drive household spending with additional support from the three-month tax holiday (1 June - 31 August 2018) following the zerorisation of the Goods and Services Tax (GST) rate, as well as other Government measures, such as the stable retail fuel price of RON95 petrol and special payments to civil servants and pensioners.

Private investment grew at a slower pace of 4.3% (2017: 9.0%) amid heightened uncertainty arising from both external and domestic developments. However, firms, particularly in the export-oriented sectors, continued to increase production capacity and improve efficiency to meet demand.

Public consumption growth moderated to 3.3% (2017: 5.5%) due to slower growth in spending on both emoluments and supplies & services, which is in line with the Government's commitment to reprioritise expenditures.

Public investment declined by 5.0% in 2018 (2017: 0.3%), mainly attributed to lower spending by public corporations following the near completion of large projects in the downstream oil & gas and utilities industries. Capital expenditure by the Federal Government was higher in 2018, supported by continued spending in transportation infrastructure, public utilities and agricultural & rural development.

Table 1.1: Real GDP by Expenditure (constant 2015 prices)

	2017	2018 ^p	1H 2019 ^p	2019 ^e
	Annual growth (%)			
Domestic Demand ¹	6.5	5.5	4.5	4.0
Private Sector Expenditure	7.4	7.1	6.1	5.6
Consumption	6.9	8.0	7.7	6.8
Investment	9.0	4.3	1.2	1.5
Public Sector Expenditure	3.4	0.1	-2.1	-1.8
Consumption	5.5	3.3	3.2	2.0
Investment	0.3	-5.0	-11.3	-8.1
Net Exports of Goods and Services	-3.9	11.4	16.0	14.5
Exports	8.7	2.2	0.1	-0.4
Imports	10.2	1.3	-1.8	-2.1
Real GDP	5.7	4.7	4.7	4.7

¹Excluding stocks

p: preliminary e: estimate based on Budget 2020 by Ministry of Finance

Source: Department of Statistics, Malaysia and BNM Quarterly Bulletin for 2Q 2019

On the **supply side**, most economic sectors recorded an expansion, with the exception of commodity-related sectors. The principal drivers of growth remained to be from the services and manufacturing sectors. Nevertheless, the agriculture sector recorded a marginal growth following adverse weather conditions, while supply disruptions in natural gas production led to a contraction in the growth of mining sector.

With labour market conditions generally stable and remained favourable in 2018, the unemployment rate sustained at 3.3% (2017: 3.4%) as stronger employment gains kept pace with labour force expansion.

Table 1.2: Real GDP by Economic Sector (constant 2015 prices)

	2017	2018 ^p	1H 2019 ^p	2019 ^e
	Annual growth (%)			
Agriculture	5.7	0.1	4.9	4.3
Mining & Quarrying	0.4	-2.6	0.3	0.6
Manufacturing	6.0	5.0	4.2	4.0
Construction	6.7	4.2	0.4	1.7
Services	6.2	6.8	6.3	6.1
Real GDP	5.7	4.7	4.7	4.7

p: preliminary e: estimate based on Budget 2020 by Ministry of Finance
Source: Department of Statistics, Malaysia and BNM Quarterly Bulletin for 2Q 2019

Headline inflation moderated to 1.0% (2017: 3.7%), mainly reflecting the impact of the stable retail fuel prices and the zerorisation of the GST rate which have more than offset upward cost pressures that remained present for some parts of 2018.

Table 1.3: Inflation and Unemployment Rate

	2017	2018 ^p	2019 ^e
	Annual growth (%)		
Inflation Rate			
Consumer Price Index (2010 = 100)	3.7	1.0	0.9
Producer Price Index (2010 = 100)	6.7	-1.1	-
Unemployment Rate	3.4	3.3	3.3

p: preliminary e: estimate
Source: Department of Statistics, Malaysia and Budget 2020 by Ministry of Finance

Table 1.4: Balance of Payments

	2017	2018 ^p	1H 2019 ^e	2019 ^e
	RM billion			
Current Account	38.3	30.6	30.6	43.4
% of GNI	2.9	2.2	4.3	2.9
Goods	117.1	119.2	62.0	131.0
Services	-22.9	-17.7	-5.3	-21.1
Primary Income	-38.7	-51.6	-15.7	-45.3
Secondary Income	-17.3	-19.3	-10.4	-21.2
Financial Account	-4.7	18.6	-32.4	-
Direct Investment	16.2	11.3	8.0	-
Assets	-24.2	-23.3	-18.4	-
Liabilities	40.4	34.6	26.4	-
Portfolio Investment	-15.4	-44.4	-8.1	-
Financial Derivatives	-0.2	1.0	-0.7	-
Other Investment	-5.3	50.7	-31.6	-
Net Errors and Omissions	-17.1	-41.3	5.9	-
Overall Balance (surplus + / deficit -)	16.4	7.8	4.1	-
Net International Reserves of BNM (RM billion)	414.6	419.5	-	-
Net International Reserves of BNM (USD billion)	102.4	101.4	-	-
Reserves as Months of Retained Imports	7.2	7.4	-	-

p: preliminary e: estimate

Source: Department of Statistics, Malaysia, BNM Annual Report 2018 and Budget 2020 by Ministry of Finance

In the face of multiple headwinds in the global economic environment, the Malaysian **external sector** performance was resilient in 2018. The current account of the balance of payments remained in surplus as the income deficit was more than offset by a sizeable goods surplus and smaller services deficit. The level of international reserves continued to serve as a key buffer against potential external shocks.



OUTLOOK FOR 2019

The year 2019 was rather tense given the dynamism in the global economy is being weighed down by slowdown in manufacturing sector and global trade following rising trade and geopolitical tensions. In addition, prolonged uncertainty on Brexit, additional US tariffs on China's import as well as disruptions to technology supply chain added to the volatile market sentiment. Against the backdrop of these constraints, the latest World Economic Outlook (WEO) released by International Monetary Fund (IMF) on 15 October 2019 has revised downward its growth outlook for 2019 for the sixth time since July 2018. The growth for the year 2019 was further downgraded to 3.0% (WEO July'19: 3.2%), which is the slowest pace since the global financial crisis took place in 2008 - 2009. With global activity generally remaining subdued and the outlook remains precarious, the balance of risks continues to remain on the downside, emanating from potential escalation of trade and geopolitical tensions, buildup in financial vulnerabilities and unmitigated climate change.

Table 1.5: IMF World Economic Outlook (WEO) in October 2019

	2018 ^p	2019 ^e	2020 ^f
World Output	3.6	3.0	3.4
Advanced Economies	2.3	1.7	1.7
United States	2.9	2.4	2.1
Euro Area	1.9	1.2	1.4
Japan	0.8	0.9	0.5
United Kingdom	1.4	1.2	1.4
Emerging and Developing Economies	4.5	3.9	4.6
Emerging and Developing Asia*	6.4	5.9	6.0
China	6.6	6.1	5.8
India	6.8	6.1	7.0
ASEAN-5**	5.2	4.8	4.9
Emerging and Developing Europe	3.1	1.8	2.5
Latin America and the Caribbean	1.0	0.2	1.8
Middle East and Central Asia	1.9	0.9	2.9
World Trade Volume (goods and services)	3.6	1.1	3.2

p: preliminary e: estimate f: forecast

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

**Indonesia, Malaysia, Philippines, Thailand & Vietnam

Source: IMF World Economic Outlook, October 2019

Amidst the challenging global environment, the **Malaysian economy** is projected to sustain its growth momentum, expanding by **4.7% in 2019**. **Domestic demand** will remain to be the principal driver of growth, expecting to grow by 4.0% in 2019. Private consumption is also estimated to grow by 6.8%, supported by continued wage growth and favourable employment prospects. Household spending will be further boosted by an upward revision of the minimum wage rate, cash transfers, income tax refund and lower cost of borrowings.

Private investment activity is expected to register a much slower growth of 1.5% in 2019, reflecting lower external demand and capacity utilisation rate, particularly in the export-oriented industries. While some investors remained cautious in the first half of 2019, investment is anticipated to pick up in the second half of the year, in line with the Business Tendency Statistics which expected a more favourable business performance during the mentioned period. In addition, investment in high value-added areas, such as advanced materials, optics & photonics, petrochemicals and pharmaceuticals are projected to attract more investors.



Public consumption is projected to remain moderate at 2.0% in 2019 in line with the fiscal consolidation path. The Government will continue to undertake expenditure optimisation practises, emphasising on the reduction of wastage and leakages without affecting public service delivery. Meanwhile, **public investment** is estimated to decline by 8.1% in 2019 following lower capital outlays by public corporations, especially in oil & gas related industries. Development expenditure by the Government will mostly focused on the economic and social sectors, mainly channelled into transportation system, energy & public utilities as well as into education and healthcare.

On the **supply side**, all economic sectors would continue to expand with the services and manufacturing sectors being the main contributors to growth. Growth in agriculture sector is projected to register an expansion in 2019 amid higher production of crude palm oil and natural rubber. Meanwhile, there will be a turnaround in the growth of mining sector in 2019, supported by higher natural gas production. The construction sector is estimated to record a moderate growth, mainly supported by the civil engineering segment.

Despite slowdown in global economic growth and trade performance, Malaysia's **external sector** is expected to remain resilient. Overall in 2019, the current account of the balance of payments is projected to widen and remain in surplus at RM43.4 billion or 2.9% of Gross National Income (GNI), following the increase in net exports of goods and services. In addition, gross exports are estimated to expand marginally while gross imports to decline in 2019 as it being weighed down by capital goods due to lower investment activities.

Headline inflation in 2019 is anticipated to grow by 0.9%, partly due to the imposition of departure levy which took effect in September 2019. Nevertheless, minimal impact on the overall inflation is expected following the introduction of sugar tax in July 2019 though it has a relatively smaller weightage in the Consumer Price Index (CPI) basket. Going forward, the trajectory of inflation outlook will rely on foreign exchange rate movements and uncertainties in the global oil prices as a result of trade and geopolitical tensions.



Monetary policy in 2019 will continue to focus on supporting economic growth against the backdrop of low inflation and stable financial conditions. Furthermore, money and foreign exchange markets as well as intermediation activities are anticipated to remain vibrant to anchor monetary operations. Supported by sufficient liquidity and strong capital buffers, the banking sector is expected to remain robust and orderly. The capital market will also be resilient, driven by well-developed infrastructure and instruments. Despite the positive expectations, external uncertainties which include the global growth pace, US-China trade tensions as well as global financial market volatility may affect the banking and capital market performance.

Fiscal policy in 2019 will focus on strengthening the Government's fiscal position by pursuing gradual fiscal consolidation while lending continued support for growth, paring down debt and liabilities, as well as promoting economic inclusiveness. Correspondingly, the path towards consolidation is outlined with fiscal balances targeted at -3.4% and -3.2% of GDP in 2019 and 2020 respectively, being anchored by several key reform initiatives which include enhancing expenditure effectiveness, diversify and broaden the revenue base and encourage holistic and transparent debt management.







Section 1
Economic Assessment

Chapter
TWO

SME
Developments
and Outlook

Chapter TWO | SME Developments and Outlook



Against the backdrop of a challenging economic environment in 2018, SMEs in Malaysia act as stabilisers of growth by demonstrating their ability to withstand external shocks and domestic developments. Growth of SME GDP increased by 6.2% in 2018 (2017: 7.1%) and continued to outperform the overall GDP growth of 4.7% in 2018 (2017: 5.7%). The higher growth was supported by expansion in all economic sectors. In terms of economic contribution, SMEs contributed 38.3% to overall GDP, 17.3% to total exports and 66.2% to total employment during the year.

Outlook for SMEs in 2019, however depends largely on external developments given the current concerns on prolonged trade tensions and softening domestic economic growth. Barring any unexpected developments, SME GDP growth is projected to expand at a moderate pace of 5.8% in 2019. The projection takes into account the actual overall GDP growth performance in the first half of 2019 at 4.7% and official overall GDP growth projection of 4.7% for 2019. Hence, the focus in Dasar Keusahawan Nasional 2030 (DKN 2030) recently launched by Ministry of Entrepreneur Development would be to unleash the untapped potential of SMEs to enable the quantum leap in growth and thus increase the contribution of SMEs to the economy.

GLOBAL AND REGIONAL DEVELOPMENT OF SMEs

SMEs accounted for 99% of all businesses across the Organisation for Economic Cooperation and Development (OECD) countries and contributed between 50-60% of value added. Typically, SMEs operate in services sector with lower entry costs and resource requirements, particularly wholesale & retail trade and construction. There are relatively fewer SMEs in manufacturing sector, notably those that are capital or knowledge-intensive, requiring a larger scale of production. In terms of global market condition of SMEs and entrepreneurship, steady improvement has been observed since the 2008/2009 financial crisis, mainly driven by global investments and a rebound in business confidence. Despite recent signs of tightening, bank lending to SMEs has been increasing at a moderate pace across countries reflecting lower demand for traditional bank financing by SMEs that have restored their profit margins, internal financing capacity and improved the business profiles to attract alternative financing sources. At the same time, challenges in accessing finance persist for microenterprises, start-ups and innovative ventures with novel business models.

Against this backdrop, the supply of alternative sources of funding, such as equity crowdfunding (ECF), peer-to-peer (P2P) lending and financial technology (fintech) is expanding strongly and becoming increasingly important in the SME financing landscape. Based on the OECD publication, Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard, SMEs are turning to non-bank financing sources at a faster pace than in the past. Online P2P lending and fundraising activities on ECF platforms increased significantly in 2017, especially in countries with small markets. China, the United Kingdom and the United States continued to have the biggest online alternative finance markets for businesses. Venture capital investments increased in most countries, and the number of SMEs listings expanded by more than 13% in 2017, with total SME market capitalisation increased by 16.7%.

On the regional front, all economies in Asia-Pacific Economic Cooperation (APEC) continued to implement measures under the four priority areas of APEC's Small and Medium Enterprises Working Group (SMEWG) Strategic Plan for 2017 - 2020, namely:

- (i) entrepreneurship, innovation and the internet & digital economy;
- (ii) market access for SMEs;
- (iii) financing for business expansion and capability development; and
- (iv) inclusive business ecosystem that supports SME growth.

“
In terms of global market condition of SMEs and entrepreneurship, steady improvement has been observed since the 2008/2009 financial crisis, mainly driven by global investments and a rebound in business confidence.
”

On-going key initiatives under the SMEWG include:

i) Establishment of APEC MSME Marketplace

An online portal that enables SMEs in APEC member economies to participate in the directory of exporters, obtain regular updates on various procedures and regulations on international trade as well as participate in business networking and matching activities

ii) Implementation of the APEC Strategy for Green Sustainable and Innovation

Organisation of a Brainstorming Workshop Towards an APEC Green Road: Promoting Responsible and Sustainable Tourism in MSMEs in Thailand

iii) Continuous sharing of best practices among the member economies at the SMEWG meetings held in 2018 and 2019

Japan: Formulation of Act on Enhancement of Management of SME to increase productivity of Japanese SMEs

Malaysia: Holistic monitoring and evaluation of SME and entrepreneurship programmes mechanism

Australia: Improving payment terms for small business whereby the Government will pay invoices within 20 days compare to 30 – 80 days previously

iv) Organisation of various conferences and workshops

Promote a sustainable and inclusive e-commerce ecosystem, digitalisation and internationalisation of SMEs

In line with the SMEWG Strategic Plan's priorities areas particularly on entrepreneurship, two project proposals from Malaysia, namely APEC Young Entrepreneurs Kick-Off and APEC Policy Dialogue on SMEs and Entrepreneurship Framework: Let's be Coherent and Cohesive were endorsed at the 48th SMEWG Meeting held in China in May 2019. The implementation of these projects will be carried out in 2020, in conjunction with Malaysia hosting the APEC 2020.

Association of Southeast Asian Nations (ASEAN) has also been giving strong emphasis to SMEs and Entrepreneurship development agenda through the ASEAN Coordination Committee for Micro Small and Medium Enterprises (ACCMSME), significant progress has been made in relation to the ASEAN Strategic Action Plan for SME Development (SAPSMED 2016 - 2025), particularly on the completion of several priority deliverables for year 2018.

These include endorsement and launch of ASEAN SME Policy Index (ASPI) 2018 Report (detailed findings is featured in Box Article in Chapter 3 on page 63), completion of study on SME Participation in the Digital Economy in ASEAN, development of ASEAN Mentorship for Entrepreneurs Network (AMEN) and completion of two forums on inclusive business. In addition, to mark the effort by the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) to promote productivity, technology, digitalisation and innovation for MSMEs, the ASEAN SME Academy was developed in the year. The ASEAN SME Academy is a self-help and self-paced online learning tool for MSMEs, offering free courses and resources on topics such as financing, accounting, management, marketing and technology to help ASEAN MSMEs to grow.

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e-learning courses & subjects

- Finance & Accounting
- Operations
- Technology
- Marketing
- Trade/Logistic
- Human Resources
- Management

2 375 links to resources

- Business and industry groups
- Entrepreneurs associations
- Domestic and international corporate initiatives
- Private financial and business development services and government activities that are relevant to the SMEs

3 Course materials contributed by Fortune 500 Companies

Logos of contributing companies: hp, f, FedEx, cisco, Google, Microsoft, P&G, Mastercard, International Labour Organization, Baker McKenzie, PayPal.

Partners:

Logos of partners: US-ASEAN Business Council, Ministry of Entrepreneur Development, SMECORP, DKN 2030.

Given that digitalisation is one of ACCMSME’s priorities in 2019, the Office of SMEs Promotion Thailand (OSMEP) with the support of Canada through the Canada-OECD Project for ASEAN SMEs organised the Global Digitalisation Model for Micro Enterprises Workshop in May 2019 and a policy dialogue on Starting a Business in ASEAN: Formalisation of Micro Enterprises and How Digitalisation Can Support It in June 2019 in Thailand. The key findings and conclusions from both initiatives will be compiled in the Policy Guideline on Digitalisation of ASEAN Micro Enterprises that among others will propose policies to encourage entrepreneurs to formalise and apply digital solutions for the benefits of their businesses.

In recognising the importance and contribution of women entrepreneurs, the ASEAN-Japan Centre (AJC) organised the 3rd ASEAN - Japan Women Entrepreneurs’ Linkage Program (AJWELP) from 27 - 30 January 2019 in Kuala Lumpur, Malaysia. The Programme, co-hosted by SME Corp. Malaysia, successfully linked the start-up women entrepreneurs across ASEAN region with participating companies, mentors and a circle of supporters, as well as expanded their skills in entrepreneurship and leadership. A total of 24 women entrepreneurs benefitted from the programme which saw four mentors from ASEAN countries and Japan imparting their knowledge and experience during the programme. The networking also resulted in potential business and investment ventures among those involved.

PERFORMANCE OF SMEs IN MALAYSIA

Overview: Growth Trends of SMEs in 2016 - 2018

The revised time series data from the Department of Statistics, Malaysia (DOSM) based on Gross Domestic Product (GDP) at constant 2015 prices showed that the SME GDP grew at an **average annual growth rate of 6.2%** in the period of **2016 - 2018**, higher than the average annual growth rate of overall GDP of 5.0%. The same trend can be seen since 2004, of which the GDP growth of SMEs has consistently outperformed the overall economic growth. The contribution of SMEs to the overall GDP has increased from 37.0% in 2015 to **38.3%** in **2018**.

Table 2.1: SME GDP by Economic Sector (constant 2015 prices)

	SME Contribution to Overall GDP			SME GDP Growth
	2015 (% share)	2018 (% share)	Increase / decrease in share	CAGR ¹ 2016 - 2018 (%)
Overall²	37.0	38.3	+1.4	6.2
Services	22.4	23.9	+1.5	7.3
Mining & Quarrying	0.2	0.2	0.0	7.1
Manufacturing	7.5	7.7	0.2	5.7
Construction	2.2	2.3	0.0	5.7
Agriculture	4.2	3.9	-0.4	1.9

¹ CAGR refers to compounded annual growth rate

² Total value-added after taking into account import duties

Note: Figures may not necessarily add up due to rounding

Source: Department of Statistics, Malaysia

In terms of performance by economic sectors, the increase in share of SMEs to GDP in the period of 2016 - 2018 was largely contributed by the services sector. This is reflected by the higher average annual growth rates for services sector at 7.3% compared to the average annual growth rate of overall SME GDP of 6.2% (refer to Table 2.1).



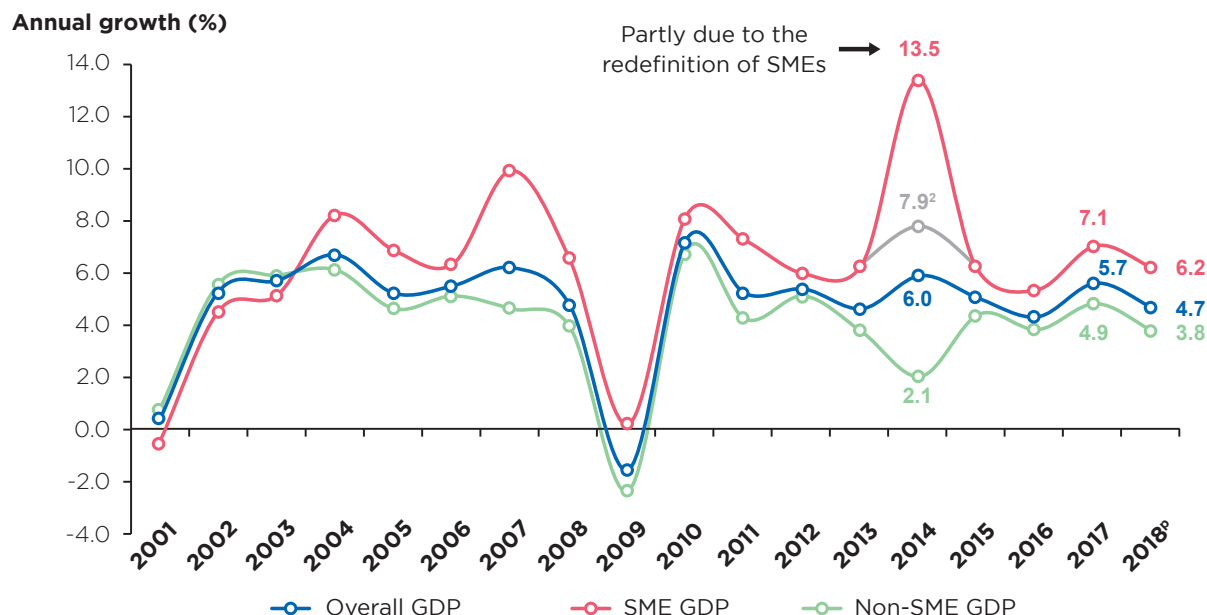
Performance in 2018

SME GDP

SMEs in Malaysia continued to demonstrate their resilience by recording a growth of 6.2% in 2018 (2017: 7.1%), slightly above the long-term average growth of 6.0% (2001 - 2017), despite a challenging global and domestic economic environment. This performance exceeded overall GDP and non-SME GDP which registered 4.7% and 3.8% in 2018 respectively as shown in Chart 2.1. The higher growth of SME GDP indicated that the SMEs were not adversely affected and able to withstand external shocks, such as unresolved trade tensions between the United States and PR China and slower global growth considerably well. This is mainly due to the fact that majority of SMEs are domestic driven and proven to be more resilient than the large firms.

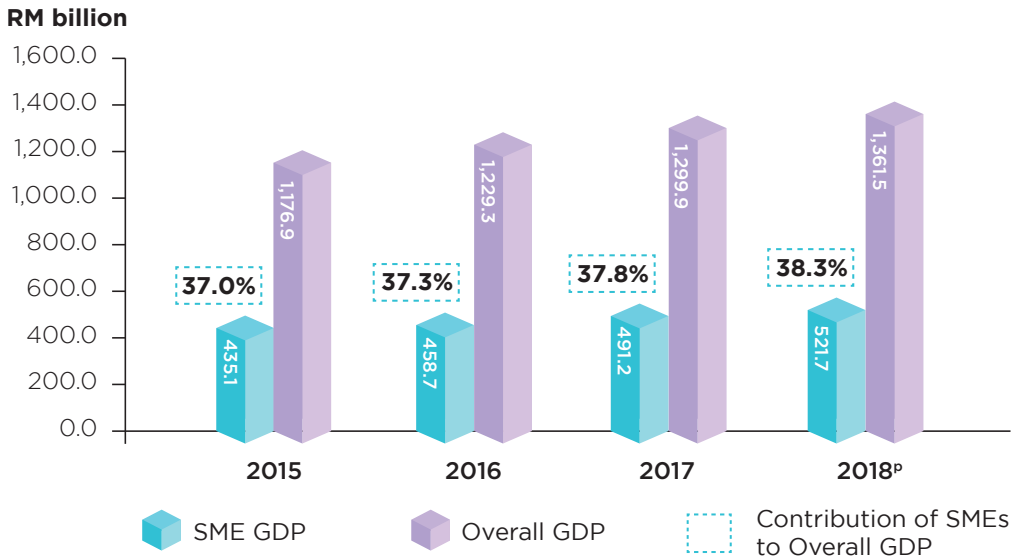
In terms of value, SME GDP has been realigned with the rebasing of overall GDP to base year 2015 from year 2010. Rebasing of GDP is a normal statistical procedure performed by National Statistical Offices in most countries including Department of Statistics, Malaysia to ensure the statistics reflect the current economic structure. Hence, in 2018, SME GDP at constant 2015 prices increased to RM521.7 billion as compared to RM491.2 billion in 2017, resulting in higher contribution of SMEs to overall GDP to 38.3% in 2018 as compared to 37.8% in the previous year (refer to Chart 2.2).

Chart 2.1: SME GDP, Non-SME GDP and Overall GDP Growth (%)



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

Chart 2.2: Value of SME GDP and Overall GDP at Constant 2015 Prices



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

In 2018, SMEs in all economic sectors except services sector expanded at a more moderate pace compared to the previous year. The growth in services sector increased by 8.1% (2017: 7.2%) as better consumer sentiments and favourable labour market conditions spurred spending. When compared between the overall economy and SMEs, the SME GDP grew at a faster pace across all economic sectors except construction sector (refer to Table 2.2).



Table 2.2: SME GDP and Overall GDP Growth by Economic Sector
(constant 2015 prices)

	2017 SME GDP	2018 SME GDP	2018 Overall GDP
	Annual growth (%)		
Services	7.2	8.1	6.8
Manufacturing	6.8	5.5	5.0
Mining & Quarrying	8.9	4.3	-2.6
Construction	6.6	4.0	4.2
Agriculture	6.0	0.3	0.1
Total	7.1	6.2	4.7

Source: Department of Statistics, Malaysia

In terms of sectoral contribution, the two largest contributors to the SME GDP in 2018 were the services sector with a share of 62.4% and manufacturing sector (20.1%) as depicted in Table 2.3. The combined share of these two sectors was 82.4% of the SME GDP. The agriculture sector contributed 10.1% to SME GDP followed by the construction and mining & quarrying sectors which contributed 5.9% and 0.5% respectively.

The structure of SME GDP is almost similar to the overall GDP structure with the exception of mining & quarrying sector. As shown in Table 2.3, mining & quarrying sector contributed 0.5% to total SME GDP as compared to 7.6% to overall GDP. This was due to structural differences whereby SMEs in mining & quarrying sector were dominated by activities in other mining & quarrying and supporting services. While crude oil & condensate and natural gas sub-sectors were the major contributors for mining & quarrying sector of overall GDP.

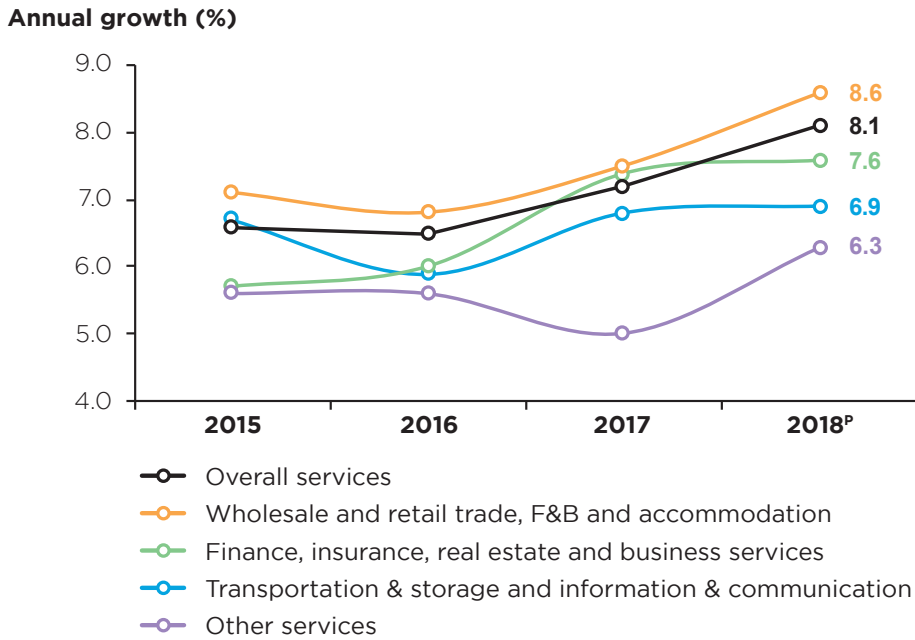
Table 2.3: SME GDP and Overall GDP Share by Economic Sector in 2018
(constant 2015 prices)

	2018	
	SME GDP	Overall GDP
	Percentage Share to Total (%)	
Services	62.4	56.7
Manufacturing	20.1	22.4
Agriculture	10.1	7.3
Construction	5.9	4.9
Mining & Quarrying	0.5	7.6
Plus: import duties	1.1	1.2
Total	100	100

Notes: Figures may not necessarily add up due to rounding
Source: Department of Statistics, Malaysia

SME Value-added in the Services Sector

Chart 2.3: SME Value-added Growth of Sub-sectors in the Services Sector (%)



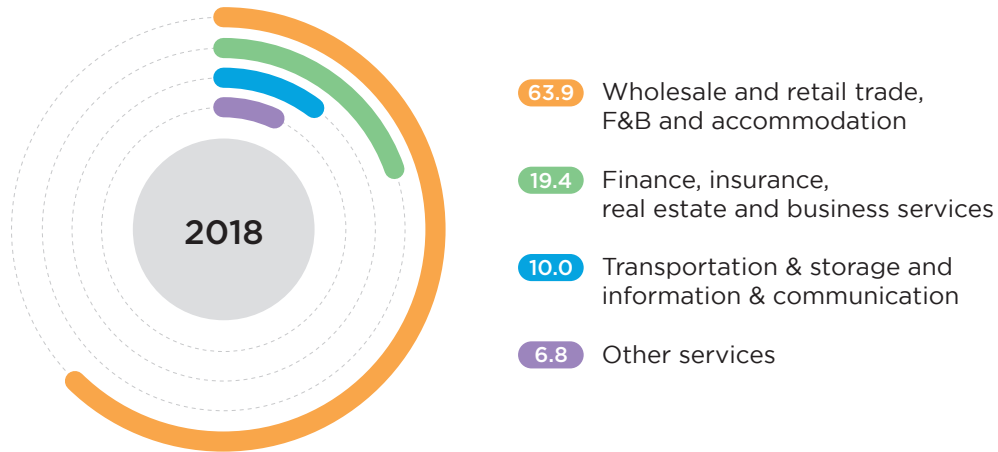
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Source: Department of Statistics, Malaysia

SME value-added in the **services sector** registered a stronger growth of 8.1% in 2018 (2017: 7.2%), the highest pace since 2014 (refer to Chart 2.3). The growth was driven primarily by wholesale & retail trade, food & beverages and accommodation sub-sector which formed the biggest component of the SME value-added in the services sector (63.9% of total share) as consumer spending improved in particular during the three-month (1 June - 31 August 2018) zeroisation of the Goods and Services Tax (GST) rate period and other Government measures to alleviate cost of living pressures. These measures include fixing of the retail fuel price of RON95 petrol and special payment of RM500 for civil servants and RM250 for Government pensioners. The higher value-added growth of SMEs in the services sector was also supported by finance, insurance, real estate and business services sub-sector which increased by 7.6% (2017: 7.4%), as well as the transportation & storage and information & communication sub-sector which expanded by 6.9% (2017: 6.8%).



Chart 2.4: Components of Value-added of SMEs in the Services Sector (%)



Source: Department of Statistics, Malaysia

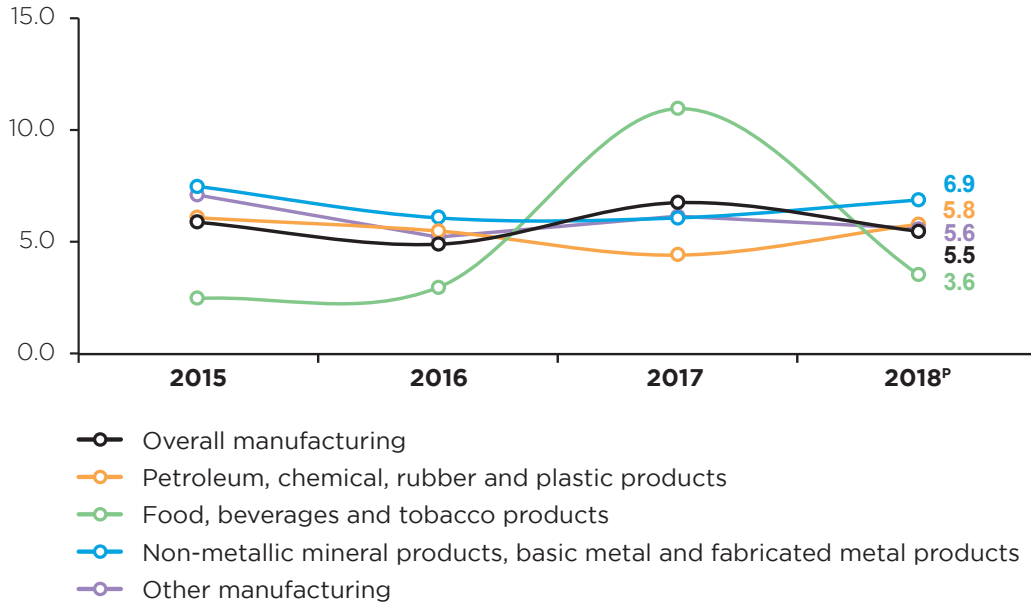
SME Value-added in the Manufacturing Sector

In **manufacturing sector**, value-added of SMEs expanded by 5.5% (2017: 6.8%), led by non-metallic mineral products, basic metal & fabricated metal products with a growth of 6.9% (2017: 6.1%), supported by the manufacturing of construction-related materials. The petroleum, chemical, rubber and plastic products sub-sector which accounted for 22.8% of total value-added of SME manufacturing sector also contributed to the growth of SME value-added in the manufacturing sector during the year by posting a higher growth of 5.8% in 2018 (2017: 4.4%). Meanwhile, food, beverages and tobacco products sub-sector grew at a slower pace at 3.6% (2017: 11.0%) due to lower manufacturing of beverages (refer to Chart 2.5).



Chart 2.5: SME Value-added Growth of Sub-sectors in the Manufacturing Sector (%)

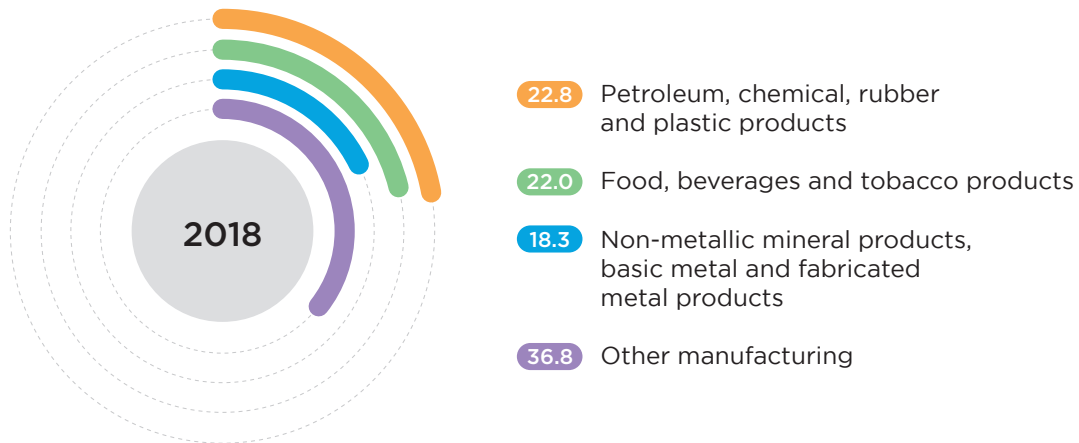
Annual growth (%)



p: preliminary

Source: Department of Statistics, Malaysia

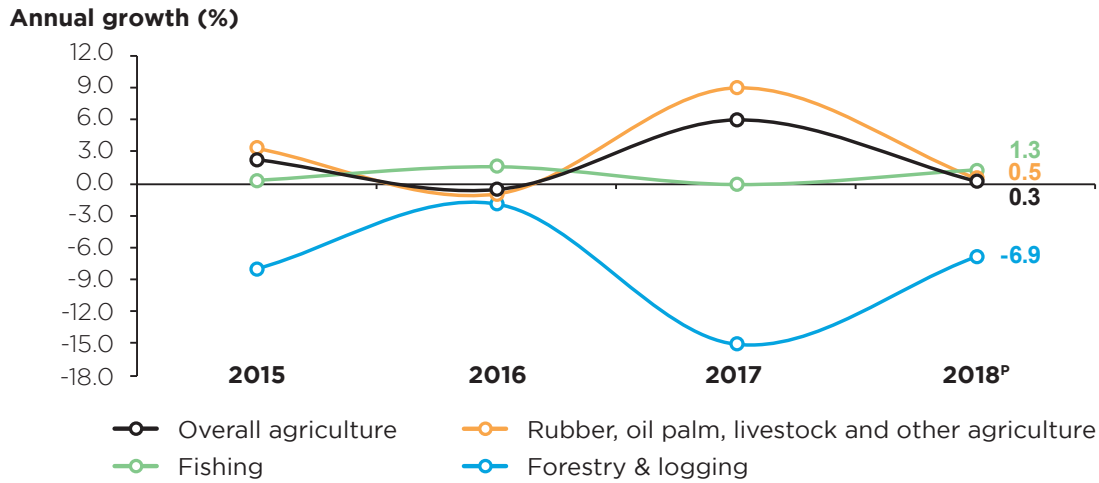
Chart 2.6: Components of Value-added of SMEs in the Manufacturing Sector (%)



Source: Department of Statistics, Malaysia

SME Value-added in the Agriculture Sector

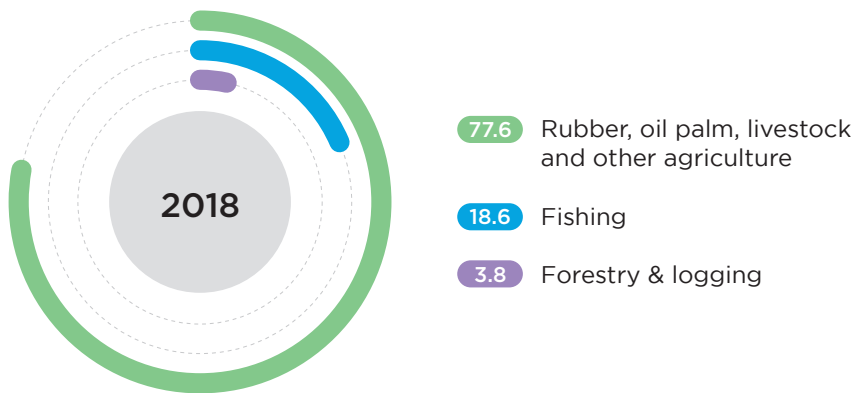
Chart 2.7: SME Value-added Growth of Sub-sectors in the Agriculture Sector (%)



p: preliminary
Source: Department of Statistics, Malaysia

SME value-added in the **agriculture sector** recorded a marginal positive growth of 0.3% in 2018 as compared to 6.0% in the previous year (refer to Chart 2.7). This was mainly due to the slower growth in rubber, oil palm, livestock and other agriculture sub-sector of 0.5% (2017: 9.0%) as adverse weather and production constraints affected the palm oil and rubber production. This sub-sector contributed 77.6% to SME value-added in the agriculture sector. Meanwhile, forestry & logging activities which accounted for 3.8% to total value-added of SME agriculture sector continued to record a decline in value-added growth in 2018.

Chart 2.8: Components of Value-added of SMEs in the Agriculture Sector (%)

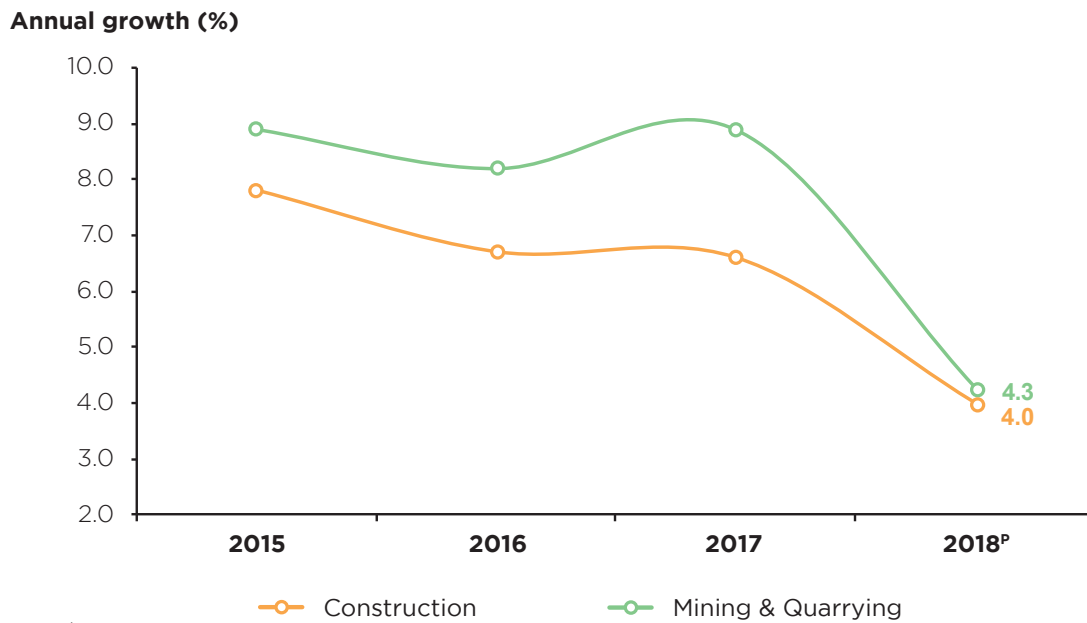


Source: Department of Statistics, Malaysia

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

In line with the moderate growth of overall GDP in **construction sector** in 2018, SMEs in this sector also recorded a moderate value-added growth of 4.0% in 2018 (2017: 6.6%), mainly due to slower activities in special trade sub-sector. The slower growth in residential buildings and non-residential buildings amidst the high number of unsold residential properties and the oversupply in commercial properties have moderated the overall performance of the sector.

