

SME WEEKLY NEWS

(11 December 2017 – 15 December 2017)

Countries	Highlights
<p>MALAYSIA</p> <p>Enabling exports for SMEs</p>	<p>MATRADE says small businesses cannot afford to remain local. Industry observers note that the majority of SMEs are too complacent in the local market to look abroad. These include the lack of financial strength and market savviness to explore new markets. Small companies also usually lack an understanding of the business culture in other countries, making it difficult for them to manoeuvre their way around a new market. MATRADE has various programmes and grants to assist SMEs in their export efforts including the New Exporters Development Programme, eTRADE Programme, Go-Ex Programme and Market Development Grant. Under Budget 2018, the Government allocated RM1 billion for insurance coverage credit facility for SME exporters, RM150 million to expand export market and promotion and RM100 million for loans to enhance automation of local furniture production for export. The region is going through a digital upheaval and Malaysia's advantage at this point is that the infrastructure is more developed compared to most other ASEAN countries. SMEs need to take advantage of this lead time to improve and expand their market beyond Malaysia before the other countries in the region catches up.</p> <p style="text-align: right;"><i>(Source: The Star, 11 December 2017)</i></p>
<p>MALAYSIA</p> <p>Huge rise in online shoppers expected</p>	<p>LEADING e-commerce platform Lazada Malaysia is expecting more than two million new customers to adopt online shopping and 30% increase in the frequency of shopping online monthly in 2018. Speaking at a panel discussion, Lazada Malaysia chief executive officer Hans-Peter Ressel said this year was a phenomenal year for the e-commerce industry, especially for Lazada Malaysia. As a result, SMEs were able to tap into the international market and reach about 600 million global customers. With the increasing number of SMEs going e-commerce, the number of international customers is also expected to follow suit. Lazada is also set to increase the number of SMEs establishing their businesses online to 45% through the #EveryoneCanSell programme by empowering them with trainings and solutions at every stage of their journey. Moving forward, Lazada is set to work closely with partners such as Pos Malaysia and SME Corp. Malaysia to lead the e-commerce transformation.</p> <p style="text-align: right;"><i>(Source: The Star, 13 December 2017)</i></p>
<p>INDONESIA</p> <p>Vietnam's e-commerce market booming</p>	<p>Vietnamese businesses capable of taking advantage of the internet and technology grow 2.1 times faster than others. Small and medium enterprises (SMEs) that spend more than 30% of their budget on technological innovation grow nine times faster than those spending less than 10%. In 2017, e-commerce retail sales have expanded by 25% and will become an important part of Vietnam's e-commerce sector. However, e-commerce has seen some barriers that deter its sustainable development, including low consumer trust in products and services and concerns over online payment security. In addition, most Vietnamese e-commerce websites provide only basic services, such as information about products and modes of payment. One of the main barriers for SMEs was guaranteed assets. In addition, unclear financial reports and unsuitable business plans also made connections between banks and SMEs become more difficult in developing e-commerce. The participation of SMEs in the global supply chain was limited as the added value was low despite high export turnover.</p> <p style="text-align: right;"><i>(Source: Vietnam News, 15 December 2017)</i></p>

SINGAPORE

**Nine in 10
Singapore SMEs
successful in
securing debt
financing: Spring
Singapore survey**

About 13% of Singapore's SMEs sought external financing in the past year and 90% of them were successful in their applications for debt financing, said a survey. The survey, the second edition of Spring Singapore's SME financing survey, found that 60% of SMEs that sought external financing this year did so for cash flow management. Bank loans were the most popular form of external financing across SMEs of different sizes, industries and stages of development, according to the survey. The majority of the remaining 87% that did not turn to external financing said they had sufficient funds to operate, while a smaller proportion (9%) indicated a personal preference not to borrow. The survey also found that larger SMEs were more likely to seek external financing given their growth needs and the approval rate for debt financing was higher than micro companies - those with revenue below SGD\$1 million. Micro companies faced lower approval rates largely due to the lack of financial documents and/or weaker business performance to support their debt application. Spring Singapore added that a top finance-related challenge for SMEs was managing delays in customers' payment which affected cash flow and working capital management.

(Source: The Straits Times, 15 December 2017)

FORGING AHEAD WITH R&D

IN A world that is rapidly evolving, the ability of SMEs to create, access and commercialise new knowledge on global markets is fundamental to their sustained competitiveness. Companies have been urged to innovate and to adapt to remain relevant. KPT Manufacturing Sdn Bhd managing director Anandan Baskaran agrees with this sentiment.



Without research and development (R&D), he says, a country goes nowhere. Baskaran describes R&D as doing something that you don't usually do. However, enterprises tend to underinvest or do not invest at all in R&D because they cannot fully capture the benefits of their efforts. For most SMEs, the full cost of R&D to develop new products, services or designs could be larger than the company's turnover. He notes that it is not easy for small companies such as KPT to obtain sufficient funding to innovate. "Doing research is an investment. But it is difficult to get funding from financial institutions for R&D, there

is no ready investor for R&D and it takes too long to secure government grants," he adds. Additionally, there is no guarantee of how long the whole process would take to have a successful outcome. Naturally, SMEs would rather put in the effort to generate revenue than to try to gather funds for R&D. "That's the biggest bottleneck for growth," says Baskaran.

When KPT started its research efforts into developing resins made from recycled materials, the company's only initial support was from the Australian firm that approached them to carry on with the latter's research work. The Australian company paid KPT for all the prototypes that were produced. The other costs associated to its R&D works came from internal funds. Back then, any extra money made through sales were directed to R&D. "On many occasions, once you have started with the R&D, and you find that there are results there that you can work with, you need to continue with the work. Otherwise, it will be wasted. "And on these occasions, when there are no funds available, we have to come out with funds from our own pocket to keep the R&D going. Otherwise nothing will appear on the table. And that's very tough," he says. Today, even with a successful product, it is still not easy to secure additional funds to continue developing its product.

If there were sufficient funds, the projects could move along much faster. Nonetheless, Baskaran is well aware that innovation is key to the company's growth and despite the lack in external help, R&D must continue. KPT tries to allocate about 10% of its profits for R&D, which Baskaran notes, is a small amount. Most times, research expenses exceed that. Baskaran is very involved with the company's R&D work. While he has handed the operation reins of the company to the general manager earlier this year, he remains focused on his R&D team of four, including himself.

(Source: The Star, 11 December 2017)

Economics and Policy Division
SME Corp. Malaysia
19 December 2017