SME WEEKLY NEWS

(6 January 2020 - 10 January 2020)

Countries	Highlights
MALAYSIA **Malaysia's P2P total financing to reach RM1b in 2020**	Domestic peer-to-peer (P2P) financing industry is expected to exceed RM1 billion in 2020, said the Funding Societies Malaysia. The total financing for the industry standing at RM521 million last year, with 2020 poised to record more growth. In addition to the RM100 million of government financing through My Co-Investment Fund scheme to support start-ups and SMEs, greater interest in P2P financing is expected in 2020 from institutional investors as the awareness and maturity of the P2P financing industry grow. Funding Societies Malaysia is projected to disburse about RM500 million of financing for SME entrepreneurs in 2020 due to the heightened interest in the businesses. Last year, Funding Societies Malaysia disbursed RM400 million of financing to SME entrepreneurs, about 250% increase from RM114 million disbursed in 2018. They also launched a number of notable partnerships with Lazada, Fave, MyTukar, MUV, CarList, Carsome and Slurp. These collaborations have enabled them to reach out to more creditworthy but unbankable MSMEs, by leveraging on their partners' MSME network and alternative data, with consent, and offering them tailored financing solutions. *(Source: The Malaysian Reserve, 6 January 2020)*
SINGAPORE **UOB: One-third of SMEs have negative 2020 outlook**	According to a survey by UOB, one-third of SMEs in Singapore held a negative outlook for their business in 2020. About 46% of the 615 SMEs surveyed had positive outlooks while the remainder were neutral. Top headwinds highlighted include concerns of a slowdown in global demand, US-China trade war impact and the strengthening Singapore dollar. The key areas of focus highlighted by respondents include boosting productivity, cutting costs and developing new revenue lines. Technology continues to be a major driver of efficiency with 65% of SMEs already using digital solutions for at least one area of their business, according to the survey. Most commonly digitalized processes include accounting, payroll and marketing. Moving forward, more investments in tech are expected with 38% of respondents saying they would digitalize more processes in 2020. The top three areas for digitalization are expense management, customer relationship management and sales. Specifically, on electronic payments, 86% of SMEs indicated plans to increase usage. Of the balance 14% that had no such plans, the major concerns cited include acceptance from customers & suppliers, security and access to accounts by employees. *(Source: Finews Asia, 7 January 2020)*
THAILAND **Bank of Thailand (BOT) orders banks to revise interest rates and fees**	Good news for the general public and SMEs as the Bank of Thailand (BOT) has ordered commercial banks to revise their interest rates, and the fees they charge for their financial products and services, including ATM and debit card fees, to help reduce the burden borne by customers. The BOT now recommends commercial banks impose advance refinance fees on personal loans, with SME loans to be based on the remaining loan balance, as opposed to the entire loan amount, as well as offering a period of grace where fees are not imposed. A grace period will be offered to customers facing extraordinary circumstances. These new interest rate guidelines are effective from now until 31st December 2021. BOT Governor Veerathai Santiprabhob said today the change in guidelines will help boost customer confidence in financial companies and the overall monetary system of the country. The Bank of Thailand will be asking the banks to revise their current interest rates and fees to reflect true costs, reduce the customers' burden, reduce redundant fees, and fully disclose fees associated with other products and services. *(Source: Thailand Business News, 9 January 2020)*

MARKET HEATS UP FOR CHILLI PASTE MAKER

ELEEN Tan and her late husband have been dealing with chillies since the early 2000s. Founded in 2003, Lifestyle Ventures started its fresh chillies trading operations. It was hard getting customers' buy-in but her husband knew their products well and had a supply network to leverage on, which helped them grow their customer base. They eventually made enough profits to upgrade to a small factory in 2008, which allowed them to expand into manufacturing.

Tan notes that customers were increasingly looking for convenience. They wanted semi-processed ingredients such as cut vegetables and chillies rather than having them whole. "When there is an abundance of harvest, customers can't consume so much chillies. If you leave them be, the chillies will rot. We might as well convert them to paste for longer shelf life," she explains. It took them about two years to carry out R&D works and trial run the product with their existing customers.

However, Tan says this convenience was shunned by their customers and the market in general. "It was a challenge because in Malaysia, the industry can't really accept chilli paste. They want to see the actual fruit to consider them as fresh ingredients. So we have to educate them that we use fresh chillies to make the paste. Their customers were ultimately convinced and Lifestyle Ventures today supply its chilli paste to most of the major fast food chains in Malaysia.

One of the main challenges for Lifestyle Ventures is securing adequate supply of chillies. When Tan took over the helm of the company early last year after the passing of her husband, she faced with severe shortage of supply thanks to a very wet season. "Around April to June, there was a shortage of chillies so prices went up to as high as RM20 per kg, of which the average market price for chilli ranges around RM8-RM9 per kg. This led to a greater implementation of contract farming for the company to buffer any future shortages. They also tapped into the local Farmer's Association to absorb any excess supply. At the moment, most of its chillies are imported as Tan notes that there is limited local supply. Additionally, imported chillies are usually cheaper than local chillies due to the types of variety available. This may also be one of the reasons local farmers are not inclined to grow chillies.

Tan notes that there is big potential in the Chinese market as they favour our sauces and pastes. With the trade tension between China and the US, there is also opportunity to be tapped in the US market. And with growing acceptance of Asian cuisine worldwide, the company is exploring opportunities in the European market. Exports currently make up about 20% of the company's sales. Its revenue averages above RM10mil each year.

One of the things that Tan hopes to achieve this year is to roll out its plan for full automation. Like most manufacturers, labour shortage and labour cost are quite a major challenge for the company. "So we want to automate in order to reduce our labour cost and pass the savings on to the consumers. Our operations are currently semi-automated and we have engaged SIRIM to help us with IR4.0," she says. She hopes the instalment of robotic arms will speed up manufacturing processes and reduce safety risks at the factory.

Along with the implementation of new technologies, Tan also intends to upskill her employees. "I believe with training, we can upskill our workers to manage IR4 technologies. She also hopes to fashion Lifestyle Ventures into a place that nurtures and engages its employees to ensure that they continuously progress with the company. Hopefully, in 5 years' time, sales would have hit RM25mil, she says, and the company would have a diverse customer base from different parts of the world.

(Source: The Star, 6 January 2020)

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