



Message from

YAB Prime Minister

This year marks the 10th anniversary of the National SME Development Council (NSDC). The establishment of the NSDC was a turning point in the history of small and medium enterprise (SME) development. The NSDC adopted a comprehensive approach to formulating and coordinating SME policies and programmes across Ministries and agencies in Malaysia. While this was a daunting task, it is fulfilling to note that the hard work of the Ministries and agencies involved is paying off. I would like to take this opportunity to express my appreciation to Bank Negara Malaysia, the Ministry of International Trade and Industry through SME Corporation Malaysia, and all the Ministries and agencies involved in making SME development what it is today.

Over the last 10 years, significant progress has been made. SME GDP has expanded at an average annual growth of 6.6 percent since 2004, versus 3.1 percent between 2001 and 2003. This growth is higher than the 5 percent average overall GDP growth of the economy during this same period. SMEs are an important source of economic growth and will continue playing a vital role in Malaysia's economic development as we work towards high income nation status.

One of the notable milestones of the NSDC was the creation of the SME Masterplan in 2012. The Masterplan was the collective outcome of consultations with Ministries and agencies and other stakeholders, including industry associations, think tanks and SMEs, which charts the future direction of SME development.

SMEs account for 33 percent of the country's GDP, 57 percent of employment, and 19 percent of exports. To avoid the middle income trap and become a truly developed nation, we must encourage further SME growth. One of the ways to do this is to focus on productivity and innovation-led growth. We need to raise the average income levels of SMEs by unleashing their growth potential through the adoption of technology,



innovation, and enhancing overall efficiency. This will encourage more high value-added activities and thus position SMEs to further drive our growth and development. The end goal is to raise the contribution of SMEs to 41 percent of GDP by 2020, 62 percent of our employment, and 25 percent of exports.

To ensure SMEs become the engine of Malaysian growth and development, the SME Masterplan recommended six High Impact Programmes (HIPs). Institutional capacity has been built up over the last two years in order to implement the SME Masterplan, including a Monitoring and Evaluation system to evaluate the success of the initiatives. The Masterplan was set in motion this past April, with the launch of the Technology Commercialisation Platform by Agensi Inovasi Malaysia's subsidiary PlaTCOM Ventures Sdn. Bhd. Four more HIPs have been approved by the NSDC and by 2015, we expect all the HIPs to be fully operationalised.

In addition to the Masterplan programmes, 154 other initiatives are being implemented in 2014 to benefit SMEs, with a financial commitment of RM13.3 billion. From these, 21 programmes amounting to RM6.3 billion

are being undertaken in collaboration with the private sector, to enhance access to financing for SMEs.

The theme of this year's Annual Report '*Transitioning for Productivity-led and Innovation-driven Growth*' underlines an emphasis on productivity and innovation. This is particularly relevant to the services sector which is expected to drive our economy forward in the coming years. Ninety percent of SMEs are service sector related. Reforms such as market liberalisation, amongst others, will bring tangible benefits in terms of economic prosperity and competitiveness to the nation. SMEs will need to adapt to this new environment and should embark on innovation and productivity improvement measures now to thrive and prosper in the years to come.

We have come a long way over the last 10 years. But there is much to be achieved. Developed nation status is within our reach. We have clearly defined goals and objectives, and have put in place the framework, strategy and measures to reach them. We must now put our plan into action and accomplish what we have set out. Only then can we claim to have reached our destination.

DATO' SRI MOHD NAJIB

Chairman of National SME Development Council
September 2014

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Chapter

1

The Malaysian
Economy



The Malaysian Economy

Despite the weaker external environment in the first half of the year, the Malaysian economy expanded by 4.7% in 2013, mainly supported by domestic demand led by private sector activity. The growth was accompanied by favourable labour market conditions and modest inflation during the year. The economy is expected to remain on a steady growth path in 2014 as evidenced by the strong performance in the first half of the year. Expectations are that real GDP growth for 2014 will exceed the official forecasts announced in March 2014 of 4.5 - 5.5%. Domestic demand will remain the key driver of growth.



Developments in 2013

The Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by the continued strong growth in domestic demand. Despite the weaker external environment in the first half of the year, domestic demand remained resilient throughout the year, led by robust private sector activity.

- **Private consumption**

was supported mainly by favourable employment conditions and wage growth.

- **Private investment** was underpinned by capital spending in the mining, services and manufacturing sectors. The more moderate growth performance in 2013 was to a large extent attributable to developments in the external sector.

On the **supply side**, all economic sectors continued to expand in 2013 driven mainly by continued growth in domestic demand and improving external conditions in the second half of the year.

Table 1.2: Real GDP by Key Economic Activity (at 2005 prices)

	2012	2013 ^p	1H 2014 ^p	2014 ^f
	Annual Change (%)			
Agriculture	1.3	2.1	4.6	3.8
Mining & Quarrying	1.0	0.7	0.6	1.6
Manufacturing	4.8	3.5	7.1	3.5
Construction	18.6	10.9	14.3	10.0
Services	6.4	5.9	6.3	6.2
Real GDP	5.6	4.7	6.3	4.5~5.5

p: preliminary f: forecast based on BNM Annual Report 2013

Source: Department of Statistics, Malaysia

Table 1.1: Real GDP by Expenditure (at 2005 prices)

	2012	2013 ^p	1H 2014 ^p	2014 ^f
	Annual Change (%)			
Domestic Demand¹	10.7	7.4	6.5	6.9
Private Sector Expenditure				
Consumption	8.2	7.2	6.8	6.9
Investment	22.8	13.1	13.0	12.6
Public Sector Expenditure				
Consumption	5.0	6.3	4.4	3.0
Investment	14.6	2.2	-4.9	2.9
Net Exports of Goods and Services	-30.8	-12.6	42.9	-10.3
Exports	-1.8	0.6	8.3	2.1
Imports	2.5	2.0	5.5	3.1
Real GDP	5.6	4.7	6.3	4.5~5.5

¹ Excluding stocks

p: preliminary f: forecast based on BNM Annual Report 2013

Source: Department of Statistics, Malaysia





- The **services sector** remained the largest contributor to growth underpinned largely by the distributive trade and telecommunications sub-sectors benefiting from the strong domestic demand.
- The **manufacturing sector** expanded further attributable to the continued strength in domestic-oriented industries and better performance of the export-oriented industries in line with the recovery in the global economy.
- The **construction sector** continued to register double-digit growth owing to robust activity in the residential segment and civil engineering activities arising from increased infrastructure and oil and gas-related projects.
- Growth in the **agriculture sector** was stronger owing to higher

crude palm oil output from better yields amidst the favourable weather conditions.

- The **mining sector** registered a slower growth reflecting the reduction in crude oil production.

Inflation remained modest, averaging 2.1% in 2013 (2012: 1.7%) as prices picked up in the latter months of 2013 as a result of domestic cost and supply factors, following the adjustments to administered prices and weather-related supply shortages.

Table 1.3: Inflation and Unemployment

	2012	2013	2014 ^f
	Annual Change (%)		
Inflation			
Consumer Price Index (2010 = 100)	1.7	2.1	3.0~4.0
Producer Price Index (2005 = 100)	0.1	-1.9	-
Unemployment	3.0	3.1	3.1

^f : forecast based on BNM Annual Report 2013

Source: Department of Statistics, Malaysia

The **labour market** remained favourable as continued expansion in economic activity across all sectors supported the demand for labour. During the year, employment recorded a strong growth of 4.8% (2012: 3.6%), representing a net addition of 613,000 jobs from the previous year. The unemployment rate remained low at 3.1% (2012: 3%). Overall, the



Table 1.4: Balance of Payments

	2012	2013 ^p	2014 ^f
	RM Billion		
Current Account	54.5	39.9	30.8
% of GNI	6.0	4.2	3.0
Goods	125.2	108.2	93.7
Export of goods	686.0	679.1	714.6
Gross export (% annual change)	-1.9	-1.0	3.4
Import of goods	560.9	570.9	620.9
Gross import (% annual change)	2.3	1.8	5.6
Services	-16.2	-16.7	-11.9
Primary Income	-36.1	-34.1	-34.9
Secondary Income	-18.5	-17.5	-16.0
Financial Account	-23.0	-15.8	-
Direct Investment	-24.4	-5.5	-
Assets	-52.0	-41.2	-
Liabilities	27.5	35.7	-
Portfolio Investment	63.9	-3.0	-
Assets	-21.5	-32.1	-
Liabilities	85.3	29.1	-
Financial Derivatives	1.0	-0.3	-
Other Investment	-63.4	-7.1	-
Official Sector	-1.7	-4.0	-
Private Sector	-61.8	-3.1	-
Errors and Omission	-30.6	-7.5	-
Overall balance (surplus +/- deficit -)	3.9	14.6	-
Net international reserves BNM	427.2	441.9	-
Net international reserves of BNM (USD billion)	139.7	134.9	-
Reserves as months of retained imports	9.5	9.5	-

p : preliminary f : forecast based on BNM Annual Report 2013

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

implementation of the Minimum Wage Policy on Malaysian workers in 2013 did not have a significant impact on employment as firms made the necessary adjustments by focusing on productivity improvements.

In 2013, Malaysia's **external sector** remained resilient amidst a challenging global economic and financial environment. The current account surplus narrowed but more than offset the net outflows in the financial account. The level of **international reserves** of Bank Negara Malaysia (BNM) remained high at RM441.9 billion as at 31 December 2013, more than sufficient to meet short-term external obligations and to provide a buffer against external shocks. The higher reserves reflected the continued current account surplus and also took into account the cumulative unrealised foreign exchange revaluation gains following the depreciation of the ringgit against some major and regional currencies.

Outlook for 2014

In the first half of 2014, the Malaysian economy expanded strongly by 6.3%, underpinned by higher exports and continued strength in private domestic demand. In the second half of the year, growth of exports is expected to moderate slightly, partly reflecting the significant base effect from the corresponding period of 2013. Nevertheless, exports will continue to benefit from the recovery in the advanced economies and from regional demand.

Going forward, the Malaysian economy is expected to remain on a steady growth path. Leading indicators suggest that private sector activity will remain as the key driver of growth. While the official forecast for year 2014 is for the



economy to expand by 4.5% - 5.5% (Bank Negara Malaysia's Annual Report 2013), it is expected that the forecast will be revised upwards in the upcoming 2015 Budget due to the strong performance recorded in the first six months of 2014.

The Malaysian economy to remain on a steady growth path in 2014



- **Private consumption** is expected to be underpinned by healthy labour market conditions and sustained income growth. Nonetheless, household spending is expected to moderate towards its long-term growth trend due partly to the impact from the higher inflation.

- **Public consumption** is anticipated to record a lower growth, following the ongoing consolidation of the Government's fiscal position.
- **Private investment** is forecast to register robust growth for the fifth consecutive year driven by the ongoing implementation of multi-year projects and the improvement in external demand.
- **Public investment** is expected to decline due to the contraction in capital spending by both the Federal Government and public enterprises.

In line with the improvement in external demand, **exports** of most product categories and travel services are expected to pick up in 2014 while at the same time, **gross imports** are projected to increase driven mainly by higher intermediate imports. Overall, net exports of goods and services are expected to exert a positive contribution to real growth in 2014.

On the **supply side**, all economic sectors are expected to register positive growth in 2014. The services and manufacturing sectors are projected to be the key drivers of growth benefiting from the improving global economy and relatively strong domestic demand.

- The **services sector** is projected to continue on a firm expansion path supported by the wholesale, transport and storage activities, while consumption-related activities including retail, accommodation and restaurants will be supported by moderate household spending.
- The **manufacturing sector** is expected to be led by export-oriented industries in line with the improvement in external demand, while growth in domestic-oriented industries, particularly those related to consumption activities are expected to moderate in line with the trend in domestic demand.
- The **construction sector** is expected to continue on a double-digit growth, although lower than in 2013 reflecting the completion of several large civil engineering projects.
- Growth in the **agriculture sector** is expected to improve on account of higher production of palm oil and further supported by food commodities.
- Performance of the **mining sector** is expected to improve due to higher crude oil and natural gas production.



Balance of Payments in 2014

The **current account** surplus is projected to narrow to RM30.8 billion or 3% of gross national income (GNI) in 2014 reflecting higher import growth and export recovery.

- **Gross exports** to turn around to record positive growth following the improvement in demand from the advanced economies particularly for electrical & electronic (E&E) products and sustained demand from the regional economies for commodities and resource-based products.
- The **services** deficit is expected to narrow supported by higher tourist receipts from the Visit Malaysia Year 2014.
- The **income account** to continue to record a net outflow as higher income receipts from Malaysian companies abroad are

likely to be surpassed by profits and dividends accrued to multinational corporations operating in Malaysia following the recovery in manufactured exports.

Inflation Outlook

Compared to 2013, inflation is expected to be higher. Headline inflation is projected to average 3 - 4% in 2014 (2013: 2.1%) due mainly to domestic cost factors while the underlying inflation remains contained. Domestic costs are due to the recent price adjustments arising from subsidy rationalisation and the spillover effect of these adjustments on prices of other goods and services. The upside risks to inflation include stronger-than-expected domestic demand, sharp rise in commodity prices or excessive wage increases leading to second-round effects but the risks are likely to be relatively low.

Macroeconomic Policies

The focus of policies in 2014 will be in supporting the Malaysia economy to expand on a steady growth path while mitigating any potential risks to the economy from the external environment, inflation and build-up in financial imbalances.



Monetary policy in 2014 aims to support the sustainable economic growth while addressing potential vulnerabilities arising from inflation and financial imbalances. Policy focus will be on identifying signs of inflation becoming more pervasive and persistent. The continued low global and domestic interest rate environment could encourage excessive risk-taking behaviour and hence it is also important to remain vigilant to any build-up of financial imbalances.

Meanwhile, **fiscal policy** in 2014 aims towards strengthening the fiscal position while ensuring continued support for domestic growth and the protection of the well-being of the society. Given the challenging domestic and external environment, fiscal reforms are being pursued gradually without undermining economic growth. At the same time, fiscal resources will be directed towards key economic sectors to accelerate the shift towards a high value-added, and high income economy.

The Fiscal Policy Committee which was established in June 2013 is to serve as the central policy-making committee for the formulation and implementation of fiscal strategies as well as to give due consideration to their impact on the overall macro economy. The objective is to have in place a holistic fiscal framework and the institutional mechanism for the successful implementation of reforms including shifting towards a more broad-based tax system through the introduction of the Goods and Services Tax (GST) in April 2015 to ensure fiscal sustainability for the future.

In 2014, the Federal Government **fiscal deficit** is expected to be rationalised further to **3.5% of GDP** from 3.9% of GDP in 2013, underpinned by sustained revenue expansion and more efficient spending. Given the path of fiscal consolidation, the Government is expected to remain on track in meeting its fiscal deficit target of 3% of GDP by 2015 and a balanced budget by 2020. The implementation of expenditure reforms would be key to reducing the fiscal deficit moving forward. Of importance is the restructuring of subsidies towards achieving fiscal sustainability. Such transition would lead to a more efficient allocation of resources in the economy.

Fiscal resources in 2014 are being prioritised towards high-impact investment projects undertaken in collaboration with the private sector. These include, among others, the ongoing MRT project, expansion of broadband infrastructure and acceleration of the development of

regional economic corridors. The investment in public infrastructure is aimed towards enhancing mobility, connectivity and promoting development nationwide.

Emphasis in 2014 continues to focus on **SME and entrepreneurship development** through productivity and innovation-led growth. Policy focus is on enhancing SME productivity, encouraging business formation as well as promoting innovative and high growth firms in a move towards creating an overall conducive entrepreneurship and SME ecosystem. For the bottom 40% of the income group, measures are also focused on intensifying support in terms of financing with total funds amounting to RM1.2 billion to accelerate the growth of microenterprises channelled through micro credit institutions as well as supporting night market traders.

In the 2014 Budget announcement, incentives to facilitate the growth of innovative SMEs under the Green Lane Policy have been extended from end-2015 until end-2017. In addition, the Government also announced measures to ensure that SMEs are not adversely affected and are able to adjust their businesses to the on-going policy reforms in the economy. These includes the Minimum Wage Policy introduced in 2013 and the newly announced GST. Among the key measures are:

- Productivity enhancement package for SMEs in order for businesses to adjust to the implementation of the Minimum Wage. These include financing to encourage automation and mechanisation, training in specialised skills and the Lean Transformation Programme for SMEs.
- As for GST, SMEs were granted a comprehensive package comprising financial assistance amounting to RM150 million for purchase of accounting software, RM100 million for training to enable GST compliance as well as tax concessions for hardware and software purchase and training. In addition, in line with the lowering of the corporate tax rate beginning year of assessment 2016 following the implementation of GST, the corporate tax for small businesses with paid-up capital of RM2.5 million and below will be

reduced from the current 20% rate to 19% for the first RM500,000 of the taxable income. Within the 17 month period in preparation for GST adoption, the Government will also intensify promotion and outreach initiatives nationwide to ensure smooth transition of GST adoption.

At the same time, efforts continued towards developing human capital through high quality training programmes and implementation of the Malaysia Education Blueprint 2013-2025. The enhancement in the quality of talent is critical to accelerating Malaysia's progress towards becoming a high income nation. All these efforts are aimed at achieving the goals of the SME Masterplan and to raise the contribution of SMEs to 41% of GDP by 2020.





Chapter

2

SME Developments
and Outlook



SME Developments and Outlook

The performance of Malaysian SMEs remained encouraging despite the difficult business environment. In 2013, GDP growth of SMEs picked up further to 6.3% versus 6% in 2012. SME growth also exceeded the overall GDP growth of the country of 4.7%. The higher SME growth was reflected across all major economic sectors, mainly supported by strong domestic demand, led by both consumption and investment activities. In 2014, the growth momentum of SMEs is expected to be sustained. Domestic demand will continue to be the key driver of growth led mainly by private sector activities.



Developments of SMEs in Advanced and Emerging Economies

According to the Report on the World Economic Situation and Prospects in 2014 by the United Nations, underperformance in the world economy was observed across almost all regions and major economic groups. Many advanced economies continued to struggle from the lingering effects of the financial crisis, in particular grappling with challenges of taking the appropriate fiscal and monetary policy actions.

However, stronger-than-expected growth rates in some advanced economies and reduced volatility in the financial markets towards the end of 2013 had prompted the International Monetary Fund

In the July 2014 World Economic Outlook Update, world output growth was projected to pick up from 3.2% in 2013 to 3.4% in 2014 and to increase further to 4% in 2015

(IMF) to revise upwards its growth forecast. In the July 2014 World Economic Outlook Update, world output growth was projected to pick up from 3.2% in 2013 to 3.4% in 2014 and to increase further to 4% in 2015.

Other signs of improvement include the Euro area finally coming out of a protracted recession with GDP for the region as a whole returning to growth. After seven consecutive quarters of negative growth, the European Union (EU) economy returned to positive growth in the second quarter of 2013 and gathered pace in the fourth quarter with the region expanding by 0.5%. The recession which began in the middle of 2012 had been affecting SMEs in the region for more than a year. As an integral part of the EU's response to the crisis, the European Investment Bank (EIB) Group stepped up its financial support in 2013 to promote growth and employment in Europe. Of particular importance was the significantly enhanced access to finance for SMEs ensured by the EIB Group.

According to EIB Group President Werner Hoyer, the Group's largest policy contribution was for SME support which amounted to EUR 21.9 billion. In addition, the EIB signed loans worth EUR 18.5 billion for SMEs and mid-caps while the European Investment Fund committed EUR 3.4 billion. This



allowed the Group together with private investment partners to mobilise more than EUR 50 billion to support SMEs. Overall, 230,000 companies employing 2.8 million people across Europe received direct or indirect support through various activities by the EIB Group.

The European Commission (EC) had also taken specific measures to facilitate access to finance for SMEs. With the support of the European Structural and Investment Funds (ESIF), the amount of funding available through leverage-based financial instruments for SMEs was expected to double on average for the period 2014-2020 compared to the period 2007-2013 helping in particular countries where financial



conditions remained tight. Furthermore, the Commission and EIB also worked to expand joint risk-sharing financial instruments to leverage on private sector and capital market investments in SMEs.

Economic developments in the EU are certainly of interest to the United States (US) as it is an important export destination for their SMEs. However, many SMEs in the US have raised the issue on stringent technical specifications and other trade barriers imposed by EU which have limited their ability to export and expressed concern that the regulations may pose disproportionate burden and potentially prohibitive for SMEs seeking to export to the EU compared to larger companies.

In response to this issue, the U.S. International Trade Commission (USITC), the Office of the United States Trade Representatives (USTR), the U.S. Small Business Administration (SBA) and the US Department of Commerce worked together to convene 28 small business roundtables in cities around the US to hear directly from small businesses about barriers to exporting to the EU. As a result, USITC has produced a report identifying cross-cutting and industry-specific barriers that US small

businesses have identified and suggestions to increase their participation in trade with the EU.

In the APEC region, issues related to SMEs were discussed at the 37th Small and Medium Enterprises Working Group (SMEWG) Meeting in Nusa Dua, Bali in September last year. The SMEWG agreed to work together and provided four key indicators for the SME Monitoring Index to assess outcomes of the 2013-2016 Strategic Plan. These four indicators include: SMEs' share of GDP; SMEs' share of total business population; SMEs' contribution to employment and SMEs' contribution to exports. Furthermore, the APEC SMEWG Policy Support Unit conducted an analysis on the prospects for SMEs to engage in global value chains in five main sectors including agriculture, food processing, automobiles, electronics and handicraft sectors. The analysis offers some policy principles and best practices for APEC member economies to help SMEs in the identified sectors to expand their presence in global value chains.

Other policy recommendations include strengthening the financial soundness of SMEs by promoting supply chain financing and providing financial skills training as well as enhancing production capacity through fostering collaboration and clustering of SMEs. Another initiative by APEC is the 'Enhancing Competitiveness of SMEs through the Innovative Cooperative Business Model (CBM),' which is aimed at exploring how the CBM is implemented in APEC economies and its potential as an effective model to enhance the competitiveness of SMEs. Based on the initiative, a set of recommendations were outlined and potential sectors for alliances between SMEs and cooperatives were identified.

Meanwhile, a new report called the ASEAN SME Policy Index 2014, published by the Economic Research Institute for ASEAN and East Asia (ERIA), identifies the strengths and weaknesses in the design and implementation of SME development policies in the ASEAN countries. The methodology used in the report is based on a tool developed by the Organisation for Economic Cooperation and Development (OECD) to assess policy development across countries sharing a common SME policy platform. The publication highlighted the need for a more comprehensive approach to SME development in the ASEAN region, combining ongoing reforms to improve the general business environment with targeted interventions to support specific segments of the enterprise population, such as innovative enterprises, start-ups, or export-oriented enterprises. The report recommends Government action to create a level playing field for all SMEs, through regulatory reform and

administrative simplification, as well as investment in human resources, provision of business development services, better access to finance and fostering of technological transfer.

The Asian Development Bank (ADB) and OECD meanwhile have come up with a publication, which is based on intensive discussions in two workshops organised by ADB in Manila on 6-7 March 2013 and by OECD in Paris on 21 October 2013. The publication comprise findings of the study on enhancing financial accessibility for SMEs especially focusing on lessons from the past and recent crises in Asia and the OECD countries. The report takes a comparative look at ADB and OECD experiences and was aimed at identifying policy solutions for creating an

SME base that is resilient to crisis from a viewpoint of access to finance and that can help drive growth and development.

In addition, ADB established a partnership with Standard Chartered Bank (StanChart) under an \$800-million financing programme for SMEs in Asia. The programme which provides a supply chain financing is the first partnership under Supply Chain Finance (SCF) which the multilateral lender recently launched. The idea is to support the development of intra-Asia supply chains between Asia and other regions. Banking on ADB's AAA credit rating, the SCF programme enhances the bank's Trade Finance Programme (TFP). To plug gaps in the market, TFP guarantees and provide loans to banks while SCF takes commercial corporate risk and provides liquidity within supply chains. In the next five year, StanChart vowed to increase by 45% of its SME lending in Asia, Africa and the Middle East as part of its commitment toward the Clinton Global Initiative.

SMEs in the Organisation of Islamic Conference (OIC) member countries also face challenges when it comes to trade, particularly in obtaining access to finance. To further understand and address this issue, the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (COMCEC) commissioned an analytical study titled 'Improving the SMEs Access to Trade Finance in the OIC Member States'. The report notes that access to finance can be improved through appropriate policy and regulatory treatment of trade finance, recent innovations such as supply chain finance as well as the support of Export Credit Agencies and International



Financial Institutions. COMCEC held its First Meeting of the Trade Working Group in June last year in Ankara, Turkey with the theme, 'Promoting the SMEs Exports in the OIC Member States: The Role of Trade Promotion Organisations (TPOs)'. The meeting provided an opportunity for Member States to share their achievements and obstacles in promoting exports of SMEs as well as benefit from the experience of other Member States and relevant international institutions. The second meeting of the Trade Working Group was also held in Ankara in October last year, with the theme of 'Improving SMEs Access to Trade Finance in the OIC Member States'.

