SME WEEKLY NEWS

(1 October 2018 – 7 October 2018)

Countries	Highlights
MALAYSIA **Malaysia to develop 30 new aerospace manufacturing SMEs by 2020**	The government targets to develop 30 new manufacturing SME players in the aerospace sector by 2020, in addition to the current 20 companies. National Aerospace Industry Coordinating Office (NAICO), a unit under MITI will work with SMEs to ensure their long-term engagement in the aerospace industry. MITI through its agencies like MATRADE, MIDA and SME Corp. Malaysia will provide grants to assist the SMEs in the aerospace industry, with grants cover about 50% of any investments required. Meanwhile, Minister of MITI, Darell said the Malaysia Aerospace Blueprint 2030 targeted an annual revenue of US$14.3 billion or RM55.2 billion by 2030 and the creation of more than 32,000 high-income jobs. SMEs involvement in the industry is also encouraging. The 20 SMEs under SME Corp. Malaysia's Global Aerospace Manufacturing Industry Programme have shown positive growth and are expected to generate more than RM30 million in 2018. In 2017, Malaysia's aerospace export surged by 54% to RM8.51 billion, with main exports being parts & components, particularly for wings, empennage and aircraft fuselage. *(Source: The Star Online, 2 October 2018)*
CAMBODIA **SME cluster zones to empower farmers**	An innovative SMEs cluster park is being developed to help Cambodian SMEs produce high-value goods and link them up with the local supply chain. For a start, the cluster will focus on F&B industry, as it is easy to source agriculture raw materials and manpower, which could help in reducing transportation costs. Roughly half-a-million SMEs scattered across the Kingdom is expected to benefit from the new initiative that is based on German Industrial 4.0 model – a strategic initiative to establish Germany as a leading manufacturer. The cluster zone, developed by the WorldBridge Group is earmarked to begin operations in the 3Q 2019. The SME cluster houses an array of inter-linked business entities – manufacturers, ICT providers, R&D centre, logistics operators – all with a single objective to produce value added products. Besides, as the model brings non-agriculture innovators, it helps bolster the rural economy and uplift economic status of farmers in Cambodia, as farm workers will be part of the complex value chain. *(Source: The Phnom Penh Post, 5 October 2018)*
VIETNAM **Tech-focused Vietnam SMEs on the right growth track: study**	A study issued by the United Overseas Bank (UOB), EY and Dun & Bradstreet found that 58% of surveyed SMEs said they preferred to invest in technology rather than traditional areas such as factories or machinery to exploit growth opportunities in the digital economy. The ASEAN SME Transformation Survey polled 1,200 SMEs from six core ASEAN countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam late last year, with results aggregating the responses of entrepreneurs from about 200 SMEs in each country. Of the surveyed SMEs in Vietnam, 71% planned to invest in software like mobile applications or digital marketing. Hardware and infrastructure investments ranked second at 64%. Most of the businesses surveyed (86%) saw technology as the preferred means of improving cost management, compared to other methods such as cutting overheads (81%) or finding cheaper suppliers (78%). Businesses also turned to technological solutions to simplify their banking requirements. About 78% of SMEs indicated that they would choose to access financial products or services, such as loan applications, online. The survey also found that around 67% of SMEs in the country expect to see continued increases in revenue in 2018, in the context of high economic growth, with up to 34% predicted double-digit growth this year. *(Source: VN Express, 4 October 2018)*