Chart 2.9: SME Value-added Growth in the Construction and Mining & Quarrying Sectors (%)



p: preliminary

Source: Department of Statistics, Malaysia



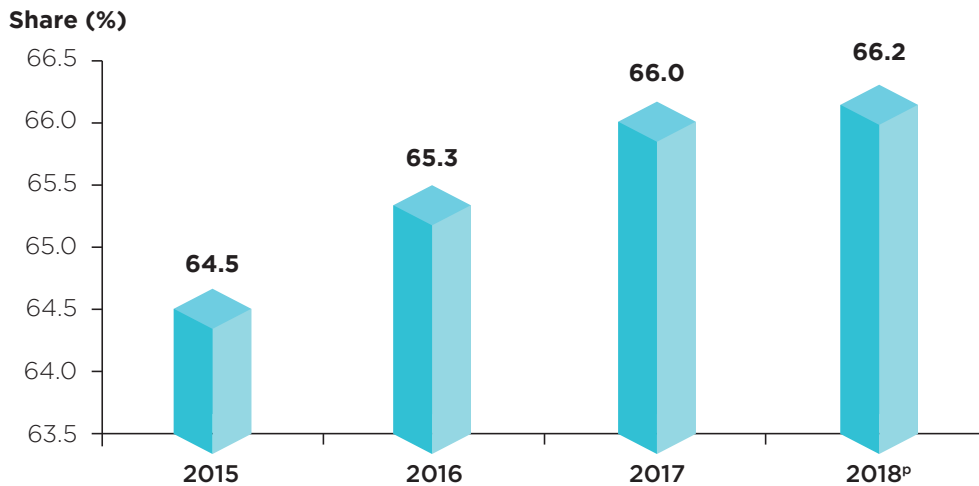
Growth of SME value-added in the **mining & quarrying sector** moderated to 4.3% in 2018 (2017: 8.9%), reflecting slower activities in mineral mining as well as stones, rocks and granite quarrying. This explained by the fact that majority (89.7%) of SMEs in this sector were involved in mineral mining and quarrying activities.

SME Employment

SMEs play an important role in the job creation whereby in 2018, SMEs in Malaysia employed 66.2% of total employment, slightly higher than in the previous year at 66.0% (refer to Chart 2.10). The growth of SME employment sustained at 3.2% during the year (2017: 3.4%), driven by higher employment in services and manufacturing sectors. The increasing trend on shares of employment by the SMEs over time was partly due to provision of conducive ecosystem and policies encouraging self-employment, creation of firms, particularly microenterprises and entrepreneurs. It is also partly due to the fact that the large firms may be taking less new workers or even laying off workers due to economic conditions. From sectoral perspective, majority of SME employment was generated by services sector (62.3%), followed by manufacturing (16.4%), agriculture (10.7%), construction (10.3%) and mining & quarrying (0.3%) (refer to Chart 2.12).



Chart 2.10: Contribution of SMEs to Total Employment (%)



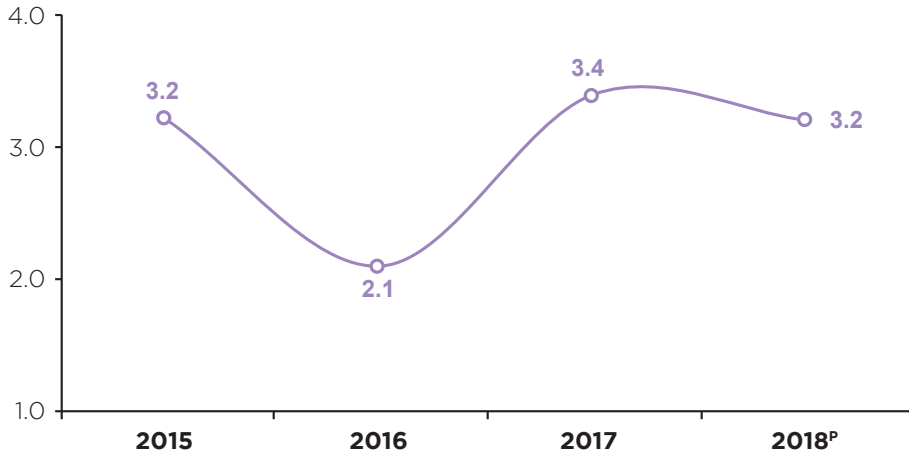
Note: Calculation of employment estimated from various establishment surveys

p: preliminary

Source: Department of Statistics, Malaysia

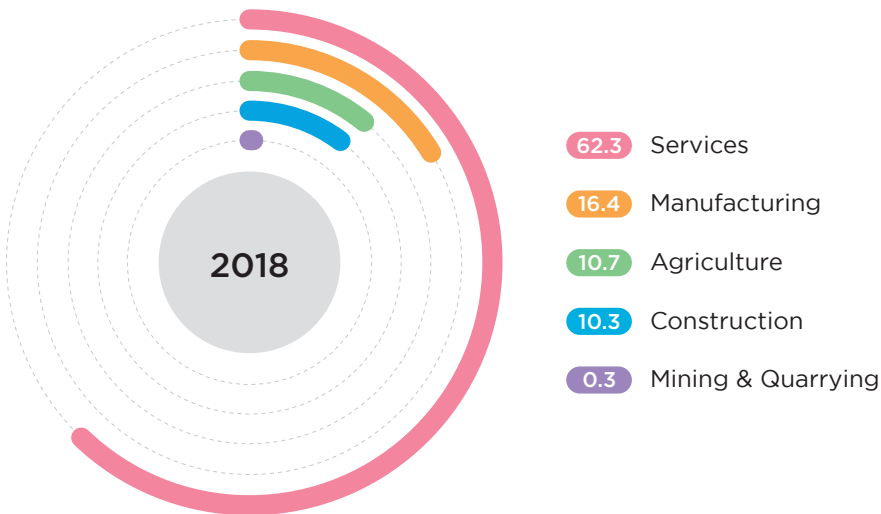
Chart 2.11: SME Employment Growth Performance (%)

Annual growth (%)



Note: Calculation of employment estimated from various establishment surveys
 p: preliminary
 Source: Department of Statistics, Malaysia

Chart 2.12: Components of SME Employment by Economic Sector (%)



Note: Calculation of employment estimated from various establishment surveys
 Source: Department of Statistics, Malaysia

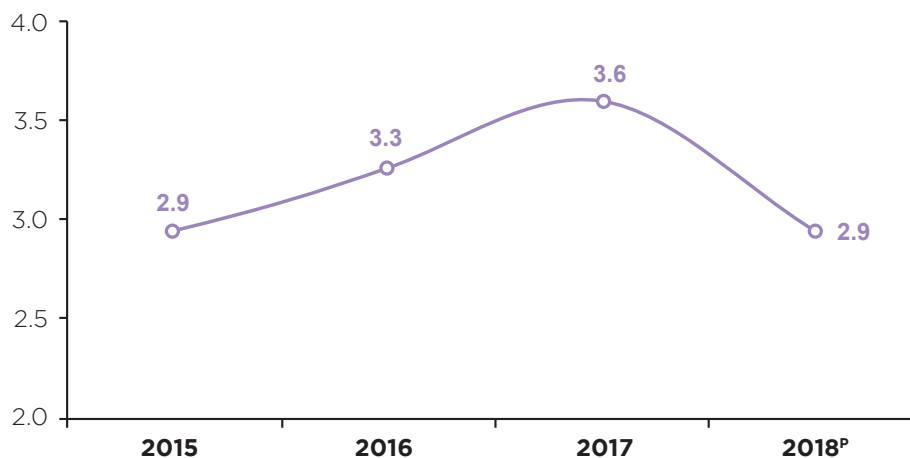
SME Productivity

Labour productivity of SMEs as measured by real value-added per employee improved from RM71,301 in 2017 to RM73,399 in 2018, with a growth of 2.9% (2017: 3.6%) (refer to Chart 2.13). The growth was driven by productivity gains in the mining & quarrying (8.3%), services (3.8%) and manufacturing sectors (3.1%). Several factors, such as lack of scale, managerial skills, innovation, finance and market access are often cited as holding back productivity growth of SMEs. Thus, better management practices can increase productivity not only through enhanced operational efficiency and minimised cost, but also by adopting Fourth Industrial Revolution (IR 4.0) related technologies.



Chart 2.13: SME Productivity Growth (%)

Annual growth (%)



p: preliminary
Source: Department of Statistics, Malaysia

SME Exports

As an economy with a high degree of openness to trade and investment flows, Malaysia was certainly affected by both weakened global GDP and trade growth in 2018. The economy was confronted with several external challenges, among others, escalation of global trade tensions, continued policy uncertainty following the outcome of Brexit negotiations and volatile commodity prices.

Despite the challenges, SMEs were less affected compared to the large firms by the weakness in external demand due to relatively low exposure to the export market. In 2018, SMEs showed a strong resilience by recording a growth of 3.4% in 2018 (2017: 7.2%), while non-SME registered a significant slowdown in growth at 3.6% in 2018 (2017: 17.0%) (refer to Chart 2.14). In value terms, SME exports increased to RM171.9 billion in 2018 from RM166.2 billion in 2017, while the share to overall exports remained at 17.3% (2017: 17.3%) (refer to Chart 2.15). The exports growth momentum was driven by SMEs in the manufacturing sector which contributed 48.3% of total SME exports in 2018, supported by manufactured goods, chemicals products and beverages & tobaccos. The main destinations for SME exports in the manufacturing sector was Singapore which accounted for 18.6%, followed by PR China (8.9%) and the United States (7.8%).

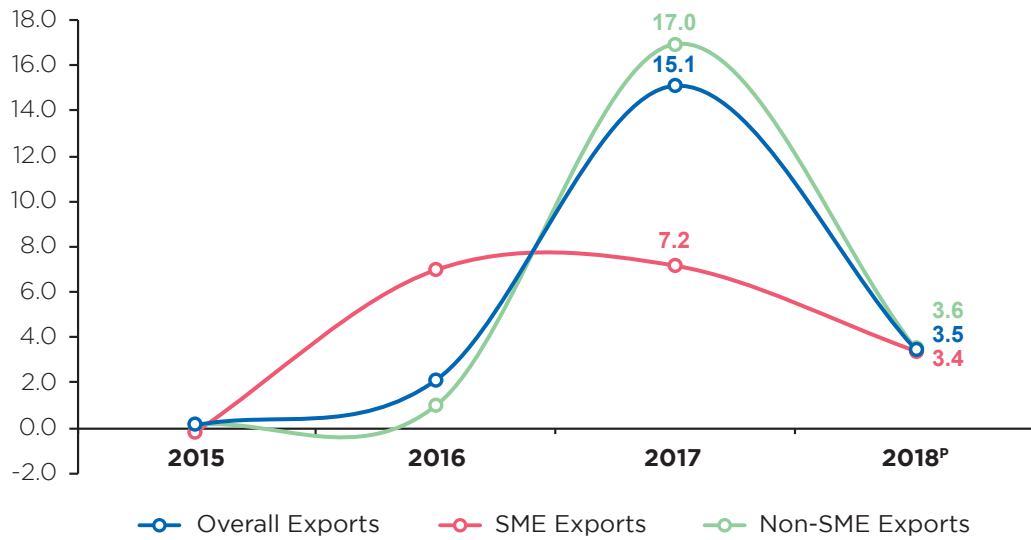
The services sector which accounted for 50.3% of total SME exports, expanded at a more moderate pace of 2.0% in 2018 (2017: 7.1%). The slower growth was due to fewer tourist arrivals during the year which translated to lower exports of travel and other business services. Nevertheless, SME services exports received some support from higher export growth in transport services, such as freight and postal & courier services.

Growth of SME exports in agriculture sector continued to decline by 2.0% (2017: -6.3%) due to lower exports of vegetables, banana, pineapple and other tropical fruits, such as watermelon, guava and others. The major exports destinations for SMEs in the agriculture sector were Singapore, Thailand and Japan. Realising this, enhancing exports by SMEs will be given a special focus going forward and key strategies will be formulated towards strengthening the export capacity and capability of SMEs.



Chart 2.14: SME Exports Growth (%)

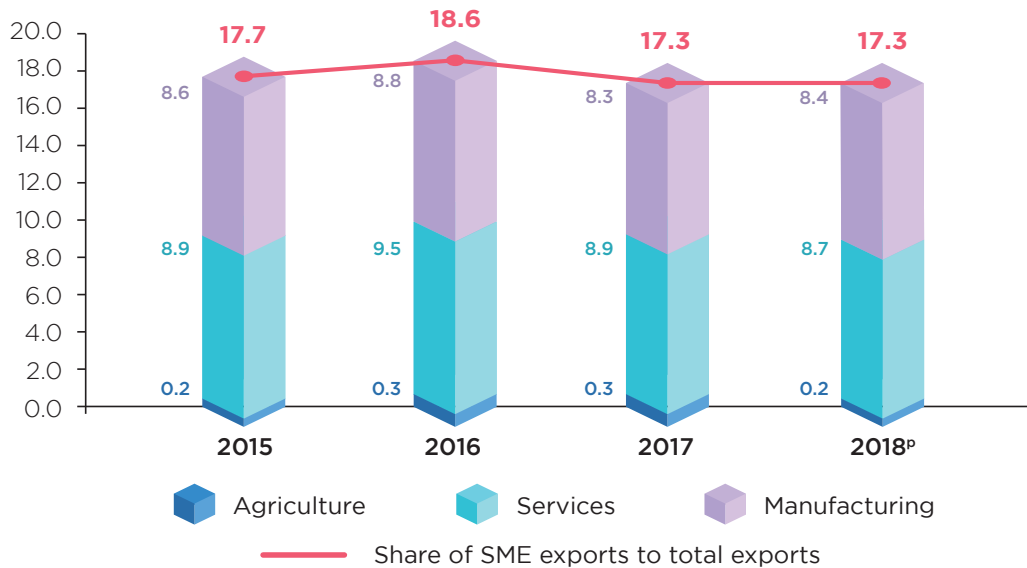
Annual growth (%)



p: preliminary
Source: Department of Statistics, Malaysia

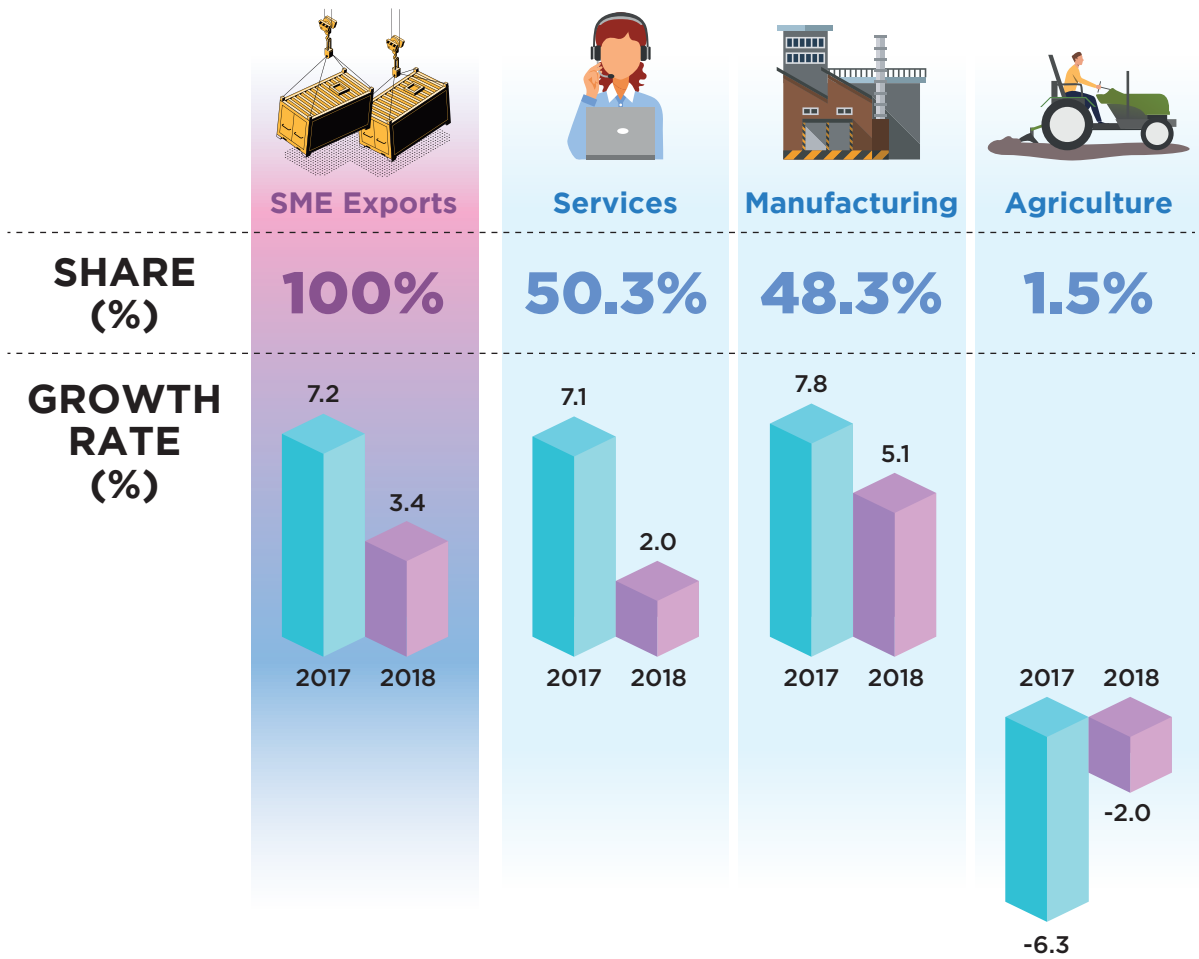
Chart 2.15: Share of SME Exports by Economic Sector (%)

Share of SME exports to total exports (%)



p: preliminary
Source: Department of Statistics, Malaysia

Chart 2.16: SME Exports Growth and Component by Economic Sector (%)



Notes: Figures may not necessarily add up due to rounding
Source: Department of Statistics, Malaysia



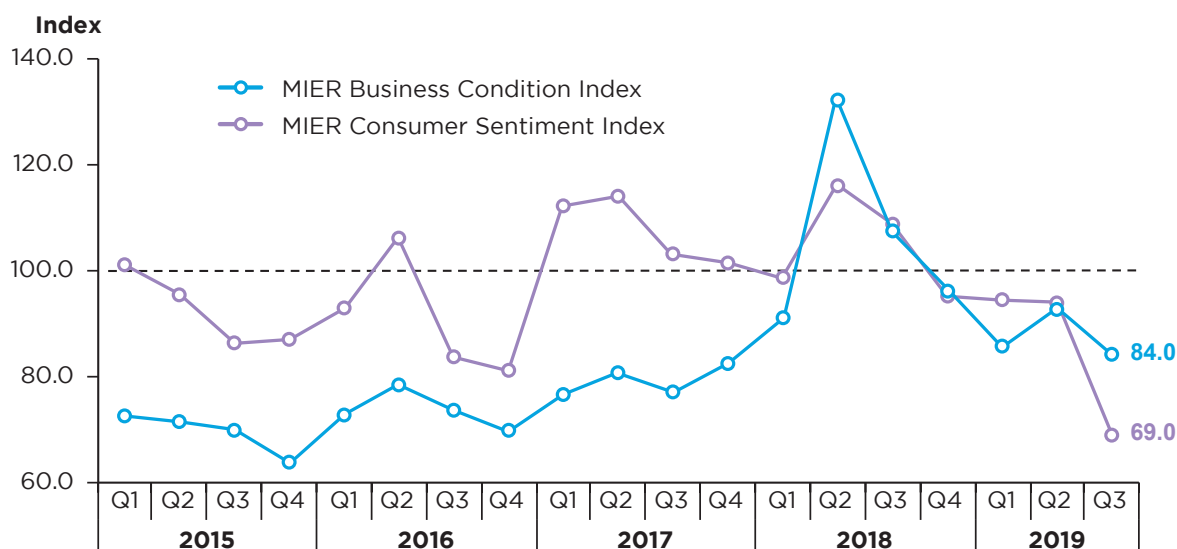
OUTLOOK FOR SMEs IN 2019

The global economy is expected to continue experience slower growth in 2019. Dynamism in the global economy is being weighed down by slowdown in manufacturing activity and global trade following rising trade and geopolitical tensions. Fears of disruptions to technology supply chains, continuous Brexit-related uncertainty and additional United State’s tariffs on China’s import added to the volatile market sentiment. With global growth subdued and downside risks dominating the outlook, the global economy remains at a delicate juncture.

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.7% in 2019 (2018: 4.7%). Domestic demand is projected to support the country’s growth, underpinned by both private sector consumption and investment amidst the continued moderation in external demand. Nonetheless, some forward-looking indicators are showing cautious underlying tone.

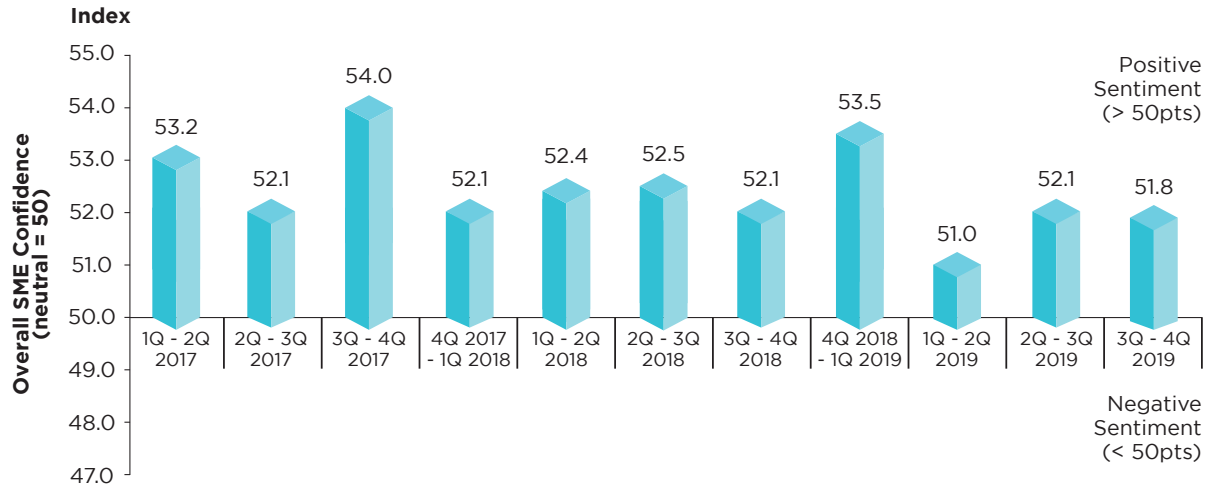
The third quarter of 2019 (3Q 2019) surveys by Malaysian Institute of Economic Research (MIER) showed a less optimistic prospects. Business Condition Index (BCI) slipped further below the 100-point optimism threshold, at 69.0 points (2Q 2019: 94.2 points) which is the lowest level since 2008. Firms are increasingly pessimistic about future business conditions due to further decrease in sales, sluggish production volume and decline in domestic and external orders. Meanwhile, the Consumer Sentiments Index (CSI) also fell below the optimism threshold at 84.0 points (2Q 2019: 93.0 points) which is the lowest reading since 4Q 2017. Consumer sentiments were weighed down by the weak job outlook, less favourable of current finance, anxiety over rising prices as well as limited shopping plans following weak purchasing power.

Chart 2.17: MIER Indices: Business Conditions Index and Consumer Sentiments Index



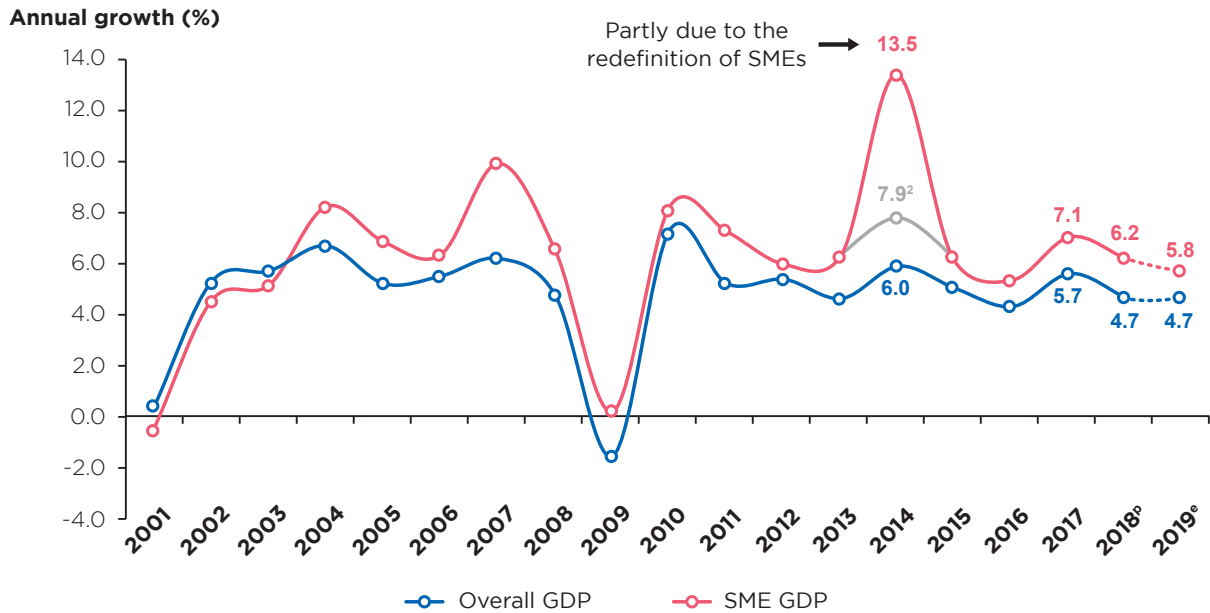
Source: Malaysian Institute of Economic Research (MIER)

Chart 2.18: RAM Business Confidence Index on SMEs



Source: RAM Credit Information Sdn. Bhd.

Chart 2.19: Growth Projections for SME GDP and Overall GDP (%)



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

p: preliminary e: estimate

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

In terms of business expectation, the latest RAM Business Confidence Index (BCI) 3Q - 4Q 2019 still indicated a subdued level of optimism for the next six months (second half of 2019) whereby the overall BCI index for SMEs slipped to 51.8 points (2Q - 3Q 2019: 52.1 points) (refer to Chart 2.18). The cautiously optimistic sentiment reflected the expectation of weaker sales turnover and profitability sentiment of export-oriented SMEs despite signs of trade diversion benefits from the ongoing US-China trade war. In line with the surveys conducted by RAM and MIER, CEOs in small and mid-sized firms were more cautious lately as global and domestic economic uncertainties continued to cloud both consumer and business sentiments, thus slowing business trajectories from hiring to investment going forward. This is reflected in the latest 4Q 2019 VISTAGE-MIER CEO Confidence Index which stood at 85.3, lower than the prior quarter's at 90.2.

While the overall business outlook was less upbeat in second half of 2019 (2H 2019), findings from ACCCIM Malaysia's Business and Economic Conditions Survey 1H 2019 and 2H 2019F showed that businesses projected their cash flow and sales performance to be slightly better in 2H 2019 when compared to 1H 2019. Furthermore, they expected an increase in capital expenditure in 2H 2019, suggesting that business may be starting to have a clearer approach about the business strategy and intend to invest for long-term.

A more optimistic scenario is also expected based on the Business Tendency Statistics report published by the Department of Statistics, Malaysia. The overall business confidence indicator showed that businesses were optimistic on their business performance for 3Q 2019. Going forward, about 18.2% (2Q 2019: 14.2%) of the business establishments anticipated a more favourable business outlook in the second half of 2019 across all sectors except for respondents in construction sector.

Based on the above assessment, SME GDP growth is projected to expand at a moderate pace of 5.8% in 2019 (2018: 6.2%) (refer to Chart 2.19). Private consumption which has a significant correlation with SME GDP is expected to continue to support the growth of SMEs during the year. SMEs in the services sector, particularly those in the tourism-related industry is anticipated to benefit from positive growth recorded in tourist arrivals in the first seven months of 2019 and increased tourist receipts in the first half of 2019. Moreover, SMEs are expected to gain potential spillovers from the higher targets set in 2019 for tourist arrivals and tourist receipts at 28.1 million and RM92.2 billion respectively. In addition, SMEs in domestic-oriented manufacturing sector, which are mainly in the consumption and construction-related industries will continue to provide further impetus to SME growth.



BOX ARTICLE

Survey on SMEs in 2018

Since 2009, SME Corp. Malaysia has been conducting surveys on SMEs to gauge their performance as well as to identify issues and challenges faced. The feedback gathered through these surveys serves as useful reference for policy formulation and development of capacity building programmes for SMEs. The surveys are conducted by SME Corp. Malaysia headquarter with the assistance of its state offices and also supported by Bank Negara Malaysia, various industry associations and chambers of commerce.

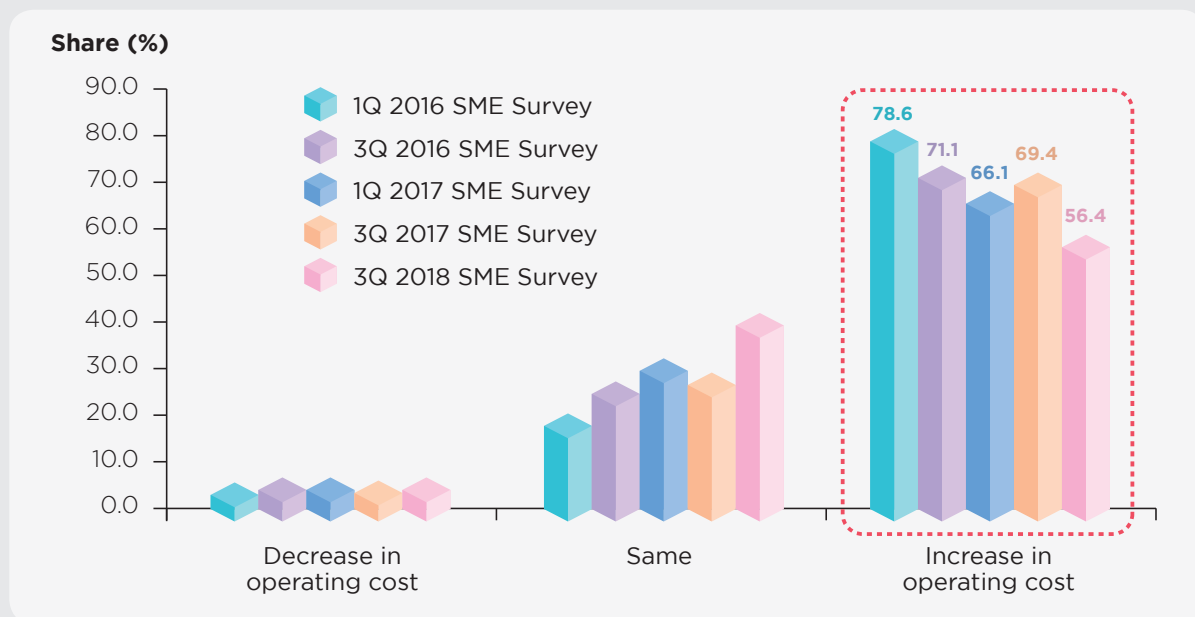
Third Quarter 2018 SME Survey

The Third Quarter 2018 (3Q 2018) SME Survey which garnered 1,721 respondents was comprehensive in terms of economic sectors, business size and geographical coverage. A total of 67.6% of the respondents were from services sector, 23.0% from manufacturing sector, 6.4% from construction and the remaining 3.0% from agriculture sector. Focus of the Survey was on the recent performance of SMEs and their current concerns, such as cost of doing business, taxation, supply chain, financing, export market, human capital as well as information and communication technology (ICT) adoption.

Cost of Doing Business

Increasing cost of doing business continued to be a concern among SMEs although the percentage has seen a decreased of 13.0% as compared to the previous survey conducted in the third quarter of 2017. Based on the findings of the 3Q 2018 SME Survey, a total of 56.4% respondents cited that they experienced an increase in operating cost, particularly SMEs in manufacturing, construction and agriculture sectors as well as the small and medium-sized firms (refer to Chart 1). The cost hike was mainly due to higher cost of raw material and other inputs (67.8%), higher electricity bills and charges (41.0%) as well as rental of business premises (25.3%).

Chart 1: Operating Cost of SMEs (%)



Source: Quarterly SME Surveys, SME Corp. Malaysia

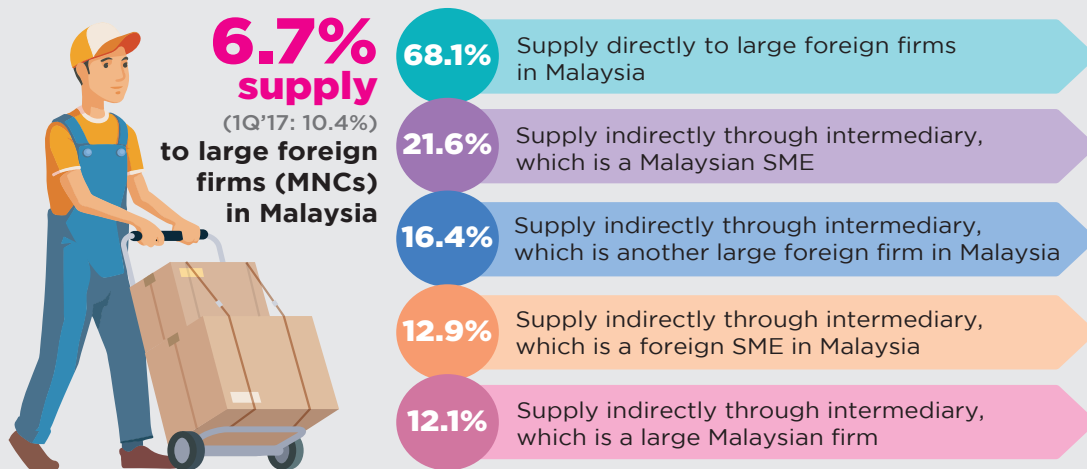
Tax System: Goods and Services Tax (GST) vs Sales and Services Tax (SST)

With the reintroduction of the Sales and Services Tax (SST) on 1 September 2018, SMEs were enquired on their views on the tax systems implemented by the Government. About 59.8% of the SMEs stated that they have registered for Goods and Services Tax (GST). Most of the registered respondents were from manufacturing and construction sectors as well as small and medium-sized firms. Out of that, more than one-third (39.3%) SMEs indicated that they faced issues in claiming for GST refund. Among the issues faced were delayed in GST refund payment, complicated and cumbersome procedure as well as too many documentations needed. More than half of the respondents (56.9%) preferred the SST compared to GST as there are less taxable items under SST and it is perceived as a much simpler tax system than GST. However, SMEs are concern that the reintroduction of SST will give impact on their costs and cash flows. Nevertheless, SMEs felt that it is too soon to tell about the issues faced by them in implementing the SST as it has just been launched and they are also unclear on the mechanism of the SST.

Supply Chain and Business Linkages

Findings of the Survey showed that the supply of SME products and services to large firms was relatively low, with only 6.7% of total respondents supplied to large foreign firms in Malaysia. Of this, majority SMEs (68.1%) supplied directly to large foreign firms in Malaysia, a total of 21.6% supplied indirectly through intermediaries which were Malaysian SMEs, 16.4% supplied indirectly through intermediaries which were other large foreign firms in Malaysia, 12.9% supplied indirectly through intermediaries which were foreign SMEs in Malaysia and another 12.1% supplied indirectly through intermediaries which were large Malaysian firms (refer to Chart 2). The Survey finding which shows low supply of SME products and services to large firms is in line with the study on ‘SME Input-Output Table: Analysis and Impact’, which indicated that there is a weak linkage between SMEs and large firms in terms of supply and production. Based on the Study, micro, small and medium-sized firms bought 5.1%, 10.5% and 21.5%, respectively of inputs from large firms for their production process. Whereas, large firms bought much lesser input from microenterprises (0.9%), small (3.9%) and medium-sized firms (5.4%) as large firms are highly dependent on suppliers within their own cluster of large firms as well as imported input. Thus, there is still a big potential for SMEs to supply to large firms.

Chart 2: Linkage between SMEs and Large Firms (%)



Source: 3Q 2018 and 1Q 2017 SME Surveys, SME Corp. Malaysia

Export Market

Based on the Survey, only 13.3% (3Q 2017: 14.7%) of the respondents cited that they have penetrated into international market with an average of 20.0% of their total products or services were sold abroad. Thus, more measures are needed to intensify exports by SMEs. SME exports activity were mainly concentrated in ASEAN and China with a total of 20.5% of respondents were first-time exporters. In order to further boost their export, SMEs undertook various initiatives, such as diversifying into new export markets, building networking with people in the targeted export market, introducing new products and services as well as customising products or services to meet the targeted market standards and regulations. Moving ahead, 17.7% of SMEs that have yet to penetrate into the international market,

plan to do so. Among the main concerns of SMEs in exporting products or services are inadequate information on the targeted market, inadequate knowledge on competitors and expects to incur higher operating cost.

Chart 3: Constraints for SMEs to Export (%)

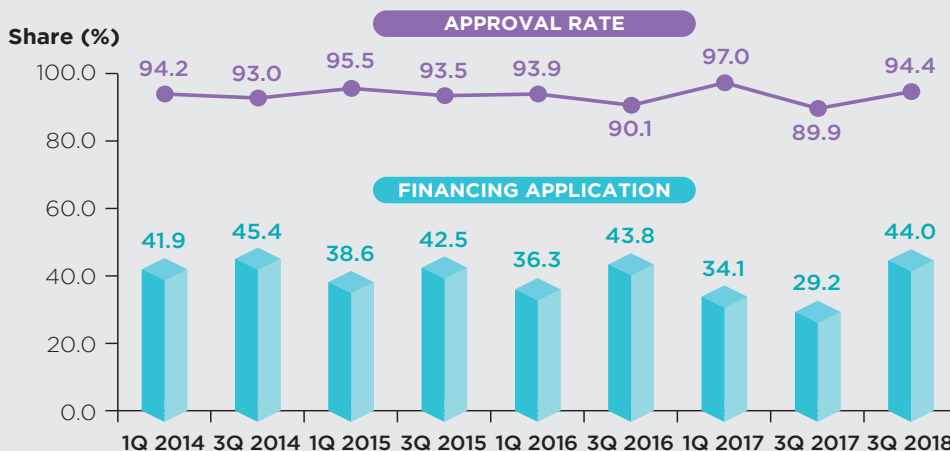


Source: 3Q 2018 and 3Q 2017 SME Surveys, SME Corp. Malaysia

Business Financing

SMEs continued to have access to financing from financial institutions with a high approval rate of 94.4%, higher than the approval rate for the same quarter in 2017 (89.8%) (refer to Chart 4). Of those approved, about 25.0% were made up of first-time borrowers. The demand for loan from financial institutions also increased from only 29.2% in the third quarter of 2017 to 44.0% in the third quarter 2018. The main purpose of financing were for additional working capital, business expansion and to purchase machinery and equipment. Meanwhile, about 5.6% of the total financing applications were rejected mainly due to insufficient sales, income or cash flows by SMEs.

Chart 4: Financing Application and Approval Rate (%)



Source: Quarterly SME Surveys, SME Corp. Malaysia

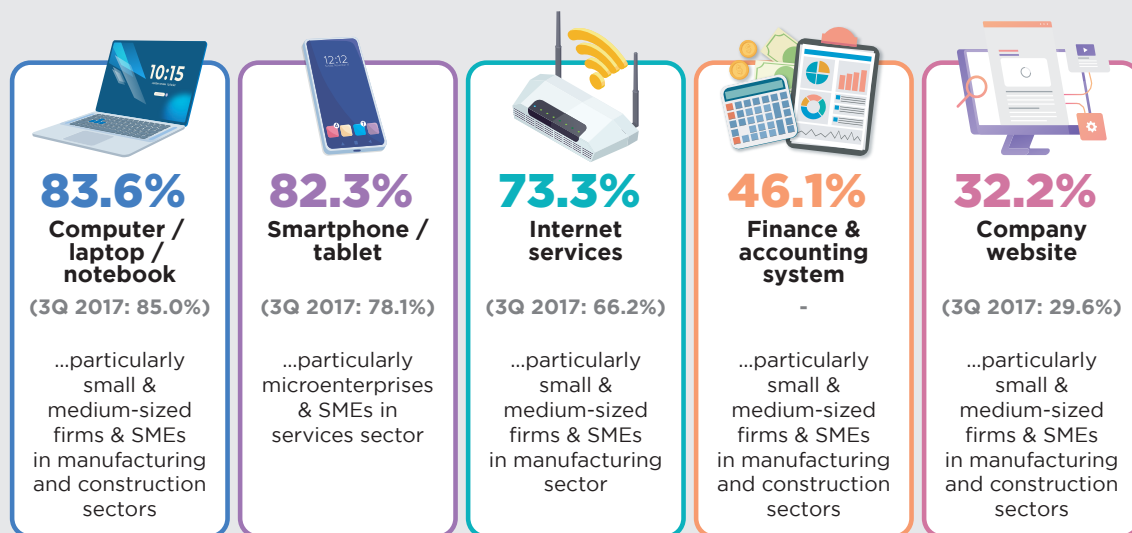
Human Capital

The Survey showed that a total of 17.3% of SMEs hired foreign workers which is relatively low. However, SMEs are dependent on them as 39.9% indicated that they had no intention to reduce dependency on foreign workers. SMEs were also enquired on their awareness on internship programmes involving students from the Technical and Vocational Education and Training (TVET), of which a total of 33.7% of SMEs responded that they were aware. From those who were aware, 41.4% cited that they have engaged the TVET students for practical training and 92.1% of those engaging the TVET students have benefitted from the internship programme. However, SMEs also responded that graduates produced by TVET institutions often do not meet the industry demand due to lack of technical skills, unable to work independently and attitude problem.