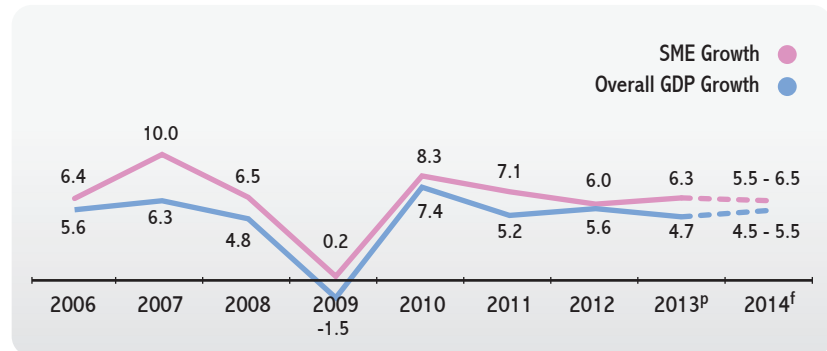


Performance of SMEs in Malaysia

Growth Trends from 2006 – 2013

Latest statistics indicate that the long-term growth trend of SMEs in Malaysia since 2004 has remained, with SME GDP growth continuously outpacing that of the overall economic growth of the country. In the period 2005 – 2013, based on constant 2005 prices, the average compounded annual growth rate (CAGR) of SMEs was 6.3%, which is higher than the CAGR of the overall economy of 4.7%. As a result, SME contribution to GDP increased from 29.4% in 2005 to 33.1% in 2013 (refer to Chart 2.2).

Chart 2.1: SME GDP and Overall GDP Growth (constant 2005 prices)

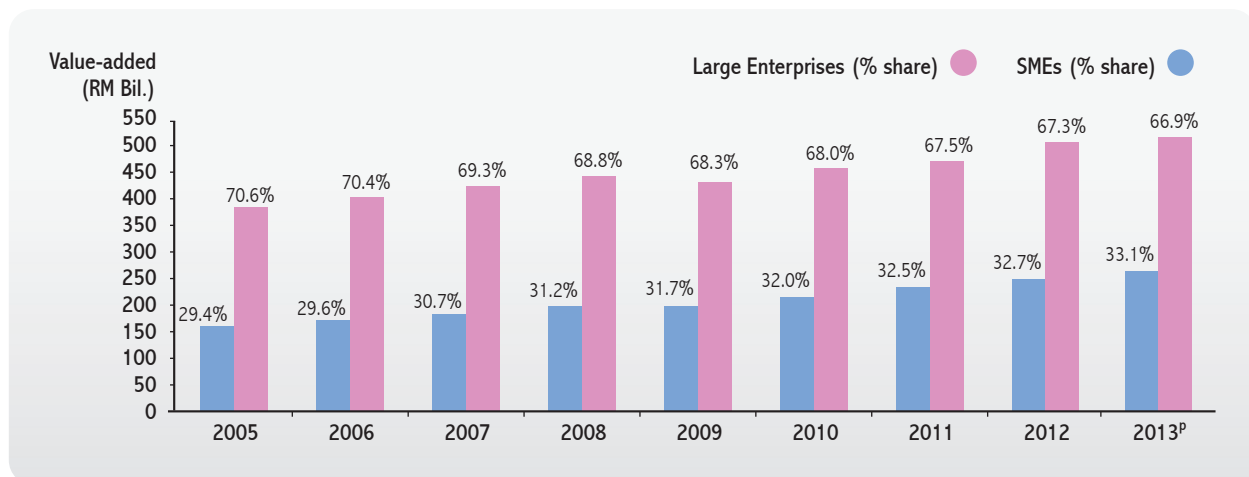


p : preliminary
f : forecast

Source: Department of Statistics, Malaysia and SME Corporation Malaysia

In terms of performance by economic sectors, the increase in share of SMEs to GDP in the period 2005 – 2013 was largely contributed by the **services sector** and further supported by the **construction and mining sectors**. SME GDP in the construction sector expanded at a CAGR of 9%, followed by SME GDP in the services, and mining & quarrying sectors (each by CAGR of 7.3% respectively). The three sectors' CAGR (construction, services and mining) were higher than the overall SME GDP CAGR of 6.3% (refer to Table 2.1).

Chart 2.2: GDP of SMEs and Large Enterprises and their Percentage Share to GDP (constant 2005 prices)



p : preliminary

Source: Department of Statistics, Malaysia and SME Corporation Malaysia

Performance in 2013

Overview

In 2013, SME GDP continued to record a higher growth of 6.3% compared with the previous year (2012) with SME GDP growth of 6%, and superseded the overall GDP growth of 4.7%. The SME GDP growth was supported by strong domestic demand, led by both consumption and investment activities. The higher growth of SME GDP was driven by all economic sectors, whereby SME GDP growth of all economic sectors exceeded the real GDP growth of their respective overall economic sectors.

During the year, SME employment and labour productivity growth rates recorded a better performance than the overall total employment and labour productivity growth. SME employment grew by 6.3% (total

Table 2.1: SME GDP share by Key Economic Activity
(constant 2005 prices)

	SME Contribution to GDP			SME GDP Growth
	2005 (% share)	2013 (% share)	Increase/ decrease in share	CAGR ^{1/} 2006 - 2013
Overall ^{2/}	29.4	33.1	+3.7	6.3
Construction	0.7	1.0	+0.3	9.0
Services	17.0	20.6	+3.6	7.3
Mining & Quarrying	0.1	0.1	0	7.3
Agriculture	3.4	3.2	-0.2	4.0
Manufacturing	8.1	7.9	-0.2	4.4

^{1/} CAGR refers to compounded annual growth rate

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

Source: Department of Statistics, Malaysia

employment growth: 5.9%), while SME labour productivity declined by 0.1% as against a decline of 1.1% for the overall labour productivity.

SME GDP by Key Economic Sectors

The high performing sectors among SMEs during the year were the non-key sectors namely construction, and mining and quarrying, while the services and manufacturing sectors recorded a moderate performance. When compared between the overall economy and SMEs, SME value-added growth was higher





Table 2.2: SME GDP and Overall GDP Growth by Key Economic Activity in 2013 (constant 2005 prices)

	Year 2013 (% , y-o-y change)	
	SME GDP growth	Overall GDP growth
Mining & Quarrying	9.9	0.7
Construction	14.3	10.9
Agriculture	3.0	2.1
Manufacturing	4.7	3.5
Services	6.8	5.9
Total	6.3	4.7

Source: Department of Statistics, Malaysia

across all economic sectors compared to overall value-added growth in all these sectors.

However, value-added share in the sectors were relatively different compared to overall value-added share by sectors. SME share of agriculture and services sectors to total SME value-added were higher, at 9.7% and 62.1% respectively compared to the overall share of agriculture and services sectors of 7.1% and 55.2% respectively (refer to Table 2.3). Meanwhile, the value-added share of SMEs in the mining and quarrying sector was only 0.2%, followed by 3% for construction and 23.7% for manufacturing sector.

Table 2.3: SME GDP and Overall GDP share by Key Economic Activity in 2013 (constant 2005 prices)

	Year 2013 (percentage share to total, %)	
	SME GDP	Total GDP
Mining & Quarrying	0.2	8.1
Construction	3.0	3.8
Agriculture	9.7	7.1
Manufacturing	23.7	24.5
Services	62.1	55.2
Plus import duties	1.3	1.3
Total	100	100

Source: Department of Statistics, Malaysia

Construction Sector

SME value-added in the construction sector recorded a double-digit growth of 14.3% in 2013, higher than the growth of the overall construction sector (10.9%). In the overall economy, the sector also contributed the highest real value-added growth.

Chart 2.3: Components of Value-added of SMEs in the Construction Sector



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

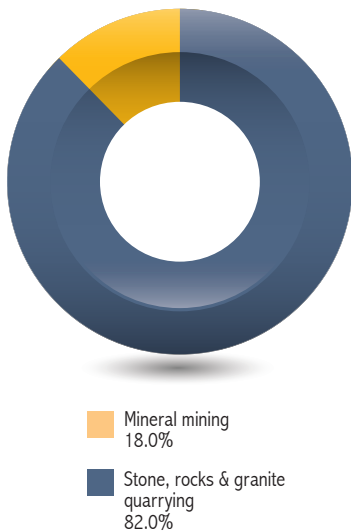
Almost 60% of the SME value-added in the construction sector is contributed by the special trades and non-residential sub-sectors

The positive growth performance of the sector was due mainly to robust activity in the special trades and to a lesser extent residential, non-residential and civil engineering segments.

Mining & Quarrying Sector

SME value-added in the mining and quarrying sector recorded a growth of 9.9%, mainly underpinned by robust stone quarrying activities stimulated by the strong construction activity during the year. This explained by the fact that more than 80% of the SMEs in the sector are involved in quarrying activity (refer to Chart 2.4)

Chart 2.4: Components of Value-added of SMEs in the Mining & Quarrying Sector

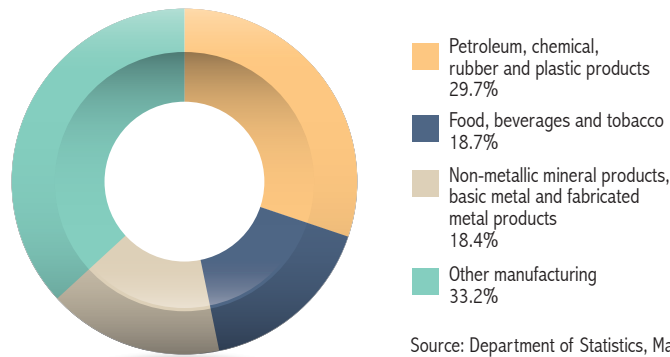


Source: Economic Census 2011, Profile of Small and Medium Enterprises, Department of Statistics, Malaysia

Quarrying segment accounts for 82% of total SME value-added in the mining and quarrying sector

Manufacturing Sector

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

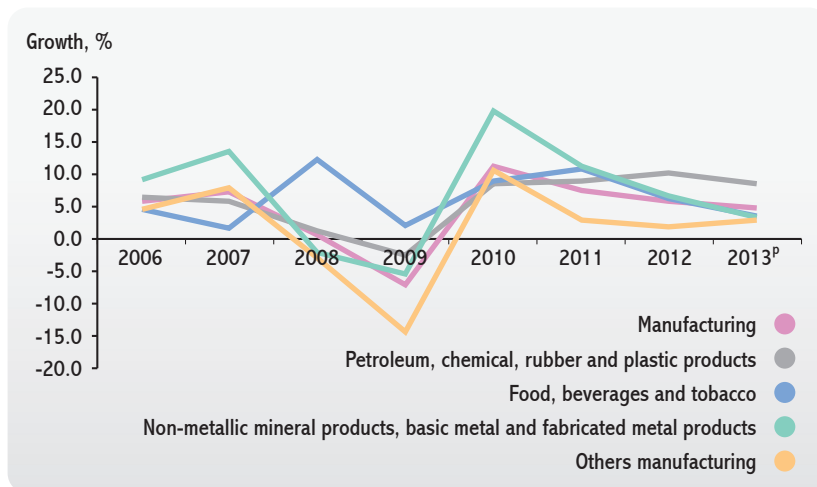


Source: Department of Statistics, Malaysia

SME value-added in the manufacturing sector is well diversified

Value-added growth of SMEs in the manufacturing sector expanded by 4.7%, driven mainly by growth in the petroleum, chemicals, rubber and plastics products (refer to Chart 2.5), which grew by 8.5% (2012: 10.3%).

Chart 2.6: SME Value-added Growth of Sub-sectors in the Manufacturing Sector



p : preliminary

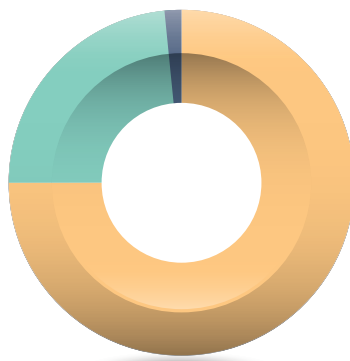
Source: Department of Statistics, Malaysia



Agriculture Sector

In the agriculture sector, value-added growth of SMEs expanded at a slightly higher rate of 3% compared to the overall growth in the agriculture sector of 2.1%. This is due mainly to the better performance of agriculture crops, such as vegetables, fruits and paddy as well as livestock, which are mainly cultivated by SMEs (refer to Chart 2.8).

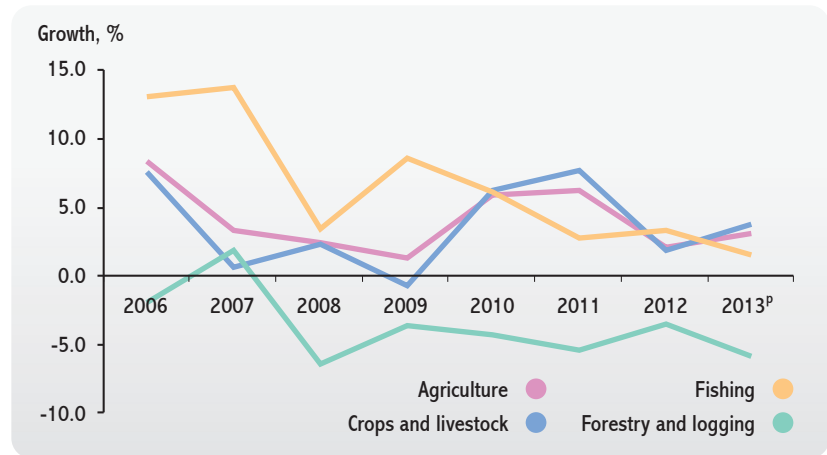
Chart 2.7: Components of Value-added of SMEs in the Agriculture Sector



Source: Department of Statistics, Malaysia

Agriculture crops and livestock account for three-quarters (74.9%) of total SME value-added in the agriculture sector, followed by fisheries (23.5%)

Chart 2.8: SME Value-added Growth of Sub-sectors in the Agriculture Sector



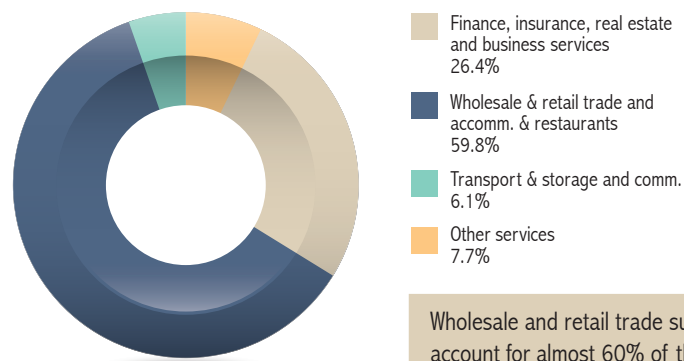
p : preliminary

Source: Department of Statistics, Malaysia

Services Sector

Value-added of SMEs in the services sector recorded a growth of 6.8% in 2013 versus the overall services sector growth of 5.9%. The growth was mainly driven by the largest component namely, the wholesale and retail trade and accommodation (60% of total SME services sector) and restaurants sub-sector (7.4%) followed by 'other services' sub-sector, namely private education, healthcare and personal services, such as laundry, spa and wellness, and others (refer to Chart 2.10).

Chart 2.9: Components of Value-added of SMEs in the Services Sector



Source: Department of Statistics, Malaysia

Wholesale and retail trade sub-sector account for almost 60% of the total SME value-added in the services sector

Chart 2.10: SME Value-added Growth of Sub-sectors in the Services Sector



p : preliminary

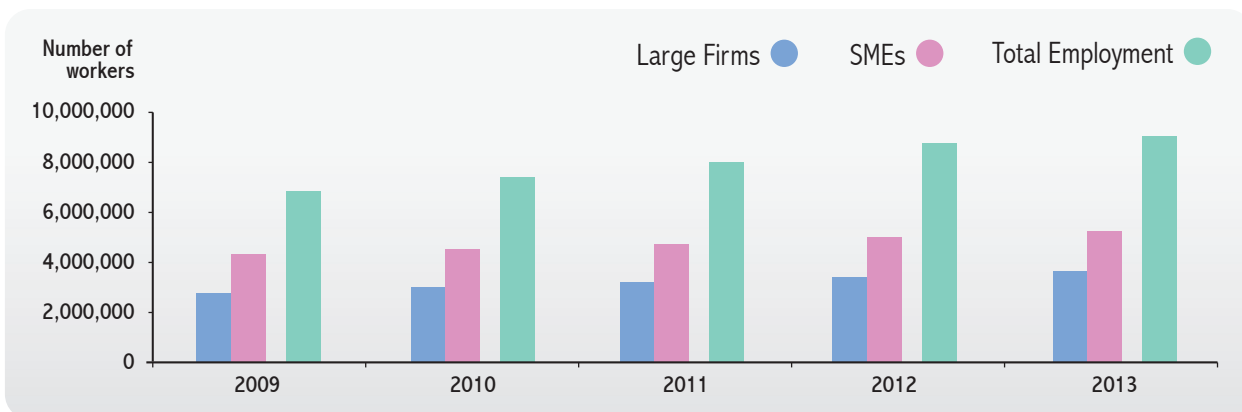
Source: Department of Statistics, Malaysia



Employment of SMEs

In 2013, total employment in both SMEs and large firms increased (refer to Chart 2.11). The growth for SME employment was higher at 6.3% as compared to the employment growth of large firms of 5.4%. However, SME employment growth rate in 2012 recorded a slightly lower growth (5.9%) than the employment growth rate of large firms (6%). As a result of the strong growth in SME employment in 2013, the share of SME employment to total employment increased from 57.1% in 2010 to 57.5% in 2013 (refer to Chart 2.13).

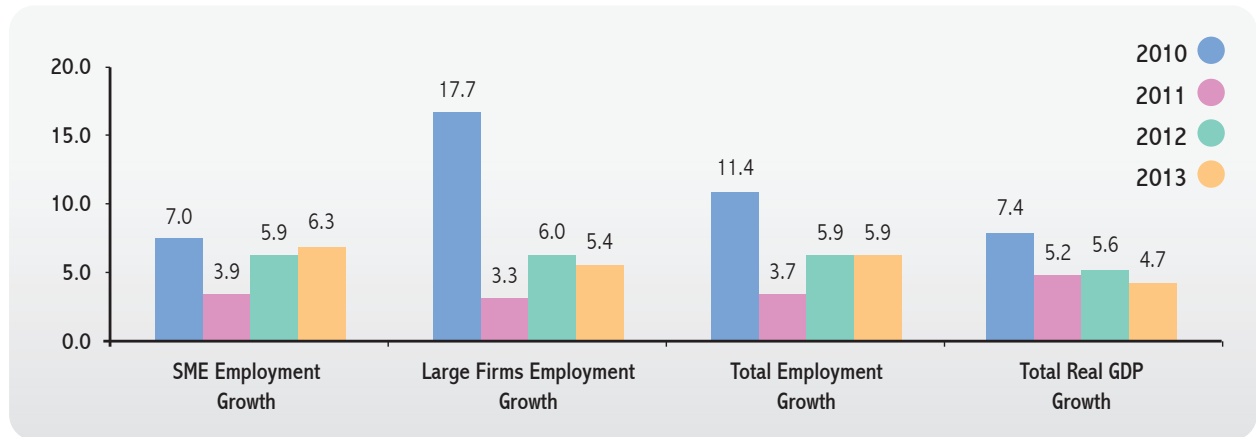
Chart 2.11: Employment by Firm Size (2009 - 2013)



Source: Department of Statistics, Malaysia

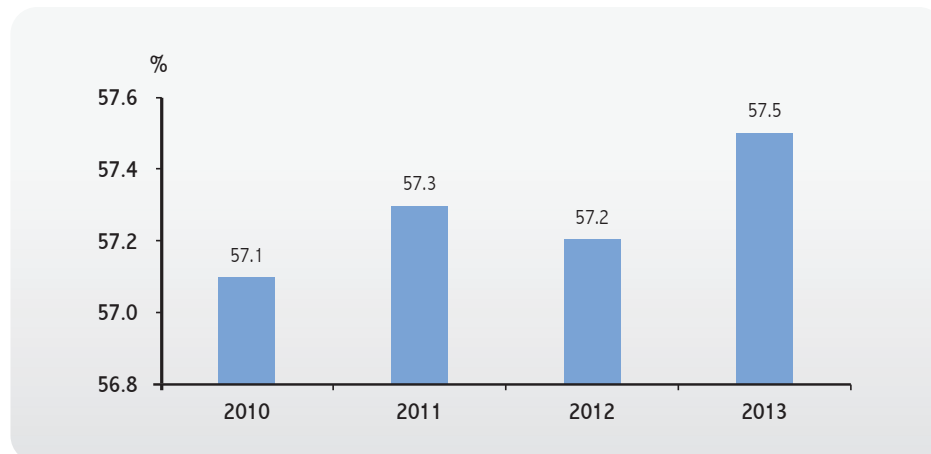


Chart 2.12: Employment Growth Performance by Firm Size, % (2010 - 2013)



Source: Department of Statistics, Malaysia

Chart 2.13: Employment Share of SMEs to Total Employment (%)



Source: Department of Statistics, Malaysia

Productivity of SMEs

Labour productivity of SMEs, as measured by real GDP per worker continued to be relatively low compared with large firms. Nevertheless, over the years, labour productivity gap between large firms and SMEs has improved, albeit gradually. In 2013, SME labour productivity was 2.73 times lower than the large firm productivity, improving from 2.84 times in 2010 (2005: 3.16). The improvement of SME productivity versus the large firms was mainly seen in the services, agriculture and mining & quarrying sectors.

In terms of growth rate, labour productivity of both large firms and SMEs continued to decline in 2013. This was due mainly to the faster increase in employment growth versus GDP growth. Total employment growth remained at 5.9% in 2013 and 2012 (refer to Chart 2.12), while the overall real GDP growth moderated from 5.6% in 2012 to 4.7% in 2013. Labour productivity will continue to fall if employment growth supersedes real GDP growth. The trend also indicate low pace of shifting from labour towards capital and over dependence on low-end migrant workers.

Chart 2.14: Productivity Growth by Firm Size (% annual change): 2010 - 2013



Source: Department of Statistics, Malaysia and SME Corporation Malaysia





Table 2.4: Projections on the World Economy by IMF

	2013	2014 ^e	2015 ^f
World Output	3.2	3.4	4.0
Advanced Economies	1.3	1.8	2.4
- United States of America	1.9	1.7	3.0
- Euro Area	-0.4	1.1	1.5
- Japan	1.5	1.6	1.1
- United Kingdom	1.7	3.2	2.7
Emerging & Developing Economies	4.7	4.6	5.2
Developing Asia*	6.6	6.4	6.7
- China	7.7	7.4	7.1
- India	5.0	5.4	6.4
- ASEAN-5**	5.2	4.6	5.6
Latin America & Caribbean	2.6	2.0	2.6
Middle East & North Africa	2.5	3.1	4.8
World Trade Volume (goods and services)	3.1	4.0	5.3

Note: e : estimate; f : forecast

*Developing Asia is China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam

**ASEAN-5 is Indonesia, Malaysia, Philippines, Thailand and Vietnam

Source: IMF World Economic Outlook Update, July 2014

Outlook for SMEs in 2014

In 2014, the global economy resumed its path of gradual recovery after moderating in the beginning of the year. Latest IMF estimates projected world output and world trade growth to trend gradually upwards (refer to Table 2.4). Economic activity in the major advanced economies continued to expand at a modest pace while in Asia, the better external environment is supporting growth amidst the continued expansion in domestic demand. In this current international environment, global financial markets will continue to remain relatively stable.

For the Malaysian economy, latest economic indicators point to continued strength in exports and private sector activity, including SMEs. Going forward, the overall economic growth momentum is expected to be sustained. Domestic demand is expected to continue to be the key driver of growth, albeit at a moderate pace. Private investment activity is projected to continue to remain robust, led by both SMEs and large private firms.

Meanwhile, private consumption is supported by stable income growth and favourable labour market conditions.

Public investment is expected to decline due to the contraction in capital spending by both the Federal Government and public enterprises, while public consumption is anticipated to record a lower growth due to fiscal consolidation.

The expected better performance of exports will continue to be driven by the recovery in the advanced economies and regional demand. In addition, gross exports is expected to be further supported by a small positive growth in commodity exports and the stronger services exports, supported by the Visit Malaysia Year 2014. The prospects are therefore for the Malaysian economy to remain firmly on a steady growth path.

On the SME business outlook in 2014, based on the 1Q 2014 SME Survey, most respondents foresee that the current SME business conditions to remain the same in the next six months, particularly in the agriculture and services sectors. The respondents also viewed that the global and Malaysian business outlook and the performance of their own industry or sector

will remain the same in the next six months, i.e. in year 2014.