PHILIPPINE **Fintech firm, DTI to extend 1.5 bil pesos loan for SMEs**	Philippine-based fintech firm, First Circle has partnered with Department of Trade and Industry (DTI) to extend a 1.5 billion pesos credit facility to SMEs in the country. Trade Secretary, Ramon Lopez, President of Small Business (SB) Corp., Luna Cacanando and First Circle Co-Founder and CEO, Patrick Lynch signed a MoU to get the SME loan program underway. Under the MoU, First Circle will make its financial products and services available in more than 900 DTI Negosyo Centers nationwide. This credit facility will be a non-collateral business loan for small-scale businesses. The First Circle's business model is almost akin to the government's own microfinance P3 Program. Under the P3 Program, the government provides loans to small-scale businesses with interest rate not exceeding 2.5% without collateral. First Circle's SME loan has an interest rate ranging from 1.99% to 2.49% on top of a 1.99% processing fee. The fintech firm aims to further fast-track the release of its credit facilities, provide flexible terms for SMEs and expand its coverage and availability. *(Source: Philippine News Agency, 3 October 2018)*
THAILAND **SME Bank seeks grace period for single account**	The state-owned SME Bank of Thailand (SME Bank) has proposed a one-year grace period for SMEs to comply with new lending practices that require them to have a single financial account. Commercial banks will tighten their loan approval to SMEs after the adoption of the new practices in 2019. The International Financial Reporting Standards (IFRS), which will be applied from 2020, will make it more difficult for smaller SMEs to access loans from FIs. About 500,000 of the 5.2 million SMEs and micro SMEs across the country are ready to sign up as juristic entities, while 80% of all SMEs are smaller and do not comply with accounting standards, says the President, Mr. Mongkol. Under the single account scheme, the Bank of Thailand will require banks to give greater consideration to financial statements submitted to the Revenue Department when considering SME loans, starting next year. The requirement, however, has stoked concerns that the single account scheme will lessen access to finance for most SMEs, which tend to use more than one financial account and submit the smallest one to understate or avoid tax. *(Source: Bangkok Post, 2 October 2018)*

CREATING A RELEVANT WORKFORCE

Thiagaraja can't decide if he is really an entrepreneur or a teacher. "I think I am both," he says. He shares at length his journey of becoming an entrepreneur and how he has built K-pintar Sdn. Bhd. K-Pintar is a human capital development solutions provider which offers various programmes including executive development, professional certification and SME capacity enhancement.

One thing Thiagaraja discovered early in life was that education was key to success. "I asked myself what were my strengths, and I discovered that I was good at academics. So I put in a lot of effort in my studies and I did well," he says. "Earlier, I was a doer. But now, I want to be an enabler. I realised I could give more when I am an entrepreneur," he says. And so, he founded K-Pintar in 2003 to provide training for corporate employees.

In order to grow a company, increasing productivity and enhancing workforce is the key. Employees must remain relevant in a changing landscape and this can be done through training and HR development. There are 3,650 training providers that are registered with HRDF. K-Pintar however, was an unknown brand, it was low on finances. Thiagaraja recalls having to refinance his house and take out loans to keep the company going. But giving up wasn't one of Thiagaraja's traits.

In 2008, he embarked on a research journey to find out what it is that the industry needs and kept his eye on developments in the international market. "There was an IMF report that noted that only 28% of the workforce are skilled workers. We realised this was something we needed to look into," he says. So, K-Pintar started focusing on equipping customers with skills that will enable career mobility and providing certification & qualification programmes that were globally recognised.

But it turns out, in 2010, the market was not as excited as he was. It wasn't easy securing the partnerships needed to provide these programmes. Additionally, it required hefty investments in software, facility, meeting assessment standards and to train their own employees to carry out the programmes. They invested a few million ringgits over the next few years to strengthen their value proposition.

Among its main challenges back then was the industry's lack of focus on certification. Employers, were cautious about sending their staff for certification programmes as they were concerned that their employees would either demand for a higher salary or would leave the company after obtaining their qualifications.

Their investments started paying off about four years ago when the government started pushing for employers to upskill and reskill their workers to the changing needs of business landscape and to remain relevant as technology develops. "Everything is constantly changing. With Industry Revolution 4.0, the displacement is faster," says Thiagaraja.

With its years of building on its offerings, K-Pintar has tied-up with some 18 partners to offer certification programmes in various fields including management leadership. Consequently, K-Pintar has seen revenue growth strengthened over the past few years. Currently, average annual revenue comes in at about RM20mil. It currently has 37 people and there are plans to grow its headcount.

Thiagaraja has his eyes set on listing the group by 2020. By then, he hopes the group will be turning in sales of RM70mil to RM80mil. He also hopes to grow its international market in the coming years, either by bringing more foreign talents to get trained here or by sending its experts to other markets.

(Source: The Star, 1 October 2018)

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