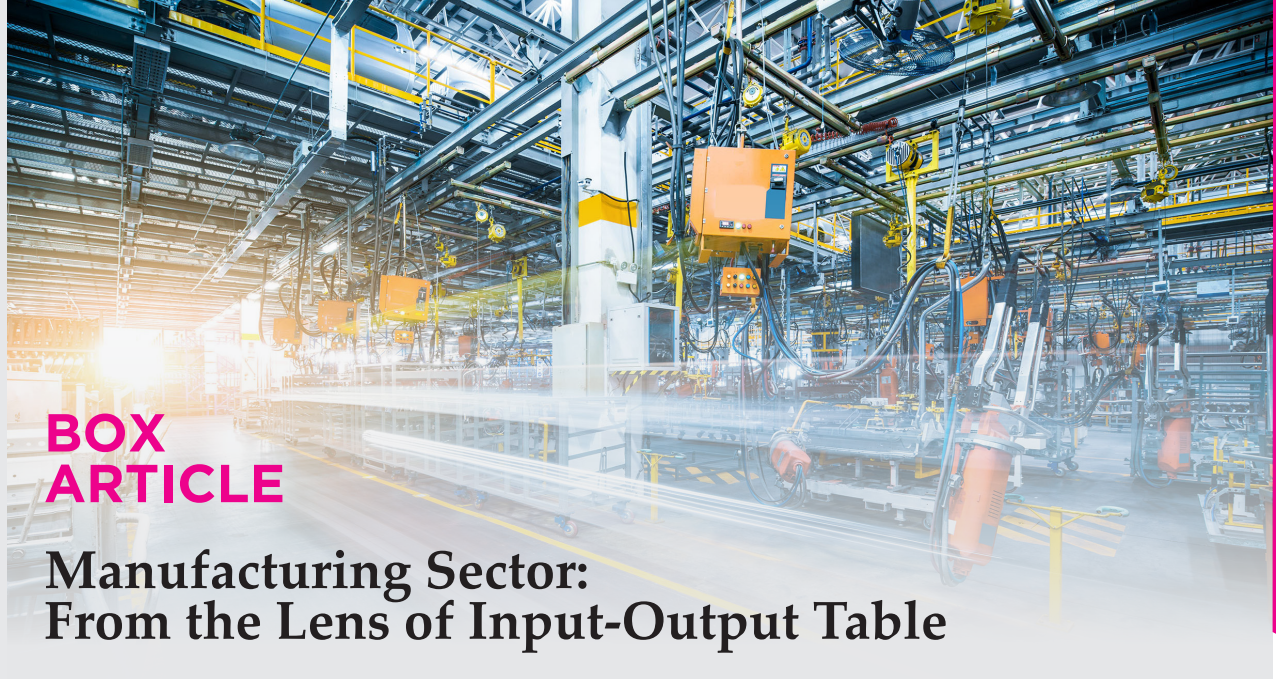
ICT Adoption

Generally, the utilisation of information and communication technology (ICT) among SMEs has been on an increasing trend (refer to Chart 5). This is evident from the findings of the Survey, whereby majority of the respondents utilised computer (83.6%), smartphones or tablets (82.3%) and internet services (73.7%) in their daily business operation. The Survey revealed that a total of 37.9% of SMEs involved in online business, higher than 28.0% recorded during the 3Q Survey 2017 SME Survey, with average online sales stood at 30.0% to total business sales. In terms of type of online platform used, Facebook dominated the chart at 87.7%, followed by WhatsApp (73.5%), and Instagram (64.9%). However, majority of the online business were for domestic market. Nevertheless, majority of SMEs that have not embarked on online business indicated that the online business is not necessary for their business and they prefer traditional way of doing business.

Chart 5: ICT Adoption among SMEs (%)



Source: 3Q 2018 and 3Q 2017 SME Survey, SME Corp. Malaysia



BOX ARTICLE

Manufacturing Sector: From the Lens of Input-Output Table

The transition of Malaysia from agricultural-based economy to one with greater focus on industrialisation has witnessed a rapid growth in the manufacturing sector over the years. In 2018, manufacturing sector remained to be the principal driver of growth after services sector, as it expanded by 5.0% (2017: 6.0%) and accounted for 22.4% of Malaysia's real gross domestic product (GDP). Meanwhile, within the SME landscape, SMEs in the manufacturing sector outperformed the overall manufacturing sector in recent years, with average annual growth rate of SMEs at 5.7% compared to 5.1% for the overall manufacturing in the growth period of 2016 - 2018.

While Malaysia is steadily progressing towards a more diversified service-based economy, the manufacturing sector continues to play an important role in the economic development of the country. The transformation of the economy will be more focused on creating higher value-added activities, of which active participation in the supply chain by businesses and SMEs will greatly help to spur sustainable economic growth across the board. SME Corp. Malaysia's study on Input-Output Table for SMEs provides a better perspective on the issues and challenges in the existing supply chain.

A broad framework in assessing the interdependence of various industries or sectors in acquiring and purchasing inputs is being laid out through SME Input-Output (SME-IO) Table. The publication on SME-IO Table: Analysis and Impact describes in detailed the inter-industry interactions, of which industries use products or services of other industries to produce their own products or deliver their own services. This section will hence feature the analysis on manufacturing sector in terms of value-added, business linkages and its potential to drive the economy.

Perspective from the Input-Output Table

Based on Malaysia Input-Output Tables 2010 published by Department of Statistics, Malaysia, the manufacturing sector contributed the largest in terms of total output, producing about RM896.2 billion or 43.2% of total output in the economy (refer to Table 1). From RM896.2 billion of total output produced by the sector, about RM307.0 billion was consumed by all five economic sectors including manufacturing sector through intermediate demand, while another RM589.2 billion was consumed by final demand components.

In order to produce the manufacturing output, the sector needs a total of RM896.2 billion of input, whereby RM433.1 billion was supplied by all five economic sectors, RM278.1 billion from imports, RM5.0 billion of taxes paid to the Government, RM182.9 billion of value-added created and subtracting RM3.0 billion of subsidies received from the Government.

Table 1: Simplified Structure of Malaysia Input-Output Tables 2010 (RM billion)

Malaysia Input-Output Table 2010 (RM billion)	INTERMEDIATE DEMAND					TOTAL INTERMEDIATE DEMAND	FINAL DEMAND					TOTAL OUTPUT
	Agriculture	Mining & Quarrying	Manufacturing	Construction	Services		Private Consumption	Government Consumption	Gross Fixed Capital Formation	Change in Inventory	Exports	
Agriculture	7.8	-	73.9	0.0	6.1	87.8	19.6	-	3.4	0.4	12.6	123.9
Mining & Quarrying	0.0	0.9	60.2	2.2	0.8	64.3	0.1	-	-	(0.4)	43.2	1.7.2
Manufacturing	14.1	5.3	180.6	28.5	78.6	307.0	84.3	-	20.3	7.7	477.0	896.2
Construction	0.8	0.8	3.7	6.5	8.2	20.0	6.8	-	58.7	-	5.3	90.8
Services	14.4	5.0	114.7	10.0	239.1	383.2	245.7	101.4	17.2	2.2	106.5	856.1
TOTAL INTERMEDIATE INPUT	37.0	12.1	433.1	47.2	332.8	862.2	356.6	101.4	99.6	9.9	644.5	2,074.2
Direct Purchases Abroad by Residents	-	-	-	-	-	-	26.7	-	-	-	-	26.7
Domestic Purchases by Non-residents	-	-	-	-	-	-	(58.4)	-	-	-	58.4	-
Imported Commodities	11.2	6.3	278.1	15.8	91.6	403.1	56.1	5.2	78.1	4.0	35.7	582.0
Taxes on Products	0.9	0.2	5.0	0.4	6.2	12.8	9.4	0.0	4.9	-	5.5	32.6
Subsidies on Products	1.0	0.4	3.0	0.4	4.3	9.1	3.3	-	-	-	-	12.4
Value-added	75.7	88.9	182.9	27.8	429.7	805.2	387.1	106.5	182.6	13.8	744.0	2,703.2
TOTAL INPUT	123.9	107.2	896.2	90.8	856.1	2,074.2						

Note: Figures may not necessarily add up due to rounding

Source: Malaysia Input-Output Tables 2010, Department of Statistics, Malaysia

In addition, manufacturing sector is a major consumer of intermediate input in several economic sectors. As high as 93.6% and 84.2% of total intermediate demand from mining & quarrying and agriculture sectors respectively were consumed by the manufacturing sector, thus emphasising the heavy reliance on the manufacturing sector in terms of intermediate demand (refer to Table 2).

Table 2: Intermediate Input Demanded by Manufacturing Sector

Sectors	Demand by Manufacturing Sector (RM bil)	Total Intermediate Demand (RM bil)	Share of Demand by Manufacturing Sector to Total Intermediate Demand (%)
Agriculture	73.9	87.8	84.2
Mining & Quarrying	60.2	64.3	93.6
Manufacturing	180.6	307.0	58.8
Construction	3.7	20.0	18.5
Services	114.7	383.2	29.9

Source: Malaysia Input-Output Tables 2010, Department of Statistics, Malaysia

Looking from the SMEs perspective, findings of the SME-IO Table: Analysis and Impact showed that SMEs contributed about one-third (32.3%) to total value-added created in the economy and 31.9% to total output (refer to Table 3). Focusing on the manufacturing sector, SMEs in the sector is the second biggest contributor to the SME value-added (17.0%) and SME output (37.9%). In terms of imports, it can be seen clearly that the SMEs in manufacturing sector is the main driver of the SMEs ecosystem, contributing 54.6% of SMEs' total imports.

Table 3: Contribution to Value-added, Output and Imports by Economic Sectors

Sectors	Value-added (nominal terms)			Output			Imports		
	RM billion	% to total	% to SMEs	RM billion	% to total	% to SMEs	RM billion	% to total	% to SMEs
SMEs	260.1	32.3	100.0	662.5	31.9	100.0	102.1	25.3	100.0
Agriculture	33.1	4.1	12.7	55.3	2.7	8.3	5.4	1.3	5.3
Mining & Quarrying	3.7	0.5	1.4	5.4	0.3	0.8	0.5	0.1	0.4
Manufacturing	44.2	5.5	17.0	251.0	12.1	37.9	55.8	13.8	54.6
Construction	6.3	0.8	2.4	19.8	1.0	3.0	3.7	0.9	3.7
Services	172.7	21.5	66.4	331.1	16.0	50.0	36.7	9.1	36.0
Large Firms	358.2	44.5	-	995.3	48.0	-	253.0	62.8	-
Rest of Sectors (RoS)	186.8	23.2	-	416.4	20.1	-	48.0	11.9	-
Total	805.2	100.0	-	2,074.2	100.0	-	403.1	100.0	-

Note: Figures may not necessarily add up due to rounding
Source: SME Input-Output Table, SME Corp. Malaysia

Information on the output consumption by industries and final consumers can be further analysed by exploring the output structure across all economic sectors. Generally, output is consumed by consumers and investors locally (domestic market) or exports (foreign market). Intermediate demand, private consumption, Government consumption and investment are the four components that describes domestic demand, while exports are considered as foreign demand.

From the total output of RM251.0 billion produced by SMEs in the manufacturing sector, RM112.3 billion (44.7%) flowed back into the economy as intermediate input (refer to Table 4). Exports contributed as high as RM106.4 billion (42.4%) of manufacturing SMEs' total output while the balance of RM32.3 billion (12.9%) went to the domestic demand component. The findings highlighted that the output produced by SMEs in the manufacturing sector was the most highly demanded by foreign parties, while other economic sectors were more domestically integrated. The difference in export intensity across economic sectors and the market it serves suggest that different policies are required to drive the growth of these sectors.

Table 4: Output Production of SMEs by Economic Sectors

Sectors	Intermediate Demand		Private Consumption		Government Consumption		Investment		Exports		Total Output	
	RM billion	% to total output	RM billion	% to total output	RM billion	% to total output	RM billion	% to total output	RM billion	% to total output	RM billion	% to total output
SMEs	321.6	48.5	129.5	19.6	4.6	0.7	31.7	4.8	175.1	26.4	662.5	100.0
Agriculture	33.4	60.4	13.7	24.9	-	-	2.3	4.1	5.8	10.6	55.3	100.0
Mining & Quarrying	4.7	87.1	0.0	0.0	-	-	-0.003	0.0	0.7	12.9	5.4	100.0
Manufacturing	112.3	44.7	23.7	9.4	-	-	8.6	3.4	106.4	42.4	251.0	100.0
Construction	5.3	26.8	2.5	12.9	-	-	11.0	55.6	1.0	4.8	19.8	100.0
Services	165.9	50.1	89.6	27.1	4.6	1.4	9.9	3.0	61.2	18.5	331.1	100.0

Note: Figures may not necessarily add up due to rounding

Source: SME Input-Output Table, SME Corp. Malaysia

Reliance on Imports by Manufacturers

As highlighted earlier, SMEs in the manufacturing sector have high import intensity compared to other economic sectors as they imported most of their inputs. Analysis from the SME-IO Table showed that most industries with high import multipliers tend to have low value-added multipliers. Higher dependency on imports will significantly drag the value-added creation since imports are considered as the leakage source in the economy. Among SMEs, the top ten industries with high imports multiplier were all in manufacturing sector i.e. insulated wires & cables; optical instruments & photographic equipment; and basic precious & non-ferrous metals (refer to Table 5). Moreover, looking at the composition of input requirement of these industries, it can be seen that they imported more than half of its total inputs whereby optical instruments & photographic equipment industry topped the list at 65.4%.

Table 5: Top 10 Industries among SMEs with High Import Intensity

Industry	Import Multiplier	Value-added Multiplier	Share of Import Content to Total Input (%)
Insulated wires & cables	0.762	0.236	64.3
Optical instruments & photographic equipment	0.726	0.272	65.4
Basic precious & non-ferrous metals	0.683	0.313	56.8
Electrical machinery & apparatus	0.618	0.376	46.7
Domestic appliances & office, accounting & computing machinery	0.612	0.386	56.7
Instruments & appliances for measuring, checking, testing, navigating and other purpose; manufacture of industrial process control equipment	0.606	0.385	51.4
Casting of metals	0.604	0.392	47.4
Motor vehicles	0.587	0.352	46.1
Semi-conductor devices, electronic valves, tubes & printed circuit boards	0.586	0.412	56.6
Iron & steel products	0.566	0.431	34.4

Source: SME Input-Output Table, SME Corp. Malaysia

Take note that most of these industries are non-resource based and most of the raw materials being used for production are not available locally but can only be obtained from overseas, such as grade steel, engineering steel and engineering plastics. In fact, SME manufacturers highlighted that their clients specifically quoted for the usage of these high-grade high specification metals or raw materials, thus the issue on outsourcing imported materials cannot be avoided given the nature of their businesses.

While these industries may have high import intensity, no less attention should be given as these industries are complementing the high technology industries, of which they have greater potential and capability to diversify into more complex and high value projects with higher economic returns to the country. Hence, to better cope with the heavy reliance on imported input, more efforts and policy measures are needed to increase the local content and reduce imported input in these industries as higher import dependence may result in lower linkages among the domestic production sector.

Importing raw materials may provide a quick solution for manufacturers currently, but developing capabilities internally among the local firms particularly SMEs is more important. SMEs need to continuously strengthen their capacity and capability to improve their business operations that will eventually allow them to produce high quality products and services. It would also enable them to upscale their business in terms of getting the right skills, hiring more technical expertise and enhance their production capacity in order to compete efficiently. Having local SMEs to produce the right grade and quality of the raw materials for manufacturers may result in better cost savings, boost the supply chain among the local industries and at the same time foster the economy.

Enhancing Business Linkages in Manufacturing Sector

Going forward, the transformation of the economy towards higher value-added activities will be driven by the existing and new industries migrating up the value chain, of which knowledge, innovation and productivity are central to value creation. As SMEs are the backbone of the economy, they will play a prominent role in transforming Malaysia into a high-income nation. Among the measures to further enhance the business linkages in the manufacturing sector include:

1



Strengthen Vendor Development Programme (VDP) by increasing the participation of new anchors from Government-linked companies (GLCs), multinational companies (MNCs), public-listed companies and vendor champions. This will stimulate the capability of SMEs as suppliers to these big players. In the long run, it is expected that SMEs do not just focus on supplying products in the local market, but also seize the opportunities to penetrate into international market.

2

SMEs in high-growth industries to be further developed, such as in automotive, aerospace, biotechnology, medical devices, renewable energy, rail and halal industries. Emerging technologies like Internet of Things (IoT), megatrend, additive manufacturing, artificial intelligence and robotics are highly required in these high tech industries, thus the involvement of big players could better assist and nurture SMEs into becoming highly dynamic, innovative and competitive firms.



3



Supplying to Government and large firms is an important step to widen market penetration and enhance business linkages. Nevertheless, SMEs currently have limited access to procurement by Government and large firms following perception that products and services by SMEs are of low quality and they have low capacity volume which limits their bargaining power in the supply chain. Enforcing procurement from SMEs will help to give greater support and boost confidence in locally manufactured products, while at the same time provide cost savings to the Government.

The Government is committed in assisting entrepreneurs and improve the competitiveness of SMEs so that they can actively participate in the global value chain as well as being a part of the Industrial Revolution 4.0 and digitalisation. Focus will be on creating innovative and globally competitive firms that are resilient to challenges arising from liberalisation and digitally-integrated business environment. Policies being outlined for entrepreneurial development in Malaysia will continue to be the catalyst for the national's inclusive economic transformation going forward.

(Input contributed by Federation of Malaysian Manufacturers)







Section 2
SME Development Policies and Programmes

Chapter
THREE

Policies on
SME
and Entrepreneurship
Development

Chapter THREE | Policies on SME and Entrepreneurship Development



Year 2018 / 2019 saw many changes in the SME policy front in line with the new administration and direction of the Government. Among which include efforts to provide greater emphasis on entrepreneurship development, namely establishment of the Ministry of Entrepreneur Development (MED), formulation of the Dasar Keusahawanan Nasional 2030 (DKN 2030) and the Shared Prosperity Vision 2030.

NESDC AND KEY INITIATIVES

Since 2004, the National SME Development Council (NSDC) has been the highest policy-making authority with its strategic functions that embodies the overall development of small and medium enterprises (SMEs) across all sectors of the economy in Malaysia. As greater emphasis is placed on entrepreneurship development, the Council forges ahead and shall now be known as the National Entrepreneur and SME Development Council (NESDC), with its inaugural meeting on 8 April 2019. The second meeting for the year was convened on 29 October 2019. These two meetings in 2019 discussed various policy measures to increase SME contribution to the economy. Among the key decisions of the Council were:

a) Introduction of Eight Broad Measures to Boost SMEs' Growth

- Intensify digitalisation of SMEs;
- Enhance SMEs integration in the supply chain;
- Increase support to high growth SMEs through relevant incentives;
- Increase SMEs' readiness and competitiveness in adoption of 'innovative-disruptive-compelling technologies and business models;
- Facilitate alternative financing for SMEs;
- Recoup external SMEs value chain into the country;
- Drive growth, strengthen uptake and promote export of home-grown payment gateway and fintech by SMEs; and
- Enhance SMEs participation in the tourism industry.

b) Introduction of a Government Procurement Policy Framework for SMEs

In general, many has the perception that SME products and services lack quality and the practice of contracting to low bidders is a hindrance for SMEs to obtain Government contracts. In addressing these issues, the Government will introduce a policy framework to encourage the public sector to purchase from qualified SMEs. The use of the National Mark for Malaysian Brand will be intensified as one of the validation methods of Malaysian manufactured goods.

The High Level Task Force (HLTF) on SME Development is now the HLTF for Entrepreneur and SME Development. HLTF, chaired by the Chief Secretary to the Government was established as a conduit to strengthen cooperation and coordination among Ministries and agencies to ensure effective implementation of policies and action plans for entrepreneurs and SME development. In 2019, HLTF agreed to establish Strategic Committees to effectively manage cross functional agenda in entrepreneurship and SME development. These Committees will have an important role to:

- Drive concentrated effort by Government to spur domestic economy;
- Ensure strategic direction of SME development is in line with objective of ministries leading the initiatives; and
- Minimise duplication and silos in Government policies.

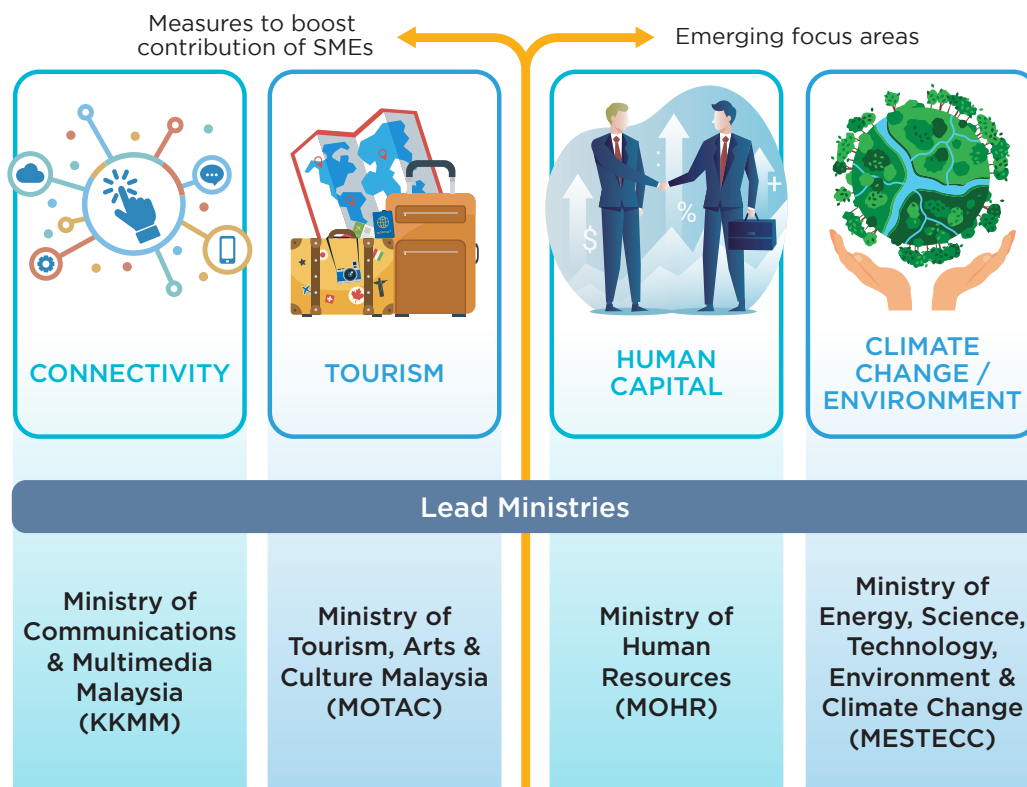
The **four** initial Committees were:

1. **Connectivity** by Ministry of Communications & Multimedia Malaysia (KKMM)
2. **Tourism** by Ministry of Tourism, Arts & Culture Malaysia (MOTAC)
3. **Human Capital** by Ministry of Human Resources (MOHR)
4. **Climate Change / Environment** by Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC)

These Committees shall set broad-based policies and propose measures which go beyond a single ministry.


FOUR HLTF STRATEGIC COMMITTEES PROPOSED AS INITIAL SET UP

Committees to recommend policies and propose measures which may go beyond a single ministry



Note: The role of Strategic Committees under HLTF can be assumed by existing relevant committees / institutional arrangements within the Ministries with an added scope on SMEs and entrepreneurship.

Leads of the HLTF Strategic Committees Correspond with the Core Functions of the Respective Ministries



	Strategic Committee on Connectivity KKMM	Strategic Committee on Tourism MOTAC	Strategic Committee on Human Capital MOHR	Strategic Committee on Climate Change MESTECC
Identify gaps	Intensify digitalisation of SMEs;	Amplify SMEs participation in conventional & non-conventional tourism	Up skilling of employees to meet requirements of future jobs;	Support SMEs transition to sustainable business models including production & supply chain.
Review legislation	Broaden coverage and increase speed of connectivity for SMEs;	(sports tourism / medical tourism) industry chain	Productivity-linked wages measures;	Strengthen SMEs' resilience & Government advocacy role in climate change
Supply chains & business models	Enhance cybersecurity in SMEs.		Transition of labour-intensive industries.	
Set growth targets for SMEs (GDP, exports, jobs)				
Characterise champions				

Feedback from Key Stakeholders via Multiple Channels

Note: Other Committees to be added on need/voluntary basis

The Strategic Committees are proposed to work based on five guiding principles namely:

- Assist HLTF in coordinating responsibilities relating to strategic direction in SME development;
- Discuss related operational and compliance issues affecting entrepreneurs and SMEs;
- Ensure strategies for SME development are incorporated in the strategic plan within their respective jurisdictions;
- Engage relevant external experts to stimulate ideas and strategic thinking; and
- Provide advice and expertise to HLTF on the area or sector.

The role of these Strategic Committees can be assumed by existing relevant committees or institutional arrangements within the Ministries with an added scope on SMEs and entrepreneurship and as long as the guiding principles are met. The Strategic Committees will be required to report twice a year to HLTF for entrepreneur and SME development and subsequently to NESDC.

UPDATES ON SME MASTERPLAN (2012 - 2020)







The SME Masterplan (2012 - 2020) which serves as the platform for the sector's development under RMKe-11 aims at raising SME contribution to GDP to 41% by 2020. The targets, goals and programmes under the Plan aim to create an environment that would drive the

SME segment as the new growth engine. The SME Masterplan (2012 - 2020) identified **32 initiatives** comprising:

- **Six High Impact Programmes (HIPs)** which are critical towards achieving the Masterplan goals. These HIPs are the drivers of change that would make the difference and to take SMEs to the next level of development;
- **14 initiatives** clustered into four thematic areas, namely creating demand for SME products and services, resource pooling and shared services, reducing information asymmetry, and building capacity and capability;
- **Specific measures** for Sabah and Sarawak. The measures relating to infrastructure development has been integrated into the Tenth and Eleventh Malaysia Plans; and
- **Other measures** that are macro in nature and affect SME businesses relating to trade facilitation, taxation policy, bankruptcy law and the foreign worker policy.

Considerable progress has been made in the development of the SME ecosystem as evident by the performance of these programmes.

Performance of the HIPs

HIPs	KPIs	Performance (as at Oct 2019)
1 Integration of Business Registration & Licensing 	<ul style="list-style-type: none"> • Development of info portal • System integration completed 	Info Portal developed 100% licenses uploaded
2 Technology Commercialisation Platform (TCP) 	<ul style="list-style-type: none"> • No. of commercialised project • Revenue from commercialisation 	79 commercialised innovation & 219 license deals RM86.9 million sales generated
3 SME Investment Partner (SIP) 	<ul style="list-style-type: none"> • No. of SME Partners • No. of SME Investees 	2 SME Partners appointed 6 Investment into SME
4 Going Export Programme 	<ul style="list-style-type: none"> • No. of SMEs assisted • Total potential export sales 	287 projects approved RM585 million potential export sales generated
5 Catalyst Programme 	<ul style="list-style-type: none"> • 70% of SMEs growing at 20% or more p.a. for three years 	17% avg. growth of LED SMEs (2012-2017) 59% avg. growth for SMEs growing at 20% or more p.a.
6 Inclusive Innovation 	<ul style="list-style-type: none"> • No. of innovations identified • No. of innovations diffused • No. of underserved communities impacted 	32 innovations for diffusion from 743 shortlisted 43 communities benefitting 3,162 people

Snapshot of Macro Targets, Performance and Goals of SME Development under the SME Masterplan (2012 - 2020)

	2012 (Inception of Masterplan)	2017	2018	2020 Targets
	← 5 years →		← 2 years →	
Share to GDP	33.0% (RM300 bil)	37.8% (RM491.2 bil)	38.3% (RM521.7 bil)	41% (RM606.1 bil)
Share to Export	17.5% (RM134.7 bil)	17.3% (RM166.2 bil)	17.3% (RM171.9 bil)	23% (RM243.2 bil)
Share to Employment	57.2%	66.0%	66.2%	65%
Increase business formation (6% p.a.)	370,127	2,133,821	2,606,135	3,883,119
Expand no. of high growth & innovative firms (10% p.a.)	140	339	411	500
Raise productivity	RM47,000 / worker	RM71,301 / worker	RM73,399 / worker	RM76,400 / worker
Intensify formalisation	31% to GNI	29% to GNI	26% to GNI	15% to GNI

SME DEVELOPMENT IN BUDGET 2020

With the theme 'Driving Growth and Equitable Outcomes towards Shared Prosperity', Budget 2020 is reflective of the Governments' aspiration to steer Malaysia towards an Entrepreneurial Nation as envisaged under the DKN 2030. A total of RM4.3 billion has been earmarked for SME development in 2020. Digitalisation initiatives to encourage businesses to automate and go digital with an allocation of RM1.2 billion supports the strategic plan to create more innovative and high-growth enterprises. Greater emphasis was also given to develop Bumiputera entrepreneurs with an allocation of RM1.3 billion. Measures to enhance access to financing for SMEs and entrepreneurs also received an allocation of RM1.3 billion. The Budget reinstated the importance of halal industry for economic growth through specific measures amounting to RM310 million. Among the key initiatives include:

Digitalisation

- RM20 million will be allocated to Malaysian Digital Economy Corporation (MDEC) to grow local champions in creating digital content, especially in e-games, animation and digital arts.
- RM70 million under MDEC to set up 14 one-stop Digital Enhancement Centres to facilitate access to financing and capacity building of businesses, especially SMEs in line with the Fourth Industrial Revolution (IR 4.0).
- RM500 million allocated for matching grants of up to RM5,000 per company, limited to the first 100,000 SMEs applying to upgrade their systems.
- RM550 million to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies (matching basis up to RM2 million per company) to automate their business processes.
- RM10 million under MDEC to train micro-digital entrepreneurs and technologists to leverage on e-Marketplaces and social media platforms to sell their products.

Access to Financing

- RM500 million for Guarantee Facility for Women Entrepreneurs via Skim Jaminan Pinjaman Perniagaan.
- RM200 million fund specifically for women entrepreneurs, offering loans of up to RM1 million per SME.
- RM50 million to assist finance the underserved SMEs through My Co-Investment Fund (MyCIF) under the Securities Commission Malaysia.
- RM10 million to MyCIF specifically for social enterprises to fundraise via Peer-to-Peer (P2P) Financing platforms. MyCIF will co-invest with private investors on a one-to-one basis, by providing financing at affordable rates for social enterprises.
- RM100 million for Small Business Loans for the Chinese community via Bank Simpanan Nasional, at an interest rate of 4%.
- RM20 million under TEKUN Nasional for Skim Pembangunan Usahawan Masyarakat India (SPUMI) at an interest rate of 4%.



Development of Bumiputera SMEs

To support Bumiputera entrepreneurial development, grants will be provided in terms of access to financing which includes loans and guarantee schemes, provision of business premises and entrepreneur training. These include:

- RM150 million for overall entrepreneurship development and upskilling by Perbadanan Usahawan Nasional Berhad (PUNB).
- RM75 million by SME Corp. Malaysia for capacity building and export focus for Bumiputera SMEs, which includes enhancing marketing, packaging, and financial literacy.
- RM170 million in total for access of financing via TEKUN, SME Bank and Pelaburan Hartanah Berhad.
- RM50 million for entrepreneurship under Unit Peneraju Agenda Bumiputera, Ministry of Economic Affairs.
- RM1 billion of financing for Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and SME Bank.



Halal Industry Development

- RM300 million fund to support Bumiputera SMEs with the potential to become regional champions, with priority given to producers of halal products and manufacturers with high local content with an annual interest subsidy of 2% through SME Bank.
- RM10 million will be allocated for the Ministry of Entrepreneur Development (MED) to focus on advocacy and awareness for halal certification, halal product development and providing platforms for local players to tap on the USD3 trillion global halal market.

Export Promotion

- RM50 million to encourage SMEs to engage in more export promotion activities.
- The ceiling per company for the Market Development Grant (MDG) initiative by Malaysia External Trade Development Corporation (MATRADE) will be increased from the current RM200,000 to RM300,000 yearly.
- The ceiling for the participation in each export fair will also be revised upwards from RM15,000 to RM25,000.

Other Measures

- RM20 million will be channelled to Cradle Fund for the provision of training and grants to seed companies to promote early stage innovations.
- RM10 million for Malaysian Global Innovation & Creativity Centre (MaGIC) to support the growth of social enterprises, which help to improve the socio-economy of local communities.
- To further support the growth of SMEs, the chargeable income subjected to 17% rate will be increased to RM600,000 from RM500,000, for companies with paid-up capital of not more than RM2.5 million and annual sales of not more than RM50 million.

RE-INTRODUCTION OF SALES AND SERVICE TAX

Malaysia re-introduced the Sales and Service Tax (SST) effective from 1 September 2018, three years after the Goods and Services Tax (GST) was launched on 1 April 2015. Sales tax is a single-stage levy charged at the manufacturer's level while service tax is a single-stage levy charged at the consumer's.

With the SST, a 5% or 10% tax - depending on the goods in question - is imposed on sales of manufactured or imported goods by a business with an annual turnover exceeding RM500,000 while a 6% levy is applied on taxable services. A key feature that distinguishes the SST from the GST is the former provides exemptions for 5,443 items of good compared with only 545 in the latter.



Some **key features** of the SST are:

- The number of items of goods exempted from SST is 10 times more than that for GST;
- The service tax is only applicable to food and beverage outlets with an annual revenue of RM1.5 million; and
- Exemptions are also given to some daily essentials, such as fresh food (meat, eggs, vegetables and fruits), rice, coffee, tea, milk powder, sugar, palm and coconut cooking oil together with medicines and pharmaceuticals, personal hygiene products, vehicles, such as bicycles, motorcycles below 250cc and forklifts as well as petrol and diesel. Goods made in or imported into the duty-free islands of Langkawi, Labuan and Tioman are also exempted though a 5% or 10% sales tax is applicable.

The administration of both taxes is conducted online through the MySST system.

Sales Tax

The sales tax is a single levy imposed at the import or manufacturing level. The SST requires companies with sales revenue exceeding RM500,000 in a twelve-month period to be registered for the tax, the rate of which varies from 5% to 10% depending on the goods in question.

Registration is mandatory for all manufacturers of taxable goods with annual sales exceeding the annual threshold and voluntary for those who are below the threshold. Manufacturers who had been registered under GST are automatically lodged under the new regime.

Service Tax

Broadly, the Service Tax Act 2018 requires the registration of a company or individual providing taxable services if the value of the services in a twelve-month period exceeds the threshold of RM500,000. The threshold for operators of restaurants, bars, canteens, cafes or any premises that provide food and drinks is RM1.5 million.

The 6% service tax is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business. Services subject to the tax include hotels, insurance, gaming, legal and accounting services, employment agencies, parking services, couriers, advertising and electricity. Imported services are not subject to service tax.



SHARED PROSPERITY VISION 2030 (SPV 2030) TO ENSURE THE EQUITABILITY OF OUTCOMES FOR ALL MALAYSIANS

Shared Prosperity Vision 2030 (SPV 2030), the latest policy document for the country was launched by the Prime Minister on 5 October 2019. SPV 2030 envisions a sustainable growth model, with goals of fair and equitable distribution across income groups, ethnicities, regions and supply chains. The intended outcome is to ensure decent standard of living for all citizens.

Strategic Thrust of the SPV 2030

The **seven** strategic thrusts in the SPV 2030 are:



Overall, SPV 2030 is aimed at achieving fairer economic growth and adding value to the economy by ensuring development for all, address wealth and income disparities and build a united, prosperous and dignified nation.



BOX ARTICLE

ASEAN SME Policy Index 2018 Malaysia Has Best SME Institutional Framework in ASEAN

The ASEAN SME Policy Index (ASPI) 2018 - Boosting Competitiveness and Inclusive Growth is a collaborative effort between the Organisation for Economic Cooperation & Development (OECD), the Economic Research Institute for ASEAN and East Asia (ERIA) and the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME). The initiative was undertaken with the Governments of the ten ASEAN member states as well as various stakeholders involved in SME development. The document was officially launched in Singapore on 1 September 2018.

The ASPI 2018 surveys and benchmarks SME development policies across ASEAN member states, with the primary focus being on eight different SME-centric policy areas, namely, productivity, technology and innovation; environmental policies and SMEs; access to finance; access to market and internationalisation; institutional framework; legislation, regulation and tax; entrepreneurial education and skills as well as social enterprises and inclusive SMEs.

ASPI 2018 Findings on Malaysia

In the ASPI 2018, Malaysia has not only maintained its ranking as one of the region’s leaders in SME development but also as having the most advanced institutional framework for SME development among ASEAN member states. Overall, Malaysia did well in the Index with its scores for all the eight policy dimensions exceeding the median score for ASEAN. Malaysia was also ranked second in six of the policy dimensions in the document, namely on productivity, technology and innovation, environmental policies and SMEs, access to finance, access to market and internationalisation, legislation, regulation and tax as well as entrepreneurial education and skills.

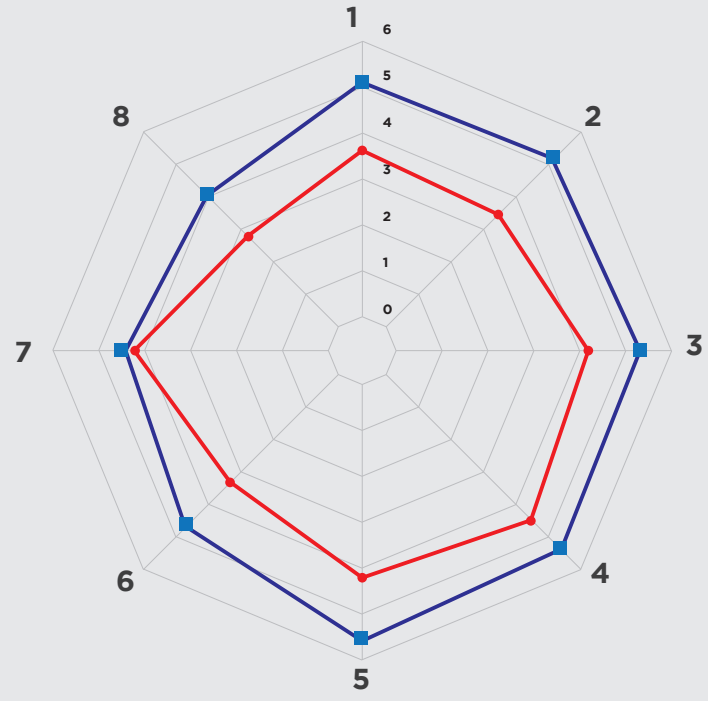
“Overall, Malaysia did well in the Index with its scores for all the eight policy dimensions exceeding the median score for ASEAN.”

Chart 1: Malaysia’s Performance in ASPI 2018

Dimension

1. Productivity, Technology and Innovation
2. Environmental Policies and SMEs
3. Access to Finance
4. Access to Market and Internationalisation
5. Institutional Framework
6. Legislation, Regulation and Tax
7. Entrepreneurial Education and Skills
8. Social Enterprises and Inclusive SMEs

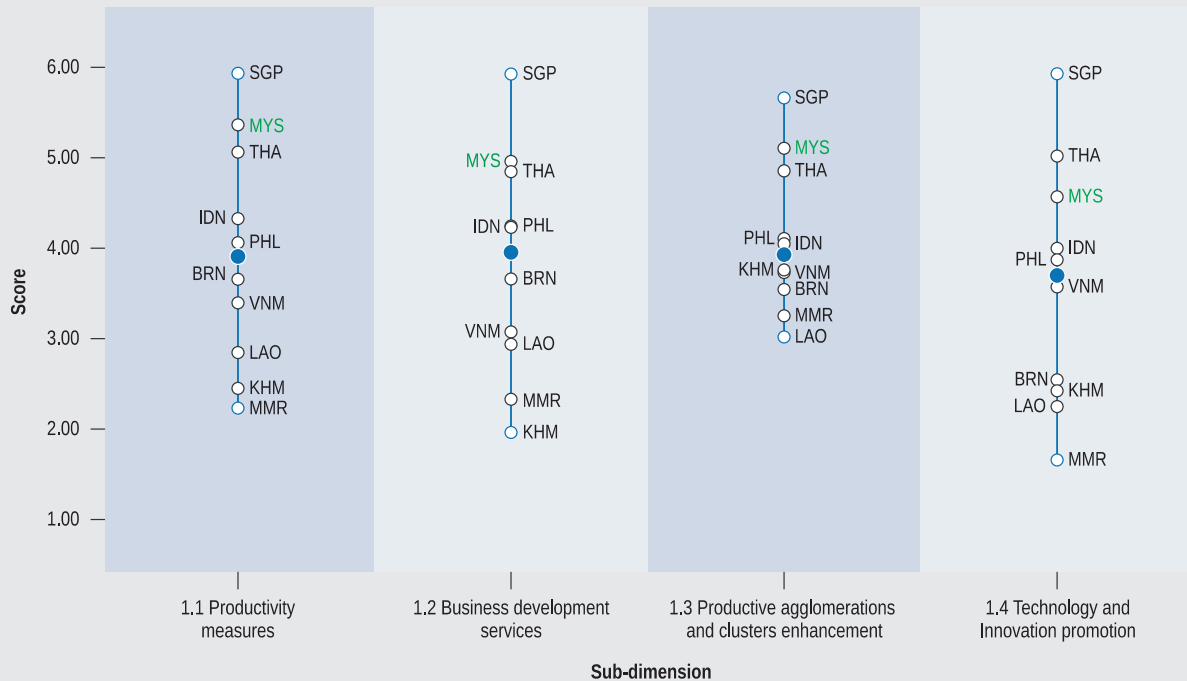
Note:
● ASEAN (median)
■ MALAYSIA



DIMENSION 1

Productivity, Technology and Innovation

The framework to assess Dimension 1 covers four sub-dimensions. Malaysia ranked number 2 in ASEAN in three sub-dimensions, i.e. productivity measures, business development services as well as productive agglomerations and cluster enhancement with average score of above 5.00. While the sub-dimension technology and innovation promotion saw Malaysia at rank number three in the region of an average score of 4.77. The ASPI described Malaysia's overall gross expenditure of 1.1% and business spending of 0.7% of GDP on research and development (R&D) as high commensurate with the country's income level. The Government has put in place a number of SME-centric policies which are specifically focused on the promotion of innovation and productivity. Overall, Malaysia scored 5.06 against the ASEAN median 3.78 in Dimension 1 for efforts to boost productivity, innovation and adoption of new technologies.