On the inflation outlook, inflation has been relatively stable in the early part of the year as the effects of price adjustments for utilities and energy continue to moderate. Thus, demand driven inflation will remain contained. Looking ahead, Bank Negara Malaysia (BNM) is expecting inflation to remain temporarily above its long-run average due to higher domestic cost factors. Amidst the firm growth prospects and inflation remaining above its long-run average, BNM Monetary Policy Committee (MPC) decided to raise the Overnight Policy Rate (OPR) by 25 basis points to 3.25% on 10th July 2014. This is an adjustment to the degree of monetary accommodation.

The normalisation of monetary conditions also aims to mitigate the risk of broader economic and

Based on the latest assessment on the Malaysian GDP growth for the year, SME GDP growth is projected to record a sustained growth of 5.5 – 6.5% in 2014 (2013: 6.3%)

financial imbalances that could undermine the growth prospects of the Malaysian economy. According to BNM, further review of the degree of monetary accommodation will depend on MPC's assessment of the balance of risks surrounding the outlook for domestic growth and destabilising financial imbalances.

Based on the latest assessment on the Malaysian GDP growth for the year, **SME GDP growth is projected** to record a sustained growth of **5.5 – 6.5% in 2014** (2013: 6.3%). The growth is expected to be driven by both domestic and external demand. According to BNM, headline inflation is expected to average between 3 - 4% in 2014, due mainly to domestic cost factors.

Domestic economic activity is expected to be underpinned by growth in investment and consumption activities, and hence influencing the performance of SMEs in 2014. In particular, SMEs in the services sector is expected to continue to benefit from expansion in the wholesale and retail trade, restaurants and accommodation sub-sector, supported by private consumption activity and the positive impact from the

Visit Malaysia Year 2014.

In addition, value-added activities of SMEs in both the domestic and exports-oriented manufacturing sub-sectors will contribute to the GDP growth of SMEs. Meanwhile, SMEs in the mining and quarrying, and construction sectors will continue to benefit from on-going infrastructure and civil engineering projects undertaken by both the Government and private sector.





Survey on SMEs in 2013 and 2014

Since 2008, SME Corporation Malaysia (SME Corp. Malaysia) has been conducting surveys on SMEs as part of the surveillance exercise to monitor closely the development of SMEs i.e. firm level performance, identify emerging challenges faced by SMEs and to seek feedback on current Government policies and their views on the way forward. The surveys which have both qualitative and quantitative questions are comprehensive in terms of representation by economic sectors, geographical spread (including Sabah and Sarawak) and establishment size. The surveys are conducted through various channels, such as SME Corp. Malaysia headquarters and state offices and through the banking sector in collaboration with Bank Negara Malaysia.

Third Quarter 2013

The Third Quarter 2013 (3Q 2013) survey covering 2,194 respondents indicated that most of the respondents experienced increase in sales turnover and profit margin during the third quarter as compared to the earlier second quarter. Findings of the Survey also highlighted that respondents were generally optimistic on the near-term outlook, as 52% of them cited improved business performance in the next six months until March 2014. This was true particularly for respondents in the manufacturing sector and for the small and medium-sized firms. Meanwhile, respondents claimed that among the critical factors hindering SMEs from expanding / investing were high cost of raw materials

(47.8%), high cost of labour (44.7%) and shortage of skilled labour (33.7%). During the quarter, SMEs continued to have access to external financing, with an approval rate of 92%. About 40% of the respondents had requested for financing for business purposes in the last six months.

On the respondents' view regarding the Minimum Wage (MW) policy, majority of the respondents (68%) were not negatively affected by the implementation of MW since none or very few of their foreign and local workers were being paid below the MW. About 77% of respondents cited that they have implemented the MW, while 79% believed that the implementation of the policy led to higher labour cost. Among factors that hindered some respondents from implementing MW were that they were not sure what to do, no financial capability and waiting for the Government to amend the policy. On the Goods and Services Tax (GST) implementation, about 43% of SMEs stated that they were not sure of the effect of GST on their businesses, while 35% cited negative impact to their businesses.

First Quarter 2014

The First Quarter 2014 (1Q 2014) SME Survey which covers 2,079 respondents focused on the SME business performance and outlook, investment trends and issues relating to the high cost of doing business, financing, labour, GST as well as on ICT adoption by SMEs.

a) Business Performance

Majority of the respondents highlighted that their business continued to record higher sales (55%) and profit margin (44.9%) during the quarter, particularly SMEs in the manufacturing and construction sectors. Of the 55% respondents which experienced higher sales in 1Q 2014, majority enjoyed up to 5% increase. Meanwhile about 43% of the respondents indicated that they increased their selling price during 1Q 2014. The price increase was more prominent among SMEs in the manufacturing and construction sectors. In terms of exports sales and production, most of the respondents said that the performance was similar as in 4Q 2013. In terms of new orders and bookings, majority cited the same performance as per the previous quarter, while another one-fourth received higher orders and bookings (refer to Table 1).

Table 1: SME Performance in Key Business Areas during 1Q 2014
(% share of respondents)

	Decreased	Same Performance	Increased	Total Share
Sales Turnover	17.7	27.3	55.0	100
Profit Margin	17.1	38.0	44.9	100
Average Selling Price	8.2	49.1	42.8	100
Exports	8.1	64.1	27.8	100
Production (Manu. and Agri only)	6.6	55.0	38.5	100

	Lower orders/ bookings	Same order/ bookings	Higher orders/ bookings	Total Share
New Orders / Booking	8.1	66.5	25.4	100

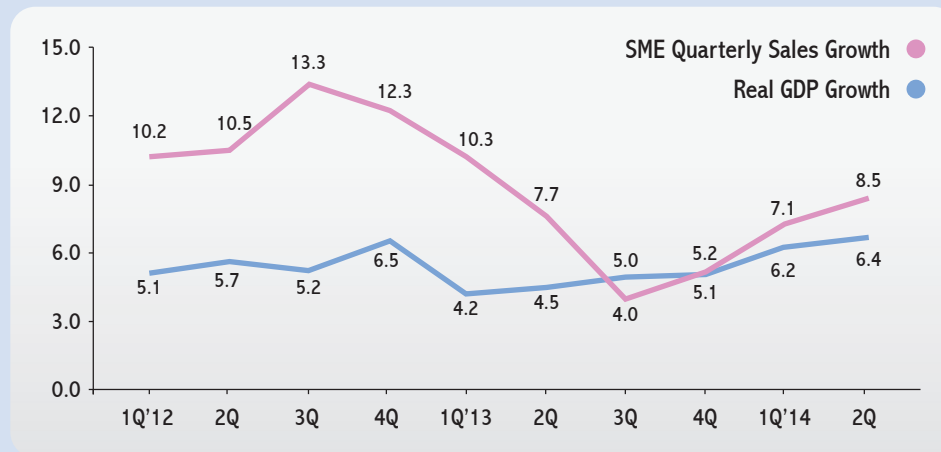
Source: SME Corporation Malaysia

b) Business Prospects

On the near-term business outlook, overall most respondents (51.6%) foresee that their current business conditions will remain the same in the next six months, mainly among the small-sized SMEs and those in the agriculture sector. However, comparison across sectors shows that respondents in the manufacturing sector were generally optimistic as half of them cited better performance in the near-term. Despite the fact that SMEs were less optimistic in the near-term, they somehow expected a higher sales growth of 8.5% in 2Q 2014, which is in line with the overall real GDP growth trend (refer to Chart 1).



**Chart 1: SME Sales Growth versus Real GDP Growth
(Annual Change in %)**



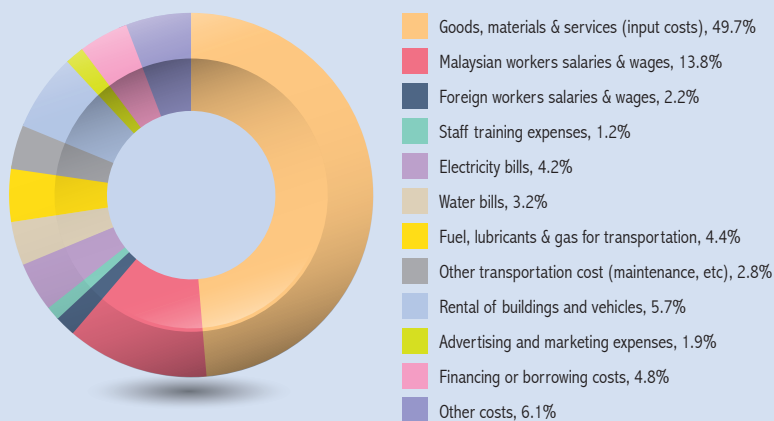
Source: Department of Statistics, Malaysia, and SME Corporation Malaysia

The respondents also highlighted the key factors which have a significant impact on their business prospects were:

- Positive business sentiment (41.4%);
- Positive consumer confidence (37.3%); and
- Strong consumer spending (34.0%).

SMEs participating in the Survey reported that high cost of raw materials and high initial cost of investment were the top two critical factors that hinder investment or expansion plans of SMEs. In order to face this challenge, 52% of the respondents plan to reduce the operating cost in the next six months.

**Chart 2: Breakdown of Total Operational Cost
(% share)**



Source: SME Corporation Malaysia

c) Operational Cost Structure

In terms of the operational cost of the respondents, findings from the Survey revealed that on average, almost half of the total cost is attributed to expenses related to purchase of goods, materials and services. Meanwhile, employees' salaries, wages and training expenses contributed on average about 17% of the total cost. These two inputs i.e. raw materials and labour cost are the main cost component of total operational cost that can give a strong impact to the business operation of SMEs (refer to Chart 2).

d) Business Financing

With the current high cost of doing business, SMEs highlighted that they required higher credit lines to operate their business operation. During the quarter under review, SMEs continued to have access to financing, with about 42% of the respondents indicating seeking new and additional external financing for business purposes. Of those applied, about 94% were approved and thus recording the highest approval rate since SME Corp. Malaysia conducted its surveys in 2009. For applicants whom have been rejected by the banks, the key reasons cited were not able to qualify the conditions set by the banks such as failure in providing sufficient documentation (31.7%) and having too high leverage or outstanding loans (31.7%). For the balance 58% respondents who did not request for new or additional external financing, the main reasons behind it were that they did not require any financing or do not like to be in debt.

e) Cost of Doing Business

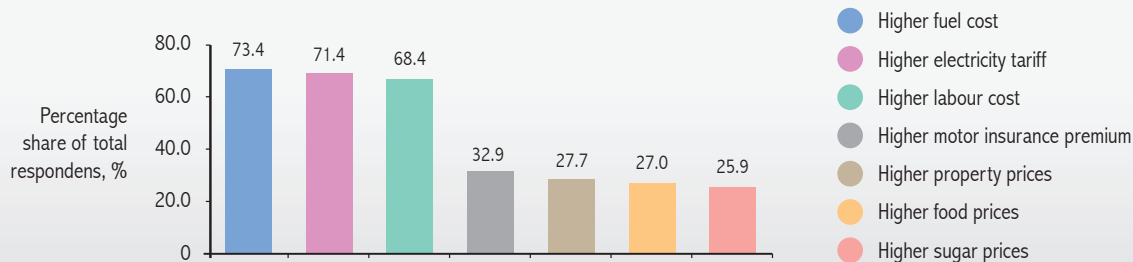
Since 2013, there have been a series of increase in prices such as electricity, fuel and natural gas, sugar, medical charges, insurance premiums as well as labour costs due to the implementation of the Minimum Wages. The survey attempted to gauge whether these increases had affected business conditions of SMEs. It was found that 74% of the respondents cited that the current rising cost led to an increase in operating cost of their firms, with an average of 9% in the 1Q 2014. Respondents most affected were those in the manufacturing and construction sectors and medium-sized firms. Factors that led to the rising cost were mainly due to higher fuel cost (73.4%

of the respondents), electricity tariff (71.4%) and labour cost (68.4%) and to a lesser extent, motor insurance premium, property prices and food prices (refer to Chart 3). Moving forward, 88% of the respondents anticipate further increase in operating cost in the next six months, mainly in the range of 1-10%.

Following the rising cost of doing business, the three main measures the respondents undertook to mitigate this issue were:

- Increase productivity through various measures including greater automation and mechanisation (57% of total respondents);
- Increase profit margin per item sold or services rendered (38.9%);
- Reduce electricity usage (30.1%);

Chart 3: Impact of Rising Cost on Business Performance



Source: SME Corporation Malaysia



- Cut back on other expenses (28.5%); and
- Increase selling prices of goods and services (17.5%).

In order to lighten the burden of the rising cost, SMEs requested for following assistance from the Government:

- Existing Government subsidies to be continued (69.7% of total respondents);
- Lower electricity rate charges for off-peak period (49.6%);
- Offer more soft loans at attractive rates for SMEs (39.2%);
- Introduce further tax deduction for certain expenses (38.9%); and
- Introduce discount voucher for purchasing raw materials (35.1%).

f) Labour

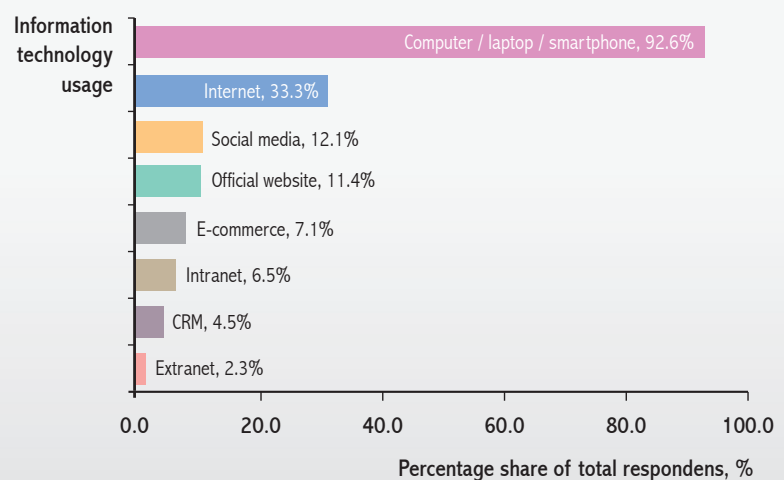
In terms of labour preference, majority of the respondents (85.2%), particularly microenterprises and SMEs in the services sector, preferred local workers as compared to foreign workers due to advantages in terms of communication and giving commands to local workers (62.9%) and their fluency in the local language (45.7%). For the other portion of SMEs (14.8%)

who preferred foreign workers than local workers, the main reason cited was that foreign workers do not demand for higher salary (80.2%). Meanwhile, about 15% of the respondents hire foreign workers in their firms, with most of them in the general workers or unskilled workers categories. Almost two-third of the respondents (63.5%) stated that it took about two to six months for them to get working permits from the Immigration Department for their foreign workers.

g) Usage of ICT

Despite the fact that SMEs have greater potential to increase their efficiency and productivity with adoption of information and communication technology (ICT) tools, the survey showed that in reality, usage of these tools was still relatively low among Malaysian SMEs (refer to Chart 4). This was true across all economic sectors and size of firms. Majority of the respondents use computers/ laptops or smartphones (92.6%) and Internet services (33.3%) but for personal purposes and not for business operations. Consistent with these findings, the Survey also revealed that only 7.6% of the respondents were involved in online transactions. Of those involved, 74.7% cited that online business saves cost and 58.9% stated that it helps in increasing their business efficiency.

Chart 4: Information Technology Adopted by SMEs



Source: SME Corporation Malaysia

h) Goods and Services Tax (GST)

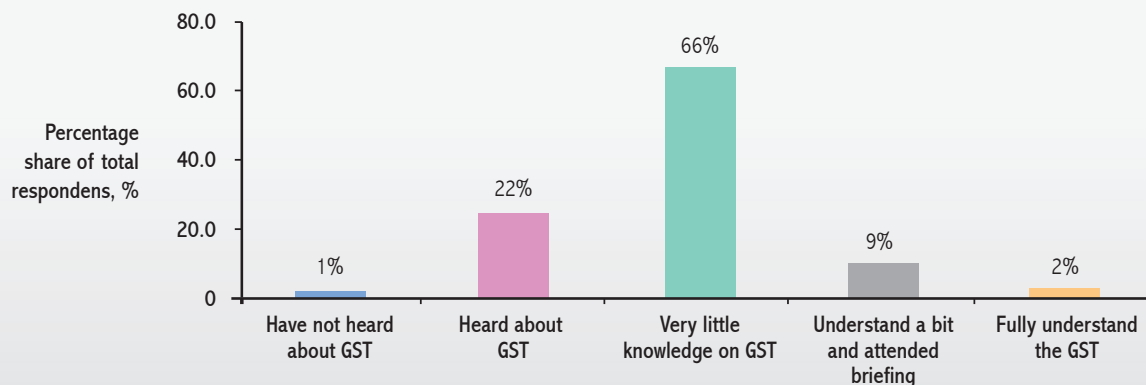
On the level of understanding of GST among respondents, the Survey findings showed that two-thirds (66%) cited that they have very little knowledge on GST. As at until the survey, 9% of the respondents had attended GST briefing sessions before but only 2% of the total respondents admitted that they fully understood GST (refer to Chart 5). These findings displayed a lack of understanding among respondents on GST possibility given that the content is very technical. Some of the feedback during the briefing sessions was that SMEs preferred more practical sessions that were industry specific and also requested for special sessions for their accounting staff. The Survey also pointed towards the need to increase the number of outreach sessions to educate SMEs on the implementation aspects of GST. Given the above, in terms of state of preparedness, majority of the respondents (76.7%) were not prepared for GST implementation due to the non-usage of GST compliant system. Another 9.9% of the respondents indicated that their business operation

was too small and thus do not warrant any action being taken to comply with GST, particularly microenterprises and SMEs in the agriculture sector. On the other hand, only 11.7% of the respondents said that they have the infrastructure in place to implement GST.

On the effect of GST implementation, most of the respondents were not sure of its impact to their business operation, mainly microenterprises. Another 16% of the respondents perceived that GST will have a negative impact (worse off) on their business operation, while only 8% of the respondents believed that the implementation of GST will positively affect their business performance, particularly the small-sized SMEs and those in manufacturing sector. Meanwhile, most of them have yet to assess whether to revise the selling price of goods or services upon GST implementation. In terms of assistance needed from the Government to implement GST, the top three assistances cited by the respondents were:

- training assistance (84.2%);
- access to affordable GST-compliant software (26.0%); and
- reduce upgrading cost through tax incentives (25.1%).

Chart 5: View of SMEs on GST



Source: SME Corporation Malaysia



Chapter

3

Policies on SME
Development



Policies on SME Development

The establishment of the National SME Development Council (NSDC) in 2004 has been instrumental in bringing about a major transformation to SME development. In the ten-year journey, significant milestones were achieved, of which the most notable was the launch of the SME Masterplan (2012-2020) in July 2012. The Masterplan charts the future development path of SMEs towards the national aspiration of becoming a developed nation status by 2020. The first of the High Impact Programmes (HIPs) under the SME Masterplan was rolled out in April 2014, and will be followed by the other HIPs. The year will also see SMEs rising to challenges brought upon by various policy reforms, hence requiring them to make the necessary changes not only to remain resilient, but to prosper in the increasing challenging environment.



National SME Development Council and Key Milestones

The establishment of the National SME Development Council (NSDC) in 2004 was the turning point for SME development in the country. As the highest policy making body on SME development, NSDC is responsible for the strategic direction and formulation of SME development policies for the country. It is chaired by the honourable Prime Minister with members comprising the relevant Ministers and Heads of Government Agencies involved in SME development, including Sabah and Sarawak. Among the roles of the Council include:

- Formulating overall broad policies and strategies to facilitate development of SMEs across all economic sectors;
- Reviewing the roles and responsibilities of Ministries and agencies responsible for SME development;
- Enhancing cooperation and coordination, as well as guiding stakeholders to ensure effective implementation of SME development policies and action plans;
- Encouraging and strengthening the role of the private sector in supporting the overall development of SMEs; and



- Emphasising the development of Bumiputera SMEs across all sectors of the economy.

In its early years, Bank Negara Malaysia (BNM) served as the secretariat to the Council, facilitating the establishment of a strong foundation for SME development. During this period, the main concern of NSDC was to put in place the necessary infrastructure and basic framework to support the development of SMEs in the country. However, over the years, the role of NSDC has been elevated to become an important platform to discuss on policies related to SME development in the country. The aim is to make SMEs an important engine of growth and to increase its contribution to the overall economy.

Since the establishment of the NSDC in 2004, various achievements have been made over the years, particularly in the area of SME development policies that include:

- Establishing a national definition for SMEs for the first time across the various entities involved in SME development in 2005 and to revise the definition in 2014 to reflect the structural changes in the economy;
- Development of SME statistics. Malaysia is about the only country in the world that has regular GDP data as well as employment and productivity figures of SMEs on an annual basis. Statistics on export of SMEs is being worked out currently;
- Dissemination of SME information /data as well as analysis of the performance of SMEs through publications;
- Centralisation of human resource development at the Human Resources Development Fund;
- Development of financial infrastructure (i.e. Credit Bureau, transformation of development financial institutions) as well as introduction of new financial products (i.e. microcredit scheme, agent banking);



Key Milestones of NSDC

Year	Achievements
2005	<ul style="list-style-type: none"> (i) Approved a common definition for SMEs across all economic sectors for adoption by all Ministries and agencies involved in SME development as well as financial institutions. (ii) Approved the development of a comprehensive microfinance institutional framework comprising banking institutions, development finance institutions and credit cooperatives to provide microfinance to viable microenterprises.
2006	Introduced the National SME Development Blueprint which serves as the annual action plan for implementation of SME development programmes by relevant Ministries and agencies.
2007	Approved the establishment of a Central Coordinating Agency (CCA) to spearhead the development of SMEs in Malaysia.
2008	Transfer of NSDC Secretariat function from BNM to SMIDEC.
2009	<ul style="list-style-type: none"> (i) Endorsed the new Terms of Reference (TOR) of NSDC which include changes to the membership with additional members from Sabah and Sarawak. (ii) SMIDEC was transformed to SME Corp. Malaysia to undertake the CCA role i.e. coordinate, streamline and monitor SME development initiatives as well as to formulate the overall SME policies.
2010	<ul style="list-style-type: none"> (i) Approved the formulation of an SME Masterplan (2012 - 2020) with the aim of charting the policy direction for SMEs through the year 2020. The Masterplan is envisaged to be the game changer that will accelerate the growth of globally competitive SMEs in order to enhance wealth creation and contribute to the social well-being of the nation. (ii) Adoption of an outcome-based approach in SME development programmes and establishment of a special SME unit in the relevant Ministries and agencies.
2011	Approved the First Phase (April) and Second Phase (November) of the SME Masterplan comprising the broad framework and action plan respectively.
2012	<ul style="list-style-type: none"> (i) Launched the SME Masterplan (2012 - 2020). (ii) Agreed for the formulation of an SME Act to elevate, strengthen and empower the role of SME Corp. Malaysia as a CCA with greater autonomy and authority to drive the SME Masterplan.
2013	<ul style="list-style-type: none"> (i) Approved the review of SME definition (effective 1 January 2014) to take into account recent economic developments including price inflation, structural changes, and changes in business. (ii) Endorsement of a Breakout Strategy for Microenterprise with five core programmes namely, StartMEup, GrowME, MarketME, FastTrackME, and MEMoneymatter.

- Setting up of an SME unit at each Ministry, relevant agencies and financial institutions fully reinforced by business advisory and support; and
- Enhancing market access through National Mark of Malaysian Brand, certification etc.

As a result, SMEs in Malaysia have expanded at a faster pace than the overall economy, i.e. growing at average annual rate of 6.3% in the period 2006 – 2013, versus 4.7% per annum for the overall economy. The positive results have reaffirmed that the comprehensive and structured approach to SME development brought upon by NSDC is bearing fruits and is heading in the right direction.

Updates on Implementation of the SME Masterplan (2012 - 2020)

The SME Masterplan, the first comprehensive roadmap for Malaysia on the development of SMEs in all sectors was released in July 2012. The implementation of the SME Masterplan is progressing well with the roll out of five of the six High Impact Programmes (HIPs) in 2014 which include:

- HIP 1 on Integration of Business Registration and Licensing;
- HIP 2 on Technology Commercialisation Platform;
- HIP 3 on SME Investment Programme;
- HIP 4 on GoEx Programme; and
- HIP 5 on Catalyst Programme.

The first to be launched and implemented is HIP 2 in April 2014 which is being led by Agensi Inovasi

Malaysia (AIM) through its subsidiary, PlatCOM Ventures Sdn. Bhd. PlatCOM is a privately-managed company providing end-to-end facilitation to assist SMEs to innovate and commercialise their products and services. On HIP 1, a deep dive study was completed detailing out the recommendations, key milestones with timelines and key performance indicators. HIP 1 will move into the implementation mode to establish a single window for SMEs to register their business and at the same time apply for all the required business licenses. This window which is intended to be business-friendly and reduce the transaction cost over time is expected to increase business formation and reduce informality. The single window will be complete with an information portal on the licensing requirements for the various business activities.