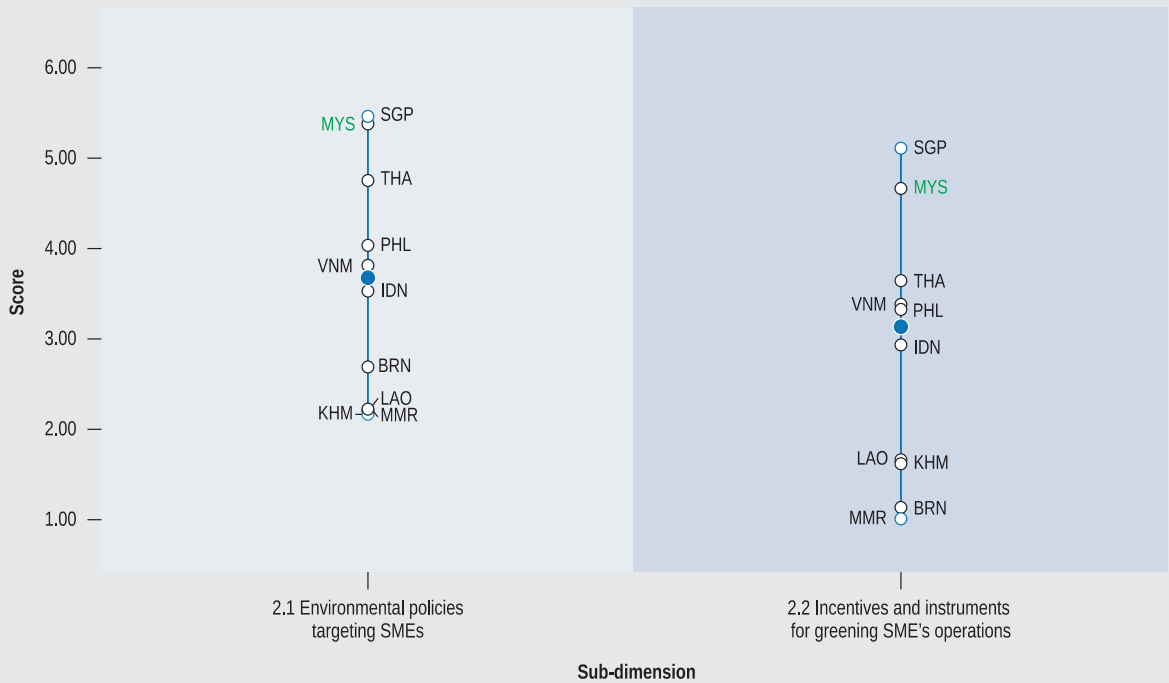


DIMENSION 2 Environmental Policies and SMEs

Dimension 2 is weighted by two sub-dimensions. Again Malaysia was ranked number 2 in the region in the both sub-dimensions of environmental policies as well as incentives and instruments for greening SMEs' operations. The country's environmental policies, which are set out in the 11th Malaysia Plan 2016-2020 and the Malaysia Green Technology Plan 2017, contain provisions to encourage greener practices by SMEs. The policy objectives are supported by various financial incentives and support schemes, such as MyHIJAU SME & Entrepreneur Development Programme, Green Technology Financing Scheme (GTFS), Fund for Small and Medium Industries 2 (FSMI2) and the New Entrepreneur Fund - to help SMEs adopt green practices. Nevertheless, the below 5 score in the area of incentives and instruments reflect the need for continues and new support for sustainable and green SMEs. As reflected in its overall score of 5.08 (ASEAN: 3.45), Malaysia is considered as among the most advanced countries in ASEAN for SME-centric environmental policies.

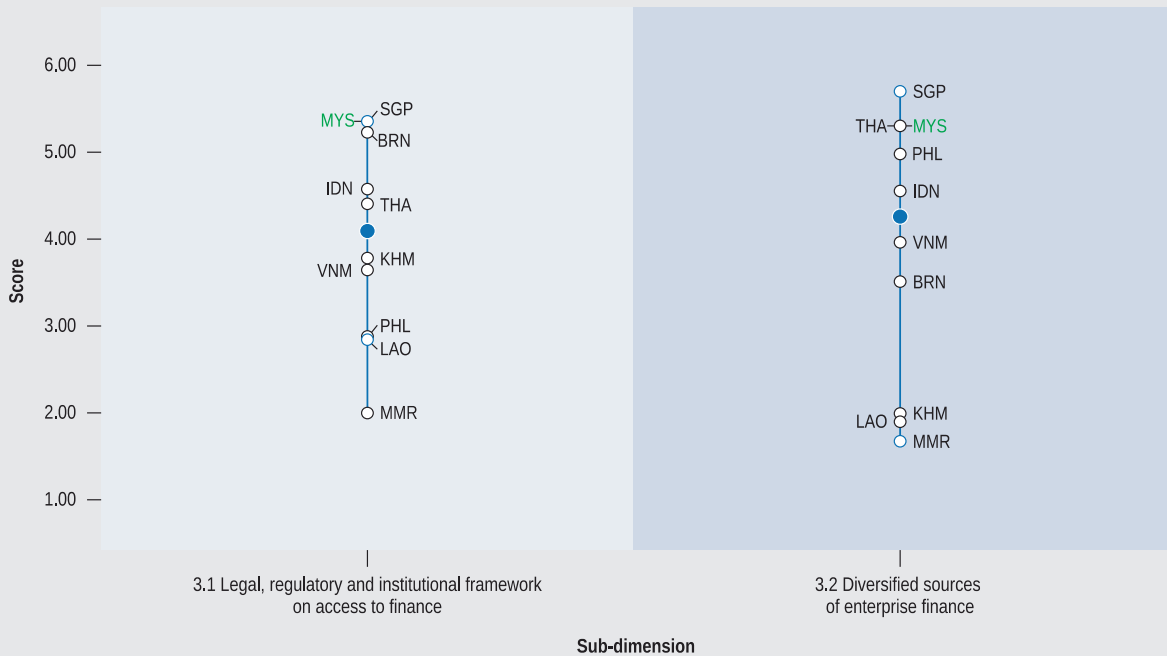


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DIMENSION 3 Access to Finance

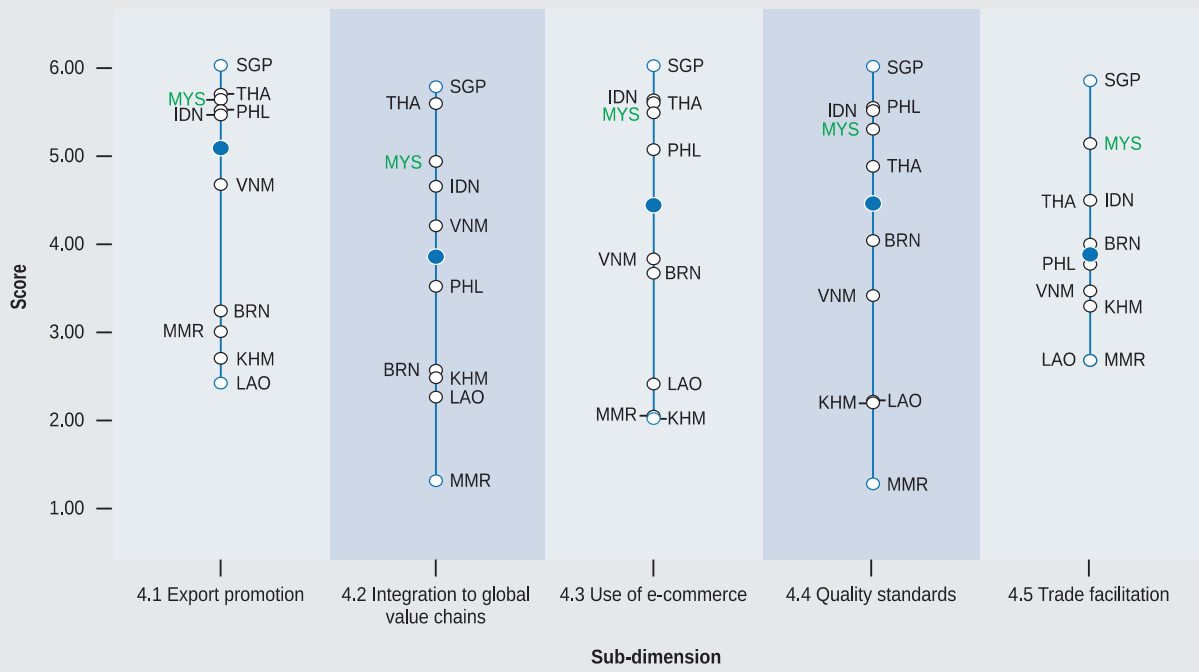
Malaysia scores 5.35 (ASEAN: 4.15) in facilitating SME's access to finance, a reflection of the Government's concerted efforts over the years to facilitate access to finance in order to create a more inclusive financial landscape, particularly for SMEs and microenterprises. In 2017, 88.3% of public funding for SME development was channeled into SME financing programmes, targeted at the growth of innovative sectors, financial inclusion and support for Bumiputera enterprises. Greater efforts can be taken to diversify sources of finance for SMEs to move the rank of Malaysia in the said sub-dimension.



DIMENSION 4

Access to Market and Internationalisation

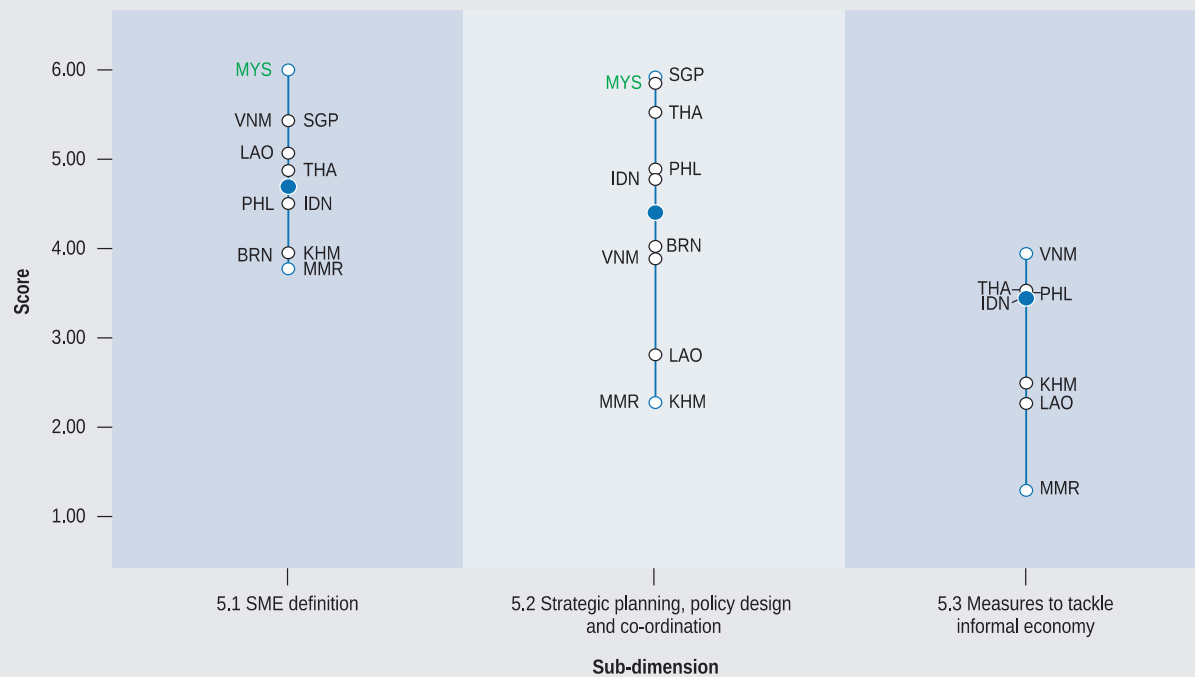
Malaysia recognises the need to create opportunities for SMEs by exposing them to the international market. The Government has long been committed to creating greater market access and internationalisation of SMEs. The results were apparent with Malaysia scoring above 5 in four of the five sub-dimensions i.e. export promotion, use of e-commerce, quality standards and trade facilitation. Efforts need to be intensified in the sub-dimension integration to global value chain as an important aspect to SME internationalisation. Overall the country's score is 5.43 against ASEAN's 4.55.



DIMENSION 5

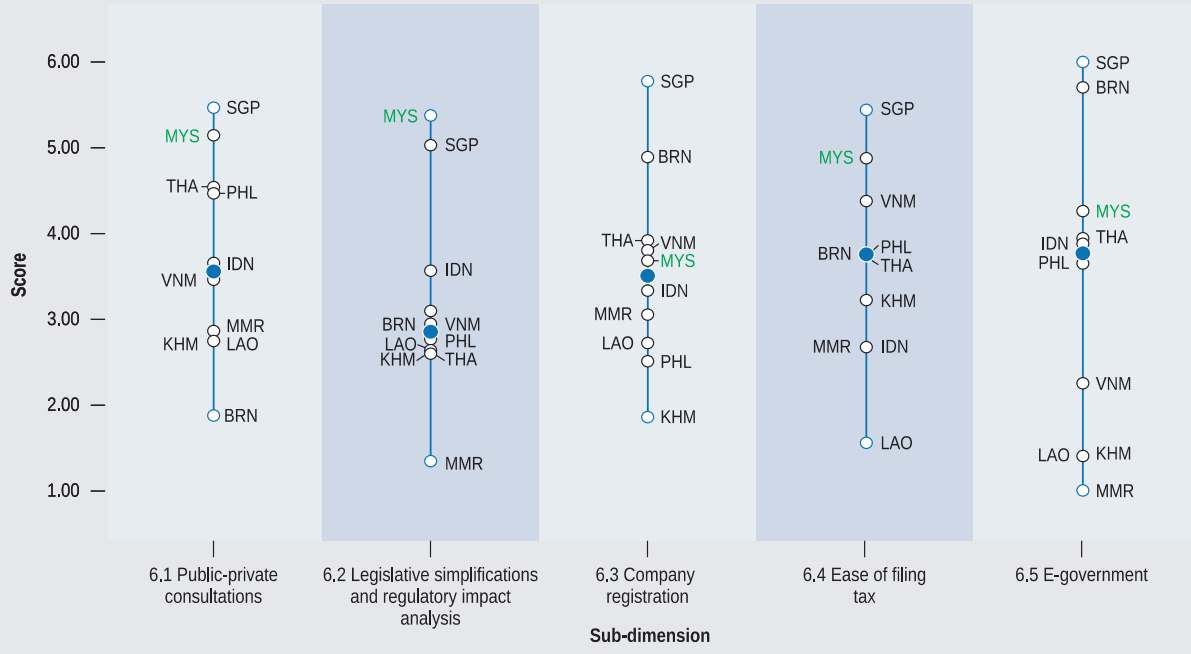
Institutional Framework

The presence of SME Corp. Malaysia as the central coordinating agency in SME development reflected the country’s advanced institutional framework in SME development. The work of the Agency brought a full score of 6.00 in the sub-dimension of SME definition while a score of 5.89 in the sub-dimension of strategic planning, policy design and co-ordination. The SME Masterplan (2012 - 2020) outlined the long-term strategy in line with the country’s economic plans. Overall, Malaysia recorded a score of 5.86 against ASEAN’s 4.20.



DIMENSION 6 Legislation, Regulation and Tax

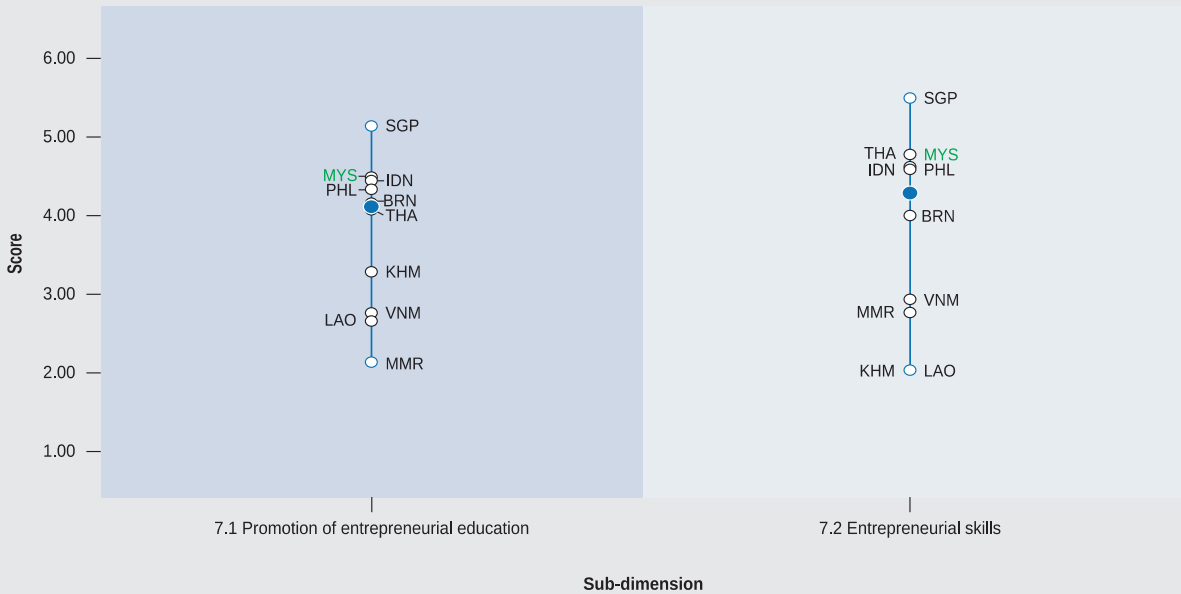
Malaysia's score of 4.71 (ASEAN: 3.43) for its legal and regulatory framework for SME development is supported by the higher rating in the sub-dimensions of public-private consultations, legislative simplifications and ease of filing tax. On company registration, Malaysia has relatively a lower score due to the time taken to complete a full registration. Another area for improvement is the effort on establishing e-government platforms that need to be expedited.



DIMENSION 7

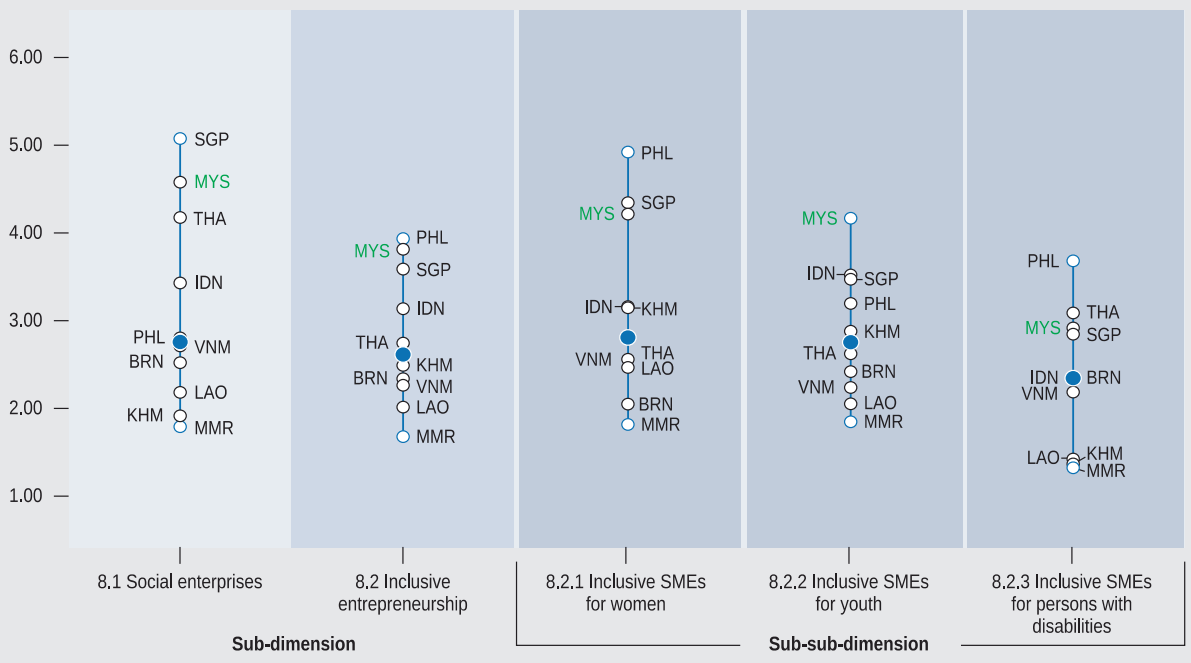
Entrepreneurial Education and Skills

The score for this dimension is weighted by two sub-dimensions of promotion of entrepreneurial education and entrepreneurial skills. Malaysia scored 4.50 and 4.63 respectively and the overall is at 4.58 (ASEAN:4.27). Under Malaysia's Education Blueprint (2013-2025), entrepreneurship values are integrated into leadership skills and taught at all education levels while programmes on entrepreneurial skills are conducted by various Government ministries and agencies.



DIMENSION 8 Social Enterprise and Inclusive SMEs

Malaysia scored 4.00 (ASEAN: 2.77) for Social Enterprise and Inclusive SMEs (Dimension 8) reflecting this agenda as one of the significant items for enhancing socio-economic well-being in Malaysia. The country has developed a Social Enterprise Blueprint and the private sector has taken a crucial role in Malaysia's ecosystem to promote social entrepreneurship. These efforts were reflected in the score of 4.57 in the sub-dimension of social enterprise. While Malaysia is one of the few ASEAN countries to offer a package of services for each of the target groups, namely, women, youth and persons with disabilities, more work need to be undertaken in the sub-dimension of inclusive entrepreneurship which had the score of 3.81, one of the lowest scores of Malaysia in the Index.







Section 2
SME Development Policies and Programmes

Chapter
FOUR

SME and Entrepreneurship
Development
Programmes in 2018



Chapter **FOUR** | SME and Entrepreneurship **Development Programmes in 2018**



Making up 98.5% of business establishments in Malaysia, the SME sector has been playing a vital role in terms of production, job creation, exports as well as the equitable distribution of wealth that will ensure sustainable and inclusive development, particularly by providing opportunities to potential entrepreneurs. Nevertheless, SME population is very diverse in terms of industry, sector, age, size and business model. SMEs also have different needs depending on their stage of development. These variances warranted for targeted strategies that are not designed based on one-size-fits-all perspective.

To ensure that SMEs continue to prosper, the Government will continue its efforts to spur greater growth by providing support through strategic policies for financing, infrastructure, innovation and technology uptake, human capital development, market access as well as transformation of the legal and regulatory environment to encourage the formalisation of businesses.

For 2018, the Government implemented SME development programmes across all economic sectors in line with the objectives of the SME Masterplan (2012 - 2020). The focus of the SME programmes in 2018 continued in six areas deemed critical for SME development, namely access to financing, innovation and technology adoption, access to market, human capital development, infrastructure as well as legal and regulatory environment. A total of RM13.7 billion was allocated to implement 153 programmes with 637,808 beneficiaries.

Access to financing programmes continued to receive the main bulk of the funding amounting to RM13.0 billion (95.1% of total financial expenditure) for 44 programmes that benefitted 424,115 recipients. A total of 40 human capital development programmes were undertaken with an expenditure of RM361.2 million with 130,605 beneficiaries while RM159.3 million was spent to implement 28 innovation and technology adoption programmes with 32,683 beneficiaries. Market access had 27 programmes with an expenditure of RM77.6 million for 50,197 beneficiaries while RM69.2 million was provided for 13 infrastructure programmes with 208 beneficiaries. One legal and regulatory environment programme was implemented in 2018 with a fund of RM8.0 million.

Table 4.1: SME Development Programmes in 2018 by Focus Area

Focus Area	Number of Programmes	Financial Commitment (RM million)	Number of Beneficiaries
Access to Financing	44	13,029.7	424,115
Human Capital Development	40	361.2	130,605
Innovation and Technology Adoption	28	159.3	32,683
Market Access	27	77.6	50,197
Infrastructure	13	69.2	208
Legal and Regulatory Environment	1	8.0	-
Total	153	13,704.9	637,808

Chart 4.1: Financial Commitment by Focus Area (%)

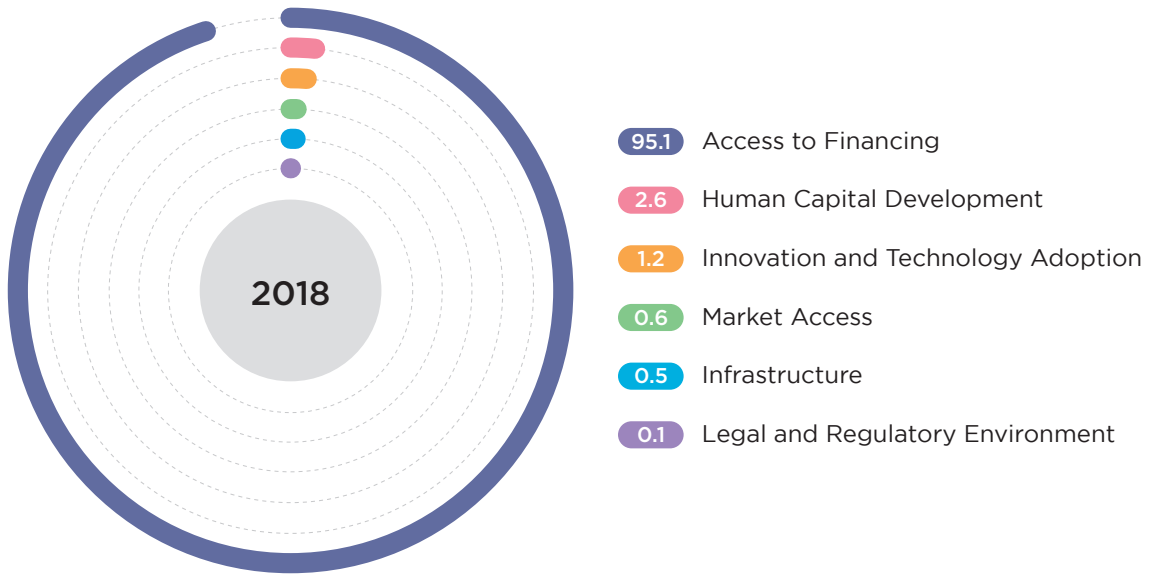


Chart 4.2: Programmes by Focus Area (%)

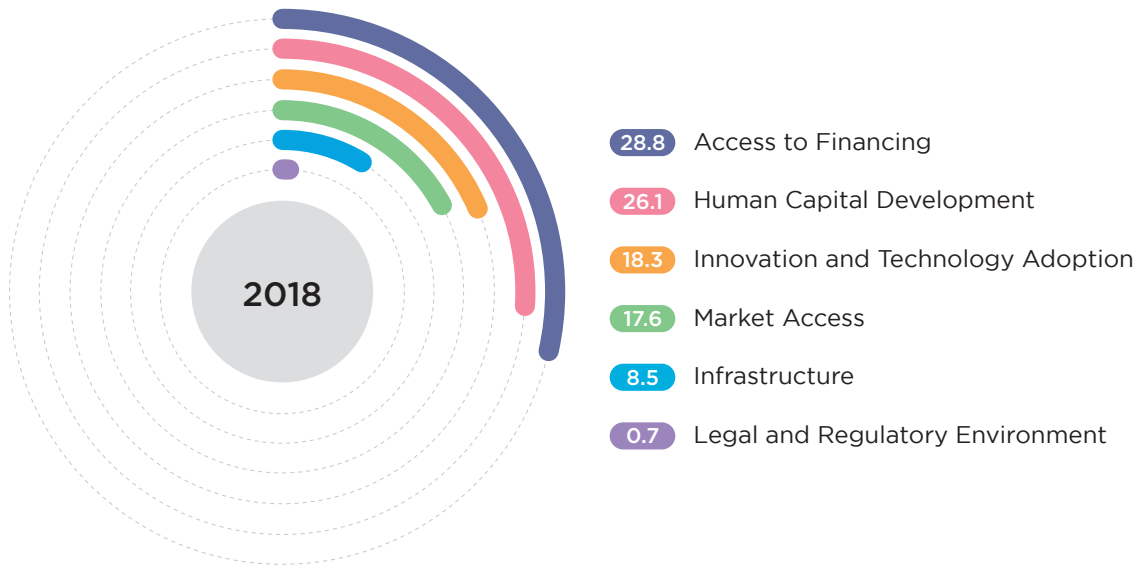
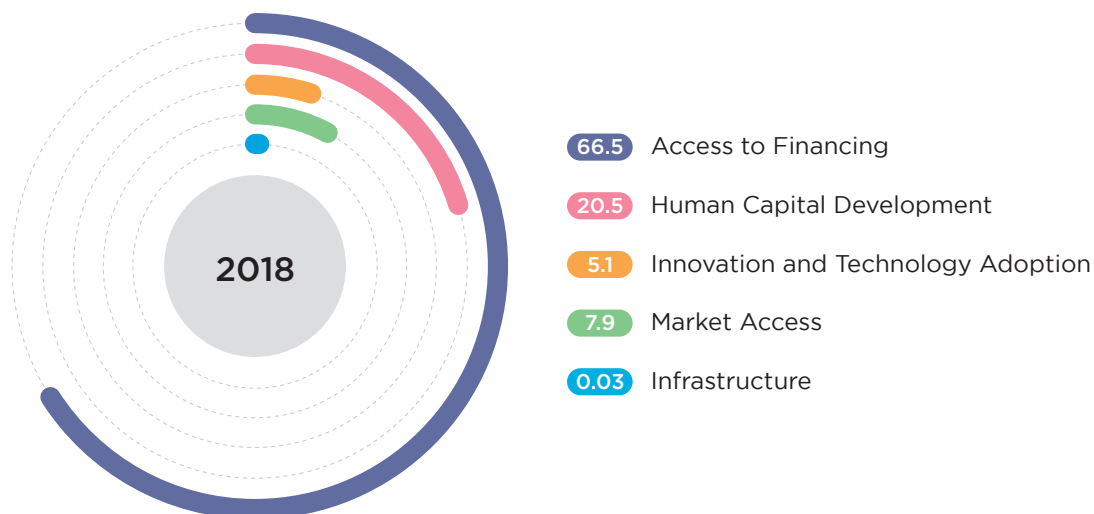


Chart 4.3: Beneficiaries by Focus Area (%)

HUMAN CAPITAL DEVELOPMENT

The focus on human capital development reflected the Government's continued emphasis on raising the national productivity level, particularly that of SMEs. A widespread attention has been given by the Government for SMEs not only to deepen the entrepreneurship skills of the business owners, but also to develop and strengthen their talent strategy to harness the full potential of their human capital to drive the business forward. In 2018, a total of RM361.2 million was spent for 40 programmes with 130,605 beneficiaries under this area. Among the programmes were:

- Majlis Amanah Rakyat (MARA) spent RM44.5 million to conduct **entrepreneur development programmes** for 56,846 Bumiputera entrepreneurs. MARA had set a target of developing 51,338 Bumiputera entrepreneurs in 2018 and a cumulative total of 77,200 in years 2016 - 2020.
- The Rubber Industry Smallholder Development Authority (RISDA) implemented the **Aktiviti Ekonomi Tambahan** programme based on the premise of optimising existing resources to maximise income. The programme supported smallholders to conduct additional economic activities to increase their income by providing them with financial aid in the form of machinery, equipment and raw materials. The objective of the programme was to spur smallholders to be more dynamic, innovative and entrepreneurial in nature. In 2018, the programme had assisted 1,565 beneficiaries with an expenditure amounting to RM15.5 million.

- **Export Training Programme** implemented by the Malaysia External Trade Development Corporation (MATRADE) has been a platform to equip SMEs to enhance their export capabilities. In 2018, about RM0.1 million was spent for the programme with 2,301 participants.
- **National Dual Training System (NDTS)** programme, led by the Skills Development Department under the Ministry of Human Resources offered training for school leavers and the unemployed to upgrade their skills with the objective of providing trained workers to meet the labour demand of SMEs. In 2018, RM40.0 million was dedicated for the programme which benefitted 7,274 participants.
- **Homestay Entrepreneur Training and Skill Enhancement** programme, led by the Ministry of Tourism, Arts and Culture, has been designed to inculcate entrepreneurship culture among homestay operators as well as enhancing their service quality. In 2018, a total of about RM0.3 million was spent to conduct the trainings with 1,941 beneficiaries.

INNOVATION AND TECHNOLOGY ADOPTION

It has long been proven that innovation significantly increases productivity and facilitates growth of businesses across all sectors. Survival rates were also higher in SMEs that innovate as they are more likely to adapt to challenging market conditions and offer something new in order to stay ahead of the game. For this reason, the Government continued to emphasise on accelerating the adoption of technology and innovation by SMEs. In 2018, RM159.3 million was provided to fund 28 innovation and technology adoption programmes in which 32,683 SMEs participated. Some of the programmes implemented during the year included:

- **Accelerating SME eCommerce Adoption** programme led by the Malaysia Digital Economy Corporation (MDEC) has set an aim to encourage SMEs to enter into eCommerce. In 2018, the programme was implemented with a financial expenditure of about RM0.9 million and benefitting 30,261 beneficiaries.
- **Bumiputera Enterprise Enhancement Programme (BEEP)**, led by SME Corp. Malaysia has served as a platform to develop potential Bumiputera SMEs throughout the country. The programme offered selected Bumiputera SMEs a comprehensive assistance package comprising financial assistance and advisory services. In 2018, BEEP was implemented with RM22.0 million in financial expenditure for 263 beneficiaries.



- **MARii Intelligent Technology System (MITS)**, a productivity programme led by the Malaysia Automotive, Robotics and IoT Institute or MARii (previously known as Malaysia Automotive Institute, MAI) for local vendors to obtain automotive i-Cloud computing and 3D experience was implemented with an expenditure of RM2.2 million benefitting 290 beneficiaries.
- The programmes conducted by the Malaysian Agriculture Research and Development Institute (MARDI) provided **advisory services, product analysis, clinics, seminars and attachment training** for existing and aspiring entrepreneurs. In 2018, MARDI's programmes were focused on providing technical advisory services for existing and aspiring entrepreneurs; conducting technology seminars and workshops for entrepreneurs; evaluation of product quality; conducting technical visits and periodic monitoring of the performance of the entrepreneurs concerned; the creation of new technology-based SMEs and microentrepreneurs; and resolving technical issues on-site for entrepreneurs. In 2018, about RM0.6 million was spent to fund these activities with 497 beneficiaries.
- In 2018, the Malaysian Timber Industry Board (MTIB) conducted five programmes on design development and branding of TANGGAM products (**Program Pembangunan Rekabentuk dan Penjenamaan Produk TANGGAM**) which involved business matchings between designers and SMEs, prototype development as well as the holding of a furniture design competition, design workshop and exhibitions. With an expenditure of RM0.7 million, the programme had assisted 345 beneficiaries in 2018.

MARKET ACCESS

In the era where the world community is becoming closer by the day brought by technological advancements in the digital world, one of the priorities of the Government's economic agenda is to spur the engagement of Malaysian SMEs in internationalisation and cross-border trade. Therefore, support measures for SMEs to navigate through the growing complexity of the value chains need to evolve accordingly. In 2018, RM77.6 million was committed to fund 27 market access programmes for 50,197 beneficiaries. Among the programmes for the year were:

- **Showcase Satu Daerah Satu Industri (SDSI)** programme led by Bumiputera Entrepreneurs Division of the Ministry of Entrepreneur Development has served as a platform to facilitate the sourcing and marketing of high-quality products and services as well as enhancing networking among participating entrepreneurs in order to establish new business alliances and joint ventures between local and international traders. With a financial expenditure totalling to RM2.4 million, the programme had assisted 795 beneficiaries in 2018.

- The development of **Shop Lots in Jeli** and **SME Factory in Pengkalan Chepa** led by the Kelantan State Development Corporation, provided microenterprise traders and SME manufacturers with premises that are conducive for their business activities. In 2018, an expenditure of RM12.2 million was recorded for the programme.
- The Kelantan State Development Corporation led the **Upgrading of Business Premises in Kelantan** which involved the upgrading of the Berek 12 wet market in Kota Bharu at a cost of RM5.7 million for the benefit of 180 microentrepreneurs.
- **PROSPER Property** implemented by the Perbadanan Usahawan Nasional Berhad (PUNB) to purchase retail premises at strategic locations to increase Bumiputera ownership in commercial property. In 2018, RM3.2 million was utilised for the programme.
- The Sabah Economic Development Corporation (SEDCO) implemented the **Development of Business Premises** programme, which provided industrial premises for entrepreneurs at the SEDCO SME Industrial Park. In 2018, RM4.0 million was dedicated for the programme.
- Jabatan Kemajuan Orang Asli (JAKOA) led **Building Business Premises** programme for Orang Asli entrepreneurs. An expenditure of about RM0.2 million was recorded in 2018 to assist five beneficiaries.



LEGAL AND REGULATORY ENVIRONMENT

The sole legal and regulatory environment programme implemented in 2018 was the **HIP 1: Integration of Business Registration and Licensing** designed to create a single window for both business registration and licensing in order to encourage formalisation and business formation. An expenditure of RM8.0 million was provided for the programme led by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) in partnership with SME Corp. Malaysia.





Section 2

SME Development Policies and Programmes

Chapter **FIVE**

SME and Entrepreneurship **Development** Programmes in 2019

Chapter **FIVE** | SME and Entrepreneurship **Development Programmes in 2019**



The importance of the SME sector is reflected in the substantial financial allocation provided by the Government to spur its growth. For 2019, an allocation of RM13.7 billion has been provided for SME development programmes in six focus areas, namely access to financing, human capital development, market access, innovation and technology adoption, infrastructure as well as legal and regulatory environment. The programmes, which will be undertaken by 17 ministries and 60 agencies, are designed to incentivise growth segment as well as ensuring sustainable and inclusive development by increasing the contribution of microenterprises and B40 group to the economy.

One of the key focuses for the year is to accelerate the creation of high-growth and innovative firms. The main sub-sectors identified are the rail industry, medical devices, aerospace, automotive, digital economy, biotechnology and renewable energy. Emphasis is given to manufacturers and service providers in such economic activities that have greater potential and capabilities to diversify their products and services towards more complex and higher value projects. Further to that, there are also measures being introduced to drive greater economic contribution by SMEs which include intensifying digitalisation and enhancing

integration of SMEs in the supply chain; facilitating alternative financing mechanism; enhancing SMEs participation in the value chain of the tourism industry; implementing measures to drive growth and strengthen uptake; and promoting the export of homegrown payment gateways and fin-techs.

A total of 164 SME development programmes supported by a financial commitment of RM13.7 billion are being implemented in 2019. Targeting to benefit a total of 555,408 beneficiaries, the programmes have been designed across focus areas deemed critical for the sustainable development of the SMEs namely access to financing, human capital development, innovation and technology adoption, market access, infrastructure and legal & regulatory environment.

Of the total financial commitment, 96.1% (RM13.2 billion), has been allocated to implement 33 access to financing programmes for 434,502 beneficiaries. The second largest allocation of RM192.1 million is for 53 human capital development programmes with 103,684 beneficiaries while RM148.0 million has been committed to carry out 28 innovation and technology adoption programmes for 5,613 beneficiaries. A total of 34 market access programmes with an allocation of RM124.4 million for 10,191 beneficiaries are in the pipeline while 15 infrastructure programmes for 1,418 beneficiaries will be implemented and funded from a RM44.0 million allocation. One legal and regulatory environment programme with an allocation of RM20.0 million has also been planned for the year.

Table 5.1: SME Development Programmes in 2019 by Focus Area

Focus Area	Number of Programmes	Total Financial Commitment (RM million)	Total Beneficiaries (Target)
Access to Financing	33	13,172.9	434,502
Human Capital Development	53	192.1	103,684
Innovation and Technology Adoption	28	148.0	5,613
Market Access	34	124.4	10,191
Infrastructure	15	44.0	1,418
Legal and Regulatory Environment	1	20.0	-
Total	164	13,701.4	555,408

Chart 5.1: Programmes by Focus Area (%)

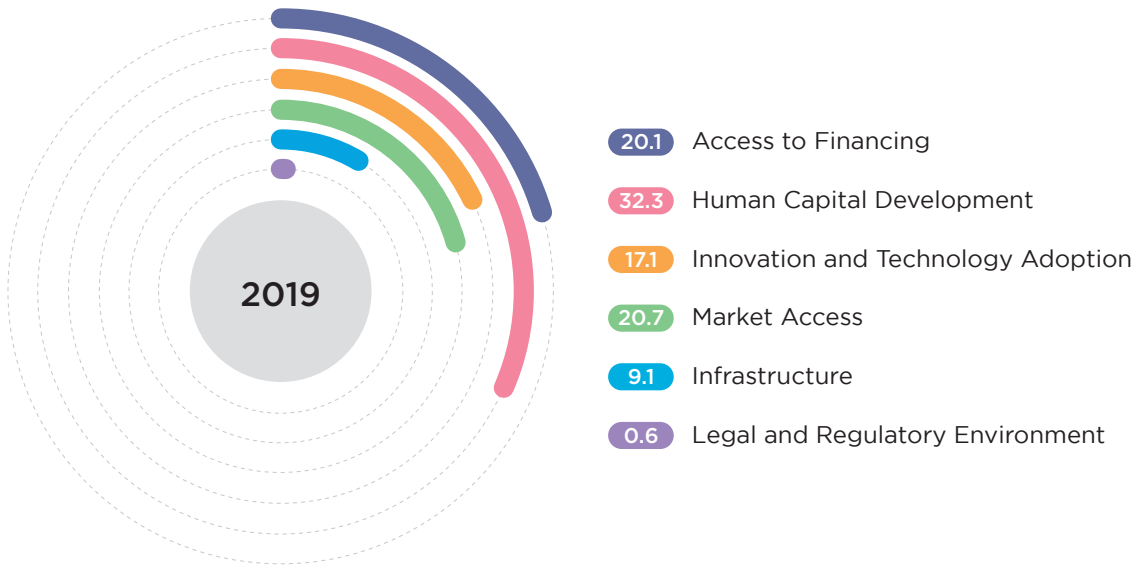
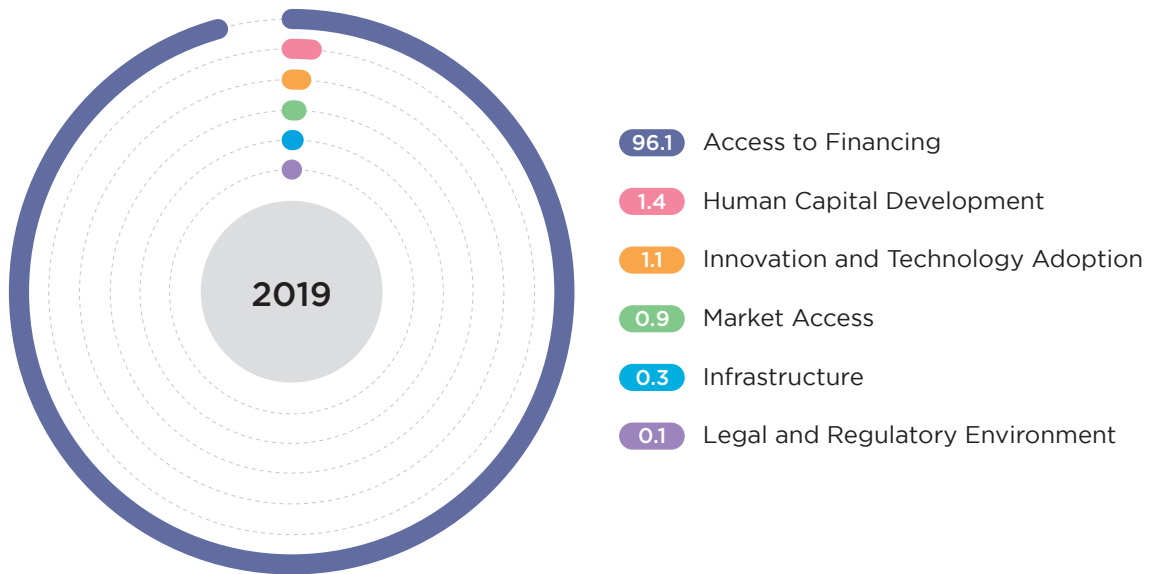


Chart 5.2: Financial Commitment by Focus Area (%)



HUMAN CAPITAL DEVELOPMENT

Ensuring sustainable business growth requires an expanded skillset to navigate through the complexities of today's economies. Recognising the fact that this might be particularly challenging for SMEs and entrepreneurs, a financial commitment of RM192.1 million has been made to implement 53 human capital development programmes. The target number of beneficiaries has been set at 103,684. The programmes planned for 2019 include:

- **National Dual Training System** provides training for school leavers and the unemployed is intended to serve as a channel to meet labour demand from SMEs as well as provide skills upgrading for existing and new employees. The programme is conducted by the Skills Development Department of the Ministry of Human Resources. For 2019, RM45.0 million has been allocated to implement the programme for 400 beneficiaries.
- **The Entrepreneur Development Programme**, which is being led by MARA, targets to create 77,200 Bumiputera entrepreneurs within a five-year time frame from 2016 to 2020. A total of RM31.0 million has been allocated to fund the programme which targets to assist 15,546 beneficiaries.
- **Program Mudahcara Pensijilan Halal (HBT)** facilitates compliance readiness and halal certification for SMEs. The programme is led by the Halal Industry Development Corporation in partnership with other ministries and Government agencies. For 2019, RM0.6 million has been allocated to assist 250 beneficiaries.



- **Workshop Transformation Programme (WTP)** aims at assisting automotive workshops in the country to enhance their competitiveness and profitability by improving the level of customer satisfaction and sales volume. The programme which is being led by the Malaysia Automotive, Robotics and IoT Institute (MARii) has been allocated RM3.7 million for a target of 1,000 beneficiaries in 2019.
- The **Aktiviti Ekonomi Tambahan** programme, which is being led by the Rubber Industry Smallholder Development Authority (RISDA), is designed to assist smallholders to optimise resources and maximise income by carrying out other economic activities. The programme provides assistance in the form of machinery, equipment, raw materials or other resources needed to carry out the identified activities. An allocation of RM15.0 million has been committed to assist 1,500 smallholders.

INNOVATION AND TECHNOLOGY ADOPTION

The innovation and technology adoption programmes would be instrumental to assist SMEs to reap productivity gains, drive efficiency and boost growth. It is also essential for the Government to assess the gaps and facilitates the preparedness of SMEs for the challenges emerging from Industrial Revolution 4.0 (IR 4.0). Digitalisation holds the key for SMEs to grow and innovate alongside the needs of IR 4.0 and create the jobs of the future. Against this setting, 28 innovation and technology adoption programmes supported by a financial commitment of RM148.0 million being implemented in 2019. The programmes to benefit 5,613 participants. The programmes for 2019 include:

- The Malaysian Agriculture Research and Development Institute (MARDI) provides **advisory services, product analysis, clinics, seminars and attachment trainings for existing and aspiring entrepreneurs** with RM0.5 million allocated to conduct the programmes with 3,770 beneficiaries. The programmes include offering technical advisory for a target of 3,000 existing and aspiring entrepreneurs, holding of technology seminars and workshops for 600 entrepreneurs, conducting product quality evaluation, technical visits and periodic monitoring of performance of the entrepreneurs concerned. The programme also aims to create 50 new technology-based SMEs and microentrepreneurs and to help resolve technical issues on-site for a target number of 120 entrepreneurs.
- The Malaysia Automotive, Robotics and IoT Institute (MARii) is spearheading the introduction of the **4R2S** (Repair, Reuse, Recycle, Remanufacturing, Services, Spare Parts) management system to be adopted by existing and new businesses in the automotive after-sales sector. MARii has been provided with an allocation of about RM0.2 million to assist 100 participants to implement the system.
- The **Bumiputera Enterprise Enhancement Programme (BEEP)**, led by SME Corp. Malaysia aims at developing Bumiputera SMEs by providing them with comprehensive assistance package comprising financial assistance and advisory services. For 2019, RM3.0 million has been allocated to conduct the programme for 120 beneficiaries.



“ Digitalisation holds the key for SMEs to grow and innovate alongside the needs of IR 4.0 and create the jobs of the future. ”

- The **Implementation of Core Activities Targeted at Enhancing Productivity and Market Expansion of SME in Collaboration with SIRIM-Fraunhofer** involves implementation of core activities to enhance productivity and market expansion, such as innovation management through technology audit (value chain analysis) and increasing technology uptake. For 2019, RM3.8 million has been allocated to undertake the programme for 150 beneficiaries.
- **MAI Intelligent Technology System (MITS)** led by MARii provides automotive i-Cloud computing and 3D experience to elevate existing local vendors to Level 4 certification. An allocation of RM3.5 million has been allocated to conduct the programme for 450 beneficiaries.

MARKET ACCESS

In an ever increasing competitive market, SMEs need to constantly devise new business strategies to be globally competitive. New strategies will outline measures to improve standards and certification, conduct market research geared at obtaining foreign market intelligence, product adaptation and service orientation as well as identify collaborative ventures, while leveraging on the presence of technology to widen market potential, boost sales and interact effectively with customers and other firms. Even for services oriented SMEs focusing on local market, adapting similar global attitude would help them in the long run to remain competitive as customers would constantly look for better quality at cheaper price and more efficient delivery. A total of 34 market access programmes with an allocation of RM124.4 million for 10,191 beneficiaries is being implemented in 2019. These include:

- MATRADE leads the **eTRADE** programme which provides support to SMEs to participate in leading international e-marketplaces. A total of RM4.0 million has been allocated to assist 600 beneficiaries in 2019.
- Another programme by MATRADE is the **Market Development Grant (MDG)** aimed at providing assistance to SMEs, service providers, trade associations and professional bodies to undertake activities to develop the export market. For 2019, RM30.0 million has been allocated to assist 1,500 beneficiaries.
- **Product and Quality Enhancement Programme through Biz Transformation, Biz Quality, INNOPACK Programme and Green Pack Programme** led by SIRIM, is intended to nurture and elevate Bumiputera microentrepreneurs to SME level and ultimately become export-ready companies. For 2019, RM5.0 million has been allocated to conduct the programme for 250 beneficiaries.
- **The Local and International Market Promotion Programme** led by the Malaysian Timber Industry Board aims at increasing the sales of SME products and services in the domestic and international market. For 2019, RM3.0 million has been allocated for the programme with a target number of 20,295 beneficiaries.
- The **Showcase Satu Daerah Satu Industri (SDSI)** which is led by the Bumiputera Entrepreneurs Division of the Ministry of Entrepreneur Development, facilitates the sourcing and marketing of high-quality products and services, enhances networking among SDSI entrepreneurs as well as establishes new business alliances and joint ventures between local and overseas traders. For 2019, RM3.5 million has been allocated to fund the programme for 400 beneficiaries.
- The **Quality and Safety Training for Marketers** programme which is led by the Federal Agriculture Marketing Authority (FAMA) is designed to train participants in the marketing of technology and post-harvest practices as well as establishing rules and standards for product safety and quality for compliance with international trade regulations. FAMA has allocated RM1.4 million in 2019 to train a target number of 2,680 beneficiaries.

INFRASTRUCTURE

The significance of infrastructure in the process of economic growth has long been established. Despite its necessity for business establishment and survival, the costs of acquiring infrastructures and facilities that are well integrated and strategically located are significantly more challenging for SMEs, warranting specific interventions by the Government. Therefore, 15 infrastructure programmes with a financial commitment of RM44.0 million have been planned for 2019 to assist a target number of 1,418 beneficiaries. These include:

- The **Industrial Estate Development** programme centred at the Sibul Industrial Estate, is designed to provide better amenities and infrastructure through proper development of industrial estates. It also aims at promoting an orderly growth of SMEs as well as generating more economic activities. An allocation of RM11.0 million has been provided for the project in 2019 which has a target of 55 beneficiaries. The Ministry of Industrial and Entrepreneur Development Sarawak is spearheading the project which is scheduled for completion in 2020.
- The **Machang Hot Springs Entrepreneur Village with Container-Style Facilities** project involves the upgrading of facilities at the Machang hot springs where modified shipping containers are provided to microentrepreneurs for use as business premises. The project with RM1.0 million allocation is undertaken by the Kelantan State Development Corporation.
- The **Upgrading of Premises** programme aims at ensuring that entrepreneurs will have premises that are not only conducive for their business activities but also facilitate certification process. The project with RM30,000 allocation is undertaken by the Penang Regional Development Authority.
- The **Construction of Industrial Workshops at Sg Namek, Sik** project involves the construction of seven workshops and industrial buildings for rural entrepreneurs in Sg Namek, Sik, Kedah. For 2019, an allocation of RM1.0 million has been provided for the programme which is led by the Kedah Regional Development Authority (KEDA).



- The **Taman IKS KEDA** project, which is led by KEDA, involves the construction of 28 workshops and other industrial buildings for rural entrepreneurs. An allocation of RM1.7 million has been allocated for the project in 2019.
- Jabatan Kemajuan Orang Asli provides business premises for Orang Asli entrepreneurs through its **Building Business Premises** programme. An allocation of about RM0.3 million has been provided to assist five beneficiaries.
- The **Kiosks at Masjid Sultan Ahmad** programme involves the construction of six kiosks for entrepreneurs to conduct businesses at the Masjid Sultan Ahmad (Masjid Keputeraan) at Paloh 2, Gua Musang. Perbadanan Kemajuan Iktisad Negeri Kelantan with an allocation of RM0.2 million provides the facilities for new entrepreneurs as well as to help generate income for the mosque management through the rental of the kiosks.

LEGAL AND REGULATORY ENVIRONMENT

HIP 1: Integration of Business Registration and Licensing is the sole ongoing programme under the legal and regulatory environment focus area. Under HIP 1, a single window will be created for both business registration and licensing so as to encourage and facilitate the formalisation of businesses. An allocation of RM20.0 million has committed for the programme in 2019 which is led by MAMPU in collaboration with SME Corp. Malaysia.







Section 2
SME Development Policies and Programmes

Chapter
SIX

Access to
Finance

Chapter SIX | Access to Finance

Malaysia's SME sector contributes 38.3% to GDP and provides employment for over seven million people. In view of the sector's crucial role in economic development, the Government has, over the years, set in place an ecosystem that facilitates access to a comprehensive range of funding options from public and private institutions to ensure the sustainability of SMEs, a more inclusive financial landscape as well as the creation of a sound credit culture.

Measures which had been introduced for such purposes had brought about a SME financial ecosystem that offers a comprehensive array of financing and development facilities with financial institutions, avenues for information, advice and redress as well as management and outreach programmes and even debt resolution.

Financial institutions are the backbone of funding for SMEs, accounting for about 97.0% of total lending to the segment. Bank lending to SMEs is complemented by Bank Negara Malaysia (BNM), other Government agencies and development financial institutions in the form of schemes and programmes. The current financial and non-financial facilities cover a wide array of options to meet the needs of SMEs at various stages of their business cycle, including for start-ups, expansion and export.



“

Financial institutions are the backbone of funding for SMEs, accounting for about 97.0% of total lending to the segment. Bank lending to SMEs is complemented by BNM, Government agencies and development financial institutions in the form of schemes and programmes.

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Priorities in the existing financing policy including encouraging greater innovation by financial institutions, enhancing efficiency in the financing processes, provision of credit enhancement products and strengthening financial management capabilities of SMEs, continue to remain relevant and supportive of SME growth in 2018. A key focus was on enhancing and developing a holistic SME financing ecosystem which include addressing information asymmetry and market imperfections, improvement in credit information and guarantees, specialised funds, advisory services as well as redress and debt resolution mechanisms.

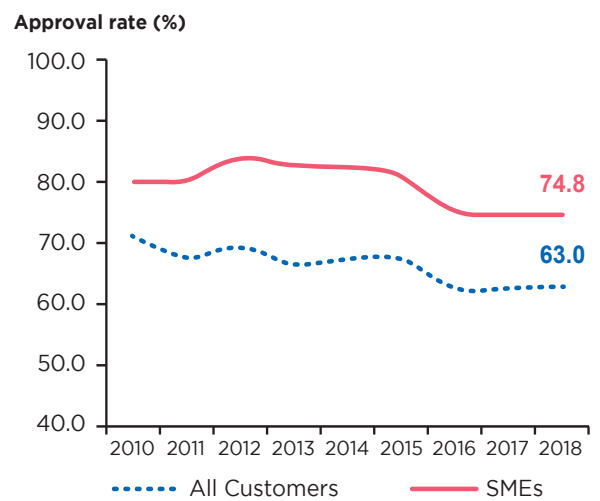
To better understand SME financing needs, BNM conducted the nationwide SME Finance Survey 2018 which commenced in the second quarter of the year, the highlights of which are presented in a box article in this chapter. Insights obtained from the Survey has enabled a more granular assessment on the needs, challenges and practices of SMEs in utilising financial services as well as policy considerations. The full Survey report is published in the 2018 Bank Negara Malaysia Financial Stability and Payment Systems Report.

FINANCIAL INSTITUTIONS ARE IMPORTANT SOURCES OF SME FINANCING

Reflecting the findings of the SME Financing Survey 2018 as well as other economic indicators, the overall demand by SMEs for financing increased at a more moderate pace during the year compared with 2017.

Financial institutions remain the dominant source of financing for SMEs, with RM307.3 billion disbursed and RM69.0 billion in new financing approved to over 123,600 SME accounts. SME financing constituted a 48.7% share of the total business financing outstanding (2010: 37.6%) while in terms of number of accounts, SMEs made up about 87.0% of total businesses. On average, three out of four SME applications were approved in 2018. Against a backdrop of moderate growth in the economy, new loans approved

Chart 6.1: Approval Rate Sustained at 75.0%



Source: Bank Negara Malaysia

and disbursed to SMEs in the first quarter of 2019 totalled RM15.7 billion (28,400 accounts) and RM75.4 billion respectively. Total financing outstanding stood at RM315.9 billion as at the end of March 2019 (RM317.7 billion at end of December 2018).

Development financial institutions (DFIs) continued to support financing to SMEs and accounted for 5.0% of the total SME financing channelled through financial institutions. Total financing outstanding of DFIs to SMEs grew by 11.7% in 2018 and stood at RM15.7 billion as at the end of March 2019.

SME FINANCING IN 2018

The Government continued to play its catalytic role in orchestrating initiatives to meet SMEs financing needs especially in the areas where gaps exist. In line with the Government's agenda for a more inclusive financial landscape, a bulk of Government's expenditure for SMEs has been dedicated to provide greater access to financing. Of the overall financial commitment for SME development in 2018, 95.1% or RM13.0 billion was spent for 44 programmes under the focus area of access to financing which benefitted 424,115 SMEs. The programmes in 2018 included:

- **Ikhtiar Financing Scheme** implemented by Amanah Ikhtiar Malaysia (AIM) has been instrumental at reducing the poverty rate in Malaysia by providing funding support to enable lower-income households to participate in viable economic activities in order to raise their economic status. The scheme includes i-Mesra, i-Srikandi and i-Wibawa. In 2018, AIM provided RM2.3 billion in financing for 359,474 beneficiaries under its schemes.
- **Desa Lestari Programme** under the Ministry of Rural Development has served as a community-based programme targeted at enhancing the capability of village communities to plan and implement projects that will spur wealth creation through economic activities via a co-operative platform. In 2018, an expenditure of RM10.0 million was recorded for the scheme which provided assistance to 10,000 beneficiaries.
- **TEKUN Financing Scheme** led by TEKUN Nasional under the Ministry of Entrepreneur Development has been designed to provide for SME expansions, project implementation as well as micro financing for working capital to assist small Bumiputera entrepreneurs in their existing business or new start-ups. A platform to provide information on entrepreneurship and business opportunities as well as advisory service and support has also been enabled through the programme. In 2018, RM354.0 million in expenditure was recorded for programmes under the scheme for 27,628 beneficiaries.
- **Business Accelerator Programme (BAP)** led by SME Corp. Malaysia has been assisting SMEs via an integrated approach to develop and nurture dynamic, competitive and resilient SMEs through SME Competitiveness Rating for Enhancement (SCORE), capacity building and advisory services complemented with financial support. In 2018, a total of RM69.2 million was provided to assist 838 SMEs.

- **Working Capital Guarantee Scheme - Extension** which is led by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) in collaboration with the Ministry of Finance has set an aim to assist SMEs across all sectors to gain access to financing from participating financial institutions. In 2018, a total of RM2.7 billion was provided through the programme that benefitted 2,520 SMEs.
- **Syariah-Compliant SME Financing Scheme (SSFS)** has been designed to provide subsidised financing assistance to eligible Malaysian SMEs through thirteen participating Islamic financial institutions. Led by SME Corp. Malaysia, an expenditure of RM12.4 million was provided to assist 476 SMEs in 2018 whereby 2.0% of the profit rates charged by the banks were absorbed by the Government.
- **Services Sector Guarantee Scheme** implemented by SJPP in collaboration with the Ministry of Finance has been set-up to assist SMEs in the services sector to gain access to financing from participating financial institutions. In 2018, RM984.0 million was spent to assist 835 SMEs.



CREDIT GUARANTEE FOR MARGINAL BORROWERS

Credit Guarantee Corporation Malaysia Berhad (CGC) since the establishment in 1972, has evolved from a traditional guarantee provider into a financial institution that offers a wide range of financing products and services and has also entered into strategic alliances with various financial institutions to broaden its SME funding programmes. Besides guarantee services, CGC also provides direct financing products as part of its initiatives to reach out to a wider segment of under-served businesses, namely, Bumiputera Entrepreneur Project Fund-i (TPUB-i), BizMula-i, BizWanita-i and BizBina-i.

In February 2018, CGC launched Malaysia's first SME Loan/Financing referral platform known as imSME. The platform matches SMEs' financing needs with suitable products based on their business profile, credit score and financing needs. Currently there are 22 participating financial institutions offering 37 products. CGC has also set up the imSME Financial Advisory Team to assist SMEs that are unable to find matching financing products via imSME or

whose applications through the platform had not been approved by financial institutions. The imSME Financial Advisory Team will conduct a diagnostic review of the cases and make recommendations for capacity building programmes or alternative financing mechanisms or platforms.

As at the end of December 2018, 405 SMEs obtained a total of RM46.9 million in financing from financial institutions and peer-to-peer (P2P) financing platforms. Another 2,515 SMEs received assistance from the Financial Advisory Team. As at the end of September 2019, 1,417 SMEs have obtained RM137.0 million in financing through imSME.

SKIM PEMBIAYAAN MIKRO FOR MICROENTERPRISES

Financing for microenterprises, which accounts for about 77.0% of total establishment borrowing, has risen consistently over the years. Its share of the total SME financing has grown from 22.0% in 2010 to 34.0% at the end of 2018. *Skim Pembiayaan Mikro* has been providing financing of up to a maximum of RM50,000 without collateral to microenterprises since 2005.

From its inception until the end of 2018, a total of RM4.1 billion financing was approved to 230,082 microenterprises via ten participating banks. The total financing outstanding under the scheme stood at RM910.7 million as at the end of 2018, with RM302.7 million approved to more than 13,000 accounts during the year. As of September 2019, 8,148 applications amounting to RM187.6 million were approved while RM174.6 million was disbursed. Total financing outstanding stood at RM847.3 billion.

CHEAPER FINANCING FROM BNM FUND FOR SMEs

As at the end of 2018, outstanding financing - mainly for working capital or business expansion - under the Bank Negara Malaysia Fund for SMEs stood at RM5.8 billion. More than 80,000 accounts amounting to RM31.1 billion have been approved since the establishment of the fund in 1993. At the end of the September 2019, outstanding financing of the fund stood at RM5.2 billion, with RM3.8 billion still available for new applications.

ALTERNATIVE FINANCING

Venture Capital and Private Equity

In tandem with the Government's agenda to create a new and innovative economic model, private equity and venture capital as alternative financing avenues are seen as the next engine of growth to push Malaysia into the ranks of high-income nations. The role of private equity and venture capital in financing is increasingly significant as the focus shifts to attracting investment in new growth areas, such as information and communication technology (ICT), multimedia, biotechnology and renewable energy which traditional lenders consider as high-risk undertakings and thus are reluctant to provide financing.

At the end of 31 December 2018, there were 117 registered corporations involved in venture capital and private equity. Of the total, 105 were venture capital management companies (VCMC) and venture capital corporations (VCC) while 12 were private equity management corporations (PEMC) and private equity corporations (PEC).

Table 6.1: Statistics of Industry Participants

	31 December 2018	31 December 2017
Number of registered corporations	117	110
Number of registered VCMCs and VCCs	105	101
Number of registered PEMCs and PECs	12	9
Number of investee companies	387	381
Number of VC and PE professionals*	235	182

* Professionals with more than four years of experience

In 2018, there were 387 investee companies compared with 381 in 2017 while the number of professionals with at least four years of experience employed by the industry totalled 235. The total amount of funds committed by these corporations was RM6.1 billion at the end of 2018, a decrease compared with that of 2017 owing to the deregistration of a major VCC. Nevertheless, there was a 46.8% increase in investment activity amounting to RM613.3 million in 2018 compared with RM417.8 million in 2017. At the end of 2018, total cumulative investments stood at RM3.1 billion while there was a decrease in divestments, from RM375.2 million in 2017 to RM161.0 million.

Public funds remain the largest source of capital for the industry with Government agencies and investment companies making up 40.2% while sovereign wealth funds contributed 30.2%. Private sector contribution to the industry were led by asset managers (9.7%) followed by corporate investors (10.8%) and individual investors and family officers (5.1%).

Investee companies at the early and growth stages received the bulk of the funding in 2018. Of the total investments made in the year, 86.9% (RM53.0 million) was channelled into 96 investee companies. Investments into start-up stage firms accounted for 0.8% of total investments while five investee companies were recipients of investments. The life sciences sector was the biggest recipient, receiving 49.6% of total investments which were primarily channelled towards medical devices, pharmaceuticals and environmental biotechnology. The IT and communications sector saw an increase to 22.7% in its share of investments while the manufacturing sector's share declined to 5.9%. Other sectors, such as wholesale and retail trading, creative media, logistics, education and financial services obtained a 21.8% share of total investments.

Table 6.2: Sources of Funds (2018: RM6.08 billion)

Government agencies and investment companies	40.24%
Sovereign wealth funds	30.19%
Corporate investors	10.80%
Fund-of-funds and other asset managers	9.74%
Individual investors and family offices	5.09%
Pension and provident funds	2.99%
Financial institutions	0.54%
Insurance companies	0.41%

Table 6.3: Investments by Financing Stage (2018: RM613.28 million)

Early stage	46.48%
Growth	40.43%
Others	10.61%
Turnaround / restructuring	1.01%
Start-up	0.80%
Bridge / mezzanine / pre-IPO	0.67%

Notes:

Government agencies and investment companies includes ministerial investment companies (e.g. Minister of Finance (Incorporated), Government agencies, statutory bodies and Government-linked investment companies established for the purpose of managing investments of public funds (e.g. PNB, Ekuinas)



Equity Crowdfunding

Since its inception, equity crowdfunding (ECF) has raised RM48.8 million in capital through 51 successful campaigns by 50 issuers with a 93% campaign success rate. In 2018, RM15.0 million was raised by 14 issuers. Among the successful fundraising campaigns to date, 47% raised RM500,000 and below.

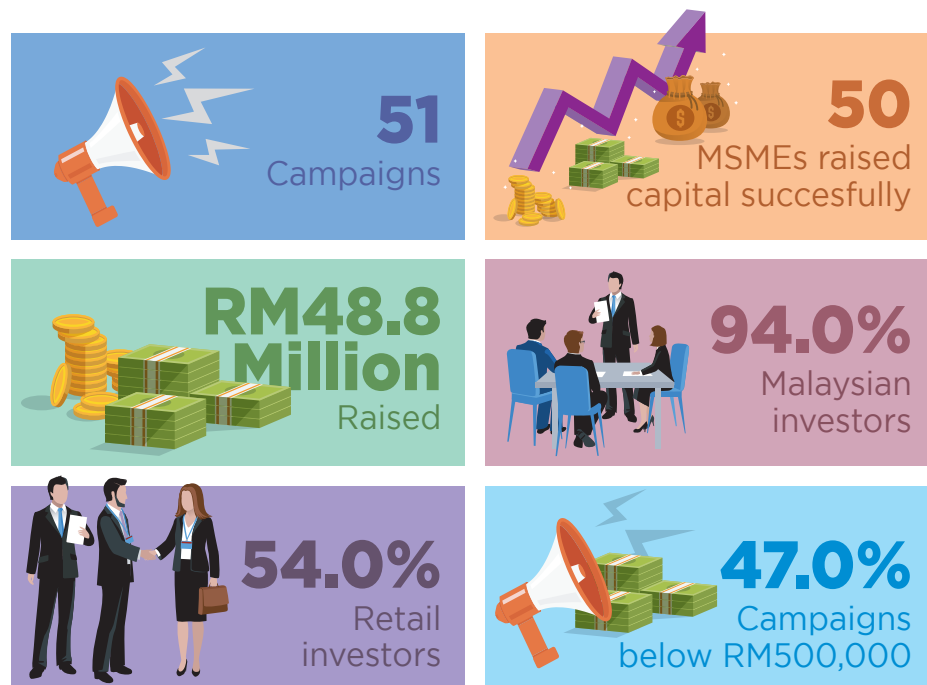
Table 6.4: Number of Successful Campaigns and Issuers by Year

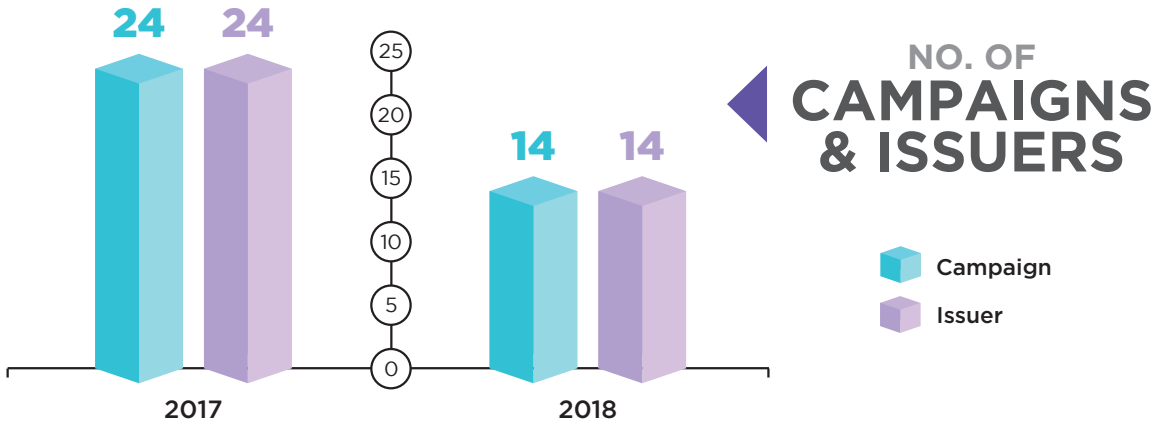
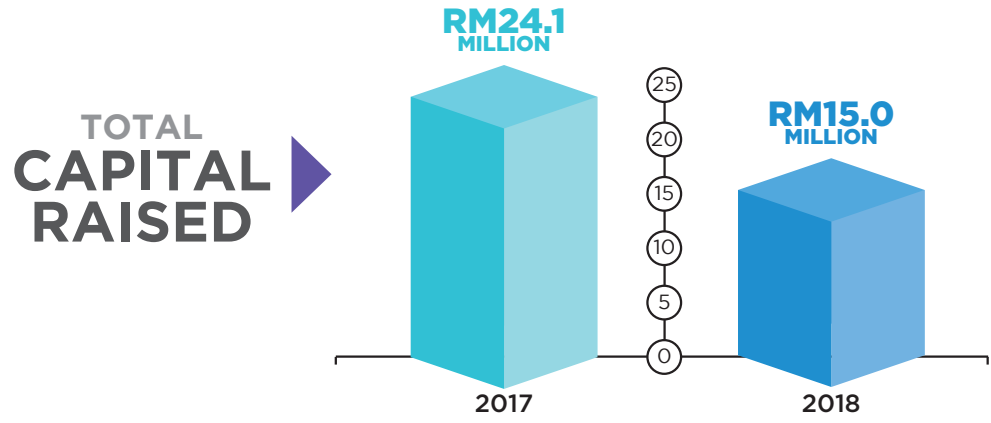
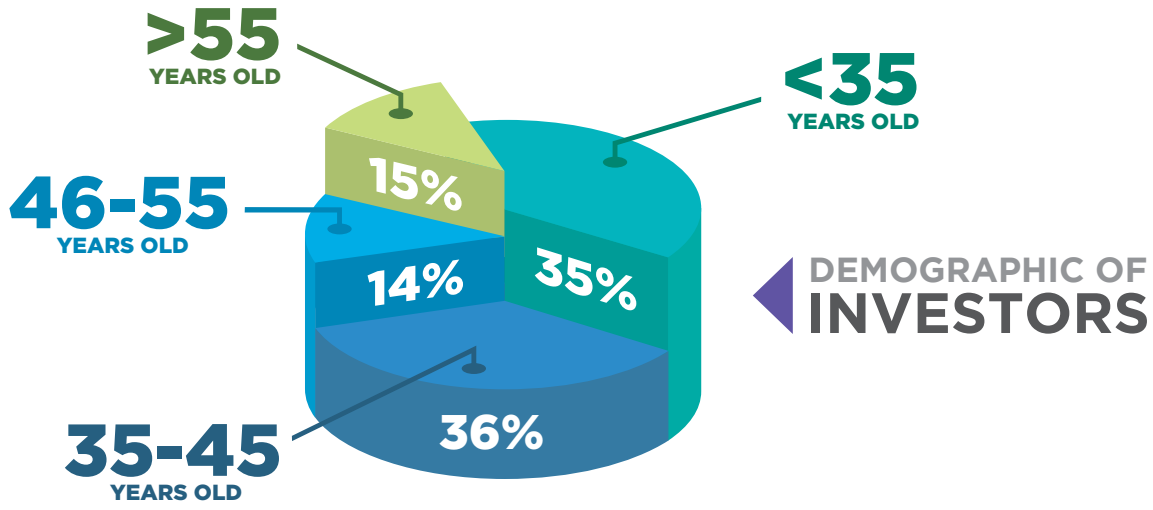
	2017	2018
Number of campaigns	24	14
Number of issuers	24	14

Table 6.5: Distribution by Fundraising Amount

RM500,000 and below	47.0%
More than RM500,000 and up to RM1.5 million	29.0%
More than RM1.5 million and up to RM3.0 million	24.0%

Chart 6.2: Equity Crowdfunding in Malaysia at a Glance (2016-2018)





Peer-to-Peer Financing

Since 2017, RM212.6 million have been raised through 2,505 successful peer-to-peer (P2P) financing campaigns by 643 issuers. Issuers raising funds on P2P financing platforms have maintained a campaign success rate of 99.0%.

In 2018, RM180.0 million was raised, a 452.0% growth compared with 2017. Among the successful campaigns, 91.0% raised RM200,000 and below while 22.0% of the successful issuers raised funds more than once.

“Since 2017, RM212.6 million have been raised through 2,505 successful peer-to-peer (P2P) financing campaigns by 643 issuers.”

Table 6.6: Number of Successful Campaigns and Issuers by Year

	2017	2018
Number of campaigns	604	1,901
Number of issuers	79	602

Table 6.7: Distribution by Fundraising Amount

RM200,000 and below	91.0%
Above RM200,000	9.0%

As at September 2019, the ECF and P2P financing platforms have collectively raised RM580.0 million, benefitting over 1,600 SMEs. These financing campaigns attracted more than 12,000 investors, 90% of whom are local and retail investors. Year 2019 also saw the Securities Commission (SC) registering three new ECF and five new P2P financing platforms as well as the first two exits of the ECF market:

- i. **Skolafund**, a social enterprise crowdfunding scholarships for university students, fundraised on the Ata Plus platform in 2017 and by one of Asia’s biggest donation crowdfunding platforms; and
- ii. **MyCash Online** which caters to the needs of unbanked migrants, acquired after initial fundraising on PitchIn.

SMALL DEBT RESOLUTION SCHEME TO ASSIST VIABLE BUT FINANCIALLY DISTRESSED SMEs

Viable but financially distressed SMEs which could not find debt resolution with their lending banks can seek assistance under the BNM Small Debt Resolution Scheme (SDRS), a mechanism for financial institutions to assist distressed SME borrowers through restructuring and rescheduling of existing debts.

SDRS, which was established in 2003, serves as a platform to assist SMEs that are constrained by impaired financing or facing financial difficulties from multiple financial institutions. In 2018, a total of 66 distressed firms received assistance through the scheme.

The Small Debt Resolution Committee (SDRC), an independent committee established by BNM, undertakes an assessment of the SME application and its business viability. If eligible, the SDRC would propose to the participating financial institution to assist the SME via the restructuring or rescheduling of its financing facilities.

In 2018, 85.0% of the applications received, totalling RM118.0 million in impaired loans were approved by SDRS for restructuring or rescheduling. At the end of 2018, about 54.0% of SMEs assisted under the scheme were able to improve their cash flow and turned around their businesses to remain viable while 74.0% have fully settled their debt. Since its establishment and up to the end of September 2019, the SDRS has helped to restructure a total of RM1.6 billion in impaired loans.

OUTREACH TO SMEs

As part of its outreach to SMEs, BNM continues to promote awareness of the existence of programmes for financing, capacity building, provision of assistance by relevant agencies as well as the availability of redress mechanisms of financial institutions in partnership with Government agencies.

Regular outreach initiatives have been conducted nationwide to educate SMEs on financial management and to create awareness on the various financing options, programmes and initiatives available for businesses. In 2018, more than 8,000 SMEs benefitted from 50 outreach programmes while about 1,100 SMEs had benefitted from seven financing seminars and clinics conducted nationwide.



The seminar module covered areas, such as financial management, requirements by financial institutions and processes involved in applying for financing, Islamic financing, avenues to seek advisory information and redress assistance, capacity building initiatives including business risks management and business digitalisation through adoption of e-payment as well as alternative financing avenues, such as P2P lending and ECF.

In the drive towards greater financial inclusion, BNM also focused its education programmes in 2018 on reaching out to smaller towns, such as Jerantut, Taiping, Labuan and Pagoh via the Karnival Kewangan programme. The outreach was particularly effective in educating the unserved-bankable and under-served-banked population. As at October 2019, BNM has conducted several Karnival Kewangan programmes at the regional level with sessions in Miri, Terengganu, Melaka, Sabah and Perlis.

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A total of 33 programmes under access to financing category have been planned for 2019 with a financial commitment of RM13.1 billion for 434,502 beneficiaries.

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SME FINANCING IN 2019

The need to broaden the range of financing instruments for SMEs and entrepreneurs remains one of the key agenda for the Government to address diverse financing needs in varying circumstances. To further stimulate their contribution to economic growth, a total of 33 programmes under access to financing category have been planned for 2019 with a financial commitment of RM13.1 billion for 434,502 beneficiaries. The programmes include:

- **Working Capital Guarantee Scheme** by SJPP in partnership with the Ministry of Finance, offers assistance to SMEs in all sectors of the economy to obtain financing from participating financial institutions. For 2019, RM3.0 billion has been allocated to assist 2,500 beneficiaries.
- SJPP is also undertaking the **Automation Process Guarantee Scheme** to assist SMEs in all sectors to automate production processes and reduce employment of foreign workers. The programme, which is implemented through financial assistance offered by participating financial institutions, targets to assist 300 beneficiaries in 2019 with a total allocation of RM950.0 million.
- **TEKUN Financing Programme** offers funding for business expansion and micro financing for working capital to assist small Bumiputera entrepreneurs in their existing or new business start-ups as well as project implementation. The programme, which is led by TEKUN Nasional, also provides participants with business opportunities,

advisory and support services as well as inculcates a culture of competence, innovation and progressive entrepreneurship among the TEKUN entrepreneurs community. TEKUN Nasional has allocated RM100.0 million for the programme for 2019 and set a target to assist 17,500 beneficiaries.

- CGC is undertaking six **Guarantee Schemes** to facilitate financing for SMEs. The schemes comprised Portfolio Guarantee (PG)/Wholesale Guarantee (WG), BizJamin (previously known as Credit Enhancer), BizJamin Bumi (previously Enhancer Bumi), BizMaju (previously Enhancer Excel), BizSME and Flexi Guarantee Scheme. Under the PG/WG scheme, CGC collaborates on a pre-agreed criteria and fast-track basis with individual financial institutions to help SMEs obtain financing while the other schemes provide assistance to SMEs to secure credit facilities. CGC has secured a financial commitment of RM3.9 billion to assist a target of 8,500 SME beneficiaries in 2019.
- **Business Accelerator Programme (BAP)** is an integrated programme which is led by SME Corp. Malaysia to develop and nurture dynamic, competitive and resilient SMEs through the SME Competitiveness Rating for Enhancement (SCORE), capacity building, advisory and technical service as well as financial support. For 2019, RM58.9 million has been allocated to implement the programme for 450 beneficiaries.
- **Syariah-Compliant SME Financing Scheme (SSFS)** is another programme implemented by SME Corp. Malaysia through thirteen participating Islamic financial institutions (FIs) to provide financing for eligible Malaysian SMEs whereby 2.0% of the profit rate charged by FIs absorbed by the Government. The programme targets to benefit 450 beneficiaries through an allocation of RM14.5 million in 2019.
- **Tabung Projek Usahawan Bumiputera-i (TPUB-i)** provides financing to Bumiputera SME entrepreneurs who have been awarded projects or job contracts but are unable to obtain financing from financial institutions. An allocation of RM480.0 million has been committed by CGC for 2019 to assist 370 beneficiaries.
- Perbadanan Nasional Berhad is leading the **PNS Financing Scheme** with an aim of developing and promoting middle-level Bumiputera entrepreneurs in the franchise business through financial assistance for business expansion and new start-ups. An allocation of RM25.0 million has been earmarked to assist 180 beneficiaries in 2019.
- The Ministry of Rural Development is leading the implementation of **Rural Business Challenge Programme** which has been designed to uplift the socio-economic status of the rural population by encouraging youths to choose entrepreneurship as career of choice as well as to create jobs and increase the income of the rural population. The programme also aims to reverse rural-urban migration by creating an attractive lifestyle in rural areas. The programme which takes the form of business proposal competition where winners are offered grants to kick-start their entrepreneurial dreams, has been allocated RM15.0 million to assist 20 beneficiaries in 2019.

FINANCIAL ADVISORY SERVICES

BNM's *Laman Informasi Nasihat dan Khidmat* (BNMLINK) offers advisory services on matters related to financing as well as providing avenues for redress for SMEs. While providing education to consumers on financial matters, BNMLINK also serves as a public information platform on BNM's latest policies and initiatives, such as access to financing for SMEs, awareness of financial scams and implementation of e-CCRIS.

In 2018, BNMLINK held more than 1,000 engagement sessions on SME-related matters, covering mainly enquiries and complaints and appeal cases on access to financing, products and services and disputes. In 2019, efforts to resolve SME financing issues continue to be stepped up to provide end-to-end facilitation to SMEs through enhanced collaboration among BNM, SME Corp. Malaysia, Association of Banks Malaysia, ministries and agencies as well as CGC.