Meanwhile, HIP 3 on the SME Investment Programme is an innovative model proposed under the SME Masterplan to facilitate financing of SMEs at the start-up and early stage. It is based on a 'fund of funds' concept mooted from a similar programme in the United States and with best practices brought from other parts of the world. This non-bank financing programme proposes that designated investment companies raise funds from the private sector, with matching funds from the Government to on-lend to SMEs in the form of loans or both equity and loans. HIP 3 is expected to support the growth of high growth and innovative firms.





To give further boost to this area, the Council has also endorsed HIP 5, the Catalyst Programme to nurture potentially high growth SMEs to become world-class players. The programme which is highly selective exposes the company to an intensive capacity building programme and to benchmark against international best companies. Each company will develop and pursue a customised growth plan to achieve exponential growth of 20% or more each year. HIP 3 and HIP 5 will be implemented by SME Corp. Malaysia.

Next is the GoEx Programme which offers customised support to new exporters or existing exporters venturing into new markets or new products / services. The end game is for more SMEs to have a global footprint and gain market share, hence resulting in the contributing of SMEs to total exports to increase from the current 19% to 25% by 2020, which is one of the goals of the SME Masterplan. The programme implemented by the Malaysian External Trade Development Corporation (MATRADE) is very different from its existing programmes. Selected export ready SMEs will be given comprehensive assistance ranging from expert advisory, trade facilitation and market linkages to international buyers, distributors and agents through market immersions.

In order to see the full impact of the Masterplan on the economy, it is important that all the six HIPs are implemented together to ensure the synergy as they are inter-connected and mutually reinforcing. The last programme which is HIP 6 on Inclusive Innovation Programme is being undertaken by Yayasan Inovasi Malaysia and will be rolled out later this year. SME Corp. Malaysia which has assisted in designing and rolling out these programmes with the lead agencies will track the progress and report to NSDC.

Policy Reforms Affecting SMEs

i) Goods and Services Tax

In Budget 2014, the Government announced the introduction of the Goods and Services Tax (GST), to replace the current sales and services tax. GST will come into effect on 1st April 2015 at the standard rate of 6%. Under the proposed GST Bill, all companies with annual revenue of more than RM500,000 are required to register for GST. The tax is applicable on goods and services at all stages of the business cycle from production and manufacturing to wholesale and retail, with the exception of tax-exempted products and services such

While the GST is beneficial for the country in the long term, all stakeholders particularly businesses such as SMEs should have a clear understanding on the new tax system in order for them to make the necessary preparation to adopt GST

as basic food items and services provided by the Government. GST charged on all business inputs such as capital assets and raw materials is known as input tax, while GST that is imposed on all supplies (sales) is known as output tax. For eligible entrepreneurs, the input tax incurred can be reclaimed in full from the Government through input tax credits. With the implementation of the tax regime, Malaysia will be joining 160 other countries who have implemented GST worldwide.

While GST is beneficial for the country in the long term, all stakeholders particularly businesses such as SMEs should have a clear understanding on the new tax system in order for them to make the necessary preparation to adopt GST. In this context, the Government has

allocated RM100 million to conduct a nationwide awareness and training programme through the various channels. Besides the outreach initiatives, SME Corp. Malaysia has been entrusted to channel the financial assistance of RM150 million to SMEs for purchase of software through the GST eVoucher. SMEs can avail to the GST eVoucher which is worth RM1,000. This eVoucher is meant to be simple, fast and effective way for SMEs to purchase or upgrade GST-compliant accounting software. All they need to do is to submit an online application for eVoucher which can then be used to purchase the software from the 100 over participating vendors endorsed by the Royal Malaysian Customs Department.

To ensure smooth implementation of GST by SMEs, the Government is also providing a package of incentives which includes:

- Accelerated Capital Allowance for claims on costs of purchasing ICT equipment and software which is extended until year of assessment 2016;
- Additional tax cuts provided to expenditure on accounting and ICT training related to GST for assessment years 2014 and 2015;
- Training grants amounting to RM100 million allocated for businesses that send their employees for GST training in 2013 and 2014;
- The corporate tax rate for companies with paid-up capital amounting to RM2.5 million or below will be reduced from 20% to 19% with effect from year of assessment 2016; and
- Tax cuts will be allowed for tax administration and filing fees beginning assessment year 2015.

ii) Updates on Implementation of the Minimum Wage Policy

The Minimum Wages Order 2012 has been fully enforced since January 2014. This decision was made by the Government after taking into account the fact that employers were given enough opportunities in 2013 to review their business

models and hiring structures. Subsequently, the Ministry of Human Resources in collaboration with the Performance Management Delivery Unit (PEMANDU) have launched the Minimum Wage Portal that provides the latest information, addresses pertinent questions, and presents scenarios regarding implementation of the Minimum Wage. The Portal is also a platform for employers, employees, and the general public to post any questions that they may have regarding the Minimum Wage.

In addition, Minimum Wage Clinics have also been conducted to explain the package of assistance offered by financial agencies, as well as incentives that are provided by the Government to help minimise the impact of Minimum Wages policy on employers, especially SMEs. These clinics have been conducted according to zones such as the Middle Zone (Kuala Lumpur), the Southern Zone (Johor Bahru), the Northern Zone (Penang), the Eastern Zone (Pahang), the Sabah Zone (Kota Kinabalu) and the Sarawak Zone (Kuching). Approximately, 1,000 employers attended the clinics and offered their input on how to improve the implementation of Minimum Wage.

Under its Act, the National Wages Consultative Council (NWCC) is required to review the Minimum Wage Order at least once in every two years. Therefore, the Council is in the process reviewing the Order, which will include a review of the minimum wage rate, coverage, exemptions, and other related elements. In order to ensure that the review is comprehensive, a seminar on Review of the Minimum Wage Order 2012 was held with the International Labour Organisation (ILO) and the World Bank from 25 to 26 March 2014 to exchange views and identify the relevant elements that need to be taken into consideration in the review.



In implementing Minimum Wage, the Government faces several challenges including explaining why there are different rates for Peninsular Malaysia, Sabah and Sarawak. Employers have also voiced their concerns on their inability to pay the Minimum Wage in view of the large gap between the existing wage and the new rates. In addition, the Government also has had to contend with some of the employers finding it difficult to adhere to the Minimum Wage Order 2012 despite being given compliance notices by the Department of Labour following complaints and investigations. Furthermore, there were feelings of dissatisfaction among older employees when new staffs were given Minimum Wage despite being recently employed.

To help cushion the impact of labour reforms on SMEs, particularly the Minimum Wage Policy, the Government has come up with a special package comprising short-term, medium and long-term measures. These among others include cash flow relief in the form of a further deduction for the increased wage bill for 2014/2015; Lean Transformation Programme for SMEs to increase their productivity; and training in technical skills for SME employees in all sectors. For the long term, a fund for automation and working capital has also been allocated. The implementation of a new policy such as the Minimum Wage that has significant impact on the stakeholders is



undoubtedly challenging. Nevertheless, the Minimum Wage policy is a necessary move by the Government to increase productivity so that businesses, particularly SMEs, can move up the value chain, ensure long-term sustainability and competitiveness, and contribute to the nation's aspiration of becoming a high income economy.

iii) Incentive for Merger and Acquisition of Small and Medium Service Providers

The incentive which was gazetted in September 2013, was launched on 14 February this year by Y.B. Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry. The Incentive was first announced by YAB Prime Minister in 2012 as part of the package of incentives to enhance the competitiveness of the domestic services sector. While Malaysia has a pool of capable professional skills, many of the service providers are currently fragmented and dominated by small firms. Hence, the incentive is to promote mergers and acquisitions among SMEs with the aim to enhance their capacity and capability so that they are able to compete in a liberalised market environment.

The incentive is open for application until July 2015. Successful applicants will enjoy a flat tax rate of 20% on all taxable income earned by the merged companies for a period of five (5) years. In addition, merger and acquisition documents will also be exempted from stamp duty. SMEs in the professional services (specialised medical and dental practices as well as accounting, taxation, architectural and engineering services), courier services, private technical and vocational secondary education services and skills training services are eligible to apply for this incentive. SME Corp. Malaysia serves as the one-stop centre for processing, verification and endorsement of the incentive.

Malaysia Services Development Council

Services sector is expected to contribute 65% of the country's GDP in 2020. Realising the important role of the services sector in the economy, the Government has established the Malaysia Services Development Council (MSDC) on 16 January 2007 to serve as a platform to identify and discuss policies and measures to transform the services sector to become globally competitive. The Council is chaired by the Minister of International Trade and Industry with members comprising various Ministries and agencies involved in the services sector, namely the Economic Planning Unit (EPU), Special Task Force to Facilitate Business (PEMUDAH), Malaysian Service Providers Confederation (MSPC), Ministry of Finance (MOF), Attorney General's Chambers of Malaysia, Malaysian Investment Development Authority (MIDA), MATRADE, PEMANDU and SME Corp. Malaysia.

In 2013, four Working Groups were established to assist and enhance the work of MSDC. These Working Groups deliberate on services related issues through engagement with relevant stakeholders and

industry representatives and propose recommendations to the MSDC. The Working Groups are:

- i) Working Group on Liberalisation, led by MITI;
- ii) Working Group on Institutional & Legislative Framework, led by Malaysia Productivity Corporation (MPC);
- iii) Working Group on Export Promotion (led by MATRADE) and Investment (led by MIDA); and
- iv) Working Group on Capacity Building, led by SME Corp. Malaysia.

Besides its core function, MSDC also serves the following roles:

- Be the focal platform to discuss and resolve implementation issues so as to establish a coherent approach towards the development of the services industry. Ministries will submit to MSDC strategic action plans of the development of services sub-sectors under their purview and update the status of such measures undertaken to the MSDC;
- Be the facilitator of the private sector-led growth of the services industry through inputs from the industry stakeholders and public-private sector consultations;
- Meet quarterly to enable reporting and review at the Prime Minister's level; and
- Monitor developments in the services sector and review the TOR as and when necessary in order to achieve the goals for the services sector.

Conclusion

As 2020 looms ahead, the need to fast-track the development of SMEs is more urgent than ever. NSDC has laid the fundamental framework for SME development and this is further reinforced by the long-term SME development strategy under the SME Masterplan. Going forward, greater emphasis will be placed on increasing productivity and innovation among SMEs as these are keys to accelerate growth. To achieve the Masterplan target for SMEs to contribute at least 41% of GDP by 2020, the current growth rate of 6.3% has to be increased to 9.3% and this can only be achieved via innovation and productivity.



Chapter

4

SME Development
Programmes in 2013



SME Development Programmes in 2013

In 2013, the Government continued to implement various SME development programmes through its Ministries and agencies. The programmes addressed key focus areas, namely innovation and technology adoption, human capital development as well as access to market and finance. Majority of these programmes ultimately led to raising productivity of SMEs, which is one of the most important goals of the SME Masterplan. The Masterplan has been premised on innovation and productivity-led growth in order to achieve a high income nation by 2020.



In 2013, a total of 143 programmes were implemented altogether amounting to more than RM9 billion, benefiting some 830,000 SMEs. These programmes were tracked and reported in the SME Integrated Plan of Action (SMEIPA). This chapter, highlights the key programmes under four focus areas, namely innovation and technology adoption, human capital development, market access, and infrastructure while programmes on access to financing is reported under Chapter 6.

While in terms of total number of programmes implemented during the year were somewhat balanced across the focus areas i.e. one-third of the programmes were for access to financing, followed by human capital development (21%), market access (19%), innovation and technology adoption (17%) and infrastructure (10%), the bulk of the financial expenditure that is 95% was for access to financing.



Table 4.1: SME Development Programmes in 2013 by Focus Areas

Focus Area	No. of Programmes	Financial Expenditure RM (million)	SMEs Benefited
Innovation & Technology Adoption	24	227.9	4,379
Human Capital Development	30	44.1	46,871
Access to Financing	47	8,678.0	676,344
Market Access	28	91.6	102,708
Infrastructure	14	85.6	919
Total	143	9,127.2	831,221

Source: SME Corporation Malaysia

Innovation and Technology Adoption

Over the years, there has been increasing focus on raising productivity of SMEs to realise their potential by embracing technology and exploring innovative methods. This is underscored in the SME Masterplan, which emphasises on innovation and technology as an important performance lever to promote SME growth. In 2013, RM227.9 million was channelled to implement 24 programmes that benefited 4,379 SMEs. These programmes were focused on promoting and supporting Malaysian SMEs in their efforts to adopt innovation and technology to promote a shift towards higher value-added activities. Bulk of the key programmes under this focus area was implemented by the Ministry of Science, Technology and Innovation (MOSTI) and agencies such as:

- The **Pre-Commercialisation Fund** which is a long-running programme implemented by MOSTI to assist entrepreneurs in developing processes, technologies, or new products and improvements to existing processes and technologies to be commercialised. A total of 35 projects with commercialisation potential were approved under this fund last year. Aside from creating an enabling environment to encourage technopreneurs, this programme was also aimed at increasing application of innovative technologies in communities as part of social responsibility.



- The Malaysian Biotechnology Corporation (Biotech Corp.) implemented the **Biotechnology Commercialisation Funding (BCF)** with a total expenditure of RM36.2 million to funding the biotechnology area. A total of 13 SMEs with potential for commercialisation was approved for financing under this programme.
- Meanwhile, the **Commercialisation of R&D Fund (CRDF)** was implemented by MOSTI through the Malaysian Technology Development Corporation (MTDC) to leverage on Science, Technology & Innovation (STI) for national development and wealth creation via commercialisation of products and processes. Under this programme, a total of RM39 million was approved to 21 SMEs with 28 intellectual properties (IPs), resulting in commercialised sales turnover amounting to RM71.7 million.
- Additionally, under the **Technology Acquisition Fund (TAF)** implemented by MOSTI through MTDC, RM8.7 million was approved. The Fund is to 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. The programme generated sales turnover totalling RM10.9 million through four IPs generated.

To complement MOSTI's efforts, other Ministries and agencies also took part to promote innovation and technology adoption among SMEs by implementing specific programmes for targeted sector namely:

- The ***Pakej Amalan Teknologi Tanaman Sayur-Sayuran dan Tanaman Kontan*** programme implemented by the Ministry of Agriculture and Agro-based Industry (MOA) through the Department of Agriculture (DOA) with the aim to increase production of vegetables, short-term crops and field crops. The programme resulted in an increase of 1,275 metric tonnes of production via 85 hectares in area development.
- The Ministry of Energy, Green Technology and Water (MEGTW) through the Malaysian Green Technology Corporation (MGTC) provided coaching programmes for green SMEs through its **MyHIAU Industry & SME Programme**. The programme aims to create more local companies and green SMEs in the industry, as well as to produce



more local products and services with green certification. A total of 11 companies obtained the certification in 2013.

- The **MSC Malaysia Cloud Initiative** implemented by the Ministry of Communications and Multimedia (KKMM) through the Multimedia Development Corporation (MDeC) is aimed at enabling MSC Malaysia independent software vendors (ISVs) to deploy cloud software and services as a utility, while catalysing demand by local enterprises for 'Made-in-Malaysia' cloud software and services. The programme also seeks to encourage local SMEs to adopt and utilise leading solutions by MSC Malaysia statute companies while enjoying incentivised subscriptions. With an allocation of RM4.9 million, a total of 2,000 SMEs adopted the Cloud initiative and 40 ISVs offered cloud enabled solutions.

Human Capital Development

In a global economy that is constantly evolving, the competitiveness of a nation will depend on how well its human capital can adapt to these changes and retool themselves to face challenges. Shortage of skilled workers is the major challenge faced many businesses, especially SMEs. Furthermore, many SME entrepreneurs are not able to upscale and expand their business due to lack of know-how and limited capacity and capability. Hence, in the area of human capital development, a total of RM44.1 million was spent to undertake 30 programmes benefiting 46,871 employees of SMEs. Aside from training programmes, there were also initiatives to promote entrepreneurship. The key programmes were as follows:

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- A total of RM9.4 million was spent by the Ministry of Human Resources (MOHR) through the Department of Skills Development in implementing the **National Dual Training System (NDTS)** which has two components. Its training programme for school dropouts and workers that is designed to support the demands of the SME workforce had certified 3,545 apprentices during the year. Additionally, 556 employees were certified under its skills upgrading programme for existing and new employees. Meanwhile, through Pembangunan Sumber Manusia Berhad (PSMB), MOHR continued to implement the **SME Training Needs Analysis** which equips trainers and human resource officers working in SMEs with the ability to prepare training needs analysis (TNA) and conduct evaluation on training programmes. The programme had enabled all the 23 participants to prepare and conduct TNA for their companies. The Ministry through PSMB also implemented the **HR Capabilities Building Programme for SMEs** with financial expenditure amounting to RM14.8 million. The programme was implemented with the objective to provide up-skilling and human resource-related programmes for SMEs registered under PSMB. As a result, 71.4% of the levy utilisation was achieved by the participating SMEs registered under PSMB through 1,652 training places for the up-skilling programme and 7,408 training places for human resources-related programmes.
- The Ministry of Rural and Regional Development (MRRD) through Jabatan Kemajuan Orang Asli (JAKOA) implemented the **Entrepreneurship Development for Orang Asli Community** programme. It is aimed at increasing the participation of Orang Asli in entrepreneurship through provision of training and skills upgrading in various fields. A total of RM300,000 was spent in training 200 participants under this programme.
- The Ministry of Women, Family and Community Development (MWFCD) through Jabatan Pembangunan Wanita (JPW) implemented the **Inkubator Keusahawanan Ibu Tunggal (I-KIT)** programme, which provides intensive skills training and entrepreneurship assistance specifically for low-income single mothers to enable them to start their own business. With a financial expenditure of RM4.9 million, a total of 79 training sessions were conducted under this programme in various areas including sewing, beauty therapy, commercial cooking, crafts, childcare, and travel. The programme created 1,062 new entrepreneurs with 373 participants managed to increase their income by 50%. Meanwhile, the **Inkubator Keusahawanan Wanita (I-KeuNITA)** is a similar programme implemented by JPW for low-income women. A total of RM6.1 million was spent in



conducting 86 training sessions which resulted in 50% increase in income for 331 of the participants, in addition to the emergence of 2,188 new entrepreneurs under the programme.

- Meanwhile, the Ministry of International Trade and Industry (MITI) carried out the **Human Capital Development** programme through the Malaysia Automotive Institute (MAI) with an objective to transform graduating students from existing training institutions into skilled automotive workforce in order to promote automation and multi-skilling in the industry. This programme is to enable the workforce to replace the low skilled foreign workers and ultimately create high income workforce in the automotive sector mainly focusing in the area of manufacturing, retail activity and after sales service. A total of RM4 million was spent for this programme resulting in 2,096 skilled workers and 531 engineers certified with Industrial Lead Professional Certificate during the year.

Market Access

Businesses usually strive for wider market reach to enable more opportunities to develop and diversify their operations to ensure their long-term sustainability. Given the limited domestic market, Malaysian SMEs are encouraged to explore the market potential abroad. In doing so, SMEs are encouraged to equip themselves with the necessary knowledge and skills to ensure compliance to international standards and certifications. Otherwise, the various non-tariff barriers imposed at the international market may hamper SMEs' endeavour in this area. For this purpose, the Government channelled a total of RM91.6 million in 2013, to implement 28 programmes designed to improve market access for 102,708 SMEs, which include the following:

- MITI through Malaysian External Trade Development Corporation (MATRADE) continued to implement the **Bumiputera Exporters Development Programme (BEDP)** with a financial expenditure amounting close to RM1 million, aimed at providing export assistance designed for Bumiputera SMEs. This programme helps SMEs to develop the necessary skills and knowledge to penetrate new markets and to expand export market base. A total of 49 SMEs were assisted last year, generating export sales value amounting to RM243.7 million. Another programme with a similar objective was also implemented by MITI and MATRADE for women-owned businesses. The programme which is known as the **Women Exporters Development Programme** had recorded a total of

RM116.4 million in export sales value, benefiting more than 40 women entrepreneurs. In addition, MITI through SME Corporation Malaysia (SME Corp. Malaysia) implemented the **SME-Brand Development Programme** in a bid to create awareness on branding among SMEs through seminars, workshops and advisory services via the Branding Innovation Centre (BIC) and Branding and Packaging Mobile Gallery. A total of 270 SMEs benefited from this programme with expenditure totalling RM2.4 million.

- The Ministry of Tourism and Culture Malaysia (MOTAC) spent a total of RM14.5 million for its **Promotion and Marketing Programme** with the aim to increase craft sales in the domestic and international markets. Implemented through the Malaysian Handicraft Development Corporation (HANDICRAFT), the programme recorded sales value amounting to RM409 million which contributed to almost 17% increase in the overall craft sales last year.
- The **Taste of Malaysia (TOM)** programme was implemented with a financial expenditure of close to RM1 million by the

Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC), aimed at promoting and marketing SME products to hypermarkets abroad. Through this programme, a total of 452 products were promoted into foreign hypermarkets abroad. Additionally, MDTCC also spent RM5 million to implement the **Franchise Development Programme** in a bid to develop and promote Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses. This includes financial assistance for purposes of business expansion and new start-up franchise companies, including among Bumiputera youths. Furthermore, Bumiputera employees in the public and private sectors are also encouraged to venture into franchise businesses through this programme. However priority will be given to employees opting for the voluntary separation scheme (VSS) or early retirement. This programme succeeded in developing 50 new franchisors raking in RM24.6 billion GNI last year.

- Under the ***Tunjuk Nasihat Sawit (TUNAS)*** programme implemented by the Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Palm Oil Board (MPOB), smallholders are assisted in implementing Good Agricultural Practices (GAP). A total of RM1.2 million was spent to provide assistance to more than 88,400 smallholders who participated in activities in the TUNAS centre. Meanwhile, the Malaysian Timber Industry Board (MTIB), another agency under MPIC, implemented the **Project to Enhance Sales of Timber and Timber Products of Bumiputera SMEs**. With an aim to increase Bumiputera SME sales in the export and domestic market, the programme had attracted the participation of 61 SMEs and generated RM5.3 million in international and domestic sales.



Getting More Entrepreneurs to go Online

While there are more than 645,000 SMEs in the country, according to the Economic Census 2011 by the Department of Statistics Malaysia, less than one sixth or only about 100,000 of them run their businesses online. To promote the use of the Internet as a platform for business among SMEs, the Malaysian Communications and Multimedia Commission (MCMC) in partnership with Google introduced a programme called Get Malaysian Business Online (GMBO) in 2012. Through this programme, SMEs will be assisted in increasing Internet and broadband usage to propel their businesses by marketing their products to the global market while increasing their productivity.

The initiative is not new for Google as they have conducted similar programmes in other countries such as Australia, Spain, Ireland, Canada and others. In the early phase of this programme, GMBO offered entrepreneurs in Malaysia, particularly SMEs the opportunity to register a website and a .com.my domain name for free for a year. This offer was available to the first 10,000 applicants. Subsequent applicants were offered a .com.my domain name registration for a lower price of RM23 per year compared with the normal rate of RM80 per year. The package also included intensive training and free advertising worth RM200 offered for a trial period by Google Adwords.



During the year, GMB0 has targeted to assist at least 50,000 entrepreneurs to go online. From that total, 30,000 SMEs registered with the programme, while 10,000 active SMEs registered for the website domain initiative. During the year, the GMB0 website had received encouraging response with half a million guests visiting to learn more about the programme. In order to further shore up support for the programme, a new approach to attract participation was introduced under the 2013 Budget. This new initiative which targeted another 50,000 entrepreneurs, offered cash incentive of RM1,000 to entrepreneurs especially women to develop their businesses online.

To ensure that the programme is benefited by eligible entrepreneurs around Malaysia, MCMC promoted the programme through various medium such as lecture sessions, workshops, seminars, radio and television interviews, as well as articles in the media. Apart from that, MCMC in collaboration with over 20 Government agencies and the private sector have been working together to increase promotion and facilitate disbursement of the RM1,000 grant to entrepreneurs. As at 31 December last year, MCMC has received 42,000 applications and from that amount, more than 34,000 applications have been approved which means that RM34 million in grants have been awarded to eligible applicants.

The Internet offers many ways for a business to enhance its prospects and increase profitability. Through an online platform, businesses will be able to automate their operations, promote their products and services and reach out to a wider market as 75% of the world population are Internet users. Furthermore, Internet will ensure good customer service by enabling businesses to deal directly with their customers and these can all be done with a

very minimum cost. It is indeed true as many tales of inspiring individual successes have been heard from those who made it through GMB0. Their businesses have been operating in various localities throughout the country and coming from fields as diverse as fashion, tourism as well as services including one entrepreneur from Sarawak who is featured in the Success Story chapter of this Report. Motivated by these successes, GMB0 aims to continue assisting more SMEs in getting their businesses online so that they can expand their operations and market reach, move up the value chain and play an instrumental role in helping the country reach its economic goals.

Bridging the Digital Divide

Broadband services provide access to the Internet making it one of the key enablers of knowledge and information. This service not only connects individuals and communities to larger opportunities, it also gives them a chance to improve their lives. Since it was first established in 2007, the 1Malaysia Internet Centre has brought about positive social and economic impact on communities throughout the country. Equipped with desktop computers, printers, projectors and screen, the centres provide basic Internet access as well as ICT-related training that are conducted by two full-time supervisors. These centres have resulted in numerous benefits for the communities in the outskirts of the city and the rural areas of the country. Some have taken the advantage to venture into entrepreneurship to earn a living. A total of 431 internet centres are currently operating nationwide. Since 2013, MCMC has expanded this programme to include the underserved communities and persons in urban areas. In March 2013, the first 1Malaysia Internet Centre for the Urban Poor was opened in the Government's low-cost housing project in Kuala Lumpur. Many more are in the pipeline and will be implemented gradually.



Infrastructure

Infrastructure both physical and virtual, provides a foundation for businesses to operate and reach out to their target market. The lack of proper facilities, amenities and equipment is tied to limited resources, an issue faced by many SMEs. Therefore, programmes under this focus area are aimed at assisting SMEs in overcoming their infrastructural impediments through the provision of well-developed premises and facilities that are fully equipped and suited to SMEs in specific industries or businesses. A total of RM85.6 million was spent in assisting 919 SMEs through 14 programmes under this focus area which include the following:

- The **Incubator Programme** implemented by MOSTI through Technology Park Malaysia (TPM) was established with the objective to nurture start-up technopreneurs of innovative products and services from ideation to commercialisation. The programme was carried out through a comprehensive and integrated handholding programme that includes coaching, training, mentoring and consultancy. A total of 1,369 incubatees participated in the programme resulting in 40 of them able to achieve a notable outcome among which one incubatee penetrated two international markets, 20 incubatees received end-to-end handholding assistance, five successfully linked to investors including angels and venture capitalists (VC) and 13 successfully linked to the domestic market. In addition, MOSTI provided several other facilities, particularly for the biotechnology industry including several labs and herb processing facilities. Its latest offering the Incubator Virtualisation Model (IVM), enables technopreneur to gain access to handholding assistance 24/7, without having to be physically located in TPM. The IVM includes virtual office and virtual support services in several critical areas, including access to fund, technology and market. In addition to the incubator programme, TPM through its subsidiary, TPM Biotech also offered assistance to entrepreneurs in the biotech industry. In 2013, 435 SMEs had utilised the biotechnology services and facilities in TPM.



- MOA spent close to RM1 million for the construction of a fishermen's market through ***Pembinaan Pasar Nelayan di Kompleks Pendaratan Ikan LKIM dan Pengkalan Nelayan*** programme. Implemented by the *Lembaga Kemajuan Ikan Malaysia* (LKIM), it is aimed at encouraging the participation of fishermen, their family and *Persatuan Nelayan Kawasan* (PNK) in the field of entrepreneurship through provision of business premises and equipment. This project established five new market premises and generated RM34.2 million in annual sales during the year.
- The Ministry of Industrial Development Sabah (MID Sabah) and Sabah Economic Development Corporation (SEDCO) meanwhile developed three new **shophouses** valued at RM2.8 million for entrepreneurs to operate and start businesses. Another RM800,000 was spent by the Ministry of Rural Development (KPLB Sabah) in collaboration with various district offices for the implementation of ***Pembangunan Usahawan Desa*** programme. This programme is aimed at building or upgrading additional buildings in the Rural Entrepreneurs Centre / Tamuniaga / Community Learning Centres and providing the necessary equipment for entrepreneurs to operate, start and expand their businesses.
- Through the **PROSPER Property** scheme implemented by Perbadanan Usahawan Nasional Berhad (PUNB), a total of 48 premises were purchased with expenditure amounting to RM50.9 million. With the objective of purchasing retail premises at strategic locations as well as increasing Bumiputera ownership in commercial property, the scheme succeeded in renting out 96% of the acquired premises.



Chapter

5

SME Development
Programmes in 2014



SME Development Programmes in 2014

As in the previous years, a wide variety of programmes are being implemented to promote SME development in the country in 2014. Addressing five main focus areas identified under the SME Masterplan, these programmes include a combination of existing and new programmes that take into account various concerns faced by SMEs in the different stages of the business cycle. In line with the aspiration of the SME Masterplan and the fiscal consolidation by the Government, an outcome-based approach will be adopted to ensure that the programmes have achieved the desired impact on the economy and in optimising utilisation of the limited resources.



A total of 133 programmes are being implemented by the Government in 2014 with financial commitment of almost RM7 billion to benefit about 484,000 SMEs. Besides that, the Government is also working together with the private sector in carrying out another 21 programmes amounting to RM6.3 billion mainly in the area of access to financing. Therefore, altogether there are 154 SME development programmes being implemented in 2014 with financial commitment totalling RM13.3 billion. This Chapter will highlight key programmes implemented by the Government in four focus areas namely, innovation and technology adoption, market access, human capital development and infrastructure. As access to financing is key in terms of resource allocation, a comprehensive review on SME financing is covered in Chapter 6 of the report.

About 90% of the total financial commitment for SME development in 2014 is on programmes on access to financing. However, in terms of number of programmes, bulk of the programmes are for human capital development (26%), followed by market access (23%), access to financing (22%), innovation & technology adoption (19%) and infrastructure (10%).

Table 5.1: SME Development Programmes in 2014 by Focus Areas

Focus Areas	No. of Programmes	Financial Commitment RM (million)	SMEs to Benefit
Innovation & Technology Adoption	25	292.9	7,381
Human Capital Development	35	88.2	31,540
Access to Financing	29	6,313.9	420,759
Market Access	30	89.5	24,101
Infrastructure	14	208.8	223
Total	133	6,993.3	484,004

Source: SME Corporation Malaysia

Innovation and Technology Adoption

The adoption of innovation and technology in any business can go a long way towards increasing its efficiency and productivity, thus leading to growth and profitability. As Malaysia sets its sights on becoming a high income nation, efforts have been focused on stimulating innovation and technology adoption by Malaysian SMEs to achieve a quantum leap in growth and income. For this purpose, the Government has channelled close to RM293 million in carrying out 25 programmes which are targeted to benefit more than 7,300 SMEs in 2014. Among the notable programmes include:

- The **Pre-Commercialisation Fund** by the Ministry of Science, Technology & Innovation (MOSTI) aimed at creating an environment to encourage technopreneurs and increase application of innovative technologies in communities as social responsibility. With an allocation of RM45 million, the Fund targets to approve and develop 35 projects that have commercialisation potential this year. MOSTI has also earmarked RM21 million under its **Biotechnology Commercialisation Fund (BCF)**, which provides funding for biotechnology focused areas, and complements existing public and private sector funds for the industry by providing access to financing. BCF is expected to approve funding for seven companies with commercialisation potential in 2014.



- The **Bumiputera ICT Entrepreneurship (BITE)** programme is aimed at developing a resilient Bumiputera ICT community. Implemented by the Ministry of Communications and Multimedia Malaysia (MCOM) through the Multimedia Development Corporation (MDeC), BITE is also envisioned to provide the thought leadership in the Bumiputera ICT agenda. Through its RM8 million allocation, the programme is expected to promote 50 Bumiputera companies to Government-linked companies (GLCs), Government-linked investment company (GLICs) and the private sector at large towards creating RM300 million in sales opportunities this year.
- MCOM and MDeC will also be implementing a special grant programme called the **Intellectual Property Creators Challenge (IPCC)**, designed to provide pre-seed funding for the development of original intellectual property in the areas of animation, games and digital comics. A total of RM2.1 million has been allocated for this project, which is targeting around 100 entrepreneurs participating in the project to produce 30 IPs for commercialisation. In



addition, the **MSC Cloud Initiative** aims to encourage local SMEs to adopt and utilise cloud-based solutions from MSC Malaysia status companies. The programme which has been allocated RM1.4 million anticipates 1,800 companies adopting cloud initiatives during the year.

- The **Cradle Investment programme (CIP)** by the Ministry of Finance (MOF) and Cradle Fund Sdn. Bhd. (Cradle) provides technology development and commercialisation grant funding to early stage start-ups with commercially viable technology innovation and businesses. The CIP, which consists of CIP Catalyst and CIP500 has been allocated an approximate RM10.4 million with the target funding of up to 32 potential innovations and start-ups this year.
- The Ministry of International Trade and Industry (MITI) through SME Corporation Malaysia (SME Corp. Malaysia) has allocated RM84.4 million for its **Business Accelerator Programme (BAP)**, to develop and nurture dynamic, competitive and resilient SMEs through a structured manner. The programme begins with the evaluation of the applicants through the SME Competitiveness Rating for Enhancement (SCORE) system, and then the required assistance is provided based on the evaluation, be it capacity building, advisory, technical support, market access, linkage or financial support. For microenterprises, a similar programme called the **Enrichment and Enhancement Programme (E²)** has been given an allocation of RM62.6 million. Both programmes intend to benefit some 200 SMEs and 100 microenterprises respectively.
- The **Halal Business Transformation** programme will continue to assist local firms in enhancing their growth performance by focusing on the following areas: Halal premium, Halal compliance, Halal best

practises and Halal business mentoring. Implemented by MITI in collaboration with the Halal Industry Development Corporation (HDC), the programme is expected to assist about 800 companies in becoming Halal compliant. The programme has also set the target for at least 50% of the participating companies to obtain the Halal certification during the year.

- In order to accelerate the enhancement of design and engineering capabilities within the automotive industry, MITI through the Malaysian Automotive Institute (MAI) is set to establish two **Digital Engineering and Prototyping Centres** this year utilising RM2.6 million allocation

with the aim of increasing the designing skills of 100 participants. Furthermore, MITI and MAI are also implementing the **Automotive Supplier Excellence Programme (ASEP)** with the objective to elevate the local automotive suppliers to world class level by provision of technical assistance and consultancy. A total of RM1 million has been allocated for the programme which is expected to draw participation from a total of 66 companies.

- The Ministry of Energy, Green Technology and Water (MEGTW) through the Malaysian Green Technology Corporation is implementing the **MyHIJAU Industry & SME programme** which is aimed at providing coaching programmes for green SMEs. The programme is also focused on producing more local companies and green SMEs in the industry, as well as creating more local products and services with green label certifications. With an allocation of RM500,000, the programme is expected to draw participation from 40 companies with 10 of them targeted to obtain the green certification.
- The Ministry of Plantation Industries and Commodities (MPIC) meanwhile has allocated RM15 million for the **Bumiputera Vendor Development Programme** to increase the productivity and efficiency of Bumiputera SMEs in the manufacturing of timber-based products. Implemented by the Malaysian Timber Industry Board, the programme has set its sights on improving the SCORE ratings and annual sales of 20 participating SMEs.

Human Capital Development

Human capital is the driving force behind every business, which is explains the focus given by the Malaysian Government in making it a priority to address the workforce limitations faced by Malaysian SMEs through a number of programmes. While finding qualified and skilled staff is a problem many SMEs faced, there is also a need to improve the knowledge and capacity of entrepreneurs themselves as many lack the vision and foresight to propel their businesses to the next stage. In view of this, the programmes under this focus area are targeted for both SME entrepreneurs and their employees. As the programmes are mainly training oriented, they are designed to equip entrepreneurs and their workforce with the knowledge, skills and qualifications to boost productivity, increase quality of service, encourage businesses expansion and improve individual capabilities. In total, the Government has

earmarked RM88.2 million in 2014 to implement 35 programmes for 31,540 SMEs. These programmes include:

- The Ministry of Human Resources (MOHR) has allocated RM14.5 million for its **HR Capabilities Building Programme for SMEs**, which is being implemented by Pembangunan Sumber Manusia Berhad (PSMB). Under this programme, 1,500 up-skilling



While finding qualified and skilled staff is a problem many SMEs faced, there is also a need to improve the knowledge and capacity of entrepreneurs themselves as many lack the vision and foresight to propel their business to the next stage

programmes and 8,500 human resource related programmes for SMEs registered under PSMB have been planned with the target to utilise 70% of the training levy. Under the **Skill Upgrading Programme**, MOHR and PSMB have allocated RM5 million to enhance the capabilities of SME employees in the technical and managerial areas such as finance, quality management and business management. About 2,500 employees are expected to be trained under this programme. MOHR will also continue to run its **National Dual Training System (NDTS)** programme implemented by the Skills Development Department. Under NDTS, there are two types of training sessions which are meant for school dropouts as well as existing and new employees of SMEs. With an allocation of RM19 million, 2,560 apprentices are targeted to be

certified under the former session, while 800 employees are expected to be certified under the latter.

- The **SME@University Programme** implemented by MITI through SME Corp. Malaysia provides a structured learning opportunity for CEOs of SMEs based on the training model of the Japan SME University. This programme helps them develop capable human capital that will drive diverse management innovation and creativity in developing business acumen among new and existing entrepreneurs. With an allocation of RM800,000, the programme is targeted to assist 160 entrepreneurs in 2014 with 55% of them expected to have enhanced their skills and capabilities by the end of the programme. In addition, MITI through MAI is offering the **Industrial Lead Professional Certificate** to transform students graduating from existing training institutions into skilled automotive workforce. This will allow the industry to increase automation and multi-skilling. About 3,000 skilled workers and 700 engineers are expected to be certified this year with 100% of the participants targeted to increase their technical skills. A total of RM4 million has been dedicated for this programme.
- Another RM4 million has been allocated under the **Coach & Grow Programme** to carry out coaching and training sessions designed to provide entrepreneurs with the tools and know-how to implement strategies and plans during the commercialisation and growth stages. MOF through Cradle plans to organise 38 sessions this year under the programme with 100 SMEs targeted for participation and development.
- The Ministry of Industrial Development Sarawak (MID Sarawak) has allocated RM1.5 million to run several **Entrepreneurship Development Programmes** in 2014. The programmes will cover selected areas such as food processing and technology, ceramic industry development, *songket* weaving as well as initiatives to explore opportunities in the commercial and industrial sector. These programmes will focus on enhancing technical knowledge and skills of existing, potential and new entrepreneurs through training. Participants will also be provided with information on business opportunities, financial assistance and loans, infrastructure facilities and the latest programmes. During the year, MID Sarawak plans to conduct 10 training sessions involving 470 SMEs, of which 4% of the participants are expected to formally start their business within six months after attending the course.

- Meanwhile, the ***Bengkel Pembangunan Keusahawanan MID 2014*** by the Ministry of Industrial Development Sabah (MID Sabah) aims to train SMEs in Sabah on how to prepare a business plan. The workshop will also provide motivation to participating companies and expose them to the traits of successful SMEs whereby a total of 15 SMEs are expected to attend the workshop.
- ***Program Pembudayaan Keusahawanan***, aimed at secondary school students, students from MARA Educational Institutions (IPMA) including UniKL, GIATMARA, Institut Kemahiran MARA (IKM) and Kolej Kemahiran Tinggi MARA (KKTm), is implemented by Majlis Amanah Rakyat (MARA) under the Ministry of Rural and Regional Development (MRRD). One of its special projects, *Teknoputera*, is an annual event that encourages IPMA graduates to get familiarised with the business world. A sum of RM2 million has been devoted to run this programme for 14,000 graduates with 30% of them targeted to venture into business within three years after graduation. MRRD through MARA will also implement the ***Program Penwujudan Keusahawanan*** with an allocation of RM4 million. The objective of the programme is to produce motivated, innovative and

proactive new entrepreneurs. This is achieved by creating awareness about business opportunities and equipping new entrepreneurs with basic business management knowledge and skills. With a target of producing 2,400 new entrepreneurs, 80% of participants of this programme are expected to venture into business within three years after training. For existing entrepreneurs, RM10 million has been earmarked for ***Program Peningkatan dan Pengukuhan Usahawan*** to provide them with the knowledge, skills, and the latest expertise on how to improve and strengthen their business in order to compete in a liberalised market environment. About 10,000 entrepreneurs are expected to participate in this programme that would increase their sales by 10% after three years of training.



Market Access

While wider market access will provide more business opportunities for SMEs, venturing abroad presents its own set of challenges. SMEs will have to contend with increased competition and non-regulatory tariff barriers. Many of the programmes implemented are aimed at assisting SMEs not just in gaining access to new markets, but also preparing them with the challenges of marketing their products and services to a larger consumer base or clientele, particularly at the global level. These programmes are expected to result in increased sales, broader market penetration, and improved quality of products and services in



line with international standards. About 24,100 SMEs are expected to benefit from 30 programmes. The allocation of RM89.5 million for this focus area includes the following programmes:

- MITI through its Bahagian Pembangunan Usahawan (BPU) will continue to organise the **Showcase Satu Daerah Satu Industri (SDSI)** programme in 2014 with a financial commitment amounting to RM2.5 million. With the aim of increasing the income of rural communities through the production of goods and services identified to each district, the showcase is expected to attract 130,000 visitors and 1,300 seminar participants. About 550 SMEs are targeted to take part and the programme is anticipated to generate RM6 million in cash sales and RM11.5 million in contract sales value. In the meantime, the **Market Development Grant (MDG)** which has an allocation of RM40 million will continue to assist SMEs, service providers, trade and industry associations, as well as chambers of commerce and professional bodies in undertaking export promotional activities. The scheme, which is implemented by MITI through the Malaysian External Trade Development Corporation (MATRADE) has a target of 1,650 potential companies and organisations that will export their products and services. MITI and SME Corp. Malaysia meanwhile will continue to run the **SME Brand Development Programme**, which is aimed at enhancing the visibility of local brands through a broad spectrum of activities including certification of the National Mark of Malaysian Brand. A total of 15 companies are expected to be certified under the initiative.
 - The Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) will implement the **Promotion Programme** comprising seven *Produk Malaysia Citarasa Kita* (PMCK) programmes and business matching programme in 2014. The PCMK programmes will assist SMEs in getting their products listed in the foreign and local hypermarkets throughout the country.
- With 200 SMEs anticipated to participate in this project this year, about 50 local products are expected to be listed in hypermarkets, both local and foreign, throughout Malaysia. On the other hand, about 400 SMEs are expected to participate in the four business matching sessions planned for 2014 with the aim of having 40 products by SMEs listed in local and foreign hypermarkets. The Ministry will also continue to implement its **Franchise Development Programme** to develop and promote franchise businesses for Bumiputera and youths. With an allocation of RM4.5 million, the programme is expected to generate a GNI contribution of RM24.8 million and potential investment valued at RM300 million. The programme has targeted for at least two Malaysian franchise brands to penetrate foreign markets while 20 new franchisors will be developed during the year.
- The Ministry of Agriculture and Agro-based Industry (MOA) through the Muda Agricultural Development Authority (MADA) will implement the **Certification and Accreditation** programme this year. These include existing and new Halal certifications, MeSTI certification, GMP certification, and MyGAP certification which are expected to lead to 20% increase in sales for SMEs that undergo these programmes. In addition, MOA through the Federal Agricultural Marketing Authority (FAMA), is implementing the **Penyediaan Ruang Pemasaran & Khidmat Bimbingan kepada Usahawan Mikro IAT** programme which is expected to attract the participation of 35 entrepreneurs and generate RM16 million in direct sales.
 - With an allocation of RM15 million, the Malaysian Handicraft Development Corporation under the Ministry of Tourism and Culture Malaysia (MOTAC) will again organise the **Promotion and Marketing Programme** to increase craft sales in the domestic and international markets involving 4,470 handicraft producers. The target is to reach RM430 million in sales and a 10% increase in annual sales.

Expanding the Market for Agricultural Products

Malaysia may no longer be an agrarian-based economy but the agriculture sector continues to play an important role in the country's economic development. Towards transforming the economy into a high income nation, agriculture is one of 12 identified National Key Economic Areas (NKEAs) with potential to generate high income. In the outskirts of the cities and rural reaches of the country, agriculture is the mainstay for many local communities. The challenge is to improve the livelihood and standard of living of these communities by enhancing income opportunities. One of the means is through better market access for their agricultural products.

Through a wide variety of programmes, the Federal Agricultural Marketing Authority (FAMA) has been spearheading efforts to improve the marketing of agricultural products while encouraging agricultural entrepreneurship. These programmes are designed for the benefit of all stakeholders in the



farm to fork chain and are targeted at improving incomes, providing better yields and quality produce, as well as ensuring accessibility at an affordable price.

Contract Farming

One of the many programmes implemented by FAMA to achieve its objectives is Contract Farming. This programme was introduced to assist small and medium-scale farmers in marketing their products and receiving income that commensurate with their output and efforts. Through this programme, FAMA intends to increase the income of producers, improve the quality of fruits and vegetables, fulfil market needs as well as improve technology transfer throughout the supply chain. The strategies include increasing productivity in existing areas such as the Food Production Zone and the Permanent Food Production Park. This is achieved through implementation of more activities to upgrade the breed of crops for example 'durian kampung' will be upgraded to durian 'musang king'. These upgrading activities will be carried out on a variety of fruits that have potential in the market.

In addition, the development of anchor companies will be expanded whereby the State Farmers Organisation will assume the role of an anchor, while the District Farmers Organisation will act as the vendor. This will help foster business partnerships that will yield profits for the farmer, anchor, and vendor. To ensure quality and continuity, emphasis is placed on farming during the suitable agro climatic conditions. This programme also takes into account youth development to cultivate the interest of the younger generation in the field of agriculture. The Contract Farming Project was aimed to develop 7,500 hectares of crop area in 2013 with the participation of 4,500 stakeholders. By the end of 2013, this programme had successfully developed a crop



area spanning 7,462 hectares involving 4,157 participants.

As part of its marketing initiatives, FAMA runs a programme to increase the supply from Contract Farming to the market called Program Pengukuhan Bekalan Ladang Kontrak ke Pasaran (KUKUH). This programme is to ensure that agricultural products are sold directly in markets with the aim of offering the products at a price that is reasonable to both consumers and producers. The KUKUH programme was first implemented at the end of 2012 and to date has matched 362 producers with 76 marketers at farmer's markets throughout the country.

In 2013, FAMA has also worked on strengthening the marketing supply chain of SME products particularly those under the Agromas, which is a national brand for agrofood products, an output of entrepreneurs under the advice of FAMA and the FAMA Food Processing Centre. In 2013, 10 stock keeping unit (SKU) products were developed through the FAMA Food Processing Centre. During the year, FAMA also helped to market various brand names by SMEs as well as products from Kedai Rakyat 1Malaysia (KR1M) and controlled items. The total



sales recorded for these products in 2013 was RM47.3 million, exceeding the target set for the year which was RM41 million. This achievement is attributed to various factors including enhancements in distribution channels, improvement of Agromas vendors as well as exploration and expansion of marketing channels at major and local supermarkets.

To further expand the market for Agromas product, FAMA has appointed another 15 distributors for the products throughout the country during the year which include seven distributors in Sarawak; two each in Perak and Selangor; and one each in Kedah/Perlis, Penang, Negeri Sembilan and Kelantan. Furthermore, three new vendors were appointed,

bringing the total number of vendors under the Agromas brand up to 37 entrepreneurs. Among the new products from Agromas included Agromas Flavoured Tea, Agromas Tamarind Drink, Agromas Oat Drink, and Agromas Penang Rojak Gravy.

Development of Marketing Institutions

The development of infrastructure in the supply chain management from farm to final customer is important as it enhances marketing activities for agrofood products. Programmes such as Farmer's Market, Fresh Fruit Stalls (GBBS), *Agro Bazaar Kedai Rakyat* (AKR) and Tricycle (M3R) have been instrumental in assisting and facilitating agricultural and agro industry based producers in marketing their products directly to consumers.

Throughout 2013, more Farmer's Markets were established to increase the outlets for marketing and provide opportunities for entrepreneurs to improve their economic status while providing shopping convenience to consumers. In total, 20 new Farmer's Markets were opened. As such, there are currently 517 Farmer's Markets in the country involving more than 23,500 participants with sales value amounting to RM668 million. Additionally, 26 Fresh Fruit Stalls were set up bringing the total Fresh Fruit Stalls in the country to 416 involving 355 entrepreneurs. The total number of sales recorded increased by 3.9% in 2013 to RM269 million (2012: RM259 million). There were 53 new *Agro Bazaar Kedai Rakyat* (AKRs) created in 2013, bringing the current total to 253, as compared to just 175 in 2012. Meanwhile, the total sales recorded for all AKRs showed an increase of 59% to RM167 million in 2013 (2012: RM105 million).

The Tricycle Programme (M3R) is a component under the Development of *Agro Bazaar Kedai Rakyat* project. Entrepreneurs under this programme serve as marketing agents for FAMA by collecting agricultural and agrofood products from small scale farmers and rural citizens to market through the AKRs, Farmers Markets, Fresh Food Stalls or other small outlets. Tricycle focuses on agricultural entrepreneurs in rural areas, assisting them in marketing their products which are manufactured on a small scale. At the same time, it provides employment opportunities to entrepreneurs under the programme. In 2013, there were 423 entrepreneurs under this programme compared to 313 in 2012 with total sales of RM18 million, and RM11.8 million respectively for 2013 and 2012.