CONTACT

BNM *Laman Informasi Nasihat dan Khidmat* (BNMLINK)

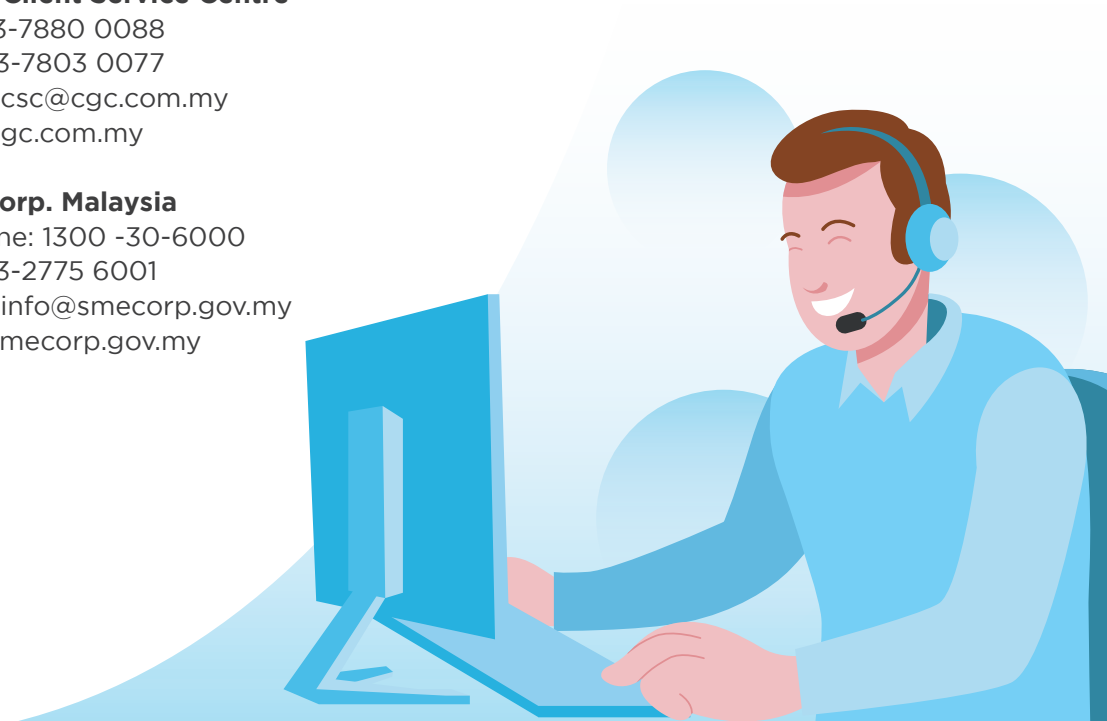
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BOX ARTICLE

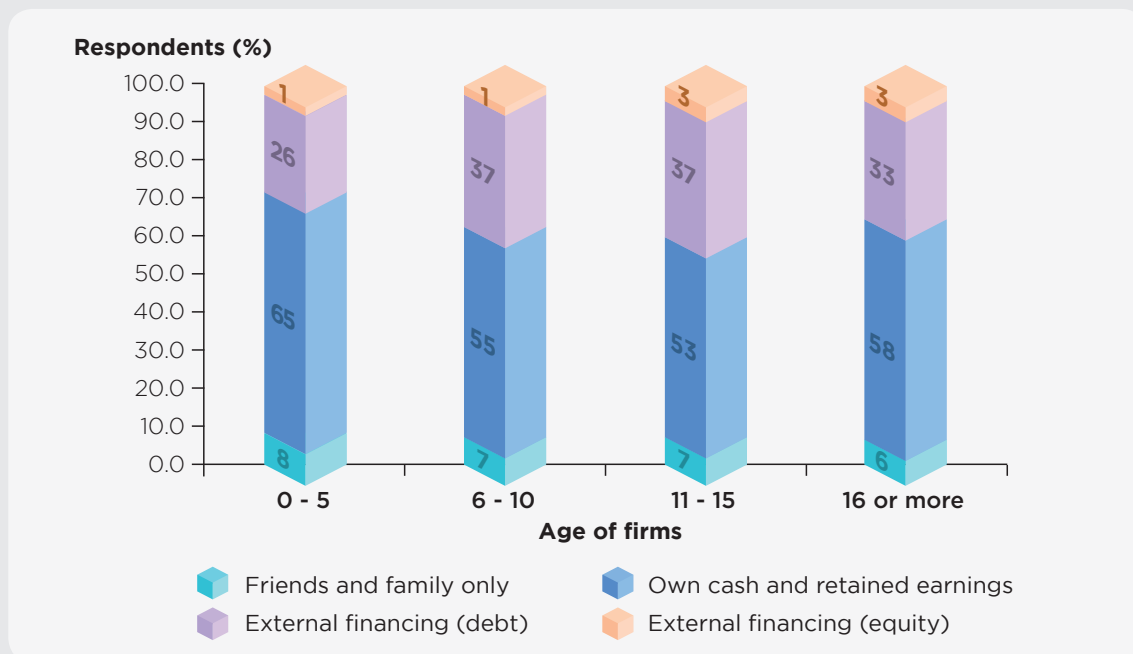
SME Finance Survey 2018: Understanding Financing from the SME Perspective

As an ongoing effort to promote greater access to financing for SMEs, Bank Negara Malaysia commissioned an independent SME Finance Survey with a field of 1,529 formal SMEs and 223 informal businesses in the second quarter of 2018. The field of Survey was intended to be representative of the national SME population while its focus was largely on obtaining an insight into the respondents' perspective on access to finance coupled with a look into other complementary areas of activities, such as business performance, challenges encountered and utilisation of other financial services.

Key Findings of the Survey

- **Financing Sources Vary at Different Stages of Business Lifecycle**
At the initial stage of business, SMEs tend to rely on their own funds and informal sources, such as family and friends but would increasingly turned to external financing, in particular debt financing, as the business matures (refer to Chart 1). At the time of the Survey, 35.0% of respondents reported obtaining financing from external sources.

Chart 1: Sources of Financing by Age of Firms (%)



Source: SME Finance Survey 2018, Bank Negara Malaysia

- High Approval Rate of Financing for SMEs in the Last Six Months before Survey**

About 22.0% of the respondents had applied for financing in the six months prior to the Survey. There was a 91.0% approval rate for applications made to financial institutions and a 99.0% approval rate for applications to other sources (mainly Amanah Ikhtiar Malaysia, AIM and TEKUN), making for an overall approval rate of 94.0%.

Women-owned firms reported higher-than-average demand for financing, comprising 33.0% of applications received compared to the average of 22.0% for all respondents. Women-owned firms also experienced a lower approval rate of 83.0%, owing mainly to a lack of track record and insufficient documentation. Women-owned firms obtained their financing largely from microfinance institutions.

The main purposes of financing as cited by all respondents were for asset purchases, such as building, property, machinery and equipment (23.0%), working capital (22.0%) and starting a new business (19.0%).

- Usage of Other Financial Services**

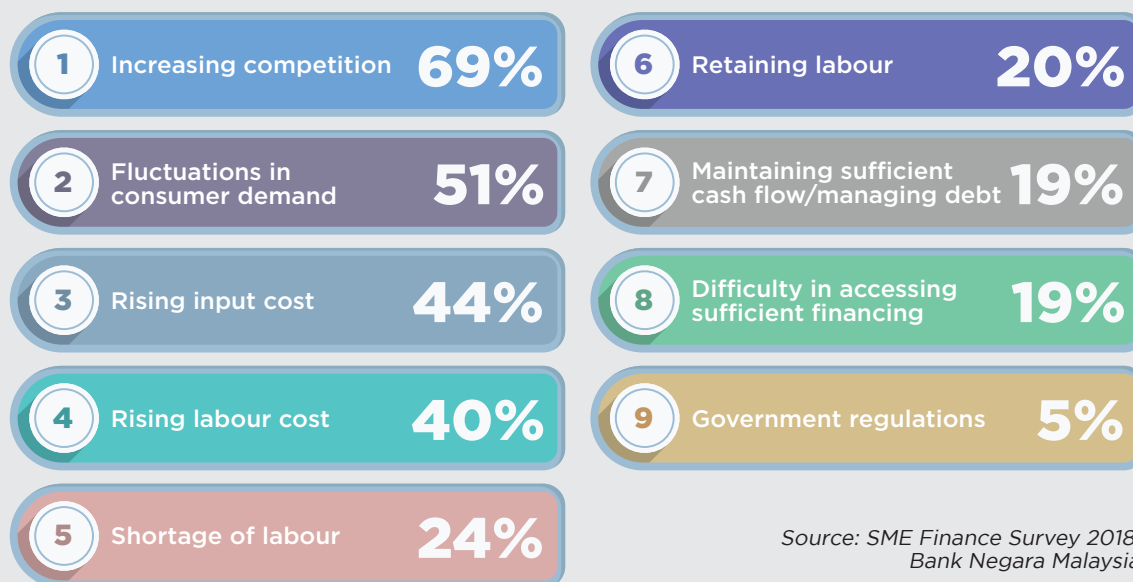
More than half (54.0%) of the respondents reported using insurance or Takaful products, with usage progressively increasing as firms grew in size. Though the current take-up rate is low, there is a significant potential demand from SMEs for insurance and Takaful for all products across the board, with emerging interest particularly in protection against risks associated with cyber security, professional indemnity and payment default products.

SMEs mainly used electronic payment modes where their creditors are concerned while preferring to receive payment in cash from customers. Cheques continued to be the most popular payment mode for SMEs in Business-to-Business (B2B) transactions.

• **Access to Financing not a Major Constraint to SME Growth**

The majority of respondents (71.0%) do not consider access to financing as a major impediment to growth. Access to financing as a constraint was ranked very low, second from last of the major constraints. Increasing competition was ranked by 69.0% of the respondents as the top challenge faced by SMEs, followed by fluctuating demand (51.0%), rising input cost (44.0%) and labour-related issues.

Chart 2: Constraints Impeding SME Business Growth



Source: SME Finance Survey 2018, Bank Negara Malaysia

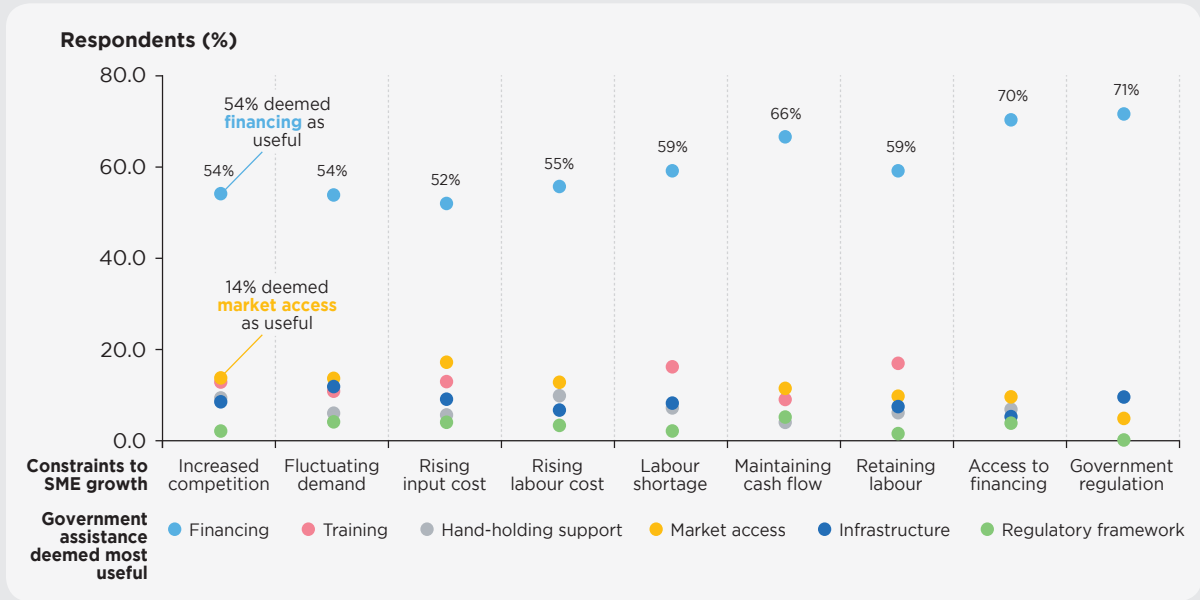
Underlying Challenges

The Survey reveals that financing barriers mainly relate to documentation, costs and business viability. Financing applications were rejected mainly owing to:

- Insufficient documentation;
- Insufficient cash flow; and
- Business plans which were deemed not viable.

Firms which automate have higher demand for financing from financing institutions (29.0%) but experienced higher rejection rates due to insufficient collateral or to projects that were deemed risky. The higher risk associated with these firms probably stem from the low salvage value of moveable and intangible assets in the event of commercial failure as well as high uncertainty on returns from new and untested processes.

Chart 3: Government Assistance Deemed Most Useful by SMEs (%)



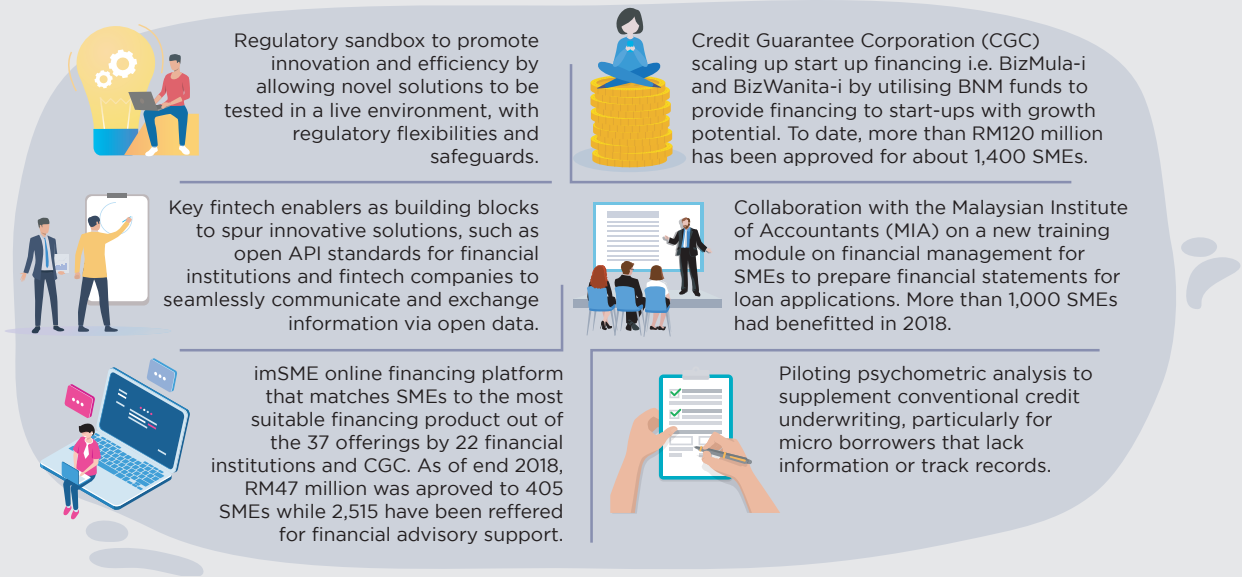
“ While the performance of informal businesses was on par with formal businesses, only 6.0% of the former has intention to formalise their business. ”

The Survey also identified a significant majority of SMEs who viewed financial assistance (e.g. grants, soft loans, guarantees) from the Government as its most useful resource regardless of the challenges they faced. This could suggest a lack of awareness of other non-financial assistance, such as in capacity building, hand-holding support and access to new markets, which would be more relevant in helping them to face their challenges.

While the performance of informal businesses was on par with formal businesses, only 6.0% of the former has intention to formalise their business. Informal businesses which are not registered with the Companies Commission of Malaysia cited uncertain demand, difficulty to maintain cash flow and increased competition as the main factors that discourage them from formalising their business.

The findings of the Survey also affirmed that ongoing initiatives - encouraging greater innovation by financing institutions, improving the efficiency of financing processes, providing more credit enhancement products for SMEs and strengthening the financial management capabilities of SMEs - remain relevant to enhance their access to finance. Details of the initiatives are as in the following diagram.

Chart 4: Recent Initiatives to Enhance SME Financing



Moving forward, there are opportunities to pursue other policy priorities like a secured transaction network, promotion of alternative financing and formalisation of informal business.

- **Establishing a Secured Transaction Network**

Efforts are ongoing to establish a modern and unified movable property security interest legislation, as well as a centralised collateral registry for movable assets in Malaysia as these could improve access to financing for SMEs. A new secured transaction framework would broaden the range of assets that SMEs can use beyond conventional collateral (building or property), for example, machinery and equipment, intellectual property, inventories and agricultural products.

- **Promoting Alternative Financing**

Alternative financing which would include venture capital, equity crowdfunding, angel investments, leasing, factoring and peer-to-peer (P2P) financing, could play a bigger role in complementing bank financing to bridge the financing gap in catering to firms, such as technology-based start-ups and innovative firms - deemed not viable for financing by deposit-funded banks. It is estimated that alternative financing makes up less than 3.0% of total SME financing in Malaysia.

- **Formalising Informal Businesses**

Incentives should be provided for informal businesses to formalise in order to enhance their accessibility to more financing options and other Government programmes. Access to benefits, such as social protection schemes, commercial finance and business development services as well as facilitative tax administration could encourage greater formalisation of businesses. However, such incentives should be balanced with better enforcement, including stiffer penalties for non-compliance with business regulations.



BOX ARTICLE

SME Investment Partner (SIP) to Enhance Access for Early Stage Financing

As Malaysia seeks to promote new areas of growth and move towards an innovation-led economy, there was a need to strengthen new avenues of financing to support start-ups and innovative firms. Banks are typically not structured to take on these types of financing. This gap in financing led to the establishment of the SME Investment Partner (SIP) Programme. Introduced as one of the high impact programmes in the SME Masterplan (2012 - 2020), SIP has the objective to enhance access to financing for SMEs, particularly those at early stage through the provision of risk capital financing. SIP finances SMEs particularly those at early-stage, covering all sectors including mainstreet firms that have strong high growth potential, innovative and in newly emerging areas. SIP entails a co-funding initiative between the public and private sector, whereby an investment entity established will channel the fund to viable SMEs in the form of equity, debt or a hybrid of debt and equity.

Under the Programme, the Government would invest long-term capital in privately-owned and managed investment companies that are licensed, hence complementing the existing venture capital landscape. Essentially, the SIP is a 'fund of funds' - meaning that portfolio management and investment decisions are left to qualified private fund managers, termed as the SME Partner. The investment companies would raise capital from private investors with a pledge of certain amount debt capital availability from the Government. The debt capital will be subjected to a maximum cap for each investment company. This pooled fund will be channelled to viable SMEs in the form of loan, equity or a hybrid of loan and equity.

SIP is available for SMEs in all sectors including main street firms that have strong high growth potential, innovativeness and in newly emerging areas. This is more well-spread compared to current venture capital financing which are mainly for technology-based companies. This mechanism sketched the four unique offerings of SIP as below:

- Cater for early-stage SMEs;
- Cover SMEs in all sectors including traditional sectors;
- Co-funding between public & private sectors; and
- Flexibility to offer both equity & debt funding.

Chart 1: SME Investment Partner (SIP) Programme at a Glance

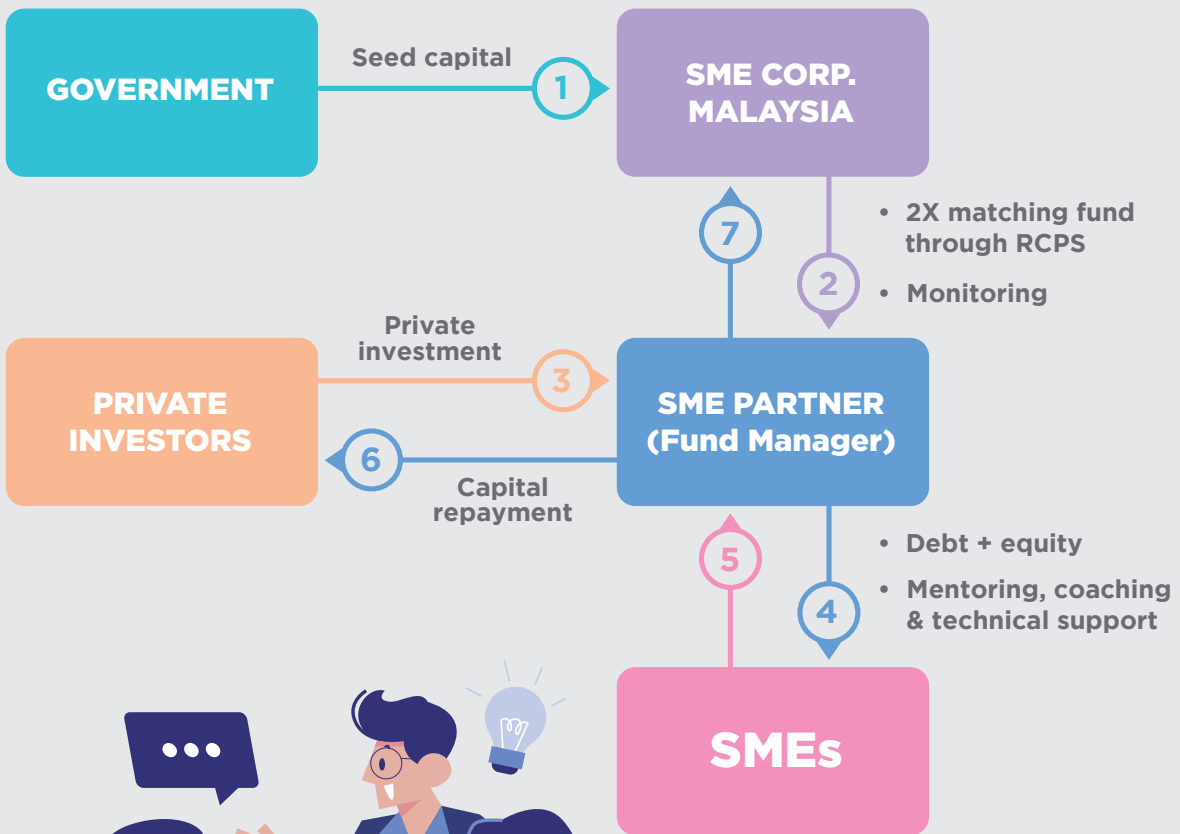


Chart 2: Role of SME Partner under the SIP Programme



There were many challenges in implementation of the SIP. Traditionally, early stage SMEs are deemed as being inherently more risky. Of such, investors prefer to concentrate on growth and expansion stage companies with good cash flow management. Most of the potential private investors take the wait and see attitude and prefer to study the first investor details and the market sentiment before putting their own investments. The SIP Fund is considered as micro fund compared to other private equity and venture capital funds available in the market. Hence many investors are not interested as it is deemed as not cost effective for the fund to be commercially viable. There is also a lack of support from local institutional investors on SMEs due to maximisation of investment based on size and preferred sectors.

In addressing these challenges, SME Corp. Malaysia appointed multiple SME Partners based on matching funds readiness from private investor. Conditional appointment was also introduced to eliminate the long fund raising process and to intensify the competition among the SME Partners. SME Partners are required to deliver the matching fund within their own committed time frame on a first come first serve basis.

“
The SIP Fund is considered as micro fund compared to other private equity and venture capital funds available in the market.
”

Programme Scope

The SIP provides:

- Financing to early stage SMEs of one to three years in operation across all sectors;
- Working capital injection in the form of a debt or a hybrid of debt and equity in the range RM500,000 to a maximum of RM5 - RM7 million (based on the terms of the fund providers);
- Technical assistance, hands-on mentoring for SMEs to grow and expand their business; and
- Capacity building programmes to enhance business performance and to increase revenue in collaboration with SME Corp. Malaysia.

Potential investee must fulfill basic criteria as below:

- Has fulfilled the definition of SME;
- Registered with Companies Commission of Malaysia;
- Has at least 51% Malaysian equity;
- In operation between one to three years only; and
- Has exhibited evidence of market traction, especially revenue generation.

Application Process



Moving forward, the Government may need to introduce a policy to mandate contribution from Government institutional investors (vs retail investors) to support Malaysian SMEs. On the part of SME Corp. Malaysia, establishment of SIP Subsidiary to promote investments into main street (non-tech) SMEs with co-funding element will accelerate the fund approval and disbursement processes.







Section 3

Special
Highlights



SPECIAL HIGHLIGHTS | Dasar Keusahawanan Nasional 2030 (DKN 2030)

The Dasar Keusahawanan Nasional 2030 (DKN 2030) was launched by YAB Tun Dr. Mahathir Mohamad, Prime Minister of Malaysia on 11 July 2019. DKN 2030 is the first policy document by the newly established Ministry of Entrepreneur Development (MED) in line with the functions of the Ministry to formulate policies for the development of an inclusive and competitive entrepreneurial community, particularly the SME sector, that is capable of competing in the global market as well as to spur the development of the B40 group and social entrepreneurs.

“DKN 2030 is intended to be the nucleus and catalyst to drive a culture of entrepreneurship in the country, with the ultimate objective of creating a holistic and conducive entrepreneurial ecosystem to support an inclusive, balanced and sustainable socio-economic agenda,” said the Prime Minister. DKN 2030 aims to increase the number of qualified, viable and resilient entrepreneurs as well as to enhance the capabilities of local entrepreneurs, particularly in the SME sector, in line with the Government’s shared prosperity concept.

STRATEGIES AND OBJECTIVES OF DKN 2030

DKN 2030 is designed to develop an entrepreneurial ecosystem in Malaysia that will enhance the country’s competitiveness in the global economy amidst increasing competition and challenges emerging from Industry 4.0 as well as creating an entrepreneurial culture in the Malaysian society.

The policy sets out **five objectives**, which are:

To create a **holistic and conducive entrepreneurship ecosystem** to ensure that socio-economic development is sustainable, balanced and inclusive

To develop a **Malaysian community** that is imbued with an **entrepreneurial mindset and culture**

To produce **quality, viable, resilient and competitive entrepreneurs** with a global mindset

To **scale up SMEs** and co-operatives

To make entrepreneurship a **preferred career choice**

DKN 2030 highlights **six strategic thrusts** with the objective of transforming the Malaysian economy into one that is sustainable, inclusive, progressive and driven by knowledge and innovation.

STRATEGIC THRUST 1

Fostering an Entrepreneurship Culture across all Segments of Malaysian Society

This strategic thrust aims at making creativity, innovation, risk-taking as well as the ability to act on opportunities arising as the basis to develop an entrepreneurial culture. The two strategies adopted call for:

A1: Building of a critical mass of entrepreneurs

- Intensify entrepreneurship outreach and awareness programmes
- Raise awareness of entrepreneurship opportunities
- Leverage on the media to showcase the positive impact of entrepreneurship
- Give recognition to entrepreneurial role models
- Promote entrepreneurship as a career of choice

A2: Enhancement of entrepreneurship education and skills

- Embed the entrepreneurial culture in the education system
- Enhance the quality of entrepreneurship training
- Incorporate an apprenticeship programme in Technical and Vocational Education and Training (TVET)
- Provide structured entrepreneurial training
- Strengthen collaboration between industry and academia

STRATEGIC THRUST 2

Optimising the Regulatory Environment and Access to Finance

The six strategies adopted to create an environment with agile and facilitative governance and market-friendly regulations and financing are:

B1: Promote good governance

- Enhance ICT-based procedures for business registration, reporting and monitoring
- Ensure procedures are applied in a uniform manner to avoid corrupt behavior, favouritism and nepotism
- Promote understanding and increase access of information on business procedures, laws and regulation to improve compliance

B2: Rationalise roles and functions of Entrepreneurship Development Organisations (EDOs)

- Streamline roles and functions of different EDOs for effective and optimum utilisation of resources
- Review various entrepreneurship programmes implemented by different EDOs

B3: Enhance monitoring and assessment of outcome and impact

- Establish a National Council entrepreneurship to evaluate and monitor result, impact and outcome as well as recommend action and policy enhancement
- Establish entrepreneurship big data and data analytics centre that can generate information on matters pertaining to entrepreneurship, such as programmes implemented, quantity and quality of entrepreneurs, gaps or opportunities, as well as existing trends of entrepreneurship activities in the country

B4: Enhance and improve regulatory requirement for businesses

- Review and where appropriate, reduce existing regulatory requirement that negatively impact efficiency and ease of doing business
- Formulate facilitative regulations to unlock the economic values of new business sectors, such as air mobility, transportation and healthcare
- Balance regulations and standards with sustainable development objectives
- Lower the administrative overhead of incorporating and managing a business
- Encourage healthy competition by reducing barriers to entry for new business

B5: Reduce the bankruptcy stigma

- Introduce intervention programme to mitigate the risk of bankruptcy
- Facilitate re-starts by creating simple process to uplift status of the bankrupt

B6: Improve access to finance and financial inclusion for entrepreneurs and enterprises

- Provide easy access to alternative source of financing including venture capitals, angels investors and crowdfunding
- Improve access to relevant financial services including collateral-free loan
- Revitalise the role of Development Financial Institutions (DFIs)
- Facilitate access to information about holistic financing ecosystem for different target groups and business life cycle

STRATEGIC THRUST 3

Promoting Holistic and Integrated Entrepreneurship Development

Three strategies have been drawn up to increase entrepreneurial opportunities for all levels of Malaysian society in order to enhance the socio-economic status of all concerned, namely:

C1: Support entrepreneurial endeavor of Bumiputera, disadvantaged & special focus groups

- Intensify outreach programme to disadvantaged group including low income households (B40), rural communities, differently-abled people
- Targeted assistance and intervention programmes to boost entrepreneurial capability and skills of Bumiputera, disadvantaged groups and special focus groups including women, youth, senior citizen and orang asli/asal community
- Create 'incubation space' in potential rural and economically depressed areas that is available to would-be/aspiring entrepreneurs

C2: Co-operatives as driver to inclusive socio-economic development

- Intensify co-operative movement towards low income households (B40) and rural communities, including promoting the establishment of community-based co-operatives
- Enhance capacity and capabilities of co-operatives in main economic sectors through a wider access to programmes, assistance and business opportunities at par with SMEs
- Transform the co-operative ecosystem landscape by undertaking a structural reform of agencies related to co-operatives and liberalising the regulatory framework for co-operatives

C3: Promote social entrepreneurship

- Instigate awareness and promote better understanding of social entrepreneurship through stronger community building
- Provide on-going support and capacity development programme for social entrepreneurs to expand their market and business opportunities as well as for scalability and sustainability of their enterprise
- Implement Inclusive Business (IB) model approach in the value chain of big companies, such as limited liability companies (LLCs) and multinational corporations (MNCs) to benefit microenterprises

STRATEGIC THRUST 4

Accelerating Economic Growth through Innovation-Driven Enterprises

The two strategies and their complementary initiatives to enhance collaboration between entrepreneurs, innovators and researchers in the formation, development and growth of enterprises are:

D1: Support the high growth and innovation-driven enterprise

- Ramping up creation of high growth and innovative firms through targeted assistance in nine pillars of Industry 4.0 including automation, digitalisation and Artificial Intelligence (AI)
- Strengthen the national innovation ecosystem to enable potential start-ups towards future industries by creating an entrepreneurial cluster and building up the capacity of financial sector to meet the specific needs of innovation-driven and high-tech start-ups
- Provide performance-based loans and incentives for innovation including the use of Intellectual Properties (IPs) as collateral

D2: Facilitate technology exchange and innovation

- Enable R&D uptake and research collaboration between industry/SMEs and academia/research institutions
- Build networks in knowledge-intensive sectors with leading technology and science experts and academics around the world
- Develop market friendly university-industry collaboration to diffuse innovation

STRATEGIC THRUST 5

Boosting the Entrepreneurial Capabilities and Performance of MSMEs

This strategic thrust aims at elevating MSMEs through value adding as well as the diversification of process, products and services. The four strategies adopted are:

E1: Strengthen the implementation of vendor development programme

- Increase participation of new anchors from Government-linked companies (GLCs), MNCs, public-listed companies (PLCs), vendor champions and private companies
- Create multiple-tiers among Bumiputera vendor
- Expand key potential areas from high-growth industry sector, such as aerospace, automotive, rail, renewable energy, medical devices, biotechnology and halal industry

E2: Enhance entrepreneurship skills and capabilities of MSMEs

- Provision of training and development programmes related to Industry 4.0, strategic management, certification, marketing and branding, packaging, product development and e-commerce
- Targeted support and facilitation for MSMEs to venture into new and high potential sectors
- Enhance capacity building programme that emphasise on competitive mindset and internationalisation strategy
- Provide financial literacy programme particularly for micro and small enterprises

E3: Provision of targeted support for market access especially for Bumiputera MSMEs

- Provide access to various e-commerce platforms for MSMEs to promote and market their products
- Intensify product access for MSMEs into wholesales and retail outlets
- Leverage on Government procurement to prioritise on local products and services
- Facilitate regulatory compliance, certification and accreditation for MSMEs
- Intensify promotion of local products and services at strategic locations and entry points

E4: Strengthen supply chain management

- Break down monopoly in certain industries through intervention programmes
- Improve logistics, physical and digital infrastructures of businesses through public-private partnership

STRATEGIC THRUST 6

Internationalisation of High-Growth Enterprises

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This strategic thrust aims at creating strategic partnerships and alliances between local and international companies as well as compliance with global standards and quality. Towards this end, two strategies have been adopted, namely:

F1: Facilitate access for local enterprise especially Bumiputera to international market

- Provision of market intelligence and advisory services on international market
- Create an international alternative financing network to support local entrepreneurs who want to venture into international market
- Facilitate compliance of international standard

F2: Promote networking and business collaboration

- Escalate Government-to-Government (G2G) partnership as well as multilateral and bilateral collaboration among local SMEs with APEC and ASEAN member states to address trade barrier and create synergies
- Stimulate private sector-led initiatives through industry chambers and organisations

TARGETS

Malaysia's Position in Global Indices

DKN 2030 targets for Malaysia to rise higher in the rankings of the global entrepreneurship, competitiveness, ease of doing business and innovation indices.

The target is to be in the top 25 ranks of the Global Entrepreneurship Index (currently 58 out of 137 countries), top 15 of the Global Competitive Index (currently 25 out of 140 countries), top 10 in the World Bank Doing Business report (currently 15 out of 190 countries) and top 20 of the Global Innovation Index (currently 35 out of 140 countries).

National Macro Targets

The national macro targets under DKN 2030 are to increase SME contribution to GDP to 50.0% (currently 37.4%), generation of employment to 80.0% (currently 66.2%), contribution to total export value to 30.0% (currently 17.5%) and for the turnover of co-operatives to grow to RM60.0 billion (currently RM40.3 billion).

Chart 1: Policy Targets



1. Malaysia's Position in Global Indices



2. SMEs Contribution to GDP



3. Employment Generated by SMEs



4. SMEs Contribution to Total Export Value



5. Co-operatives Turnover



Source: Dasar Keusahawanan Nasional 2030 (DKN 2030)



SPECIAL HIGHLIGHTS | Fostering **Inclusive Business** in Malaysia

In 2017, ASEAN member states endorsed the ASEAN Inclusive Business Framework (AIBF) which called for the region's economies to foster an enabling ecosystem for inclusive business. Inclusive business would also be a strategic priority under the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME). Since then, ASEAN Governments have embarked on raising awareness and establishing policies to promote inclusive business.

In June 2019, the Government approved the commencement of the Inclusive Business Landscape Study for Malaysia. The Study assesses the environment in which inclusive business operates and subsequently, to draw up policies and programmes to foster it. The Study, which is led by the Ministry of Entrepreneur Development through SME Corp. Malaysia, is being undertaken in partnership with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Inclusive Business Action Network (iBAN). Engagement with Government ministries and agencies, such as the Ministry of Economic Affairs, Ministry of Rural and Regional Development, Ministry of Agriculture and Agro-Based Industry, Ministry of Domestic Trade and Consumer Affairs, Ministry of Women, Family and Community Development, the Malaysian Global Innovation and Creativity Centre (MaGIC) and the Innovation Agency of Malaysia (AIM) was held during the Landscape Study. Trade associations, such as the SME Association of Malaysia, the National Chamber of Commerce and Industry, the National Association of Women Entrepreneurs and the Malaysian Association of ASEAN Young Entrepreneurs were also involved during this period. Consequently, the Study will be finalised in early 2020.

DEFINITION OF INCLUSIVE BUSINESS

Inclusive business is defined as a sustainable business which while keeping its for-profit objective, contributes to poverty reduction by integrating low-income communities into its value chain. It provides goods, services and additional income on a commercially viable basis to people living at the base of the economic pyramid, thus making them part of the value chain of a company's core business as suppliers, distributors, retailers or customers.

Under the income-earner model, inclusive business engages the low-income groups as suppliers, distributors, workers or shareholders. Under the customer model, inclusive businesses provide goods or services relevant to overcoming poverty and exclusion for example, education, housing, health, at affordable prices and through market mechanisms appropriate to address the needs of the target groups.

Inclusive business refers not to a company but to a specific business line of the company as it might have many lines of business, with some being inclusive business while others are not. The pure inclusive business models are mostly operated by SMEs and are specifically designed for realising both market returns and social impact. They are found in all sectors, particularly finance, agribusiness, health, education, urban utilities and renewable energy.

A fully scaled inclusive business model offers a combination of economic growth and empowerment with positive social impact by providing income opportunities and affordable products and services to lower-income and socially excluded communities

“A fully scaled inclusive business model offers a combination of economic growth and empowerment with positive social impact by providing income opportunities and affordable products and services to lower-income and socially excluded communities (B40 group).”



(B40 group). While many companies sell to or work with the B40 group, very few provide systematic solutions that enable these communities to obtain sustainable additional income to improve their livelihood or access to goods or services at affordable prices. Only companies that can provide systematic and innovative solutions relevant to the needs of these communities are deemed to be inclusive businesses.

Inclusive business is distinct from social enterprise as the latter can be a for-profit or non-profit entity combined with a social impact mission. It is also different from corporate social responsibility as the latter is about undertaking add-on activities to help a company to be socially accountable.

WHY INCLUSIVE BUSINESS IS IMPORTANT FOR MALAYSIA?

There has been laudable achievement in poverty reduction and B40 living standard. However, there are still unmet needs owing to geographical imbalance (as in Sabah and Sarawak), the problems of the urban poor, lack of decent jobs and income opportunities in rural areas, quality of education and housing. Inclusive business is aligned to the Government's development priorities, one of which is the uplifting the socio-economic status of the B40 group. Consequently, inclusive business has been included in the National Entrepreneurship Policy 2030 (Dasar Keusahawanan Nasional, DKN 2030) and is expected to be a strategic recommendation of the Twelfth Malaysia Plan 2021-2025.

The innovative power of the private sector can be unleashed to create B40 solutions which will benefit the Government. Inclusive business enhances the contribution of the private sector to the development of an equitable society. It maximises social and economic value through the creation of mutual value and at the same time, improves company-community relationship through the co-creation of business initiatives. With its profound impact on social and economic development, inclusive business can serve as an efficient alternative to Government intervention programmes for inclusive growth and sustainable development.



Currently, the private sector is minimally involved in providing solutions on a commercial basis to meet the needs of the B40 group. With the Government needing to rationalise B40 spending and programmes, it is the private sector that would take centre stage in developing inclusive business in Malaysia. Private companies would be more innovative and capable of undertaking such initiatives at lower costs.

RECOMMENDATIONS

The preliminary findings of the Inclusive Business Landscape Study have identified six areas that will boost the development of inclusive business in Malaysia:

- 01** Making inclusive business a strategic objective in SME development strategy
- 02** Institutionalising inclusive business champions
- 03** Raising awareness of the opportunities of inclusive business in collaboration with business associations
- 04** Accreditation for inclusive business
- 05** Business coaching for potential and existing inclusive businesses

Parallel with the Study, SME Corp. Malaysia has already initiated discussions on these areas with various stakeholders as well as exploring financing opportunities from the public budget for business coaching, creation of a risk-reduction facility as well as other technical aspects of the Study, such as inclusive business accreditation.





Section 4

Inspiring **STORIES**

Making
Good
in Food

Going
**Digital for
Success**
in the Logistics
Business

A
**Malaysian
Brand**
in the Global
O&G Industry

Citronella
Formula
for Success

Crafting
Success
out of Wood

Good
Business
Chemistry

Innovation
the Key
to a Young
Agropreneur's
Success

A
**'Sticky'
Business**
Pays Off



WESRIA FOOD SDN BHD

Making Good in Food

In 1999, Mohd Taib Ali, an accountant cum former banker, took a step out of his comfort zone to enter into food court management, a business in which he had zero experience. His only ever foray in the food business was in being a co-owner of a restaurant in a shopping mall.



In recalling how he had ventured into food court management, Mohd Taib said, “At that time, I wanted out of banking as things were not good in the aftermath of the 1987 Asian financial crisis. Being of an entrepreneurial bent, I wanted to do my own business. I love food, so, in 1989, I partnered with a friend, who was also an accountant, to open a restaurant in Sungei Wang Plaza in Kuala Lumpur. The restaurant business was profitable but there were never-ending worker-related problems. In the end, I got fed up and started looking for something else to do.”

In his time as a banker he had travelled extensively and had come across companies managing food courts in shopping malls, particularly in Singapore and Australia. His interest was piqued when he saw the business potential in Malaysia, especially when he discovered that food court management in premium shopping malls were dominated by Singaporean companies while locals were largely confined to those in the smaller malls.

Opportunity came knocking when Suria KLCC opened in 1997. There were two food courts in the mall managed by two companies, a Singaporean management company on the second floor and a Bumiputera company on the fourth floor. Mohd Taib was to learn later that the local company was encountering a lot of problems in running the food court and struggling to pay the rental. With the thought that he could buy out the company’s

management contract, he approached the then chairman of Petronas, Tan Sri Azizan Zainal Abidin, with his proposal.

Mohd Taib recalled of that meeting, “Tan Sri wasn’t confident I could handle the job because of my zero experience in food court management. Thankfully, I managed to convince him to give me a try. I had to put up RM1.8 million upfront to take over the food court, lock, stock and barrel, including the existing tenants.”

However, getting the contract was only the first of many hurdles. The question of financing loomed large as the initial capital needed was high. Mohd Taib explained that banks are not very familiar with the food court management business and are usually reluctant to lend to such enterprises. After some run-around, he finally managed to obtain financing from RHB Bank.

He described food court management as a rather complex business. The management company’s responsibilities are not confined to merely getting tenants and overseeing day-to-day operations but also include conceptualisation of the food court, its theme and design as well as carrying out associated construction or renovation works to fit the requirements of each tenant, planning the kitchen layout and installing fittings, providing cutlery, uniforms for staff, security and even halal certification.



Wesria Food's entry on the fourth floor was viewed with suspicion by the existing tenants and there was some resistance to its takeover of the food court. Eventually, Mohd Taib had to change 60 per cent of the tenants.

"But it isn't as straightforward as just letting tenants go and to look for new ones. It usually takes about two months to find a tenant. Obviously, there is no rental income from vacant stalls. But vacant or not, we still have to pay the monthly rental to KLCC for the whole food court. When new tenants are found, we have to carry out renovation to suit their requirements. That, again, eats up more money."

But fortune was smiling on Mohd Taib as his entrepreneurial instincts were proven right soon enough as the fourth floor food court, rebranded as Rasa Food Arena, prospered, with the average monthly turnover increasing from RM400,000 to RM1.4 million after Wesria Food's takeover.

It has been twenty years since the banker turned entrepreneur entered the food court

management business. Wesria Food is still managing the fourth floor food court at Suria KLCC but the company has since spread its wings with its Rasa Food Arena brand to other shopping malls like Alamanda Shopping Centre in Putrajaya, KLIA2 and NU Sentral. It has also partnered with Mydin Holdings to manage the latter's food courts at all its malls while the company's services now also include consultancy and training as well as providing designs for cafes.

Wesria Food is also the first food court management company to go for Hazard Analysis Critical Control Points (HACCP) certification for its food courts. In explaining his company's move to obtain the certification, Mohd Taib said, "Malaysians love food but we often ignore food safety standards. I want to change the attitude of the public towards food handling and food preparation by obtaining HACCP certification for all the food courts we manage."



“If we think out of the box and persevere through the tough times, we can make good in food court management.”

According to Mohd Taib, "Location is vital for any company to succeed in food court management. Also, don't aim just for customer satisfaction but aim for customer delight by always giving the very best menu with the highest in quality. Always take good care of the tenants and help them to make a good living. This is a rather tough business to be in. The initial investment is high, so careful consideration of the economic situation is vital before taking up management of a food court. If we think out of the box and persevere through the tough times, we can make good in food court management" he says.