Success Stories of GBBS Entrepreneurs

Juriani Enterprise

The going was tough for Puan Che Juriani Che Soh when she first started selling fruits from her van at night markets in 1999. She had difficulty finding suppliers and could not attract enough customers to her stall due to lack of knowledge and guidance. However, Puan Che Juriani persisted in her efforts and today; the table has turned in her favour. Through FAMA's Fresh Fruit Stalls (GBBS) programme, Puan Che Juriani now operates her business from a large and attractive stall resulting in a 50% increase in sales.



She first participated in FAMA's GBBS programme in 2006 and has received assistance in the form of racks, tents, and posters to set up and decorate her stalls. In addition, Puan Che Juriani also attended various courses organised by FAMA to further enhance her knowledge and skills. She has also had the opportunity to promote her products through programmes such as Malaysia Agriculture, Horticulture & Agrotourism (MAHA) and Farmers Livestock Producers and Fishermen's Day (HPPNK) as well as through the media. With FAMA's assistance, Puan Che Juriani's business has grown from a small single stall to become the biggest and most eye-catching in her area. Furthermore, her operation has now expanded with the addition of two more stalls. On a personal level, her entrepreneurial success has enabled her to purchase a home and two additional vehicles.



Sweet Fruit Aman Puri

When an acquaintance from FAMA suggested that he joined the GBBS programme ten years ago, Encik Amran Mohd Jidin officially registered his business under the name Sweet Fruit Aman Puri. His operation, which he started with his employment income, originated as a small stall selling fresh fruits.

Once he joined GBBS, his business began progressing gradually. While FAMA provided material assistance such as tents, racks, and bins, Encik Amran also participated in courses under the programme to improve his business acumen. Today his



fruits are sold in five kiosks throughout the Klang Valley. Most of his customers are tourists because his kiosks are located near hotels. From a one-man operation he currently has 15 employees working under him. Now Encik Amran hopes to open a grocery store and plans to seek FAMA's assistance and advice on how to proceed. For entrepreneurs who wish to follow in his footsteps, Encik Amran advises them to be ready to weather the many challenges of running a business. He also believes that entrepreneurs should subscribe to the old adage that customers are always right.



Sinar Radi Enterprise

In 2006, Encik Radi Husni made a visit to the FAMA office in Bidor, Perak to find out about their programmes. Once he learnt about the GBBS programme, he set out in search of a suitable location for his business which he named Sinar Radi Enterprise. Encik Radi considers it his good fortune to live in an area that is known for its bounty of fresh fruits. He started out selling ten types of fruits but there is even more variety nowadays, he says.



Nevertheless, Encik Radi also gets his fruit supply from other states and this is where FAMA's assistance comes in. The agency helps broker deals with out-of-state suppliers and provides a cheaper means of transporting the fruits. In addition, FAMA also offers assistance in the form of materials and equipment to set up his business. What he finds most invaluable though is the advice given especially in terms of marketing. His own word of wisdom to other entrepreneurs in this business is to make sure that they find good and reliable suppliers. Based on his observations, many fruit sellers land in hot soup because they suddenly run out of stock or receive damaged goods from their supplier. His advise is "Get to know your suppliers and make a proper deal with them," he says.

Infrastructure

Having proper infrastructure in place will enable a business to function efficiently by providing easy access to the required amenities and support. With a total allocation of RM208.8 million, the Government is implementing 14 programmes to meet the infrastructural needs of SMEs which are targeted to assist more than 220 SMEs. The programmes include:

- MID Sabah has allocated RM4 million to the Sabah Economic Development Corporation (SEDCO) to build **shophouses** for entrepreneurs to operate and start businesses which are expected to benefit 22 SMEs.
- Biovalley Park, an **Incubator Development** project by MID Sarawak supports the development of new products and processes of bio-based products. It does this by providing pilot plant facilities to assist industries in producing phytochemical extracts and inoculums at the pilot scale. The project is expected to commence operation in 2017, and targets to produce 5 IPs in the first 5 years of operation. For 2014, RM40 million has been allocated for this project to construct the building and install the lab equipment. At Biovalley Park, SMEs will also have access to high quality testing and development facilities in the form of product analysis, enhancement, and quality assurance. In addition to providing the infrastructure and facilities for incubators, Biovalley Park also executes contract research and training for the industry and research agencies.
- Through its **Provision and Strengthen Retail Network of Farmers' Markets (*Pasar Tani*) and Fresh Fruit Stalls (GBBS)** programmes, FAMA under MOA will provide a variety of retail outlets for farmers and small producers to market their products directly. Allocated with RM1.5 million



financial commitment, this initiative is expected to set up 100 locations for farmers' markets, establish 100 new fruit stalls as well as 60 *pasar tani* to generate RM1 million in total sales and RM1,000 monthly average income for participating entrepreneurs.

- With an allocation of RM10.2 million, MOF through Perbadanan Kemajuan Ekonomi Negeri (PKEN) will fund the **Development of Business Premises** in several states. Its workshop premises for automotive services entrepreneurs in Durian Tunggal, Melaka and business premises for Bumiputera entrepreneurs in Kota Sarang Semut, Kedah is expected to be fully rented by year 2015. Two more business premises will also be constructed in Sabah which are located in Pulau Banggi and Beluran respectively.
- **PROSPER Property** purchases retail premises at strategic locations will increase Bumiputera ownership of commercial properties. The project is implemented by *Perbadanan Usahawan Nasional Berhad* (PUNB) and has received RM60 million to purchase 27 premises, of which 90% are expected to be rented.



Chapter

6

Access to Financing



Access to Financing

Access to finance is important for the growth of SMEs. Taking cognisance of this, the Government has endeavoured to continue to diversify the financing options to suit the needs of SMEs along the various stages of development. These initiatives also take into account the particular challenges of underserved segments such as microenterprises and rural entrepreneurs. In addition, efforts have been made not just to address the financial needs of new growth areas but also to engage with relevant stakeholders to create awareness and collaboratively explore the implementation of programmes that can support the growth and progress of SMEs in this space to facilitate the transformation of the economy.

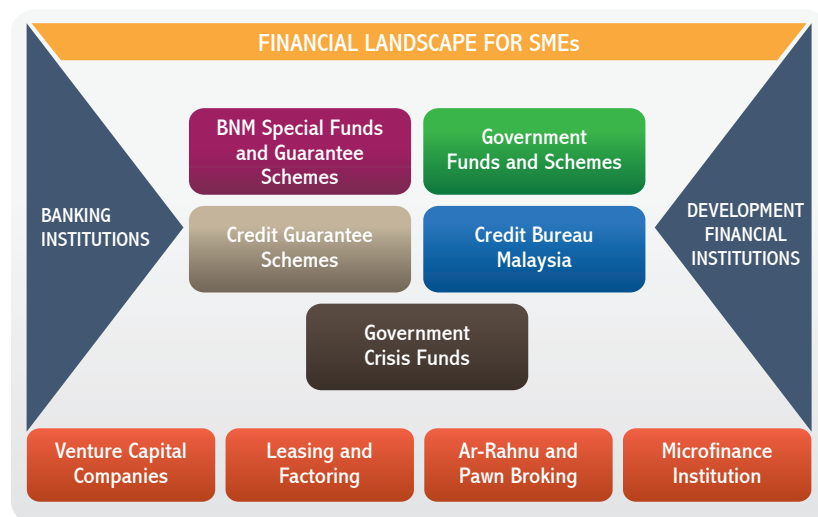


Access to financing is one of the important performance levers or focus areas under the SME Masterplan. Malaysia has achieved substantial improvement in bank financing as evident from the high loan approval rate for SMEs which has been over 80% in recent years. Nevertheless, there are areas for improvement to support the underserved segments as well as to develop the non-banking avenues to support the diverse financing needs of SMEs. Hence going forward, emphasis will be to strengthen the venture capital industry, angel financing, factoring and leasing in which the potential remain untapped. Furthermore, emerging sources of financing such as crowd funding would also be explored. This is particularly important to support start-ups and innovative firms whereby banks are not structured to support their financing needs. In this context, the Government will assume the supportive and catalytic role to ensure the establishment of a conducive regulatory framework to promote the new financing mechanism.

Diversified Financial Landscape for SMEs

In Malaysia, SMEs in need of financial assistance have access to a wide range of sources. One of the primary sources of financing is financial institutions (FIs), which include banking institutions (BIs) and development financial institutions (DFIs). In addition, there are special funds and schemes provided by the Government and Bank Negara Malaysia (BNM). SMEs can also explore financing opportunities from venture capital companies, as

Chart 6.1: Financial Landscape for SMEs



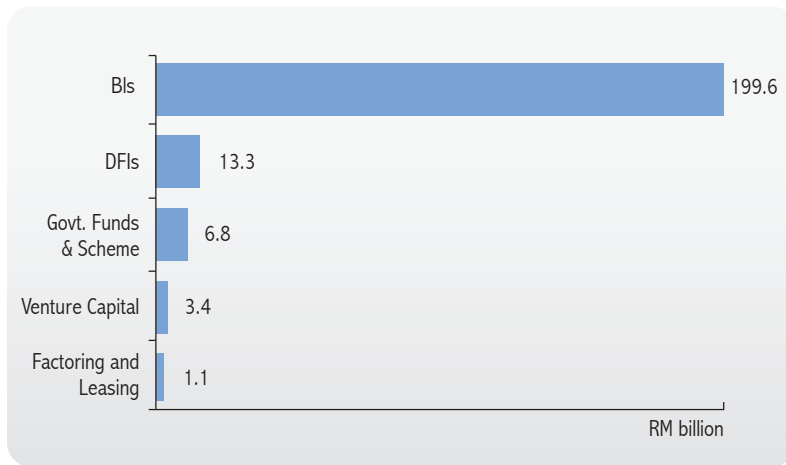
well as factoring and leasing companies. In 2013, total financing outstanding to SMEs from both private and public sectors amounted to RM222.7 billion, of which 95% of the total financing emanated from FIs.

Banking Institutions and Development Financial Institutions

FIs continued to record strong growth in SME financing in 2013. SME financing grew by 12.7% from RM187.6 billion as at end-2012 to RM211.4 billion as at December 2013 involving 693,115 SME accounts. Share of SME financing from total business financing had increased to 42.1% in 2013 from 40.3% in 2012. The approval rate remained high at 81.8% albeit marginally lower than 83.2% recorded in 2012. Total financing approved in 2013 was RM78.5 billion involving 140,815 SMEs. The services sector accounted for the largest share of total financing at 59.2% or RM125.2 billion, followed by manufacturing sector at 18.4% or RM38.8 billion, and construction sector at 10.9% or RM23 billion. As at end-June 2014, financing outstanding increased by 10.9% further to RM224.1 billion.

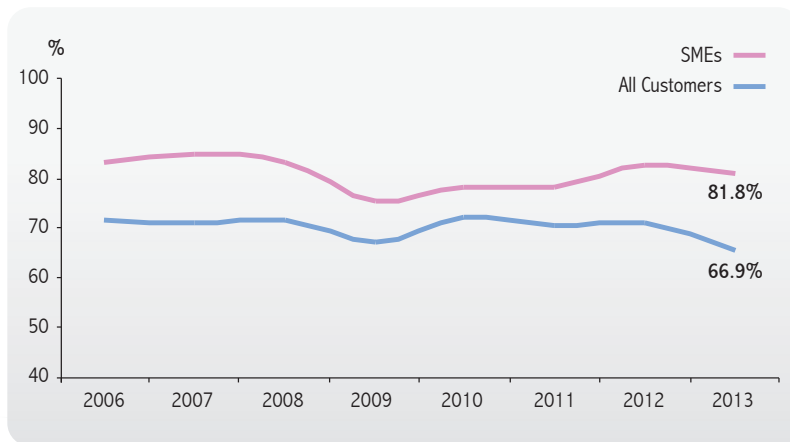


Chart 6.2: Financing Outstanding as at end-December 2013



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

Chart 6.3: Financial Approval Rate (%)



Source: Bank Negara Malaysia

Credit Guarantee Schemes

In an effort to help SMEs without collaterals and track record to access financing from the financial institutions, the Government provides various credit guarantee schemes to support their financing needs.

Credit Guarantee Corporation Malaysia Berhad

As a leading credit guarantee provider, the Credit Guarantee Corporation Malaysia Berhad (CGC) has been successfully bridging the gap between FIs and SMEs by providing guarantee cover on their loans since 1972. To date, CGC has assisted about 422,585 SMEs with RM52.9 billion of financing.

In 2013, SMEs continued to benefit from the guarantee schemes offered by CGC. During the year, CGC availed RM1.5 billion of financing benefiting about 2,300 SMEs mainly in the general businesses, manufacturing, and agricultural sectors. This was achieved through its strategic partnerships with participating financial institutions. In collaboration with a participating Islamic financial institution, CGC launched its first Islamic Portfolio Guarantee Scheme (Islamic PG) to enable SMEs to gain faster access to a shariah-compliant financing facility that offers loans ranging from RM100,000 to RM800,000 with financing tenure of between 36 to 84 months. Under this scheme, CGC provides faster turnaround time for approval of guarantees, while disbursement of loans is facilitated through a set of pre-determined eligibility

criteria as well as simplified application procedures and documentation.

In line with the national Bumiputera development agenda, CGC offers greater financing solutions for Bumiputera SMEs including shariah-compliant schemes. For this purpose, special schemes such as the Enhancer Bumi and Enhancer Bumi-i were introduced that offer higher guarantee cover of up to 90% of financing and at competitive guarantee fees. In addition, CGC also formed a strategic alliance with a leading local bank to implement the Portfolio Guarantee scheme, which offers not only wider financial access and options, but also higher amounts of financing through higher guarantee cover and lower cost of borrowing for Bumiputera SMEs in all sectors. Under its Bumiputera Entrepreneur Project Fund (*Tabung Project Usahawan Bumiputera-TPUB-i*), CGC provided RM123.8 million of financing to 161 Bumiputera SMEs in 2013. Cumulatively, CGC has guaranteed a total of RM517.4 million worth of financing under TPUB-i, which has benefited more than 700 Bumiputera entrepreneurs since 2009.

As mandated by the Government, CGC also actively manages and implements Government-funded

schemes that are targeted at specific sectors such as the Green Technology Financing Scheme (GTFS) and the Intellectual Property & Innovation financing scheme introduced in 2010 and 2013 respectively. CGC has reaffirmed its commitment to ensuring the successful implementation of these schemes in particular the GTFS. As one of the two implementation agencies mandated to manage RM3.5 billion of GTFS funds established by the Government, CGC has approved a total of 131 applications worth RM1.7 billion. More efforts will be made to enhance the awareness of the scheme and utilisation of funds as it still has a balance of RM1.8 billion as at August 2014.

In 2014, CGC continued to enhance its SME outreach via the introduction of innovative financing solutions and alternative channels to enable viable SMEs in all segments to gain access to financing from FIs. In this regard, CGC has also intensified efforts to assist SMEs to improve on their credibility and bankability via the Credit Bureau Malaysia, not only for better access to financing but also to put them in a better position to negotiate for favourable financing terms. Ultimately, CGC aims to inculcate sound credit culture amongst SMEs in the country.

Going forward, CGC will be focusing on the underserved segment amongst all SMEs, such as start-up businesses in terms of enhancing access to financing. These start-up businesses are mainly categorised as microenterprises, which comprise 77% of SMEs. The growth potential of these SMEs is currently hampered by limited access to financing due to lack of track record which makes it difficult to ascertain their business viability. In May 2014, CGC introduced a shariah-compliant direct financing scheme, the 'BizMula-i', which will disburse a total of RM30 million worth of financing to microenterprises. This scheme will be implemented through CGC's network of 16 branches nationwide. Its ultimate aim is to encourage FIs to serve this underserved segment.

To assist with the rising cost of doing business which is a major concern amongst SMEs, CGC has resolved to review its existing fee structure with a view of 'lowering' the guarantee fees for its borrowers. As part of this initiative, CGC had introduced a rebate mechanism on its guarantee fees to ease the cost of borrowing for SMEs with good payment track record in January 2014. To fulfil this purpose, CGC had allocated RM1.7 million that is expected to benefit about 1,800 valued customers. It will also continue to price all its products based on Risk-Adjusted-Pricing, which enables low risk borrowers to enjoy lower guarantee fees and vice versa.



Microfinance

Skim Pembiayaan Mikro has been supporting the financing needs of microenterprises since 2006. Under this scheme, microenterprises can obtain financing in an easy, fast and convenient manner without any collateral requirement. Since its inception, more than 151,000 applications by microenterprises accounts were approved via 10 participating FIs under the Scheme, with total financing approved amounting to RM2.4 billion. As at end of 2013, total financing outstanding stood at RM857 million and increased marginally to RM857.2 million as at end-June 2014. The amount approved has further increased to RM2.6 billion, benefiting more than 160,000 micro entrepreneurs at end-June 2014.

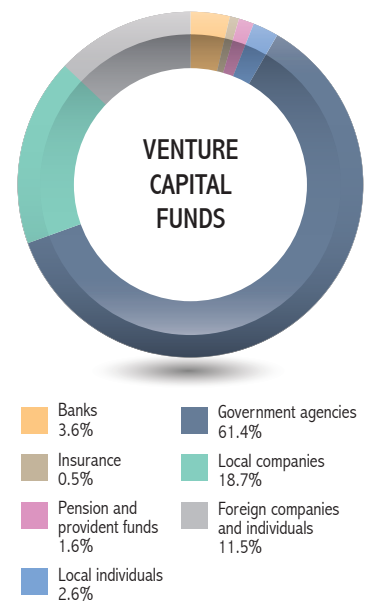
Venture Capital

The number of registered venture capital corporations (VCCs) and venture capital management corporations (VCMCs) stood at 61 and 58 respectively as at end of 31 December 2013, which is an increase from 2012. Four VCCs and five VCMCs were added to the list. Due to closure of funds and changes in company direction, two VCCs were deregistered. Out of the 119 registered VCCs and VCMCs, 99 are locally-owned, 15 are joint ventures, while five others are foreign-owned. The number of venture capital professionals employed in the industry with at least four years of experience stood at 103 as at end-2013.

Total funds committed in 2013 stood at RM5.8 billion which represented an increase of approximately 1.7% year-on-year. Total venture capital investments increased by 24.3% to RM3.4 billion from RM2.8 billion in 2012. Investments stood at RM264 million in 2013 as compared to RM230 million in 2012 representing an increase of 14.8% year-on-year. A total of 56 investee companies received venture capital funding as compared to 47 investee companies. As for divestments, there was an increase of 22.1% from RM235 million in 2012 to RM287 million in 2013. A total of 33 investee companies were divested in 2013 as compared to 52 companies in 2012. Divestments were mainly through share redemptions and trade sale.

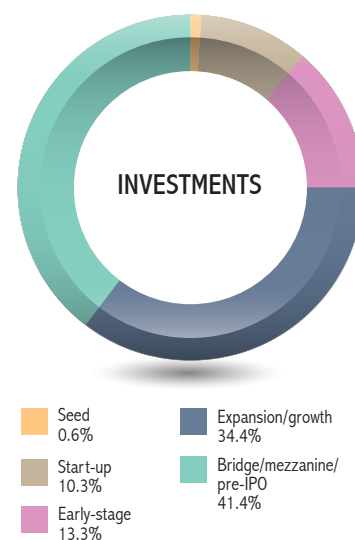
The Government remained as the main funder to the venture capital industry with the contribution totalling 61.4% of total committed funds, equivalent to approximately RM3.6 billion. Local companies contributed 18.7%, while

Chart 6.4: Sources of Venture Capital Funds



Source: Securities Commission Malaysia

Chart 6.5: Investments by Stage of Business Cycle



Source: Securities Commission Malaysia

foreign companies and individuals contributed another 11.5%. In terms of contribution to total sources of funds in the industry, the contribution from banks, insurance companies, pension and provident funds, and local individuals reduced from 12% to 8.4% collectively.

Investee companies at the early stage up to pre-IPO stage receive the bulk of the funding from venture capital funds in 2013 where in total 43 investee companies received funding amounting to RM235 million representing 89.1% of total investments. Meanwhile, investments into seed and start-up stages collectively stood at 10.9% of total investments.

These were channelled into 13 investee companies compared to 2012 where 5.6% of total investments were made into five investee companies. Investments in investee companies at the seed and start-up stages were mainly undertaken by the Government venture capitals and also selected VCCs/VCMCs. In terms of sector classification, there was an increase of 15.1% in the investments made in IT and communications as compared to 2012. It was also observed that 36.5% of total investments were made in sectors such as electricity and power generation, education, transportation and storage, as well as construction sectors. In contrast, investments in the manufacturing and life sciences sector declined in 2013.

Government Funds and Schemes in 2013

Thus far, close to 2.5 million SMEs have benefited from various Government funds and schemes which were made available through the various channels namely financial institutions as well as Ministries and Government agencies. In an effort to promote efficiency and reduce duplication, the Government through the Economic Planning Unit (EPU) undertook streamlining of Government funds in 2009. As a result, from a total of 114 funds available in 2008, 79 funds were rationalised to 33 schemes. As at end-2013, a total of 65 funds were still active which accounted for a sum of RM57.2 billion approvals, with the balance estimated at RM8.4 billion.

Table 6.1: Performance of Government Funds and Schemes as at end-December 2013

Type of Funds	No. of Funds	Allocations	Applications Approved		Disbursements	Outstanding
		RM Billion	No.	RM Billion	RM Billion	RM Billion
Soft Loans	35	26.4	2,383,177	52.7	44.6	14.6
Grants	14	3.4	75,669	3.3	2.8	0.2
Guarantee Schemes	2	1.0	5,842	0.3	0	0.01
Equity	2	0.2	80	0.1	0.01	0.02
VC	12	1.3	115	0.9	0.7	0.02
Total	65	32.3	2,464,883	57.2	48.1	14.8

Source: SME Corporation Malaysia



Among the funds implemented were:

- The **Transformasi Kedai Runcit (TUKAR)** programme undertaken by the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) to modernise traditional sundry shops so that they can improve their competitiveness in the retail industry. With a financial commitment of RM70.5 million, a total of 522 participating companies have seen an average increase of 30% in sales after undergoing the programme for three months. Similarly, to modernise and transform the automotive service and repair workshops so that they can improve their competitiveness, MDTCC implemented the **Automotive Workshop Modernisation (ATOM)** programme. A total of RM47.6 million has been spent under this programme, which resulted in a 22% average increase in sales benefiting a total of 203 participants after one year. During the year, MDTCC also implemented the **PNS Franchise Financing Scheme** in collaboration with Perbadanan Nasional Berhad (PNS) with the objective to develop and promote Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses through financial assistance for purposes of business expansion and new start-up of franchise companies. This programme with a financial expenditure of RM27.7 million resulted in the creation of 739 new jobs. Additionally, 14 new franchisors and franchisees managed to obtain financial assistance for their businesses through the **PNS Pre-Franchise/ Franchisor Financing Scheme**. With an allocation of RM6.9 million, the scheme had created 107 new jobs.
- The **Skim Pembiayaan Kontrak Ekspres (SPIKE)** implemented by the Ministry of Rural and Regional Development (MRRD) through Majlis Amanah Rakyat (MARA). With a financial commitment of RM692 million, the fund aimed to provide project financing for contractors. A total of 8,926 contractors have benefited from this scheme with 100% consistently servicing their loans.
- The **Soft Loan Scheme for Small and Medium Enterprises (SLSME)** implemented by SME Corp. Malaysia (under the Ministry of International Trade and Industry) through the Malaysian Industrial Development Finance Berhad (MIDF) to promote the development of SMEs in the manufacturing and services sectors. In 2013, MIDF approved 215 applications totalling RM241 million under this scheme to finance existing and new start-up enterprises in project, fixed asset and working capital financing. Additionally, MIDF had also approved applications for financing totalling RM295 million under the **Soft Loan Scheme for Automation and Modernisation (SLSAM)** to assist manufacturing companies to automate and modernise their processes. A total of 38 SMEs had benefited from this scheme. Meanwhile, under the **Soft Loan Scheme for Services Sector (SLSSS)**, MIDF approved RM44 million to 25 service providers to expand, upgrade, modernise or diversify their services into higher value-added activities as well as improve productivity and efficiency in service delivery.
- The **TEKUN Financing** scheme by the Ministry of Agriculture and Agro-based Industry (MOA) through TEKUN Nasional to provide simple and quick financing facilities to Bumiputeras in order to kick start and further expand their businesses. Participants were also provided with entrepreneurship information and business

opportunities. In 2013, TEKUN has provided a total of RM535 million of financing to 41,679 entrepreneurs throughout the country. MOA also implemented a soft loan scheme known as *Dana Nelayan dan Usahawan Perikanan* with financial allocation amounting to RM5.3 million to improve the standard of living of fishermen. Implemented by Lembaga Kemajuan Ikan Malaysia (LKIM), this scheme has benefited 232 fishermen and enabled 40 fishermen to achieve minimum monthly income of RM3,000.