TRANSCARGO WORLDWIDE (M) SDN BHD

Going Digital for Success in the Logistics Business



In 2006, twin brothers Ong Chin Kian and Ong Chin Keong left their jobs at a foreign-owned logistics services company to start Transcargo Worldwide (M) Sdn Bhd. The company started life as a two-men show but today it is one of the biggest independent logistics providers in Malaysia, employing over 140 employees in four offices in Peninsular Malaysia. Transcargo is a total logistics services provider, with operations covering sea, land and air freight forwarding, customs brokerage, third-party warehousing, inland and cross-border transportation, distribution and other value-added services.

The career path of the identical twins is an interesting one. Both majored in finance and both ended up working in the same logistics company because they could not find jobs related to their qualifications after graduation. Their first employer was a Hong Kong-based freight forwarder and this was followed by a Danish one. However, after six years of working for others, the brothers decided it was time they work for themselves. And thus was born Transcargo Worldwide.

As with most SMEs, Transcargo's start-up capital was sourced from family. "We've always been self-financed. The only external financing we obtained was for the purchase of properties like our warehouse. But it was tough in the beginning. It was just two of us as we only took in five employees later in that year. Cash flow was tight but fortunately, we had good customers and partners who supported us with credit when liquidity ran low," said Chin Keong.

Transcargo has moved on since those early days of struggles to impressive success. Chin Kian said the company has enjoyed robust annual growth of between 25 to 33%. Though this is expected to moderate to 20% in 2019 owing to prevailing global economic uncertainties.

Asked about what it takes to succeed in a rather competitive business like logistics, Chin Kian explained that technology adoption is crucial. "What has helped to make us perform well is our digitally-oriented approach. And that has benefited us as Transcargo is the only Malaysian-owned logistics company to have been appointed as Alibaba's logistics and customs agent for the Digital Free Trade Zone (DFTZ) at the Kuala Lumpur International Airport. We were one of thirty freight forwarders interviewed by Alibaba and was the only Malaysian company chosen to be their logistics partner."

Chin Keong explained that Alibaba uses the Electronic World Trade Platform (eWTP) for Business-to-Business (B2B) export via DFTZ. When eWTP went live on November 2017, Transcargo was the first Malaysian logistics company to use it to send the first shipment to Xiamen.

Chin Kian added, "Business volume is not big at the DFTZ now, but being a logistics partner with Alibaba has had great impact on our profile and reputation. Ever since our link-up with Alibaba, we have been receiving lots of enquiries on our services from local SMEs. There is also greater awareness of our company in the China market." The tie-up with Alibaba had also caught the attention of the Malaysia Digital Economy Corporation (MDEC). Transcargo is now part of the NESR Seller Adoption Programme 2019 - 2020: Cross Border eCommerce Initiative Partner under MDEC.

The brothers believe that 'the future is digital' and technology will drive the efficiency and sustainability of a company. As Chin Keong put it, "We want to provide the most efficient and best customer experience in the logistics industry. Ours is a rather complex business as it involves cross-border transactions and involve so many activities along the supply chain. It is an integration of transportation, storage, loading and unloading, packing, distribution and delivery. All of which are underlined by information processing to ensure that the process is not only seamless but safe and fast."

What has been the underlining factor for Transcargo's success? Chin Kian believes that effective human capital management is one of the main factors for Transcargo's success. He said in the digital age, a one-man show management style where the CEO wants to micromanage every area of operation is counter-productive. He believes the digital generation has a different perception of work-life balance and businesses have to cater to the young generation's perception of work and lifestyle.

"First, we empower them by ensuring they are well equipped to perform their work. Then we trust them to do their work, give them space to grow professionally. Create a good work environment in terms of management style and benefits. I would say our benefits are probably one of the best in the industry. I believe our human capital philosophy is a



“Malaysia needs to have homegrown global logistics brand like FedEx or DHL. We hope to become such a brand for the country.”

key factor for our growth. Happy employees are dedicated employees who will commit to the company's vision. That is vital for a company's success."

Transcargo aspires to be a fully digitalised Malaysian freight forwarder in five years. Its Port Klang warehouse is already fully digitalised and it wants to position itself such that it will be the most efficient and most reliable logistics provider through leveraging on technology.

The brothers have a vision for Transcargo. As Chin Kian puts it, "Malaysia doesn't have a global logistics brand like FedEx or DHL. We hope to become such a brand for the country."

VG OFFSHORE CONTAINERS INTERNATIONAL

A Malaysian Brand in the Global O&G Industry



When Ramasamy Menon, the founder and executive chairman of VG Offshore Containers International was asked about succeeding as an entrepreneur, his reply was: “Work hard. Learn well. Acquire knowledge and experience from the ground up. And when you are equipped enough, take courage and go pursue your dreams.”

“VG Offshore is Malaysia’s global brand for offshore containers.”

Ramasamy’s reply is actually a summary of his own entrepreneurial journey. The sprightly 70-year-old described himself as ‘a self-taught engineer with no paper qualifications’, who had learned his craft and acquired his business savvy from the ground up. Over the years, he acquired technical skills from working in various production lines, and rose up from the ranks to be a supervisor and eventually a manager.

Losing his job when the company he was working with closed down, however, was the spur that pushed him into entrepreneurship. In recalling that milestone moment, he said, “The closure of the company was a blessing in disguise, otherwise, I’d have been contented to be an employee till retirement.”

The knowledge and experience Ramasamy had gained from his employment became the platform upon which he would build VG Offshore to what it is today, a global brand for offshore containers. The oil and gas (O&G) industry was booming then in 1994 and he saw opportunities beckoning particularly in offshore containers.

Ramasamy recalled the start-up years. “I had zero financing. But there was huge potential for offshore containers especially in newly opened markets like Vietnam, so that was the first market I focused on. My first big break was being a sub-contractor to supply wire ropes to a Singaporean client.”

Out of that deal grew a good business relationship. However, the client’s advice to Ramasamy was to keep overheads light by not doing his own manufacturing but outsource instead. Though that worked for a while, it was soon frustratingly clear to Ramasamy that he had no control over the quality of the products he was selling. And quality was something he was most particular about.

At the end of 1994, he decided to go into manufacturing himself and started off with a small factory in Shah Alam with two workers. His first order was for ten containers. The business grew fast and in 2010, he opened his current factory on a 60,000 sq. ft. site in Pulau Indah, Port Klang. Within a month of operations there, he had

run out of space and the neighbouring 70,000 sq. ft. lot was leased, and eventually purchased. The company now sits on a 5.5 acre site and employs about 100 workers.

The VG brand has carved out an enviable reputation in the global O&G industry for quality products that are in compliance with the highest international standards. VG manufactures a wide range of customised onshore and offshore service modules, such as accommodation modules and living quarters, onshore modules and cabins, offshore service modules and other specialised equipment.



Ramasamy, who has taken on the role of Executive Chairman, has passed the baton to his son, Arvin Menon who is the Managing Director of the company. Arvin said, “We are the pioneer manufacturer of offshore containers and market leader, with a 25% share of the domestic market. We are export-oriented, with 95% of our products sold all over the world. From day one, we decided we would not compete in an overcrowded market. We prefer to operate in a very niche market with customised products and that’s how we’ve branded ourselves.”

Asked about the challenges he had faced in the early years, Ramasamy said, “Good times or bad times don’t last forever. The trick

is to make the best of the good times and survive the bad. Good financial management obviously is critical for sustainability.”

VG has always been self-financed. “In the early days, I even sold off our family car to get some working capital. We were also fortunate that some clients gave us deposits so we could buy materials to do their jobs. One supplier even offered us a credit line of RM1 million after seeing our purchase track record. Our financial management philosophy has ensured our sustainability and we have resources for further growth. In fact, we are building a new and bigger plant this year.”

The only financing VG had taken was for the purchase of the two properties the company is operating on. “Thanks to the support of Malaysian Industrial Development Finance Berhad (MIDF), Malaysia External Trade Development Corporation (MATRADE) and grants received from the National Mark of Malaysian Brand programme by SME Corp. Malaysia”, said Arvin.

VG has won a string of awards and recognition over the years. It was the first company in south-east Asia to be awarded the Manufacturing Agreement for the Execution of Certification of Offshore Containers. In 2018, it was the winner of the ASEAN Business Award in the SME Excellence category. The company was the recipient of SME Corp. Malaysia’s Enterprise 50 (E50) Award in 2014, 2016 and 2017 as well as the SME100 Fast Moving Companies Award 2015.

What is Ramasamy’s advice to aspiring entrepreneurs? “There has been much talk about encouraging young people and new graduates to go into business. So my advice is, work for people first. Acquire knowledge and experience in whatever field you are in. Master the hard and soft skills you will need when you set up your own business. Work hard for others so you’ll learn to work hard for yourself. Then go pursue your dream.”

AFY HANIFF GROUP (M) SDN BHD

Citronella Formula for Success

Amirul Firdaus bin Haji Yunus, the Managing Director of AFY Haniff Group (M) Sdn Bhd was still in school in 2006 when his father Haji Yunus bin Haji Haniff was introduced to natural insect repellent made from natural ingredients like citronella (*serai wangi*). Seeing the potential in the product, he, being of an enterprising nature, gathered family members to form a company to produce household products with natural herbal ingredients as a safer alternative to chemical-based products found in the market.



Haji Yunus eventually left the company he founded and set out on his own. Thus was born AFY Haniff which set out to offer safer, environment-friendly and sustainable household products made from the herbal essences, particularly citronella oil.

Amirul recalled those early years of the business, “As with most entrepreneurs, financing was the biggest hurdle my father faced when setting up business. He needed more than his own savings for seed money and operating capital but he was quite creative in getting financing. He actually practised a form of factoring to obtain operating capital. For example, when he received an order worth RM30,000 from Mydin and needed money for production, he would show relatives the purchase order and then persuaded them to lend him the money using the document as a sort of collateral. He also used purchase orders to get financing from TEKUN Nasional.”

Amirul added that his father, who was the owner of some plots of land in the village would also use that as collateral for loans from friends. When he couldn't pay back the loan, the land was forfeited by the lenders.

Financing from entrepreneur development agencies became easier as the company gained more credibility with a growing list of clientele. However, when the company launched its products in the beginning, it faced yet another hurdle. As Amirul explained, “When you introduce a new product the market is unfamiliar yet, you have to do a lot of promotions to get acceptance as well as conducting countless product demonstrations. My father started off selling to restaurants, canteens, small shops and the biggest family store in Melaka then. It was hard work but within less than a year he had managed to have his products sold in nine Mydin outlets.”

AFY Haniff has indeed come a long way since its inception thirteen years. From a two-product manufacturer in the beginning, it now has thirty-seven products under its banner, from natural based insect repellent to dishwashing liquid, foaming handwash and home freshener. Among its popular household brands are SWiPEL and D'Menc. In 2019, the company introduced its current champion, SWiPEL Serai Wangi (an insect repellent made from citronella oil) of which over a million units are produced every year.

The AFY Haniff brands are now sold in 2,000 supermarkets in Malaysia, Brunei, Singapore and Thailand. In the domestic market, the products are sold in leading retail outlets, such as Giant, Mydin, Aeon and Aeon Big, Jaya Grocer, Tesco as well as KK Mart. There have also been buyers from Nigeria and Australia.

“We are aiming high. We want to be a business empire like multinational companies. We want to see our products becoming household names.”

The company's sales turnover in its maiden year of operation was RM75,000. By its second year, it had grown to RM150,000 and then RM200,000 by the third year. In 2018, sales turnover totalled nearly RM13 million.

The company first started exporting in 2014 to Brunei via Sabah. Amirul explained, “We first entered the Sabah market through the Citarasa Malaysia programme under Giant Hypermarket. The response to our products was very good and Giant Sabah started to

buy our products but through a third-party distributor. We monitored the sales there and found that it was consistently high month after month. Finally, we decided that we would do better in terms of profit margins by selling our products directly.”



As circumstances would have it, the company had an employee from Sabah who had been working with them for five years but then wanted to resign to return home to care for his ailing father. Amirul took this as an opportunity to enter the Sabah market directly by appointing a trusted employee to set up business in the state. A house which doubled as a residence for the employee and as a sales outlet on the ground floor was rented. From that humble beginning, AFY Haniff now operates 126 outlets in Sabah. From Sabah, it was a natural expansion into neighbouring Sarawak and Brunei.

“The response was very encouraging and we decided that for the long-term it would be more profitable to have a partner in Brunei to sell our products. We finally found that partner and established AFY Haniff Brunei. We have similar arrangements with our partners in Singapore and Thailand where we are based in Hat Yai.”

The company now has a workforce of 105 workers, who are all locals, at its factory in Melaka. Students of village industries from



Indonesia regularly do their internship there as well. Of the company's corporate philosophy, Amirul said, "Ours is a family business and we see our employees as part of the family. We believe in discussing plans and sharing ideas with family and staff. We are focused on what we want to achieve, on market expansion, on how to remain competitive and to continually increase sales volume."

Asked about the major challenges his company is facing, Amirul said, "Production costs are rising but it's difficult to increase price as customers are very price-conscious nowadays. Revolving capital can be a problem too as supermarkets operate on sixty-day credit terms. And then there is the reduction in profit margin when supermarkets cut prices for promotion campaigns. We have no choice but to cut our selling price if we want to participate in their campaigns."

On facilitation from the Government, Amirul said, "Advertising is very expensive, especially for SMEs. The Government could help by making available a platform - an advertising channel - for SMES to promote their products. We already have presence in e-commerce via Alibaba and Lazada as well as in Tesco Online and Mydin Online and others. However, a dedicated advertising platform for SME products and services will be very useful in helping SMEs to enhance their market access, at least locally."

"AFY Haniff is aiming high. We want to be a business empire like multinational companies. We want to see our products becoming household names. We are also looking at the possibility of being listed on the stock exchange."

For aspiring entrepreneurs, Amirul advise is "Be very sure of what field you want to be in and be very focused on your vision. Ask yourself who wants what you have to sell. It's about positioning and branding. And when we are in business, networking is most important. For example, we need to partner with supermarket chains. They are the cheapest and fastest way for us to enter the marketplace because we are selling to an existing market of hundreds of thousands of customers. Imagine how much it would cost us to reach out to these customers on our own."



WARISAN CRAFT WOOD

Crafting Success out of Wood

Rohani Md Piah had her heart set on a career in education but fate intervened and instead she ended up as an entrepreneur in the woodcraft business. In 1991, the would-be entrepreneur from Temerloh was accepted into in a handicraft-making course conducted by the Pahang state branch of the Malaysian Handicraft Development Corporation (Kraftangan Malaysia). Taking up the course would prove to be a turning point for her career path.

Upon completion of the course, Rohani went to work first for a company in Penang and then with another in Kuala Lumpur. In 2001, armed with the knowledge and experience she had gathered, she returned to her roots in Temerloh to start her own business at the age of twenty-seven with her husband Mohamad Mat Nor who had also been a Kraftangan course trainee. Thus was born Warisan Craft Wood under the One District, One Industry programme run by the Pahang branch of Kraftangan.

Her entrepreneurial journey began with a seed capital of RM1,500 complemented with support from Kraftangan in the form of a rent-free workshop and some wood-working machines. From the very beginning, Rohani and her husband were determined that their products would stand out from the rest. Her exclusively designed handicrafts featured elements of traditional motifs like pecan flower, sunflower, ketam guri and ferns as well as contemporary designs of heliconia, bamboo shoots and paddy. Her other products include sofa sets, panels,



screens, gazebos and fences. Nothing is gone to waste as wood remnants are turned into small items, such as key chains, book markers as well as other souvenirs with calligraphic engravings. Times were tough financially for the first three years. They were new in the market and customers were not certain of their ability to deliver while cash flow was always a problem.

“Because we had so little capital, we would ask customers to give us a deposit when they placed their orders. They usually refused to do so. We were always short of cash to buy raw materials. The profit margin we got for the orders we received was thin as they were mostly for small quantity of low-value items. For a period of time, our personal finances were so bad I couldn’t service my car loan for three months. We’d not have survived without the help of family members who gave loans to see us through those difficult times.”

Fortunately for the newbie entrepreneurs, overheads were low as they did not have to pay rent and for the machines initially.



“Dare to be different so you’ll stand out in a crowded marketplace.”

In their second year of business a ray of hope came when a large company sub-contracted them a job to supply furniture for schools. The successful outcome of that job contract would earn them the confidence of the company which has been giving Rohani regular business ever since.

In 2006, after over five years at the Kraftangan premises, the couple shifted to their current location. “But it was just a tiny lot 14 feet wide by 40 feet long and when it rained we would get wet at the front and back,” Rohani recalled.

Their breakthrough came in their fifth year of business in the form of a sizeable job contract from the Ministry of Communications and Multimedia. Rohani said of that milestone moment in her business, “It was the biggest order we have ever received then. We were contracted to supply door with carvings and other products for the interior of a hall in one of the ministry’s buildings.”

The profits earned from that job enabled them to expand their workshop while their assets would grow later on when they acquired a one-acre piece of land with the profits from their business.

Rohani described those early days as ‘really tough’. “We managed to survive thanks to the support of Kraftangan. They provided us rent-free premises for the first six months as well as the free use of their woodworking machines. When we needed other machines to make certain products, we were allowed to use those at the Kraftangan centre and pay only a small percentage of our sales value to them as a fee. Kraftangan also supported us by enabling us to showcase our products at regular promotions in Kuala Lumpur as well as in exhibitions in Thailand, Vietnam and Cambodia. Our products were also on display at a Kraftangan exhibition in Dubai recently.”

Rohani is also grateful for the support of the Malaysian Timber Industries Board (MTIB), who provides training courses for woodcraft entrepreneurs and enables them to participate in exhibitions locally and outside the country by sponsoring their travel expenses. The company has participated in exhibitions in Indonesia, Brunei and Singapore under the auspices of MTIB. Back in 2006, by invitation of the Pahang state Government, Rohani’s products were exhibited at a handicraft expo in the famous Harrods department store in London.





From those early years of struggles to get a foothold in the handicraft business, the company's products have since found markets not only locally but in some ASEAN countries, such as Singapore and Brunei. Today, her clientele even includes royalty. Recently, Rohani was the recipient of the Woman Craft Entrepreneur Award 2019.

As a way of paying back for the support she had received during the company's early days, Rohani also trains participants who are undergoing handicraft development programmes conducted by Kraftangan, MTIB and the Pahang state Government.

Rohani said one has to be tough-minded in doing business. She added, "I'm aggressive in pursuing my business. I'm ever willing to learn new things so I attend whatever training that is available and participate in as many Government-sponsored promotional activities as possible." She also organises her own promotional activities. "It can cost quite a lot to do this, that's why many dare not do it. I take the risk because I want to grow my sales. In fact, our own promotional activities have helped to increase our sales volume."

She advised aspiring entrepreneurs, "Artistic talent alone is not enough to succeed in business. Making handicrafts isn't easy.

Obviously, first you must have the interest and commitment to learn the skills. The art of making handicrafts has been passed down from generation to generation. We must show respect for our heritage by continuing it with pride and full commitment. Artistic talent has to be complemented with business acumen. Dare to be a risk-taker. Dare to be different so you'll stand out in a crowded marketplace. Be creative. Flow with market trends if you want your products to be popular. Have a business plan and set targets. There will always be challenges in doing business, for example, increasing price of raw materials, increasing competition, changes in market trends. If we don't plan to tackle such challenges, it will be difficult to succeed."

To have a sustainable career as an entrepreneur, she said, "Be persistent in pursuing your dreams. And don't be proud. For example, when you get a small order which won't make you much profit, take it anyway. Give it your best and deliver as promised in terms of quality and promptness. If a customer is satisfied, word will go around. Always remember, word-of-mouth advertising is one of the effective advertising for any business."

ALLIED CHEMISTS LABORATORY SDN BHD

Good Business Chemistry

In 1998, in the midst of a global financial crisis, a chemist, Soh Song Chaw, quit his job at an international firm to start his own lab testing business with three fellow chemists as partners. Thus was born the Johor Bahru-based Allied Chemists Laboratory Sdn Bhd which today lays claims to a 70% share of food testing market in the state.

The company, which is a third-party testing laboratory, offers services that include chemical analysis and microbiological examination of food and feed, water and effluent, pharmaceuticals and traditional medicines, oil and fats, soil as well as services related to environmental and industrial hygiene monitoring for ambient air quality, chimney emission, boundary noise and water and environmental site assessment.

Allied Chemists has made its presence felt in Johor since its establishment over 20 years ago and now lays claim to being the leading lab testing services provider in the state. The company opened a branch in Kuala Lumpur in 2018. Soh Ee Shan, the son of the founder explained that the company's move into Kuala Lumpur was to tap into the market potential in the central region.

In talking about the challenges in the lab testing business, Ee Shan said, "There are many challenges involved in setting up such



“ We strongly believe in financial prudence for sustainability and talent for credibility. ”

a business. For one thing, start-up costs can be pretty high. We need to purchase expensive equipment for the lab. Entry barriers are also very high as our personnel must be qualified chemists with knowledge of analytical chemistry while there are stringent requirements to obtain accreditation from the various bodies concerned if we are to have credibility in the market. With regards to financial management and talent, we strongly believe in financial prudence for sustainability and talent for credibility.”

Ee Shan added, “My father always said that every single cent that is spent must meet the objective of that expenditure, otherwise don't spend. So we aim at extracting maximum value out of our spending. Our emphasis on financial prudence has made us self-sustaining financially. On the occasions when external financing is needed, MIDF has always been supportive. Financial prudence is the key to financial sustainability. As a business, we can't take



financial sustainability for granted just because investors or the Government are giving financial support.”

The other major challenge in the business is getting and retaining talent. Ee Shan explained, “We’re in a specialised field. The job is not easy and involves a lot of field work. We need qualified and dedicated chemists and they must have knowledge of analytical chemistry as well. So far so good, we have a group of dedicated young people – about 70 of them – working for us at our two branches. We want to nurture them and develop them to fulfill their potential.”

Allied Chemists is one of the first few Malaysian private labs to have been appointed as a panel member for the testing and analysis of traditional medical products by the National Pharmaceutical Regulatory Agency under the Ministry of Health. It is also approved by the Department of the Environment to conduct analysis for scheduled wastes.

Allied Chemists has been providing food testing services for manufacturers for the last eighteen years. Describing the service as an important function, Ee Shan explained that testing of the final product by a third party lab is crucial to ensure food safety as contamination and formulation off-spec can happen in the value chain whether it is from raw materials, the environment or personal hygiene or even sabotage.

The company has been on a consistent growth trajectory, having recorded a compounded average growth of 15% on a year-to-year basis and counts Petronas, Tiger Balm and Toshiba among its major clients. Its future plans include creating greater awareness of its Kuala Lumpur branch and entering the Singapore market once its new facilities at the Johor Bahru headquarters are ready. Plans are also afoot to go regional in ASEAN within a ten-year timeframe with the vision ‘to be recognised regionally as a preferred partner to provide lab services’.

Allied Chemists is a MS ISO/IEC 17025 accredited testing laboratory in the fields of chemical and microbiological testing under the Laboratory Accreditation Scheme. Its accreditation is recognised by the International Laboratory Accreditation Cooperation and also in countries which have entered into the Mutual Recognition Agreement with the organisation.

The company is also a registered member of the laboratory panels for the Food Safety and Quality Division as well as the National Pharmaceutical Regulatory Agency while its technical experts are registered with the Department of Occupational Safety and Health as Industrial Hygiene Technicians and Competent Persons of Noise.

KUNDASANG AQUAFARM PLT

Innovation the key to a Young Agropreneur's Success

A 28-year-old graduate is in the forefront of an innovative first-of-its-kind project to uplift the livelihood of the vegetable farming community in the Kundasang highlands in Sabah. Azizul Julirin, owner of Kundasang Aquafarm, is the pioneer of the aquaponics farming system which integrates hydroponics and aquaculture techniques to grow vegetables.



“We operate on a zero waste concept, with emphasis on savings by optimising the use of all available resources.”

Azizul, who is a graduate of Universiti Malaysia Sabah, hailed from the tiny village of Mesilou - population 50 households - in the Kundasang highlands, the leading supplier of highlands vegetables in Sabah. His family has been in vegetable farming for over thirty years and he has always been passionate about continuing the family's tradition. But the vegetable farmers of Mesilou are facing a serious problem in the deteriorating quality of the soil.

“The economy of Mesilou has for decades been dependent on vegetable farming but the nutrients in the soil are depleting from years of farming. Yield is declining and so is the quality. This forces farmers to increase the use of fertiliser as well as pesticides to protect their crops. Such a situation is not sustainable,” said Azizul.

The ecological problem was compounded by natural disasters like the 2015 earthquake in Ranau. The earthquake caused mud flows that polluted water sources, serious soil

erosion and also blocked access to farms. All these events spurred Azizul to seek for an alternative farming method.

His interest in agriculture led to his taking up a degree in aquaculture. When he was undergoing industrial training in Japan in 2011, a massive earthquake followed by a tsunami struck the country. During the relief operations, he noticed a Non-Governmental Organisation (NGO) giving the victims aquaponics kits as food production kits to help them grow their own food so they would not be overly dependent on outside aid. When the earthquake struck Kundasang, he was reminded of that kit and sparked the idea to start his aquaponics farm.

In late 2016, after gaining enough confidence, Azizul started Kundasang Aquafarm, the first of its kind in Sabah.

Looking back to that time, Azizul said, “The biggest challenge when I started the business was insufficient knowledge of

business management as well as financing and guidance. Fortunately, I came across an online advertisement from SME Corp. Malaysia asking for young entrepreneurs to enrol for the Tunas Usahawan Belia Bumiputera (TUBE). I emerged as the best participant of the TUBE 3.0 Sabah programme and was given a starting grant of RM15,000.”

Other grants would come his way through his participation in various innovation competitions organised by Government agencies.

Whatever financial aid Azizul received was ploughed back into the development of a proper prototype for his aquaponics farm. After about a year of trial and error, he finally found the perfect formula to enable his prototype to be commercialised. The company has been making good progress ever since. From its inception in 2016, the company has achieved sales turnover of more than RM500,000. The 5,000 sq. ft. farm can produce up to 1.2 tons of vegetables and fruits like strawberry, tomato, Japanese cucumber and pak choy a month with an average monthly revenue of RM20,000.

Azizul said, “Our markets are restaurant chains like McDonalds as well as other restaurants and hotels in Kota Kinabalu. We started selling our produce in Brunei in 2018. It wasn’t easy to enter Brunei as the market there had concerns about the fertilisers and pesticides used during planting. However, our hydroponic vegetables are now well accepted by Bruneians.”

The business, he added, is doing fine inspite of the economic uncertainties. “There is increasing demand for vegetables that are free of toxic chemicals as people are more health conscious now. We also operate on a zero waste concept, with emphasis on savings by optimising the use of all available resources. Our aquaponics system has reduced operational and production costs. To save on advertising and promotion costs, we make use of e-commerce platform to expand the market.”

Azizul believes being innovation-driven is the key factor for his business success. He cited as an example, the cost-savings derived from the aquaponics system in his farm, “The monthly operational costs are low as we save as much as 90% in water usage while productivity is three times higher compared with conventional farming methods. I’ve also incorporated the Japanese concept of kaizen - continuous renewal - into our company culture so we are always on the lookout for improvement.”

As for his vision for Kundasang Aquafarm ten years from now, Azizul said, “I want to scale up production to at least 30 tons of vegetables a month by 2025. I would like to expand the application of the aquaponics system to farmers in Kundasang in particular and Malaysia as a whole so all can enjoy its benefits. This will also enhance food security. I hope to also open an agropreneur academy to train young people who are interested to enter this field of business.”



He advised the younger generation, especially new graduates, who want to be agropreneurs, “Prepare by equipping yourself with knowledge of the field you are going into. There is plenty of information on entrepreneurship which is readily available from the Government. As an entrepreneur, you will also need soft skills and learn to network. In the end, if you want to succeed, you have to be tough-minded and persistent in pursuing your dreams. Be an entrepreneur. Be a job-creator instead of being a job-seeker.”

INTER STICKER TRADING CO.

A ‘Sticky’ Business Pays Off

In 1986, Mohd Noor bin Che Man started Inter Sticker Trading Co. at a shop at the Muhammad VI Stadium in Kota Bharu, Kelantan, to supply paper-based stickers to schools. The enterprising Mohd Noor soon saw the potential in stickers for apparels, particularly for schools and so turned his attention to a new product. From there, it was a matter of time before he started selling his textile stickers to Government agencies and the private sector.

Today the company has grown from that humble beginning into a manufacturer of stickers for a wide range of apparels like t-shirts and uniforms as well as sportswear and equipment. It also supplies customised stickers for special events and various types of finishing for textile products and printing and embroidery. Its sportswear and equipment stickers are carried on globally recognised brands like Adidas, Yonex, Mikasa, Tibhar, Nike, Darrows Dart Technology and Molten.

But it was not always smooth sailing in the beginning. As has been the experience with most entrepreneurs, financing was always an issue. To keep the business running, Mohd Noor borrowed from relatives and friends and later as business picked up, he managed to obtain loans from banks for expansion. In 2017, the company received a matching grant from



“We are passionate about our business. Being passionate about what you’re doing will take you far.”

SME Corp. Malaysia under the Bumiputera Enterprise Enhancement Programme (BEEP) to purchase printing machinery.

Mohd Noor has since taken a back seat and let his son Muhammad Ikhwan run the business. Under Muhammad, who holds a Master’s degree in technical textile from the University of Manchester, UK, the business has grown into one with a national and international clientele that comprises the public and private sector, schools, universities as well as retail.

Those early years of struggles are still fresh in his memory. “We had very little capital so we had to optimise our resources. But we learned financial prudence from there. Then technical problems arose as we were unfamiliar with the machinery used which was all very frustrating



as we were aiming for zero defect and top quality for our products. But we learned the importance of having technical knowledge of production machinery from there. I'm proud of the fact that the business has survived for over 29 years and we are now one of the leading manufacturers of textile stickers in the country. We are passionate about our business. Being passionate about what you're doing will take you far."

Muhammad attributed the longevity of the business to their continuous improvement culture. He explained, "From day one, quality has always been the cornerstone of our company culture. That's the reason we keep investing in production technologies to improve efficiency and ensure quality for all our products. It was our quality first approach that caught the attention of some global brands and we are now their original equipment manufacturers."

Muhammad's investment in technology, such as in acquiring a 12-colour printing machine from the US and a 12-head automatic embroidery machine from Japan has certainly paid off in terms of greater productivity and quality. The company has the capability to print 3000 t-shirts and embroider 2000 apparels per day.

By adopting technology, Muhammad said, "The company is able to operate under less technical constraints and that frees our imagination and creativity to take us further." Muhammad is a firm believer in the power of innovation and that he attributed the success of the company to passion for innovation and improvement supported by a strong team spirit.

He said, "We are always on the lookout to raise the quality of our products. We also position our company as an Organisation Image Enhancer, meaning that the products our clients buy from us help to enhance their image because ours are of top notch quality."

Talking about future plans, Muhammad wants to be prepared and equipped to cater to future trends. "We are heading towards mass customisation and yet at the same personalisation as well in the textile and fashion industry. I have started a pilot project for mass customisation and a R&D project on 3D image processing for body measurement. My vision for the company in ten years' time is that we would be a decentralised business, operating not in a single location but spread out over the ASEAN region."





APPENDICES

Appendix I

Key **Statistics**
on **SMEs**

Appendix II

List of **SME and**
Entrepreneurship
Development
Programmes in 2019

Appendix III

Glossary of
Abbreviations

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SME Definition

Appendix 1

[Key Statistics on SMEs]

Table 1: Number of Establishments by Sector and Size

Sector	Number of SME Establishments				Share of SMEs (%)	Large Firms	Overall Establishment
	Micro	Small	Medium	Total SMEs			
Services	649,186	148,078	11,862	809,126	89.2	9,185	88,311
Manufacturing	22,083	23,096	2,519	47,698	5.3	1,403	49,101
Construction	17,321	17,008	4,829	39,158	4.3	1,400	40,558
Agriculture	4,863	4,143	1,212	10,218	1.1	1,410	11,628
Mining & Quarrying	217	458	190	865	0.1	161	1,026
Total	693,670	192,783	20,612	907,065	100.0	13,559	920,624

Source: Economic Census 2016: Profile of Small and Medium Enterprises (reference year 2015), Department of Statistics, Malaysia

Table 2: Number of SME Establishments by State

(...continuation)

State	Total SMEs	%	State	Total SMEs	%
Selangor	179,271	19.8	Negeri Sembilan	32,721	3.6
WP Kuala Lumpur	133,703	14.7	Melaka	31,361	3.5
Johor	98,190	10.8	Terengganu	29,324	3.2
Perak	75,140	8.3	Perlis	6,808	0.8
Pulau Pinang	66,921	7.4	WP Labuan	2,567	0.3
Sarawak	61,036	6.7	WP Putrajaya	1,236	0.1
Sabah	55,702	6.2	Total SMEs	907,065	100.0
Kedah	48,894	5.4			
Kelantan	46,618	5.1			
Pahang	37,573	4.1			

Source: Economic Census 2016: Profile of Small and Medium Enterprises (reference year 2015), Department of Statistics, Malaysia

Table 3: SME GDP by Economic Sector (RM million) (constant 2015 prices)

	2015	2016	2017	2018 ^P
Agriculture	49,619	49,349	52,288	52,471
Mining & Quarrying	2,036	2,203	2,399	2,502
Manufacturing	88,614	92,991	99,331	104,766
Construction	26,005	27,735	29,571	30,748
Services	263,588	280,683	301,018	325,388
Plus: import duties	5,211	5,725	6,552	5,848
SME GDP	435,072	458,686	491,159	521,721

Note: Figures may not necessarily add up due to rounding

p: preliminary

Source: Department of Statistics, Malaysia

Table 4: Annual Growth of SME GDP by Economic Sector (%) (constant 2015 prices)

	2015	2016	2017	2018 ^P
Agriculture	2.3	-0.5	6.0	0.3
Mining & Quarrying	8.9	8.2	8.9	4.3
Manufacturing	5.9	4.9	6.8	5.5
Construction	7.8	6.7	6.6	4.0
Services	6.6	6.5	7.2	8.1
Plus: import duties	20.3	9.9	14.5	-10.8
SME GDP	6.2	5.4	7.1	6.2

p: preliminary

Source: Department of Statistics, Malaysia

Table 5: Contribution of SMEs to Overall GDP by Economic Sector (%)

	2015	2016	2017	2018 ^P
Agriculture	4.2	4.0	4.0	3.9
Mining & Quarrying	0.2	0.2	0.2	0.2
Manufacturing	7.5	7.6	7.6	7.7
Construction	2.2	2.3	2.3	2.3
Services	22.4	22.8	23.2	23.9
Plus: import duties	0.4	0.5	0.5	0.4
% SME GDP to Overall GDP	37.0	37.3	37.8	38.3

Note: Figures may not necessarily add up due to rounding

p: preliminary

Source: Department of Statistics, Malaysia

Appendix 2

List of SME and Entrepreneurship Development Programmes in 2019

ACCESS TO FINANCING

Ministry of Economic Affairs (MEA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Unit Peneraju Agenda Bumiputera (TERAJU)	Skim Usahawan Permulaan Bumiputera (SUPERB)	<p>Financing new entrepreneurs / start-up Bumiputera who have innovative business ideas and creative, aged between 18 and 40 years and the company has Bumiputera ownership of at least 60% in the form of grants. Assistance through capacity building programme which involves:</p> <ul style="list-style-type: none"> • Coach & Grow Programme; • Accelerator Early Stage; • Accelerator Asean Track; • Accelerator Growth Stage; and • Global Access & Exposure.

Ministry of Entrepreneur Development (MED)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Global Innovation and Creativity Centre (MaGIC)	Accelerator Programme	Accelerate enterprise growth for market and funding (thematic accelerate, regional accelerators, etc.).
SME Corporation Malaysia (SME Corp. Malaysia)	Tunas Usahawan Belia Bumiputera (TUBE)	<ul style="list-style-type: none"> • Acculturate entrepreneurship among youth; • Paradigm shift from job seekers to employment providers; and • Create resilience and sustainability of entrepreneurs

Bank Kerjasama Rakyat Malaysia Berhad (BKRM)	SME Financing	Financing programme that aim to assist SMEs to gain access to financing for the pupose of working capital requirements and capital expenditure (CAPEX).
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	SME Financing Programme	For market driven growth and inclusivity.
SME Corporation Malaysia (SME Corp. Malaysia)	High Impact Programme (HIP) 5: Catalyst Programme that includes Aerospace, LED, BioNext, Medical Devices and Rail Initiatives	Create homegrown champions through a targeted approach by building up the capability and capacity of participating companies through development programmes, provision of market intelligence and enhancement in market access to create high growth SMEs.
SME Corporation Malaysia (SME Corp. Malaysia)	Business Accelerator Programme (BAP)	An integrated programme to develop and nurture dynamic, competitive and resilient SMEs through SCORE, capacity building, advisory and technical support as well as financial support.
SME Corporation Malaysia (SME Corp. Malaysia)	Syariah-Compliant SME Financing Scheme (SSFS)	Provide financing assistance to eligible Malaysian SMEs whereby the Government of Malaysia has agreed to pay 2% (percentage point) of the profit rate charged on the financing provided by 13 participating Islamic Financial Institutions.
TEKUN Nasional (TEKUN)	TEKUN Financing	<ul style="list-style-type: none"> • Provide funds to SMEs for expansions; • Provide entrepreneurship information and business opportunities to TEKUN participants; • Provide advisory and support to TEKUN participants; • Develop TEKUN entrepreneurship community who are competent, innovative and progressive; • Inculcate entrepreneur culture among participants; and • Provide microfinance facility for working capital requirements to assist small Bumiputera entrepreneurs in their existing new start-up business and project implementation.

Ministry of Finance (MOF)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)	Automation Process Guarantee Scheme	Assist SMEs in all sectors to gain access to financing from participating Financial Institutions (FIs) to automate production processes and reduce employment of foreign workers.
Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)	Working Capital Guarantee Scheme	Assist SMEs in all sectors to gain access to financing from participating FIs.
Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)	Working Capital Guarantee Scheme - Bumiputera	Assist Bumiputera SMEs to gain access to financing from participating FIs.
Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)	Working Capital Guarantee Scheme - Start Up	Assist start-up SMEs in all sectors to gain access to financing from participating FIs.

Ministry of Rural Development (KPLB)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Rural Entrepreneurship Development Division (BPUD)	Desa Lestari (DL)	<ul style="list-style-type: none"> Enhance the community abilities in planning and implementing projects in the villages; and Develop economic activities by creating job opportunities and wealth creation to the community via co-operative platform.
Rural Entrepreneurship Development Division (BPUD)	Rural Business Challenge (RBC)	<ul style="list-style-type: none"> Encourage youth especially in the rural areas, to choose entrepreneurship as career of choice; Create job opportunity and increase income of the rural population; and Encourage reverse migration by creating an attractive liveable rural areas. It is a business proposal competition especially for youth where business grant will be awarded to realise their business plan in the rural areas.

Bank Kerjasama Rakyat Malaysia Berhad (BKRM) / Bank Perusahaan Kecil dan Sederhana Malaysia Berhad (SME Bank)	Rural Economy Funding Scheme (SPED)	Provision of financing for rural entrepreneurs in manufacturing, services, agriculture and countryside tourism.
Bank Kerjasama Rakyat Malaysia Berhad (BKRM) / Bank Perusahaan Kecil dan Sederhana Malaysia Berhad (SME Bank)	Rural Economy Funding Scheme (SPED) NANO	Provision of financing for rural entrepreneurs in manufacturing, services, agriculture and countryside tourism.

Bank Negara Malaysia (BNM)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
BNM	Bank Negara Malaysia's Fund for Small and Medium Enterprise (BNM's Fund for SMEs)	Ensure eligible SMEs received reasonable cost of financing to start up their business and promote their growth and expansion.
Credit Guarantee Corporation (CGC)	Financing Schemes which includes BizMula-i, BizWanita-i and Special Assistance Scheme	<ul style="list-style-type: none"> • Finance start-up businesses where generally they have difficulties in availing to financing. Underlying principle is to encourage and nurture budding businessmen with reliable plans, satisfactory business insights and a high entrepreneurship drive; • Assisting women entrepreneurs who want to expand business; and • Aimed at providing financial assistance to existing customers who are affected by natural disaster.

Credit Guarantee Corporation (CGC)	Guarantee Schemes: Portfolio Guarantee (PG) / Wholesale Guarantee (WG), BizJamin (previously as Credit Enhancer), BizJamin Bumi (previously as Enhancer Bumi), BizMaju (previously as Enhancer Excel), BizSME and Flexi Guarantee Scheme	<ul style="list-style-type: none"> • PG/WG - Collaborate with individual Financial Institution (FIs) with pre-agreed criteria and faster turn around time for SME financing; and • Provide guarantee scheme to help SMEs secure credit facilities from FIs via CGC.
Credit Guarantee Corporation (CGC)	Tabung projek Usahawan Bumiputera - i (TPUB-i)	Provide financing to small & medium scale Bumiputera entrepreneurs who had been allotted projects/contracts but was unsuccessful to obtain financing from FIs.

Ministry of Agriculture and Agro-based Industry (MOA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Bank Pertanian Malaysia Berhad (Agrobank)	Dana Pembiayaan Usahawan Pertanian (DPUP)	<ul style="list-style-type: none"> • Skim Kredit Padi (SKP); • Skim Masyarakat & Perdagangan Bumiputera (MPPB); and • Skim Tabung untuk Makanan (3F)
Lembaga Pertubuhan Peladang (LPP)	Tabung Pembangunan Usahaniaga Peladang (TPUP)	<ul style="list-style-type: none"> • Improve farmer's net income to more than RM4,000 per month; and • Creating new agropreneurs that capable to undertake agriculture production, processing and large-scale services and quality products.

Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Cradle Fund Sdn Bhd (CRADLE)	Angel Tax Incentive	Designed to help technology-based start-up companies in Malaysia to raise funding by offering tax incentives to angel investors who have invested in these companies.
Kumpulan Modal Perdana Sdn Bhd (KMPSB)	Dana Modal Teroka	Provide venture capital financing to related companies in electrical and electronics (E&E) sub-sector.

Ministry of Industrial and Entrepreneur Development Sarawak (MIED SARAWAK)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Sarawak Economic Development Corporation (SEDC)	Small and Medium Scale Industry Financing Scheme (SPIKS)	Provide financing support for working capital, renovation of existing business premise and purchase of machinery / business equipment for SMEs in manufacturing, services and ICT sectors with 4% interest per annum.

Ministry of International Trade and Industry (MITI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Industrial Development Finance Berhad (MIDF)	Soft Loan Scheme for Bumiputera Automative Entrepreneurs (SLBAE)	Facilitate and assist Open Approved Permit (AP) holders in expanding and diversification into other automative-related businesses. The programme also help to sustain and enhance Bumiputera participation in the automative industry.
Malaysian Industrial Development Finance Berhad (MIDF)	Soft Loan Scheme for SMEs (SLSME)	<ul style="list-style-type: none"> • Provide assistance to existing and new start-up companies in project, fixed assets and working capital financing; • Assist SMEs which are operating in unlicensed premises to relocate their operations to legal industrial sites or premises; and • Assist SMEs to improve their competitiveness, efficiency and productivity through the adoption of ICT in business management and operations.

Malaysian Industrial Development Finance Berhad (MIDF)	Soft Loan Scheme for Automation and Modernisation (SLSAM)	Encourage and assist manufacturing companies to: <ul style="list-style-type: none"> • Modernise and automate their manufacturing process; • Upgrade production capability and capacity; • Minimising dependency on labour-intensive activities and foreign labour; • Diversifying into higher value-added activities; • Rationalise and streamlining their operations through mergers and acquisitions; • Productivity improvement; and • Enhancing export performance.
Malaysian Industrial Development Finance Berhad (MIDF)	Soft Loan Scheme for Service Sector (SLSSS)	Provide financing assistance for: <ul style="list-style-type: none"> • New start-up companies / enterprises - creation of new services entrepreneurs; and • Expansion / upgrading / modernisation / diversification for existing services providers into higher value-added activities and improving productivity and efficiency in service delivery.

Ministry of Primary Industries (MPI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Timber Industry Board (MTIB)	Raw Material Procurement Programme (Program Sokongan Bahan Mentah)	Provide financing for the procurement of raw materials to entrepreneurs in completing the processing of a finished product for a confirmed work contract.
Amanah Ikhtiar Malaysia (AIM)	Ikhtiar 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 includes i-Mesra, i-Srikandi and i-Wibawa.
Perbadanan Nasional Berhad (PNS)	PNS Financing Scheme	<ul style="list-style-type: none"> • Develop and promote Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses through financial assistance for the purpose of business expansion and new start-up of franchise companies; and • Assist franchisors through financial assistance.

HUMAN CAPITAL DEVELOPMENT

Ministry of Communication and Multimedia Malaysia (KKMM)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysia Digital Economy Corporation (MDEC)	eUsahawan	Encourage SMEs to have an online presence.

Ministry of Economic Affairs (MEA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Halal Industry Development Corporation (HDC)	Program Mudahcara Pensijilan Halal (HBT)	Facilitate more SME participation towards Halal certification and compliance readiness.
Rubber Industry Smallholders Development Authority (RISDA)	Aktiviti Ekonomi Tambahan (AET)	<ul style="list-style-type: none"> • Enable smallholders to do economic activities as additional household income; • Provide financial aid in terms of in kind (machinery, equipment, raw materials etc.) to qualified smallholders; • Smallholders to be more dynamic, innovative and able to become entrepreneurs; and • Optimise existing resources in order to maximise income.
Federal Land Development Authority (FELDA)	Latihan Memperkasa Usahawan Sedia Ada	A course / workshop for targeted entrepreneurs and co-operatives based on their demand to improve their skill, to gain knowledge and to increase productivity as well as to develop competitiveness among entrepreneurs.
Halal Industry Development Corporation (HDC)	Program Pembangunan Modal Insan Halal	Halal knowledge and entrepreneurship training including Halal Industry Fundamentals, Halal Assurance Management System, Halal Internal Auditing, Halal Executive Programme and other entrepreneurship courses based on SME requirements.

Halal Industry Development Corporation (HDC)	Program Usahasama Strategik antara Syarikat Besar dan Syarikat Halal Tempatan	Industry partnership between large companies (e.g. LLCs and MNCs) and local companies with the aim to increase competitiveness (i.e. quality of products or services) via knowledge sharing (mentoring).
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Ministry of Entrepreneur Development (MED)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Global Innovation and Creativity Centre (MaGIC)	MaGIC Academy	Continuously build talents in the entrepreneurship space and in preparation for future economies.
Institut Keusahawanan Negara (INSKEN)	INSKEN Business Scale Up Programme which includes: <ul style="list-style-type: none"> • INSKEN Business Coaching (IBC); and • Business Enhancement Plan (BEP) 	Providing a comprehensive entrepreneurial skills & knowledge in developing sustainable businesses through business coaching, training, consulting and facilitating.
Institut Keusahawanan Negara (INSKEN)	Inskan Business Training Programme for Growth, Expansion and Maturity	This (2 days) training will focus on technical know-how with aims to guide the entrepreneurs establishing & strengthening their day-to-day business operation including business governance, financial management, marketing operation & technology adoption to help entrepreneurs to operate efficiently and effectively.
Malaysian Global Innovation and Creativity Centre (MaGIC)	MaGIC ASEAN Centre of Entrepreneurship (ACE)	Bring together the entrepreneurship ecosystem players in unison for long-term nation impact.
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Upward Scheme	Comprehensive entrepreneur development.

SME Corporation Malaysia (SME Corp. Malaysia)	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.
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Ministry of Rural Development (KPLB)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Kemahiran Quick Win	<ul style="list-style-type: none"> Establish sustainability in skills development through existing classes and workshops; Provide opportunities for target groups to improve skills in existing fields; and Diversify participants' source of income through provided programmes
Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Keusahawanan Rintis: Kursus Asas Keusahawanan Rintis	<ul style="list-style-type: none"> Provide exposure to target groups on entrepreneurial fundamentals to nurture their interest and motivation in entrepreneurship; Provide a platform for entrepreneurs to register their business with SSM through online / manually; and Provide value-added for KEMAS skills programme participants.
Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Keusahawanan Rintis: Kursus Online Marketing	<ul style="list-style-type: none"> Provide exposure to target groups to enhance their existing skills in online marketing; Create entrepreneurs with marketing (account) platform on social media, such as Facebook and Instagram; and Create knowledgeable and skilled entrepreneurs in using the computer to promote products / business on social media so that they are able to compete successfully in the business world.
Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Keusahawanan Rintis: Kursus Penyediaan Rancangan Perniagaan	<ul style="list-style-type: none"> Provide exposure to target groups on entrepreneurship through preparation of business plans; Ensure participants aware the importance of business plans and to develop their own business plan with the guidance of a skilled and experienced expert; and Provide value-added to KEMAS skills programme participants.

Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Keusahawanan Rintis: Kursus Reka Bentuk Perniagaan	<ul style="list-style-type: none"> • Provide the opportunity for target groups to enhance existing skills and knowledge in designing; • Provide a platform for target groups to upgrade and develop the promotion materials, such as logos, business cards, brochures, etc.; and • Create knowledgeable and skilled entrepreneurs in developing promotion materials by using the computer.
Jabatan Kemajuan Masyarakat (KEMAS)	Kursus Keusahawanan Rintis: Kursus Sistem Pengurusan Kewangan	<ul style="list-style-type: none"> • Provide opportunities for target groups to enhance existing skills in systematic financial management techniques; • To introduce financial management services and technologies to facilitate business financial management; and • Create knowledgeable and skilled entrepreneurs in managing the business financial by using the computer.
Lembaga Kemajuan Kelantan Selatan (KESEDAR)	Agro Desa	<ul style="list-style-type: none"> • To create employment opportunities for the Kelantan (South) youth; • To increase the income of youth entrepreneurs by 30% of the current income; • To assist entrepreneurs to improve the quality and productivity of services; • To encourage entrepreneurs to consider a joint venture; • To provide financial assistance (e.g. capital assets) to ensure business success; and • To meet market needs.

Lembaga Kemajuan Kelantan Selatan (KESEDAR)	Integpreneur Belia	<ul style="list-style-type: none"> • To develop 50 youth entrepreneurs in Kelantan (South); • To create employment opportunities for the Kelantan (South) youth; • To increase the income of youth entrepreneurs by 30% of the current income; • To assist entrepreneurs to improve the quality and productivity of services; • To encourage entrepreneurs to consider a joint venture; • To provide financial assistance (e.g. capital assets) to ensure business success; • To meet market needs; and • To help promote the products and services.
Lembaga Kemajuan Wilayah Kedah (KEDA)	Program Transformasi Pembangunan Usahawan (EDEP) - Entrepreneurship Economic Development Transformation Programme	An integrated programme to develop and nurture dynamic, competitive and resilient SMEs through capacity building, advisory and technical support as well as financial support.
Lembaga Kemajuan Wilayah Pulau Pinang (PERDA)	Kursus dan Latihan Keusahawanan	<ul style="list-style-type: none"> • Assist entrepreneurs in managing their business efficiently; • Provide guidance for effective financial management; • Assist entrepreneurs in business management; and • Assist in products / services promotion.
Majlis Amanah Rakyat (MARA)	Membangunkan usahawan lepasan Usahawan Institusi Pendidikan MARA (IPMa)	To develop 4,500 IPMa entrepreneurs during the period of 2016-2020. A total of 750 IPMa entrepreneurs targeted in 2019.
Majlis Amanah Rakyat (MARA)	Pembangunan Usahawan	To assist 77,200 Bumiputera entrepreneurs during the period of 2016-2020. A total of 15,540 entrepreneurs targeted in 2019.

Rural Entrepreneurship Development Division (BPUD)	Program Sokongan Penguatan Keusahawanan Desa	<ul style="list-style-type: none"> • Provides the option for entrepreneurs to obtain financial assistance to grow their business; • Provides a platform for entrepreneurs to obtain related training; • Assist entrepreneurs to promote their products and services; and • Encourage entrepreneurs to develop products and services for export markets.
Lembaga Kemajuan Johor Tenggara (KEJORA)	Kursus dan Latihan Keusahawanan KEJORA	Enhance the knowledge of trained entrepreneurs.
Majlis Amanah Rakyat (MARA)	Pemantapan Syarikat Usahawan Korporat	500 SME entrepreneurs and 100 companies to be rated three (3) stars during the period of 2016-2020. A total of 100 SME entrepreneurs targeted in 2019.

State of Sabah Government (SABAH State)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Jabatan Hal Ehwal Wanita Sabah (JHEWA)	Entrepreneurship for Single Mothers	<ul style="list-style-type: none"> • Provide intensive skills training for single mother to enable them to start their own business; and • Training areas include sewing, beauty therapy, commercial cooking, crafts, childcare and etc.
Jabatan Pembangunan Perindustrian dan Penyelidikan (JPPP)	Food Technology Processing Course	<ul style="list-style-type: none"> • Increase quality of products; and • Increase variety of products based on local resources.
Ministry of Rural Development, Sabah (KPLBS)	Kursus Kemahiran Kraftangan Tempatan	Assist selected entrepreneurs to acquire necessary skills and knowledge.
Sabah Economic Development Corporation (SEDCO)	Skim Usahawan Siswazah	Training and developing progressive and resilient Bumiputera SME entrepreneurs.

Sabah Economic Development Corporation (SEDCO)	Skim Usahawan Teknikal	Training and preparing business plan for technical school leavers and workshop worker.
Sabah Economic Development Corporation (SEDCO)	Training for potential and new entrepreneurs	Instil entrepreneurship and impart technical knowledge / skills businesses.
Ministry of Rural Development, Sabah (KPLBS)	Program Khidmat Masyarakat (Projek Jahit Menjahit)	Provide guidance to rural women to upgrade their sewing skills.
Ministry of Trade and Industry (MTI SABAH)	Kursus untuk Usahawan	Enhance skills and capacity bulding in various fields.

Ministry of Women, Family and Community Development (KPWK)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Jabatan Pembangunan Wanita (JPW)	Pusat Aktiviti Community Based Enterprose, CBE (PACBE)	The programme aims to provide opportunities for women and single mothers of various backgrounds to engage skills activities, such as sewing, embroidery and online marketing courses.
Jabatan Kebajikan Masyarakat (JKM)	2 Years Exit Programme (2YEP)	<ul style="list-style-type: none"> • Provides identified individuals among the target group with greater income generation opportunities; and • Empower the target groups to generate additional income to enable them to be independent and self -sufficient.

Ministry of Youth and Sports (KBS)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Department of Youth and Sports (DYS)	Kursus Belia Tani	<ul style="list-style-type: none"> • To change the perception on agriculture sector; and • To provide insights into the current agricultural scenarios.
Department of Youth and Sports (DYS)	Youth Digital Programme (Young Heroes)	<ul style="list-style-type: none"> • Provide a platform for entrepreneurs to acquire the online marketing techniques, business opportunities and support services available; • Provide access to B40 youths from urban and rural areas to explore online business through practical exposure and online business techniques; and • Increase the opportunities for young entrepreneurs to further expand their digital product network.
Department of Youth and Sports (DYS)	Y-Career	<ul style="list-style-type: none"> • Provide access to B40 youths from urban and rural areas through specialised skills training over the weekend for 1-2 months based on their employer's operating needs before they can be absorbed into the job market after training; • Increase the supply of skilled labour to the industry through strategic cooperation with employers; • Reduce unemployment rates especially among youth; and • Provide entrepreneurial exposure and education to participants who are interested in becoming an entrepreneur.
Department of Youth and Sports (DYS)	Youth Entrepreneurship Programme	<ul style="list-style-type: none"> • Enhance entrepreneurship, knowledge and skill for potential, new and existing entrepreneurs through various training and programme; • Provide one stop centre for youth entrepreneurs to build networking with entrepreneur development organisation (EDO) and entrepreneur financing institution (EFI); and • Assist youth entrepreneurs to promote and market products with new trend of business concept.

Ministry of Housing and Local Government (KPKT)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Urban Wellbeing Division	Azam Bandar	Improve skills of the target groups through individual business that can provide higher income and improve quality of life towards poverty eradication.

Ministry of Human Resources (MOHR)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Jabatan Pembangunan Kemahiran (JPK)	National Dual Training System (NDTS)	<ul style="list-style-type: none">• Provision of training school leavers / unemployed to support the SMEs workforce demand; and• Skills upgrading for existing and new employees in the SME companies.

Ministry of Industrial and Entrepreneur Development Sarawak (MIED SARAWAK)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MIED SARAWAK	Entrepreneurship development in selected areas: <ul style="list-style-type: none"> • Food processing & technology; • Ceramic Industry Development Programme (CIDP); • Songket Weaving; • Exploring Opportunities Programme in Commercial and Industrial Sectors Programme; and • Workshop for food industry, oil & gas industry and shipbuilding & shipping industry 	<ul style="list-style-type: none"> • Enhance entrepreneurship, technical knowledge and skills for existing, potential and new entrepreneur through training; • Disseminate information on business opportunities, financial assistance and loans, infrastructure facilities and latest programmes; • Share new investment opportunities; • Enhance capacity and capability; • Support business community; • Promote domestic investment; • Exploring opportunities programme in commercial and industrial sectors; • Encourage local entrepreneurs' participation in the industry; • Facilitate registration, licensing and tendering procedures to Sarawak companies; and • Share goods and services tax (GST) requirement.

Ministry of International Trade and Industry (MITI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysia Automotive Robotics and IoT Institute (MARII)	Workshop Transformation Program (BWTP)	Improve the competitiveness of existing automotive workshops across the country with the aim to improve the level of customer satisfaction, sales, and profitability of the workshop business.
Malaysia External Trade Development Corporation (MATRADE)	Export Training Programme	Equip SMEs with necessary knowledge and skills to enhance their export capability.

Malaysia Productivity Corporation (MPC)	Skim Peningkatan Produktiviti Enterpris - Malaysia Productivity Blueprint (SPPE-MPB)	Productivity improvement.
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Ministry of Primary Industries (MPI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Cocoa Board (MCB)	Kursus Asas Pembangunan Usahawan Coklat Buatan Tangan	Promote handmade chocolate production, increase production capacity and promote local cocoa and chocolate products.
Malaysian Cocoa Board (MCB)	Pembangunan Usahawan Coklat melalui Latihan dan Bimbingan	Increase chocolate production and entrepreneurship.
Malaysian Timber Industry Board (MTIB)	Latihan dan Bimbingan kepada Penerima Pinjaman Mesin Berteknologi	Increase productivity and efficiency of Bumiputera SMEs in manufacturing of timber-based products.

Ministry of Tourism, Arts and Culture Malaysia (MOTAC)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MOTAC	Homestay Entrepreneur Training & Skill Enhancement	<ul style="list-style-type: none"> • Instill entrepreneurship among homestay operators; and • Enhance quality of services among homestay operators.

Jabatan Kemajuan Orang Asli (JAKOA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
JAKOA	Business Assistance related to Entrepreneurs Needs	Provide assistance on the machineries, firmotires, boats and others related to entrepreneurs needs.

Perbadanan Nasional Berhad (PNS)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
PNS	Business in Transformation (B.I.T) Programme	Contribution to development of entrepreneurs through financing assistance.

INNOVATION AND TECHNOLOGY ADOPTION

Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Technology Park Malaysia (TPM)	Advanced Virtual Incubation Service (ADVISE)	<ul style="list-style-type: none"> • Support start-ups and ease their entrance into entrepreneurship by providing comprehensive support services and shared facilities; and • Provide borderless incubation services.
Fund Division (FD)	Pre Commercialisation Fund	<ul style="list-style-type: none"> • Assist in developing processes, technology or new products or improvements to existing processes and technology to be commercialised; • Create environment to encourage technopreneurs; and • Increase application of innovative technologies in communities as social responsibility.
Cradle Fund Sdn Bhd (CRADLE)	Cradle Investment Programme 300 (CIP 300)	<ul style="list-style-type: none"> • The CIP 300 will replace the current product (CIP 500) which offered to help Malaysian start-up companies with technology-based products or services attain; and • It offers conditional grant of up to a RM300,000 (maximum of two (2) consecutive approvals per company) to local start-up companies with innovative, technology-based products or services to attain commercialisation.
Cradle Fund Sdn Bhd (CRADLE)	Equity	It offers an equity investment from RM300,00 up to RM800,000 to local start-up companies with innovative, technology-based products or services.
Malaysia Debt Ventures Berhad (MDV)	MDV TACT & MDV Commercialisation Fund	Provide early stage financing to tech companies for further growth, mainly for the purpose of working capital requirement, asset / equipment purchase and business development.
Malaysian Technology Development Corporation (MTDC)	Commercialisation of Research and Development Fund (CRDF)	Leverage on Science, Technology & Innovation (STI) for national development and wealth creation via commercialisation of products and process.

Malaysian Technology Development Corporation (MTDC)	Technology Acquisition Fund (TAF)	Promote utilisation of foreign technology for the manufacturing and physical development of existing and new products and processes to increase wealth creation and technology content of Malaysian companies whilst enhancing their global competitiveness.
Technology Park Malaysia (TPM)	TPM Accelerator Programme	Nurture start-up technopreneurs from ideation 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.

Ministry of Entrepreneur Development (MED)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
SME Corporation Malaysia (SME Corp. Malaysia)	High Impact Programme (HIP) 6: Inclusive Innovation	Empower the bottom 40% of the income group by leveraging on innovation. The programme will promote transformation of communities, including microenterprises in the rural areas through handholding as well as provision of technical, financial and management support.
SME Corporation Malaysia (SME Corp. Malaysia)	Bumiputera Enterprise Enhancement Programme (BEEP)	Develop potential Bumiputera SMEs in all states. The programme provides selected Bumiputera SMEs with comprehensive assistance package, comprising of financial assistance and advisory services.
SME Corporation Malaysia (SME Corp. Malaysia)	HIP 2: Technology Commercialisation Platform (TCP)	Link all existing innovation initiatives under one platform to ensure a seamless flow for SMEs to move from one stage to another in the entire innovation process.

Ministry of International Trade and Industry (MITI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysia Automotive Robotics and IoT Institute (MARii)	4R2S System	The new management system 4R2S (Repair, Reuse, Recycle, Remanufacturing, Services, Spare Parts) to be adopted by existing and new business in the after-sales sector.
Malaysia Automotive Robotics and IoT Institute (MARii)	Automotive Supplier Excellence Program (ASEP)	Strengthening the competitiveness of existing automotive vendors in the components of manufacturing sector to level 3 i.e. capability in tooling development, as outlined in the National Automotive Policy 2014 thru Automotive Supplier Excellence Program (ASEP) and Lean Production System (LPS) - management skills.
Malaysia Automotive Robotics and IoT Institute (MARii)	Lean Production System (LPS)	Strengthening the competitiveness of existing automotive vendors in the components of manufacturing sector to level 3 i.e. capability in tooling development, as outlined in the National Automotive Policy 2014 thru Automotive Supplier Excellence Program (ASEP) and Lean Production System (LPS) - operational skills.
Malaysia Automotive Robotics and IoT Institute (MARii)	MAI Intelligent Technology System (MITS)	Automotive i-Cloud computing and 3D experience and to develop existing local vendors to level 4.
SIRIM Berhad (SIRIM)	Implementation of Core Activities Targeted at Enhancing Productivity and Market Expansion of SME in Collaboration with SIRIM-Fraunhofer	<p>Technology adoption / applications by SMEs. The scope of the programme will cover activities on implementation of core activities targeted at enhancing productivity and market expansion of SMEs, such as:</p> <ul style="list-style-type: none"> • Innovation management through technology audit (value chain analysis); • Increase technology uptake of SMEs; • Nurture growth of small and micro SMEs; and • Cross-cutting programme.

Ministry of Primary Industries (MPI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Rubber Board (LGM)	Program Pembangunan Usahawan Produk Getah secara Inkubator	To increase the number of Bumiputera entrepreneurs in the rubber-based manufacturing industry.
Malaysian Cocoa Board (MCB)	Pembangunan Usahawan Coklat melalui Pemberian Insentif	Increase productivity and efficiency of production and sales of chocolate entrepreneurs through incentives.
Malaysian Palm Oil Board (MPOB)	Geran Insentif kepada Perusahaan Kecil Sederhana (PKS) yang Menghasilkan Produk Makanan Tambah Nilai Bersasaskan Sawit	Develop a high value-added downstream palm oil sector with the potential to generate revenue for the country as well as to increase domestic consumption of palm oil.
Malaysian Timber Industry Board (MTIB)	Lean Management and Good Manufacturing Practices (GMP)	Increase productivity and efficiency of SMEs in the manufacturing wood-based industry.

Ministry of Agriculture and Agro-based Industry (MOA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Agro-based Industry Division (IAT)	Change Upgrade Product (CUP)	<ul style="list-style-type: none"> Increased quality product, product development & expansion and product capability.
Malaysian Agricultural Research and Development Institute (MARDI)	<ul style="list-style-type: none"> • Khidmat Nasihat Teknikal; • Seminar/Bengkel Teknologi; • Penilaian mutu produk, lawatan teknikal dan pemantauan prestasi usahawan secara berkala; • Pengawalan Mutu Produk; • Pembangunan 50 Usahawan Baru Berteknologi (IKS & Mikro); and • Penyelesaian Masalah Teknikal 	<ul style="list-style-type: none"> • Support services for entrepreneurs; and • Service information / advice, product analysis, entrepreneur clinics, seminars and attachment.
Malaysian Bioeconomy Development Corporation (Bioeconomy Corp.)	Biotechnology Commercialisation Funding (BCF)	<ul style="list-style-type: none"> • Provide funding for biotechnology focus areas; and • Complement the existing public and private sector fund by providing easy access to financing facilities.

Ministry of Communication and Multimedia Malaysia (KKMM)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysia Digital Economy Corporation (MDEC)	Digital Free Trade Zone	Encourage SMEs reporting.

Ministry of Education Malaysia (MOE)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MOE	Public-Private Research Network (PPRN)	Create knowledge friendly ecosystem by: <ul style="list-style-type: none"> • Strengthening public-private collaboration through research and innovation; • Increasing productivity of industries through the adoption of state-of-the art of appropriate technologies; • Encouraging academia to conduct demand-driven research; and • Offers matching grant for demand-driven innovation project within the scope of product and process development and innovation and value enhancement in supply chain.

Ministry of Rural Development (KPLB)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Lembaga Kemajuan Terengganu Tengah (KETENGAH)	Pembangunan Industri Asas Tani	Processing, marketing and training for Projek Tanaman Sayuran, Projek Lada Hitam, Projek Tanaman Buah-Buahan to: <ul style="list-style-type: none"> • Create job opportunities; • Improve participants' income; and • Increase productivity of food production. Projek Tanaman Sayuran, Projek Lada Hitam, Projek Tanaman Buah-Buahan. Processing, Marketing and Training <ul style="list-style-type: none"> • Create job opportunities • Improve participants' economic status • Increase productivity of food production
Lembaga Kemajuan Terengganu Tengah (KETENGAH)	Ternakan Unggas	Processing and marketing for Projek Ternakan Puyuh, Projek Ternakan Ayam Kampung and Ternakan Ayam Pedaging to: <ul style="list-style-type: none"> • Create job opportunities; • Improve participants' income; and • Increase productivity of food production.

State of Sabah Government (SABAH State)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Ministry of Trade and Industry (MTI SABAH)	Packaging and Product Development Programme	Increase quality in productivity to obtain Halal certificate for food & beverages and cosmetics products.

MARKET ACCESS

Ministry of Entrepreneur Development (MED)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Global Innovation and Creativity Centre (MaGIC)	Malaysian Social Inclusion and Vibrant Entrepreneurship (MaSSIVE)	Realise an inclusive economy through advancing the development of the impact driven enterprise and social enterprise sector.
Bahagian Keusahawanan Bumiputera dan PKS (BKBP)	Showcase Satu Daerah Satu Industri (SDSI)	<ul style="list-style-type: none"> Facilitate the sourcing and marketing of high-quality SDSI products / services; and Enhance networking among SDSI entrepreneurs as well as to establish new business alliances and joint ventures between local and international traders.
Bahagian Keusahawanan Bumiputera dan PKS (BKBP)	SME Performance and Competitiveness Enhancement Programme (PKPKS)	Nurture, groom and elevate Bumiputera SMEs to a higher level from micro to small and to medium enterprises and ultimately, become export-ready companies which ready to market their product in the domestic market and export their products and services globally.
Bahagian Keusahawanan Bumiputera dan PKS (BKBP)	Vendor Development Programme (VDP)	Facilitates Bumiputera SME' vendors with the assistance from GLCs and MNCs on major services / manufacturing-based industries.
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Best Exporter Programme (BEP)	Collaboration between TERAJU, SME Bank & MATRADE.
SME Corporation Malaysia (SME Corp. Malaysia)	e-Commerce	Increase promotion and marketing of e-Commerce to SMEs.
SME Corporation Malaysia (SME Corp. Malaysia)	Industrial Linkages Programmes (ILP)	Develop linkages between capable SMEs and MNCs / GLCs as well as large companies.
SME Corporation Malaysia (SME Corp. Malaysia)	Galakan Eksport Bumiputera (GEB)	Develop Bumiputera SMEs into export through integrated assistance towards exploration into new export market.

SME Corporation Malaysia (SME Corp. Malaysia)	SME- Brand Development Programme (National Mark)	Enhance the visibility of Malaysian products and services in both local and international markets through National Mark of Malaysian Brand.
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Ministry of Rural Development (KPLB)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Lembaga Kemajuan Wilayah Pulau Pinang (PERDA)	Program Pembangunan Pelancongan Pulau Pinang	<ul style="list-style-type: none"> • Opportunities for entrepreneurs to venture into international market; and • To increase sales and establish business networks between Penang and overseas entrepreneurs.
Rural Entrepreneurship Development Division (BPUD)	DesaMall@Online	Increase annual sales revenue through online business.
Lembaga Kemajuan Wilayah Pulau Pinang (PERDA)	Program Promosi Dalam Negara	<ul style="list-style-type: none"> • Provide opportunities for rural entrepreneurs to promote their products nationwide; • Helps increase sales and expand the product / service market nationwide; • Increase the income of the villagers through homestay programmes; • Diversify homestay products as a unique attraction to target groups; and • Assist in the provision of infrastructure, promotions and courses to further strengthen participants.

Lembaga Kemajuan Wilayah Pulau Pinang (PERDA)	Program Promosi Luar Negara	<ul style="list-style-type: none"> • Ensure entrepreneurs operated in appropriate premises; • Assist entrepreneurs in business compliance (e.g. certification); • Assist entrepreneurs in managing their business efficiently; • Provide guidance in effective financial management; • Assist entrepreneurs in business management; • Assist in promotional activities; • Provide opportunities for rural entrepreneurs to promote their products nationwide; and • Helps increase sales and expand the product / service market nationwide.
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Ministry of Industrial and Entrepreneur Development Sarawak (MIED SARAWAK)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MIED SARAWAK	Showcase Usahawan Bumiputera Sarawak	Provide business opportunities and increase the income of entrepreneurs.
MIED SARAWAK	Domestic & International Trade Fair & Expos	Assist entrepreneurs in promoting their products at international / domestic exhibitions.

Ministry of Agriculture and Agro-based Industry (MOA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Federal Agricultural Marketing Authority (FAMA)	Pengukuhan Bekalan Ladang Kontrak ke Pasar Tani (KUKUH)	<ul style="list-style-type: none"> • Secure crop production so that it will increase the market and expand the market development programmes; and • Develop marketing infrastructure for vegetable and fruits compliances to GMP to ensure agriculture products are secure and have more access to other countries.

Federal Agricultural Marketing Authority (FAMA)	Penyediaan & Pengukuhan Rangkaian Peruncitan Pasar Tani dan Gerai Buah-buahan Segar (GBBS)	To provide a variety of retail outlets for farmers / small producers to market their products directly.
Federal Agricultural Marketing Authority (FAMA)	Quality and Safety Training to Marketers (Latihan berkaitan Kualiti & Keselamatan kepada Pemasar)	<ul style="list-style-type: none"> • Increase application of technology marketing and post-harvest practices; and • Establish rules and standards for products to ensure: <ul style="list-style-type: none"> - Safety & products qualities; - Compliance to rules & terms of international trade; and - Supervision, alignment and regulatory.

Ministry of Domestic Trade and Consumer Affairs (KPDNHEP)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Business Development Division (BPP)	Effective Distribution and Product Transformation Programme	<ul style="list-style-type: none"> • Assist SMEs in enhancing the quality of the products in terms of packaging, labeling, shelf-life and other criteria to fulfill the requirements by the retailers (hypermarkets) in Malaysia; and • Assist SMEs to increase sales by sampling, merchandising, advertisement and promotion in various hypermarkets throughout Malaysia.

Ministry of Economic Affairs (MEA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Federal Land Development Authority (FELDA)	Program SAWARI	Promotion and marketing of FELDA entrepreneurs product to SAWARI outlet via Program Vendor SAWARI (PVS).

Ministry of International Trade and Industry (MITI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysia External Trade Development Corporation (MATRADE)	Bumiputera Exporters Development Programme (BEDP)	Export assistance programme design for Bumiputera SME companies. The programme helps SMEs to develop the necessary skills and knowledge to penetrate and further expand their export markets.
Malaysia External Trade Development Corporation (MATRADE)	eTRADE	Assistance for SMEs to participate in international leading e-marketplace via eTRADE.
Malaysia External Trade Development Corporation (MATRADE)	High Impact Programme (HIP) 4: 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 or new markets.
Malaysia External Trade Development Corporation (MATRADE)	Market Development Grant (MDG) / Geran Promosi Eksport (GPE)	Assistance for SMEs, Service Providers, Trade and Industry Associations, Chambers of Commerce and Professional Bodies to undertake activities for development of export market.
Malaysia External Trade Development Corporation (MATRADE)	Women Exporters Development Programme (WEDP)	Export assistance programme designed for women SME companies. The programme helps SMEs to develop the necessary skills and knowledge to penetrate and further expand their export market.
Malaysia External Trade Development Corporation (MATRADE)	Youth Exporters Development Programme (YEDP)	Equip potential SMEs with necessary knowledge and skills to enhance their export capability.
SIRIM Berhad (SIRIM)	Product and Quality Enhancement Programme through Biz Transformation, Biz Quality, INNOPACK Programme and Green Pack Programme	Nurture, groom and elevate Bumiputera SMEs to a higher level, from micro to small and to medium enterprises and ultimately to become export-ready companies which ready to market their products in domestic market and export their products and services globally.

SIRIM Berhad (SIRIM)	Calibration and Measurement Services	Ensure all measurement services are competent and products tested are globally recognised, calibration & measurement services in order to comply with national and international standards under the CIPM MRA requirements / calibration services, PT services, legal metrology services, metrology education, validation and witnessing and metrology consultancy.
SIRIM Berhad (SIRIM)	Conformity Assessment Programme Specifically Targeted for SMEs	Support SMEs in complying with national / international standards and penetrate global market.

Ministry of Primary Industries (MPI)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Cocoa Board (MCB)	Pembangunan Usahawan Coklat melalui Program Promosi Domestik	To increase sales of chocolate in the local market.
Malaysian Pepper Board (MPB)	Focus on Downstream Activities	Initiative for downstream entrepreneurs to produce pepper and spice-based products.
Malaysian Timber Industry Board (MTIB)	Program Promosi Pasaran Tempatan & Antarabangsa	Increase the industries' (SMEs) sales in domestic and international market.

Ministry of Tourism, Arts and Culture Malaysia (MOTAC)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Malaysian Handicraft Development Corporation (Handicraft Malaysia)	Craft Marketing Programme	Increase craft sales in domestic and international markets.
State of Sabah Government (SABAH State)		
Ministry of Rural Development, Sabah (KPLBS)	Pameran dan Jualan	Assist selected entrepreneurs to promote and sales their products.

INFRASTRUCTURE

Ministry of Economic Affairs (MEA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK)	Pembinaan 6 units kiosk di Masjid Sultan Ahmad (Masjid Keputeraan) Paloh 2, Daerah Chiku, Gua Musang	Provide six (6) conducive kiosks to help new entrepreneurs and also for mosque management to generate income through rental.
Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK)	Kampung Keusahawanan Berasaskan Kontena di Kawasan Kolam Air Panas Machang	Upgrading of Kolam Air Panas and provide conducive container for micro entrepreneurs.
Johor Corporation (JCorp.)	Pembangunan Kilang Siap Bina Industri Kecil dan Sederhana untuk Bumiputera di Kawasan Perindustrian Pasir Gudang	<ul style="list-style-type: none"> • Create business opportunity for SMEs in Pasir Gudang Industrial Area; and • Create job opportunities for the locals.

Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK)	Program Tunas Niaga (PROTUNE)	To create and increase awareness about business among school students based on theory and practical as real businesses.
Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK)	Shoplots in Jeli and SME Factory in Pengkalan Chepa	<ul style="list-style-type: none"> SME factory in Pengkalan Chepa by providing conducive manufacturing premises to expanding SMEs; and Shoplots in Jeli by providing conducive trading premises to microenterprises.

Ministry of Rural Development (KPLB)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Lembaga Kemajuan Wilayah Kedah (KEDA)	Projek Pembinaan Bengkel Industri Vendor di Sg Namek, Sik	Provision of business premises by building 7 units of workshops and industrial buildings for rural entrepreneurs.
Lembaga Kemajuan Wilayah Kedah (KEDA)	KEDA Industrial Sosio Ekonomi Hub (Projek Pembinaan Pusat Industri Sosio Ekonomi KEDA, KESOC)	Provision of business premises by building 8 units of workshops and industrial buildings for rural entrepreneurs.
Lembaga Kemajuan Wilayah Kedah (KEDA)	Taman IKS KEDA	Provision of business premises by building 28 units of workshops and industrial buildings for rural entrepreneurs.
Lembaga Kemajuan Wilayah Pulau Pinang (PERDA)	Menaik Taraf Premis	<ul style="list-style-type: none"> Ensure entrepreneurs operated in appropriate premises; and Assist entrepreneurs in business compliance (e.g. certification).

State of Sabah Government (SABAH State)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Ministry of Rural Development, Sabah (KPLBS)	Pembangunan Usahawan Desa	Build / upgrade additional buildings in Rural Entrepreneurs Centre (Pusat Keusahawanan Desa - PKD) / Tamuniaga / Community Learning Centres (CLC) and provide necessary equipments for entrepreneurs to operate and start / expand businesses.
Ministry of Rural Development, Sabah (KPLBS)	Satu Daerah Satu Produk (SDSP)	Build / upgrade infrastructure and provide necessary equipments for entrepreneurs to operate and start business in selected villages.
Sabah Economic Development Corporation (SEDCO)	Development of Business Premises	Provision of industrial premises for entrepreneurs at SEDCO SME Industrial Park, Arked Perniagaan Pekan Muhibbah Sg. Manila, Sandakan and Bazaar Masjid Al-Kauthar, Tawau.

Ministry of Industrial and Entrepreneur Development Sarawak (MIED SARAWAK)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
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MIED SARAWAK	Incubator Development	<p>Biovalley Park:</p> <ul style="list-style-type: none"> • Support the development of new products and processes of bio-based products; • Provide pilot plant facilities to assist industries in producing phytochemical extracts and inoculum at the pilot scale; • Provide high quality testing and development facilities for industries in the form of product analysis, enhancement and quality assurance; • Execute contact research and training for the industry and research agencies; and • Provide infrastructure and facilities for incubators.
MIED SARAWAK	Industrial Estate Development	<p>Sibu Industrial Estate:</p> <ul style="list-style-type: none"> • Providing better amenities and infrastructure through proper industrial estates development; • Create a more conducive environment for the gradual transformation of our local business communities; and • Promote the orderly growth of SMEs as well as creating more economic activities.

Jabatan Kemajuan Orang Asli (JAKOA)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
JAKOA	Building Business Premises	Provision of business premises for Orang Asli entrepreneurs.

LEGAL AND REGULATORY ENVIRONMENT

Ministry of Entrepreneur Development (MED)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
SME Corporation Malaysia (SME Corp. Malaysia)	High Impact Programme (HIP) 1: Integration of Business Registration and Licensing	Create a single window for both business registration and licensing to encourage formation of businesses.



Appendix 3

Glossary of Abbreviations

Organisations / Associations / Institutions

NAME	ACRONYM
Agensi Inovasi Malaysia	AIM
Amanah Ikhtiar Malaysia	AIM
ASEAN Coordinating Committee on Micro, Small and Medium Enterprises	ACCMSME
Asia-Pacific Economic Cooperation	APEC
Association of Southeast Asian Nations	ASEAN
Bank Negara Malaysia	BNM
Credit Guarantee Corporation Malaysia Berhad	CGC
Department of Statistics, Malaysia	DOSM
Federal Agriculture Marketing Authority	FAMA
Inclusive Business Action Network	iBAN
Jabatan Kemajuan Orang Asli Malaysia	JAKOA
Kedah Regional Development Authority	KEDA
Majlis Amanah Rakyat	MARA
Malaysia Automotive, Robotics and IoT Institute	MARii
Malaysia Digital Economy Corporation	MDEC
Malaysia External Trade Development Corporation	MATRADE
Malaysia Productivity Corporation	MPC
Malaysian Administration Modernisation and Management Planning	MAMPU
Malaysian Agriculture Research and Development Institute	MARDI
Malaysian Global Innovation & Creativity Centre	MaGIC
Malaysian Institute of Economic Research	MIER
Malaysian Timber Industry Board	MTIB
Ministry of Communications & Multimedia Malaysia	KKMM
Ministry of Economic Affairs	MEA
Ministry of Energy, Science, Technology, Environment & Climate Change	MESTECC

Ministry of Entrepreneur Development	MED
Ministry of Human Resources	MOHR
Ministry of Tourism, Arts and Culture	MOTAC
Organisation for Economic Co-operation and Development	OECD
Perbadanan Usahawan Nasional Berhad	PUNB
Rubber Industry Smallholder Development Authority	RISDA
Sabah Economic Development Corporation	SEDCO
Small and Medium Enterprises Working Group	SMEWG
SME Corporation Malaysia	SME Corp. Malaysia
Syarikat Jaminan Pembiayaan Perniagaan Berhad	SJPP
United Nations Economic and Social Commission for Asia and the Pacific	UNESCAP

Funds

NAME	ACRONYM
Bumiputera Entrepreneur Project Fund-i	TPUB-i
My Co-Investment Fund	MyCIF
Small Debt Resolution Scheme	SDRS

Government Programmes

NAME	ACRONYM
Bumiputera Enterprise Enhancement Programme	BEEP
Business Accelerator Programme	BAP
Going Export Programme	GoEx
High Impact Programme 1	HIP 1
High Impact Programme 2	HIP 2
High Impact Programmes	HIPs
MARii Intelligent Technology System	MITS
Market Development Grant	MDG
National Dual Training System	NDTS
Program Mudahcara Pensijilan Halal	HBT
Satu Daerah Satu Industri	SDSI

SME Competitiveness Rating for Enhancement	SCORE
SME Investment Partner	SIP
Strengthening the Supply of Contract Farms to Farmers Markets	KUKUH
Syariah-Compliant SME Financing Scheme	SSFS
Technology Commercialisation Platform	TCP
Vendor Development Programme	VDP
Workshop Transformation Programme	WTP

Other Terms

NAME	ACRONYM
ASEAN SME Policy Index	ASPI
ASEAN Strategic Action Plan for SME Development	SAPSMED
BNM Laman Informasi Nasihat dan Khidmat	BNMLINK
Business Conditions Index	BCI
Consumer Price Index	CPI
Consumer Sentiments Index	CSI
Dasar Keusahawanan Nasional 2030	DKN 2030
Development Financial Institutions	DFIs
Equity Crowdfunding	ECF
Financial Institutions	FIs
Food & Beverage	F&B
Global Value Chain	GVC
Goods and Services Tax	GST
Government-linked Companies	GLCs
Gross Domestic Product	GDP
Gross Merchandise Volume	GMV
Gross National Income	GNI
High Level Task Force	HLTF
Inclusive Business	IB
Industrial Revolution 4.0	IR 4.0
Information and Communication Technology	ICT
International Monetary Fund	IMF

Internet of Things	IoT
Menteri Kewangan Diperbadankan	MKD
Multinational Corporations	MNCs
National Entrepreneur and SME Development Council	NESDC
Peer-to-Peer	P2P
Private Equity Corporations	PEC
Private Equity Management Corporations	PEMC
Public-listed companies	PLCs
Sales and Services Tax	SST
Shared Prosperity Vision 2030	SPV 2030
SME Input-Output	SME-IO
Technical and Vocational Education and Training	TVET
Third Quarter 2018	3Q 2018
Venture Capital Corporations	VCC
Venture Capital Management Companies	VCMC
World Economic Outlook	WEO

Appendix 4 SME Definition

Definition of SMEs

SMEs are defined based on qualifying criteria i.e. sales turnover and employment:

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

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

Size	Micro		Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	<RM300,000	< 5 employees	RM300,000 to < RM15 million	5 to < 75 employees	RM15 million to ≤ RM50 million	75 to ≤ 200 employees
Services & other sectors			RM300,000 to < RM3 million	5 to < 30 employees	RM3 million to ≤ RM20 million	30 to ≤ 75 employees

Under the 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 (MKD); and
 - State-owned enterprises.



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