- The **Raw Material Procurement Programme for Bumiputera SMEs** implemented by the Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Timber Industry Board (MTIB). The programme provided financing amounting to RM4.8 million in financial commitment to Bumiputera entrepreneurs in the supply of timber raw materials as well as to ensure the quality and availability of

the raw materials. The programme also helped to improve trade relations between Bumiputera operators and suppliers of raw materials. Through this programme, a total of RM20.8 million sales contract value has been generated benefiting 26 SMEs.

- The **Bumiputera Enterprise Enhancement Programme (BEEP)** undertaken by MITI via SME Corp. Malaysia to develop potential Bumiputera SMEs in all states. With a financial commitment of RM29.9 million, the programme provided selected Bumiputera SMEs with comprehensive assistance package which comprised financial assistance and advisory services. A total of 231 SMEs have been approved for financing under the scheme and 95% of the participating SMEs are still in operation after two years.

Table 6.2: Status of BNM Special Funds* as at end-2013

Type of Fund / Scheme	Allocations	Approvals	Disbursements	Loans Outstandings	Utilisation Rate**
	RM Million				%
Fund For Food	300.0	2,002.1	1,860.2	186.1	99.3
New Entrepreneurs Fund 2	2,550.0	4,509.7	4,130.0	770.5	45.1
Fund for Small and Medium Industries 2	6,300.0	17,064.5	16,008.6	4,038.6	80.8
Micro Enterprise Fund	200.0	293.8	284.0	168.5	89.2
Bumiputera Entrepreneurs Project Fund – Islamic	300.0	418.0	230.2	44.4	77.4
Total	9,650.0	24,288.1	22,513.0	5,208.1	72.5

* All funds are revolving except Bumiputera Entrepreneurs Project Fund – Islamic

** Utilisation Rate = $\frac{(\text{Allocation} - \text{Fund Available})}{\text{Allocation}} \times 100$

Source: Bank Negara Malaysia



BNM Special Funds

Eligible SMEs continue to access financing at below market rate under the five BNM special funds:

- Fund for Food;
- New Entrepreneurs Fund 2;
- Fund for Small and Medium Industries 2;
- Micro Enterprise Fund; and
- Bumiputera Entrepreneurs Project Fund – Islamic.

These funds initially have a total allocation of RM11.4 billion with lending rates ranging from 3.75% to 6%. Due to the revolving nature of the funds, a total of RM24.3 billion was approved to almost 59,000 SMEs as at end-2013. In 2013, a total of 4,410 SMEs had benefited from approved financing amounting to RM1.7 billion. In the first half of 2014, another 1,535 SME accounts have been approved amounting RM635.4 million.

Small Debt Resolution Scheme

The Small Debt Resolution Scheme (SDRS) continues to provide assistance to distressed SMEs with viable businesses since 2003. The scheme facilitates rehabilitation of problematic financing through

restructuring or rescheduling of existing financial facilities, and where appropriate, new financing will be provided to improve business cash flow and provide SMEs with sufficient time for their businesses to recover. Since its inception, SDRS has facilitated the rehabilitation of 894 loan accounts amounting to RM976 million, which were approved for either rescheduling or restructuring. There were 55 applications approved amounting RM107 million in 2013. In the first half of 2014, another 19 applications amounting RM50.1 million were approved.

Internally, FIs are also proactively identifying and supporting SMEs with early signs of financial distress as evidenced by the number of loan restructuring and rescheduling. In 2013, FIs have assisted 804 SMEs involving financing amounting to RM0.8 billion. Under the SDRS, about 50% cases assisted were successful with the SMEs managing to turn around their business and remain viable.

Reaching Out to Local Communities

Outreach programmes have been intensified to continuously educate SMEs, especially microenterprises on the availability of financing sources, assistance, and qualifying requirements. As at end-2013, BNM had participated in more than 300 events and distributed about 1.4 million flyers, brochures and booklets to more than 190,000 SMEs nationwide. BNM has also continued to reach out to rural communities nationwide by leveraging on its MobileLINK services as part of its financial inclusion initiative to provide financial education to these communities.

Since 2011, the MobileLINK coach and counter services have benefited about 28,000 individuals from rural communities in 112 *mukims* in 78 districts nationwide. Services provided include advisory on banking, insurance and takaful, and SME financing related matters. The take-up rate for financial services during events organised by MobileLINK is encouraging with total transaction value amounting to RM9.8 million.

MobileLINK also serves as a platform to enhance the knowledge and capacity of rural communities to use financial services responsibly by educating them about basic financial products, financial management, availability of funds for SMEs, and financial scams. In addition,

MobileLINK creates awareness among rural communities on managing household debts through utilisation of credit reports. As of December 2013, 90% of 4,398 individuals from rural communities retrieved their credit reports during the MobileLINK events. FIs such as DFIs and *Agensi Kaunseling dan Pengurusan Kredit (AKPK)* also provide credit counseling services and basic financial services to rural communities.

Innovative Channels to Deliver Financial Services to Customers

Significant development efforts were undertaken during the year to enhance access to financial services through various delivery channels such as agent banking and mobile banking for the underserved segment. Despite being in existence for just over a year, Agent Banking which aims to enforce the delivery of financial services in a safe, professional, and secure environment has produced significant results. All districts and parliamentary areas now have access to basic banking services. As of June 2014, total sub-districts served have increased to 93.9%, exceeding the target of 90% by end of 2014. This indicates the receptiveness of the public towards the agent banking initiative.

Meanwhile for the FIs, the lower set-up cost provides substantial cost savings as opposed to establishing a bank branch. At the same time, agents benefit from an increased flow to their business premises while customers can conduct banking services conveniently in a familiar environment. The efforts have led to the rise in number of deposit accounts from 30,735 in 2012 to 32,846 for every 10,000 adults in 2013. It has also led to an increase in financing accounts from 8,337 in 2012 to 8,673 for every 10,000 adults as at end-2013. The basic banking services provided by agent banks are:

- Accepting deposits;
- Facilitating withdrawal of funds by customers;
- Facilitating fund transfers;
- Receiving loan/financing payment; and
- Facilitating bill payment by customers.





Financial Advisory Services

SMEs can obtain financial advisory and information regarding programmes and schemes offered by both the Government and private sector via various channels. These include BNM *Laman Informasi Nasihat dan Khidmat* (BNMLINK), the One Referral Centre at SME Corporation Malaysia, Association of Banks Malaysia (ABM), Ministries and agencies channelling funds, as well as commercial banks and DFIs.

For advisory:

BNMLINK

Tel: 1300 88 5465

Fax: 03-2147 1515

email: bnmtelelink@bnm.gov.my

For information:

bankinginfo.portal

www.bankinginfo.my

Meanwhile, SMEs can also approach the One-Referral Centre at the SME Corporation Malaysia headquarters and its state offices nationwide for advisory and assistance.

For advisory:

One-Referral Centre

SME Corporation Malaysia

Tel: 1300 30 6000 (Toll-free line)

Fax: 03-2775 6001

Email: info@smecorp.gov.my

For information:

www.smecorp.gov.my

www.smeinfo.com.my

CGC provides comprehensive customer support services to address all inquiries and help its customers to understand the wide range of products and services being offered and the processes better. Further to that, CGC's role has been expanded to include advisory services on improving credit track record and bankability for its existing customers.

For advisory:

Client Service Centre

Tel: 03-7880 0088

Fax: 03-7803 0077

Email: csc@cgc.com.my

For information:

www.cgc.com.my



SME Financing in 2014

In 2014, a total RM6.3 billion has been earmarked for 29 programmes that are targeted to offer financial support to 420,759 SMEs across all sectors and strategic areas. These programmes include:

- The **Agrobank Financing Scheme** which is under the purview of MOA. The programme has allocated a sum of RM2.5 billion, which will be distributed through the following schemes: *Paddy-I*; *Skim Kredit Pengeluaran Makanan*; *Perusahaan Kecil dan Sederhana* (IKS/PKS); and *Skim Masyarakat Perdagangan dan Perindustrian Bumiputera* (MPPB).
- The **Special Tourism Fund** by the Ministry of Finance (MOF) in collaboration with SME Bank. With a target for financing approval of RM150 million, the fund is expected to assist 70 entrepreneurs in the services sector in conjunction with the Visit Malaysia Year 2014.

Meanwhile, MOF and the Malaysian Technology Development Corporation (MTDC) will continue to implement the Business Start-Up Fund to encourage entrepreneurship and creation of new strategic businesses that are important and potentially scalable, by providing funding support to companies within a technology ecosystem. A total of RM20 million has been allocated for this fund with a target of four IPs registered/patented in 2014.

- The **Soft Loan Scheme for Automation and Modernisation (SLSAM)** which is channeled by MITI through MIDF with an allocation of RM50 million in 2014 to assist 10 SMEs. Further to that, MITI through SME Corp. Malaysia and MIDF will continue to implement the **Soft Loan Scheme for Small and Medium Enterprises (SLSME)**. The scheme assists SMEs operating in unlicensed premises to relocate their operations to legal industrial sites and to improve competitiveness, efficiency and productivity through the adoption of ICT in business management. Through the **Dana Pinjaman PKS** scheme, which is administered by Small Medium Enterprise Development Bank Malaysia (SME Bank), MITI has further earmarked

RM240 million to provide financing for 120 SMEs that have enrolled in various SME development programmes.

- The Unit Peneraju Agenda Bumiputera (TERAJU) implements the **Bumiputera Business Expansion Fund (BEF)** to help technology-based Bumiputera companies to expand their business to the international level. It is managed by MTDC with an allocation RM150 million. The fund will provide funding instrument in the form of Redeemable Convertible Cumulative Preference Share (RCCPS) and it allows conversion of share redemption after five years.



Financing of New Growth Areas

The world's ecosystem is experiencing growing risks of climate change, resource depletion and environmental degradation. Many Governments around the world are taking steps to adopt sustainable development policies and regulations to catalyse green solutions. In Malaysia, sustainability represents one of the key principles underpinning the New Economic Model and has been identified as a Key Strategic Reform Initiative. For this purpose, Malaysia is committed to undertake efforts in reducing carbon emissions intensity to 40%, relative to GDP by 2020 compared with 2005 (estimated emissions intensity in 2005 is 0.62 tonnes CO₂ eq/thousand RM) during the United Nations Climate Change Conference 2009 in Copenhagen. Combined with ample liquidity and improved credit infrastructure, the financial system is well positioned to support new areas of growth that are viable and promising, including those in the green technology sector.

The Government established GTFS in 2010 to reduce the financial risks borne by financial institutions by way of credit enhancement and financial incentive. The growth of green technology financing in Malaysia since then has



gained momentum among financial institutions. As of 2013, financing under GTFS was extended to a total of 120 companies, amounting to RM1.6 billion. As at end-June 2014, 141 companies were awarded under GTFS with financing amounting RM1.9 billion.

A survey conducted by BNM in early 2013 showed that 36 FIs provide green financing, whilst another 10 banks have indicated interest to support the growth of this segment. Several banks have introduced pro-green financing products during the year to support corporations that carry out environmentally friendly activities and to finance the installation of solar systems in houses. This positive development is an indication of the increasing familiarity, understanding, and commitment within financial institutions on green technology financing.

For other new growth areas, BNM has proactively collaborated with SME Corp. Malaysia, SIRIM, and MOF to organise engagement and knowledge sharing sessions to enhance awareness of FIs on the various certification mechanisms evaluated by these agencies that will add value to FIs in identifying potential high growth and innovative companies. Among the initiatives taken through collaboration with Government agencies responsible for the new growth areas were:

- Technical briefing on landscape, certification process and assessment, as well as business matching sessions to FIs involving 1-InnoCERT companies, MSC, and BioNexus status companies.
- Since 2011, facilitation and business matching sessions have been organised for 66 companies in new growth areas. To date, 24 companies or 36% of the total have secured financing amounting to RM67 million.
- A customised training module for new growth areas is currently being developed by the Islamic Banking Finance Institute Malaysia (IBFIM) to ensure sustainability in terms of awareness, training, and research.
- BNM is collaborating with the Association of Islamic Banking Institutions Malaysia (AIBIM) to explore sustainable Islamic financial products that provide a wider range of financing options to finance new growth areas.





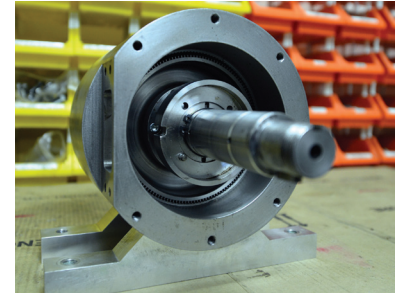
Success STORIES

Section III : Success Stories

Engineering Environmentally Friendly Solutions

“If you want to be good at something, you must stick to your knitting” says Encik Marizan Nor Basirun, the Managing Director of S.I.T. Schiffs & Industries Technik (M) Sdn. Bhd. (SIT Malaysia). He notes that when entrepreneurs dabble simultaneously in various business interests, they tend to lose focus and may end up empty-handed. “As each industry has its own peculiarities and characteristics, my experience taught me to stick to what I know best.”

A graduate in MBA and mechanical engineering, Encik Marizan also has years of experience working in multinational and Bursa Malaysia listed companies and he believes that both his qualifications and expertise have allowed him to sense a good business opportunity when it came knocking on his door. Through his network, he found a German company, Schiffs-& Industrie Technik GmbH, Germany (SIT Germany) was looking to form a joint venture with a Malaysian company to manufacture and market their technology for the shipping industry in Asia Pacific. Encik Marizan immediately seized the opportunity to meet with them. Although there were other public-listed companies in discussions with SIT Germany, SIT has an advantage. “Public-listed companies have to adhere to longer due diligence procedures and approvals from



their Board of Directors. I could make quick decisions and my engineering background positioned me in good stead with them,” he says.

However, the prospect of a joint venture did not appeal to him as from his experience, most joint ventures in Malaysia often end-up in favour of the foreign investor companies. He said that not only many foreign companies withhold information, in most cases local companies also have to bear the cost of engaging expensive foreign expatriates. Encik Marizan offered to buy the technology license from the Germans instead. The license fee was RM3.5 million with additional 5% in royalty fees to be paid to SIT Germany annually. Initial funding was from his personal savings and a grant of RM1.75 million from the Malaysian Technology Development Corporation (MTDC) under the Technology Acquisition Fund (TAF). The grant was a big help and SIT Malaysia need not seek bank borrowings to fund the technology purchase.

SIT Malaysia has been in good stead since signing the agreement with its German principle seven years ago. The company’s average turnover is RM1.5 million per year, earned primarily through its main business activity in the manufacture and sale of the CD92 Homogenizer system which is a mechanical fuel treatment system used in ships and in power plants to treat residual fuel (Heavy Fuel Oil). The product offers environmental and cost benefits. “Ships and power plants will usually discard 1-3% of its raw residual oil in the form of sludge. As sludge by international regulations cannot be discharged into the ocean, it is kept on board the ship and only disposed at the ports at an additional cost. Using the CD92 Homogenizer system helps recover the sludge and convert it into burnable fuel oil. The treatment system reduces sludge production by 85%. This gives significant fuel cost savings,” Encik Marizan explains in detail.

Although the technology originated from Germany, SIT Malaysia has further improved the system designs and performance. Encik Marizan says this



involved extensive research and analysis as well as customers feedbacks. As an engineer cum business owner, he believes in developing the technology locally by hiring capable engineers to execute such endeavours. “Only those with a CGPA above 3.0 are brought in. They need to be ready to multitask and get their hands dirty in challenging working conditions.” Today, most of his full-time staff are engineers who often travel throughout the Asia Pacific region to negotiate sales, install and commission the CD92 Homogenizer systems in ships and power plants.

More resources and emphasis should be dedicated to programmes that directly assist SMEs, not limited only to specific industry visits to increase export capabilities of Malaysian SMEs



Over 95% of the company’s sales are exports to Indonesia, the Philippines, Singapore, Sri Lanka, Pakistan and the United Arab Emirates (UAE). He laments that Malaysian companies are less receptive to high technology products that are locally manufactured. “This is our mindset issue, many Malaysian managers are generally too Western centric,” he says. He points out that typically a product’s life cycle begins in the local market where the feedback and experiences of consumers are sought to improve the product for export. However, it is completely the other way around for SIT Malaysia as the absence of local demand and support necessitate SIT Malaysia to venture into the export market. Despite these challenges, Encik Marizan continues to seek other avenues to grow his business. Plans are afoot to explore other markets abroad in the Middle East, Central Asia, South America and Africa. SIT Malaysia is actively in search of partners and agents from overseas to widen its global reach. Given the high cost incurred in exports activities, he welcomes the assistance and facilitation from the Malaysian Government agencies. He recommends that the Government’s export agencies such as MATRADE’s offices overseas play a greater role in assisting SMEs. He also adds that more resources and emphasis should be dedicated to programmes that directly assist SMEs, not limited only to specific industry visits, but also provide dedicated SME directories, business matching, Government-to-Government arrangements and such to increase the export capabilities of Malaysian SMEs.

Forging ahead, SIT Malaysia as part of its business diversification programme has developed and prototyped a new product, the Water in Diesel Emulsion (WiDE) fuel, using local technology and expertise. The R&D works took about five years and the product has since been validated. According to Encik Marizan, the WiDE fuel is the first of its kind in Malaysia. It is an environmental friendly fuel which is already widely used in Europe and America to reduce harmful exhaust emissions from heavy duty vehicles such as busses and lorries. Presently, he is seeking financial assistance to complete field trials with the aim of commercialising the product for the Malaysian market by 2015.

When posed the question on how entrepreneurship has changed his life, Encik Marizan was quick to say that as an SME entrepreneur, his lifestyle today is a far cry from his days as managing director of a public-listed corporation where he was chauffeur-driven, travelled in first or business class and dined in 5-star hotels. “The moment you start your own business, you have to be ready to sacrifice the luxuries you were once privileged. I now travel on low cost airlines, do not stay in 5-star hotels and am more financially prudent,” he says. However, he had his eye on the bigger picture when he gave up the good life. Running his own company and being able to provide employment and skills opportunities for younger Malaysian graduates while contributing to the further growth of the economy, society and country is far more satisfying and rewarding.

Ensuring the Safety of Our National Airspace

The Subang Airport fire in 1992 is a distant memory for many but this incident is woven into the historical narrative of Advanced Air Traffic Systems (M) Sdn. Bhd. (AAT). Prior to the incident, Malaysia used to purchase its radars and other Air Traffic Management (ATM) equipment from international suppliers who used to come over to Malaysia install their system and immediately left the country when the warranty period of the system is over. However, this practise left the country in a vulnerable position when a major mishap like the fire occurred. “We had no local capability then, hence our air traffic services were incapacitated and we had to request assistance from civil aviation authorities from our neighbouring countries such as Singapore and Thailand to help us manage air traffic in our airspace during the period,” says Major (R) Haji A. Rahman Dardak, an advisor and former General Manager of AAT who has been with the company since its infant stage.

Realising that preventing such similar occurrence in the future is crucial, the Government implemented the Malaysian Air Traffic Services Modernisation Programme which is aimed at modernising the country’s air traffic control (ATC) services and at the same time developing in-country engineering and logistics capabilities specifically to support our national ATM systems. This would be achieved through the transfer of technology from abroad into the country and for this agenda, an Italian company by the name of Selex ES (formerly Alenia) was appointed as the supplier of the technology. In order to facilitate the transfer of technology to Malaysia, AAT was established in 1994 to acquire the technology from Selex ES. AAT’s role is to locally support the newly acquired national ATM systems operated by the



Department of Civil Aviation (DCA) to carry out ATC function, to ensure the safety of aircrafts flying within our Malaysian airspace. AAT services involve maintenance of the ATM System comprising communication, navigation and surveillance systems. While the systems are provided by Selex ES, AAT has to make sure that it is continuously operational for DCA to perform their ATC functions. “We have a contract with the Ministry of Transport to maintain the system at an operational level of 99.95%. This means that in a month, we can only switch the system off for 20 minutes for maintenance purposes,” says Encik Saharudin Tumiran, General Manager of the company. AAT is a national asset providing accurate, credible and real time digital information by facilitating data integration and analysis to DCA. With this important responsibility, AAT is in fact the ‘unseen’ partner of DCA in ensuring the safety of our national airspace.

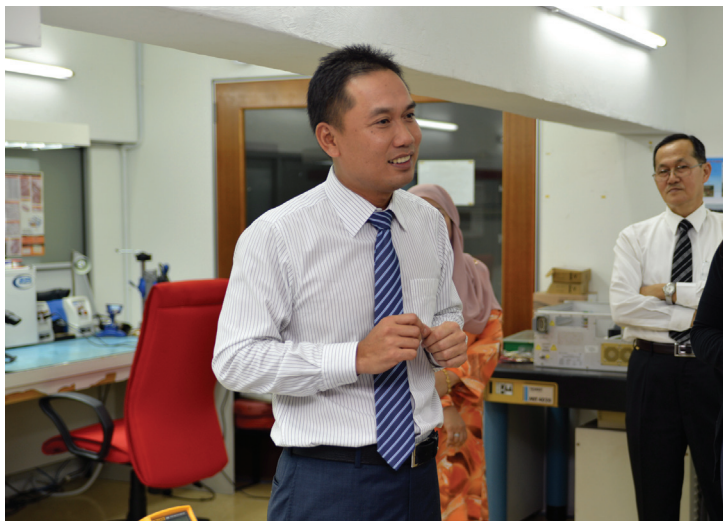
The DCA ATM system supplied by Selex ES provide full radar coverage for the flight information regions in Peninsular Malaysia as well as Sabah and Sarawak. At the beginning of the project, DCA only had two Primary Surveillance Radars (PSR) and four Mono-pulse Secondary Surveillance Radars (MSSR), but the number had grown to a total of nine PSRs and 10 MSSRs located throughout the country today and AAT is providing the maintenance and logistics support to all of them for the past 20 years.



When AAT first started, they operated from within AIROD complex prior to moving into a rented wooden building opposite AIROD. After a few years operating in that site, they finally decided to move to a bigger space and in 2006 AAT purchased its own corporate building. The company's head office is now located in Shah Alam and its workforce has grown from a crew of six to 180 employees.

AAT was established on the advice from Government with a prime objective to develop in-country capability in the maintenance and integrated logistics support services for ATM systems. AAT has made big investments in developing the aspired capability. This include investment in the training of local engineers and technicians to acquire the high technology on radar and ATC systems plus investments in acquiring complex test equipment and workshop repair facilities. "This is a very niche area and we had to invest to acquire the technology from Selex ES. It would be difficult for another company to emulate our capabilities without making the kind of investment that we made," says Major Haji A. Rahman. He then added that the short-term monthly contract in the beginning of their operation had also put the company in a precarious position but as time went by and the Government started recognising and acknowledging AAT capabilities, they managed to get a longer term contract which has eventually extended up to five years currently.

AAT is fortunate that their technical personnel, majority of whom are graduates from local universities, are loyal employees.



Encik Saharudin credits the success of AAT to its people and this year the company will have a new milestone to mark its employees' loyalty as AAT celebrates its 20th year in operation

"As far as possible we tried to avoid any layoff of employees since engineers specialising in this very niche area are hard to come by," Encik Saharudin says. In fact, AAT has a low attrition rate which the company attributes to its career advancement opportunities plus conducive and pleasant working environment. At this point of time, 60% of the total staff strength have clocked in more than 10 years of service, out of which 30% have crossed the boundary of 15 years.

Through the years, AAT has diversified its activities to undertake projects beyond maintenance of ATM system. As the prime contractor for the ATC package of the Kuala Lumpur International Airport 2 (KLIA2), the company is responsible for supplying, installing, testing and commissioning the ATC systems at the airport. Now, AAT is also seeking to venture beyond the local shores. The company has made inroads abroad installing CNS/ATM systems on a small scale in Nepal, India and Myanmar. It hopes to further establish its presence in the Asia Pacific region as a leading company providing ATM system services. Reflecting back, Encik Saharudin credits the success of AAT to its people and this year the company will have a new milestone to mark its employees' loyalty as AAT celebrates its 20th year in operation.

Online Selling a Budding Business

Puan Hajarina Othman envisions that her online store, Kedai Ummie Enterprise, will one day become a well-known online shop like the famous online retailer, Zalora. This may seem like a lofty ambition but it is not a goal she sets without due consideration. Amidst the hectic lifestyle and growing interest in ICT devices, more and more consumers are resorting to online purchases even in Sarawak, she notes. Kedai Ummie also has a huge competitive advantage as its products are not readily available outside Sarawak. The online store complete with the shopping cart facilities carries over 20 types of food products and crafts from Sarawak.

In its nascent stage, Kedai Ummie's modest offerings were limited to several types of layered cakes and salted fish. As demand grew in tandem with the number of her online customers, she added more products to her store's repository. However, it is not just the product line that keeps the customers coming back to her site. Puan Hajarina says good quality products, quick and friendly customer service and responsive after sales service are her unique selling points. "I respond promptly to any inquiries or orders. Once a customer submits payment, I will make sure their order is shipped immediately and provide them with a tracking number for reference," she says.

Given that Kedai Ummie's specialities are food products and crafts from Sarawak, her target market are mainly customers who live outside the state particularly Sabah and Peninsular Malaysia. However, her wares have also attracted customers in neighbouring countries such as Singapore and Brunei and even countries as far as Australia, Austria, and the United Kingdom. In this fast growing technology era, Puan Hajarina is well aware that a great product line and wonderful customer service count for little if potential customers do not find their way to her online store. To spread the word about Kedai Ummie, Puan Hajarina maintains a Facebook page and



a blog. In addition to utilising Google Adwords, she also makes full use of free advertising opportunities on websites that provide such service.

While business is thriving, Puan Hajarina admits that things are not always smooth sailing. Business transactions may be conducted online but there is no other means of delivering physical products except through the postal service. Unfortunately, hiccups are bound to occur. "Sometimes orders are delayed in reaching the customers. When that happens, I will contact the post office to find out the status of my shipments and then inform my customers. To date, all of them have been understanding and cooperative when this occurs," says Puan Hajarina.



“The onus to take the first step is on the budding entrepreneur and they should do it with confidence”

Puan Hajarina also notes that the increase in fuel prices has contributed to the hike in delivery fees. However for her, these challenges are par for the course as she had a steep learning curve. “I started from ground zero and had to pick up the business knowledge in the beginning. Little by little, I learned from my mistakes and experiences,” says Puan Hajarina who also joined entrepreneurial groups on Facebook to acquire proficiency and insights on running a business, particularly online business. She attributes her start-up success to the RM1,000 grant from the Google Get Malaysian Business Online (GMBO) programme by the Malaysian Communications and Multimedia Commission which helped get her business off the ground and the Kedai Ummie website registered.

While she has tasted the early sweetness of her business endeavours, Puan Hajarina is not contented to rest on her laurels. The mother of four is currently a mentee under the Cherie Blair Foundation’s Mentoring Women in Business programme. The programme, which is managed locally by Yayasan Pembangunan & Vokasional Wanita Malaysia, matches women from developing and emerging countries with mentors from around the world. Through an online platform, they will work together over a period of twelve months to achieve key business goals. In addition, Puan Hajarina is currently upgrading her infrastructure to improve the quality of images on the Kedai Ummie website. She has also set her sights on

e-Bay as a means of broadening her market reach.

As an emerging online entrepreneur, Puan Hajarina believes that SMEs in this business are in need of advice, marketing training as well as seminars and workshops related to business in general and online business particularly. “However, the onus to take the first step is on the budding entrepreneur and they should do it with confidence,” she says. From someone who started off with just a used laptop from her husband and a mobile phone to take pictures of her products, Puan Hajarina and Kedai Ummie have definitely come a long way.

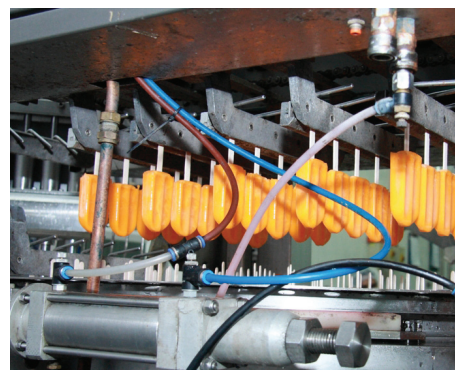
Cold Comfort for Customers

There is perhaps no definitive account of the origins of *aiskrim potong* but this simple snack has been a perennial favourite among many Malaysians for decades now. For Mr. Kew Ming King, *aiskrim potong* holds a special place in his memories rather than just a nice cold treat. It was through the popular popsicle that he made his first foray into the business world. With the help from his wife and four siblings, Mr. Kew began honing his entrepreneurial skills in a small humble shop selling home-made *aiskrim potong* in the small town of Pasir Puteh, Perak back in 1979.

Almost 35 years later, three of his children are now at the helm of a business called Wonderful Creamery (M) Sdn. Bhd. which has then evolved from a small shop to a full-fledge manufacturing plant in Jelapang Industrial Estate, Perak. While the company still manufactures *aiskrim potong* albeit an updated version, it now offers more variety in its lines which include a range of flavours on sticks and cones as well as in cups and tubs. Aside from ice creams under the Wonderful

Creamery brand name, the company has also introduced two new lines called Snowman and Dolphin all of which are available in retail outlets.

Only until recently, the company had confined itself to the local market. In 2005, Wonderful Creamery took the first bold step to venture overseas into Singapore and thereafter, penetrated into Chinese Taipei and PR China which in total represent about 10% of their markets. At the moment, 85% of Wonderful Creamery's products are made for the local market, while the remaining 5% is for contract manufacturing. "We plan to expand our business all around the world so that people from other countries have the



"The secret of success lies in the human touch in understanding and managing the needs of employees and customers"

chance to try our products and to get the world acquainted with our brands," says Ms. Suzanne Kew, the daughter of Mr. Kew who currently serves as the company's Operations Manager. To achieve this, the company is committed to place more emphasis on R&D to develop more products and to improve the quality of their ice creams.

Like many other companies, at the onset, Wonderful Creamery had to also struggle to keep its business afloat. "The challenges we faced at the beginning were financial in nature as profit growth was not consistent so the company's directors had to dip into their own savings to overcome the funding shortages," says Ms. Suzanne Kew. Their business had grown over the years and in the last four years Wonderful Creamery has enjoyed a 70% uptick in sales prompting the need to install more machinery and equipment to increase efficiency and productivity. For this purpose, the company has invested about RM2.5 million on machinery



which began installation early this year. The Malaysian Industrial Development Finance (MIDF) Berhad provided RM1.1 million in financial assistance to materialise this ambition while the remaining RM1.5 million was derived from the company's own coffers. As a result, their productivity is expected to increase from 3,000 per hour to 9,000 per hour for novelty sticks while productivity of creams, cups and cones is expected to triple from 1,000 litres per hour to 3,000 litres per hour.



The company has also set the target to become the premier ice cream supplier in Southeast Asia within the next five years. To achieve this target, Wonderful Creamery has steadily built its capacity over the years by taking the opportunity to participate in programmes that would improve key areas of its business. These among others include sending their staff for various trainings, upgrading its food safety management system from ISO 22000 to FSSC 22000 and attaining various certifications including Halal, Food Safety is the Industry's Responsibility (MeSTI) and Veterinary Health Mark (VHM) which are critical for companies in the industry to compete successfully and maintain their market share.

Last year, Wonderful Creamery was awarded the National Mark of Malaysian Brand by SME Corp. Malaysia, an award that depicts quality, excellence and distinction of products and services by Malaysian companies.

For Wonderful Creamery, it is a significant milestone for the company which will provide them with enhanced visibility and recognition of its brands. The company has also been aided in this aspect through its featured appearances on television programmes such as Industri Kecil Sederhana on RTM (TV1) and Halal Featured Companies under the Halal Industry Development Corporation (HDC) on TV3.

Wonderful Creamery also has its own strategy when it comes to spreading the word about its product such as it is the only company that has an Ice Cream Festival which has been running since 1996. At this event, free ice creams are handed out to the public. "Our brand has become a home brand in Ipoh due to the festival and we are planning to replicate this strategy with our distributors throughout Malaysia in the coming years," Ms. Suzanne Kew says. The grassroots approach to marketing and promotion seems in line with a company that emphasises the value of relationships as further underscored by Wonderful Creamery's philosophy - "The secret of success lies in the human touch in understanding and managing the needs of employees and customers." Besides that, Wonderful Creamery has also made it a point to make a presence at the Malaysian International Halal Showcase (MIHAS) every year since 2009. "It's a fantastic opportunity to promote our brand locally and to potential overseas customers," says Ms. Suzanne Kew who adds that advertisements are not cost effective given the price range of the company's products. Wonderful Creamery also lauded the various support programmes by the Government in providing the opportunity for SMEs to enhance their businesses and penetrate into the international market.

The Story of an Accidental Retailer



This business had reached at a crossroad when Encik Mustakim Manaf sat down for a heart to heart talk with his business partner who also happens to be his wife, Puan Noor Azlin Ishak to discuss what their next move should be. It was a choice between taking a loan to further grow the business and take it to the next level or maintaining the status quo and sleeping peacefully at night knowing that they were not adding extra expenses to their monthly bill. “After due consideration, we finally came to the conclusion that to think big we really had to bring in the big brands so we said we’ll go for it,” says the Managing Director of Global Retail Ventures (GRV).

Through his experience in the corporate world, Encik Mustakim knew that in order for his business to succeed, he would have to secure a truly world renowned name. “A small brand will not get us far and I also understood that no big company will talk to you if you have no track record. So we set out to sign

“They tend to say, ‘I do not want to work for other people because I am making someone else rich but the truth is, if you cannot manage other people’s business with their money, you will not be able to make money with your own business’”

on brands to build a track record for our company with the intention of course to grab a big brand like Hamleys even if it meant losing money.”

Encik Mustakim started acquiring the rights to international brands and managing retail business even while he was still employed back in 2007. His first retail outlet located in the Bangsar Village carried Adams Kids, a children’s clothing label and the first brand he acquired from the United Kingdom (UK) with start-up funding of his own savings. The CEO of the company he was working at the time knew that Encik Mustakim was leaving to run his own business and they came to an agreement about his working arrangement. So he would go to work for the company in the morning from seven until four then drive up to his store in Bangsar and run the business until 10 pm. Basically, he worked for 15 hours almost everyday during that period. “It was a typical mom and pop store where the business owner actually goes to open and close up the shop. I did everything myself, printing price tags, setting up the IT system, etc.,” he recalls.

However, relying solely on one brand to support the business had put the business on shaky ground especially when Europe was hit hard by the credit crunch in 2008. As a result, the brand started to suffer in terms of performance and was bought over by another company. Unfortunately, the new brand owner was a manufacturer and not a supplier hence they had trouble managing the company and all these issues had affected the business. So after deliberate thought, Encik Mustakim



decided to let Adams Kids go but the company was already in a series of discussions with another UK brand called Peacocks and finally the years of deal was successful when GRV managed to acquire the rights to bring the label into Malaysia. At the same time, the company had also successfully secured financial assistance from Perbadanan Usahawan Nasional Berhad (PUNB) to expand its business.

While Peacocks was a success when it was first launched in 2010, allowing GRV to reinvest the income generated into the opening of another store, the brand soon hit a familiar brickwall. “It is funny because you think lightning never strikes twice. The brand ran into trouble and went through a change of ownership and we suffered for about six months with no stock coming in,” says Encik Mustakim. The second experience had really drilled in a crucial lesson for GRV. “When you are franchisee to an international brand, you are only as strong as the brand you represent. After that we realised that we had to change our strategy and start getting ourselves a basket of brands because we cannot just depend on one brand. If the brand gets into financial difficulty, we will definitely be affected,” he continues.

Since then, GRV has gradually expanded its portfolio of brands which now includes BHS, Peacocks,

Tape A Loeil, Collezione, Sinequanone, Blue Inc, Accessorize and Jane Norman. These labels have their own boutiques and are available at counters in prominent shopping centres throughout the Klang Valley including Sunway Pyramid, Bangsar Village, Pavillion and Empire Shopping Gallery. However, Encik Mustakim soon felt that the fashion market was getting overcrowded. He decided that the business needed a twist in the form of a reputable brand in a different market segment and this time he decided to acquire the rights to bring in Hamleys, one of the best-known toys retailers in the world originated from UK. So they began pursuing the brand aggressively and after almost 18 months of negotiation and a few international trips, they finally managed to close the deal.

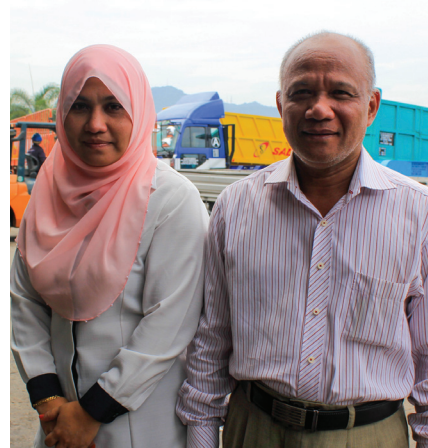


All the hard work paid off when the first Hamleys toy store in Malaysia was launched to much fanfare at 1 Utama Shopping Centre. It was a career highlight for the man who says he stumbled into retail ‘by accident’. At an early age, Encik Mustakim got a job at Metrojaya as a management trainee. It was supposed to be temporary employment until he found as he puts it, a real job, but he ended up spending seven years at Metrojaya before pursuing other opportunities in retail. When asked about his advice for budding entrepreneurs in the retail industry, Encik Mustakim shared that his years as an employee in the retail business had provided him with the training and insights to run his own business. He observes that many aspiring entrepreneurs today are not willing to pay their dues and would rather put the cart before the horse. “They tend to say, ‘I do not want to work for other people because I am making someone else rich but the truth is, if you cannot manage other people’s business with their money, you will not be able to make money with your own business,’” he concludes.

Success in the Trucks and Trailers Business

When Encik Mohamad Saleh Siri and Puan Roziah Ramudin were first invited to Sabah by the Road Transport Department (JPJ) to provide consultation services, little that they knew it will be the turning point for their business venture in the Land Below The Wind. Through a seed fund of RM950,000 loan from SME Bank, the couple purchased a piece of land and building in the Kota Kinabalu Industrial Park (KKIP) in 2004 and turned it into the base for their heavy vehicle manufacturing business known as Saleh Truck & Trailer Manufacturer Sdn. Bhd.

However, things were not so rosy at the outset. As there were not many Bumiputera companies involved in this industry, Saleh Truck & Trailer Manufacturer was met with scepticism when the company first emerged. Having a woman as the managing director, who was also on the frontline in marketing efforts, did not instil confidence among their first-time customers. However, Puan Roziah says she persisted in the effort to convince potential customers that Saleh Truck & Trailer Manufacturer could deliver if given a chance. "During meetings with potential customers, I made sure I could address any concerns they had about our products, whether it was just about a piece of metal, right up to the various parts, and the entire structure of our vehicles," she recalls.



While some people believe in keeping away from their competitors, Puan Roziah did just the opposite. She sat down for coffee with her industry peers and the most amazing part was that she was the only woman among them! "However, I found the other companies in this industry very helpful when I first started out. We exchanged information about where to get the best deals on parts and the process of getting approvals from the Government departments," she says, trying to bring back vivid memories on how she first began. Later, Saleh Truck & Trailer Manufacturer even collaborated with one of the companies which provided prime movers for its trailers.

In the beginning, Saleh Truck & Trailer Manufacturer also struggled to keep its employees in line, especially the manufacturing staff. "They were so laid-back to the extent that we would even find them asleep in the tankers," she recalls. The solution was to retain the workers on a contract basis which helped in eliminating major disciplinary problems. Puan Roziah acknowledges that her workers had risen to the occasion and now they are the company's greatest asset.

The company has manufactured vehicles for many corporations throughout the country such as Petronas Dagangan, Harbour Link Group, Sabah Ports, Asian Supply Base Sdn Bhd, Lion Logistic & Transportation Sdn Bhd and Tradelift Indopalm Industries, among others, amounting to millions of ringgit in sales. In seeking out new business opportunities, Saleh Truck & Trailer Manufacturer often customises its sales pitch as it can manufacture vehicles that are catered to particular industries such as production, livestock, as well as oil and gas. "We practice product differentiation and offer end-to-end services," Puan Roziah says. In order to reach out to more customers, especially those in the Tawau, Sandakan, and Lahad Datu areas, the



company invested RM1 million to establish a new branch in Taman Uni-Park in Tawau. The branch was set up as a service centre for customers to send their lorries and trailers for service and repairs.

Not contented with just the local market, Saleh Truck & Trailer Manufacturer also has its eye on the overseas market and aspires to establish its name in the Asian region. The company has taken its first step in this direction. "We are currently in the final stages of signing a contract to supply trailers to India," says Puan Roziah. The contract was a result of their participation in the Malaysian showcase in Bangalore India, which was organised by MATRADE earlier this year. Aside from participating in exhibitions and roadshows, Saleh Truck & Trailer Manufacturer relies on the media and most of all, word-of-mouth promotion from its customers to spread the word about its products.



However, the company welcomes the opportunity to participate in business matching programmes and would appreciate Government assistance in identifying new business opportunities and potential markets.

Marketing skills are crucial in this business, says Puan Roziah. She adds that entrepreneurs looking to venture in this industry should also be able to decipher vehicle blueprints, an expertise she picked up from her husband. Furthermore, they should keep abreast with the latest developments and technology in heavy vehicle manufacturing. As this type of business involves large capital, it is important to be honest and transparent when it comes to financial management. While Puan Roziah ascribes the



Puan Roziah ascribes the company's accomplishments to its ethical business practises and the spirit of not yielding in the face of challenges

company's accomplishments to its ethical business practises and the spirit of not yielding in the face of challenges, she says Saleh Truck & Trailer Manufacturer largely owes its success to the people who keep the company in business. "The main contributors to the company's success are our customers. They provide useful feedback, which has enabled us to improve our products and continuously ensure that they are of high quality." Quality control is of utmost significance at Saleh Truck & Trailer Manufacturer, adds Puan Roziah. "We comply with the standards process to ensure that the quality of our products is maintained."

Saleh Truck & Trailer Manufacturer was awarded the Sabah Industry Excellence Award (2012/2013) by the Ministry of Industrial Development Sabah. "This achievement has motivated us to continue strengthening our competitive edge and gaining a stronger foothold in the industry," she concludes.

Gaining Traction in an Innovative Business

Adrenaline junkies and rock climbing enthusiasts do it for the fun and thrills but for some people being suspended from a rope at an elevated height is all in a day's work. A method called rope access offers an alternative to scaffolds or platforms for companies that provide industrial services at high and out of reach areas. Like those who do it for recreational activities or extreme sports, workers or technicians employed by these companies are secured by a rope and harness as they carry out work usually involving inspection, construction, cleaning and maintenance. As use of the method became more prevalent, a trade association dedicated to it called the International Rope Access Technology Association (IRATA) was formed in the 1980s.

A Malaysian company based in Miri, Sarawak called Ropetech Sdn. Bhd. is a member of this association. Its managing director, Tuan Haji Rosdin Rosli, says the company which offers a wide range of inspection and general maintenance painting works to various companies in both the Government and private sector, is the local pioneer in using the rope access method. Ropetech employs rope access or abseiling technology to provide services such as electrical telecommunication tower maintenance works, first aid painting works, general cleaning and painting works for water tanks and high rise buildings as well as Ultra High Pressure hydro blasting for metal surface preparation prior to painting. "Unlike any other maintenance contractor, our method does not rely on any foreign technology and utilises 100% locally available resources. It saves time and cost and is friendly to the environment," he says. According to him, hydro blasting avoids the need for abrasive materials such as garnet. This eliminates the risk of dust pollution as well as the cost associated with

disposals of used abrasives. Given the company's expertise in hydroblasting, it is also a member of the Water Jet Technology Association (WJTA).

Tuan Haji Rosdin took ownership of Ropetech four and a half years ago with his own savings. When the business grew, SME Bank was instrumental in providing additional working capital. During the early years in business, Tuan Haji Rosdin said he struggled in maintaining the cash flow and securing contracts from clients who were mainly from the oil and gas companies. Despite the cost saving benefits of its technology, Ropetech is less known in the industry as compared to its larger competitors and hence had placed Ropetech at a disadvantage in the market especially when potential clients tended to play safe by maintaining the norm. From his experience, Tuan Haji Rosdin is of the view that assistance from the Government can go a long way to assist deserving SMEs to compete with their larger competitors. Pointing out that monopolies dominated by big companies can be detrimental to the development of SMEs, the Government can facilitate SMEs through provision of projects and contracts that are exclusive to them.

Through sheer perseverance and determination to succeed, Ropetech saw its fortunes changing for the better when it signed two contracts with the national oil and gas company, namely Petroliaam Nasional Berhad (PETRONAS) in 2010. "We made a lot of effort to educate the industry on the uniqueness and advantages of our cleaning method. Praise to God, we were able to change the mindset of the engineers to accept





an alternative to the norm,” he says. Tuan Haji Rosdin adds the fact that Ropetech managed to secure contracts with PETRONAS Carigali somewhat validated the viability of the method. These contracts were executed to meet the client’s requirements with strong focus on quality and project delivery.

Today, aside from their main office in Miri, the company also has a branch in Labuan and has ventured abroad to neighbouring countries such as Myanmar, Brunei, Thailand and the Philippines. Ropetech keeps its name on the industry radar by participating in various exhibitions organised by both the Government and private sector in addition to advertisements in the pages of the Oil and Gas Magazine. “Aggressive marketing is a must in this industry”, he says as marketing serves as an important tool in promoting the growth and sustainability of the business. For that reason, Ropetech has set up a dedicated marketing department that deals directly with oil and gas companies.

While he is always on the lookout for new opportunities to expand his clientele, Tuan Haji Rosdin says he has to be selective when it comes to signing up new business in order to remain in the industry. As much as possible, he prefers to deal with companies that are good paymasters. “It is not a rosy world out there for sub-contractors. However we do take the risk from time to time. Consider it as part of our marketing expense,” he explains.

After all, he foresees being in this business in the long run and has a clear idea of how he would like the company to progress. “We



look forward to having five dedicated departments in our company catering to blasting and painting, inspection, hook up, training school, and turnaround management. This is to further enhance our services quality and to diversify our service offerings,” he says. He envisions growing Ropetech by emulating the success of a few renowned players in the industry. However he acknowledges that to achieve this dream, his method of alternative blasting and painting must first be accepted by the major players in the oil and gas industry.

“The long years of working with PETRONAS, selling the idea to the engineers on the non-conventional way of doing things with some success has provided me with invaluable insight. I know who to see, what to say, where to focus and how to go about and get things done”

Not fazed by the prospect of competition, Tuan Haji Rosdin says entrepreneurs who are looking to venture into this industry must be experienced or should have someone in their company who has worked in the oil and gas industry because they need to have both the network and competency to begin with. “The long years of working with PETRONAS, selling the idea to the engineers on the non-conventional way of doing things with some success has provided me with invaluable insight. I know who to see, what to say, where to focus and how to go about and get things done,” says Tuan Haji Rosdin. “It is still a challenge but like all challenges, overcoming them gives me a sense of self satisfaction. This is where the fun is. The money comes automatically when you love what you are doing,” he concludes on an optimistic note.

Sunny Prospects for Local Yoghurt Manufacturer

It does not happen very often but once in a blue moon, Mr. Rahmesh Gomez's sleep is interrupted in the wee hours of the morning by a phone call alerting him to a problem at the factory. As the managing director of Magic Foods Sdn. Bhd., Mr. Gomez explains that he is on the job around the clock because the company's factory runs 24 hours a day, 6 days a week. Therefore, if something goes awry at the factory which is based in Nilai, Negeri Sembilan, the problem must be fixed fast as their product is a sensitive, short shelf life product.

Magic Foods is the maker of Sunglo yoghurt, the first locally manufactured yoghurt brand to line the shelves in the Malaysian supermarkets. Sunglo continues to stir up interest for yoghurt products in the local market with the introduction of a new entry in its line this year called Sunglo Squeeze. Instead of the typical cup of yoghurt with fruit pieces, Sunglo Squeeze is smooth fruit yoghurt packaged in a pouch. "Our tagline for this product is – Now you can eat yoghurt without a spoon," says Mr. Gomez. The first Malaysian brand to offer such a product in Malaysia, Sunglo Squeeze follows on the heels of the Sunglo Greek Yoghurt range that was launched last year. According to Mr. Gomez, this product range consists of an innovative use of milk to make thick yoghurt without the use of non-milk additives such as stabilisers or thickeners. When it comes to innovating new products, Magic Foods often looks abroad for inspiration. "We get ideas from what other yoghurt manufacturers are already doing in the world and we see how we can position it in Malaysia and tailor it to suit Malaysian consumers," he says.

Magic Foods focuses solely on manufacturing, distributing and marketing of yoghurt. The strategy appears to have paid off as Sunglo yoghurt can now be found in more than 350 supermarkets and mini markets throughout the country including Tesco, Giant, Cold Storage, Jusco, Aeon Big and Mydin, among others. It is never easy for a small company to penetrate into these markets, but if there is a will there is a way. In 2004, the company went into contract manufacturing by starting to do private-label yoghurt for supermarket chains and currently makes yoghurt and yoghurt drinks under the Tesco and Giant brands.

However, trying to attract customers in a market dominated by major players is the biggest challenge for the company. Its competitors are multinationals or big national companies and it is a challenge to compete with the well

known brands. Sunglo's competitors also do much more advertising and promotion compared with Sunglo which does not have the same resources as them. According to Mr. Gomez, the bulk of marketing is done through the supermarkets. Sunglo products are frequently featured on supermarket mailers and catalogues that highlight the latest promotions. In addition, promotions are also done through various exhibitions such as the Malaysia International Halal Showcase (MIHAS) and the Malaysian International Food and Beverage (MIFB) Expo.



Mr. Gomez added that the company interacts daily with their customers on Facebook and Sunglo's presence online is further reinforced through its own website. Beyond the retail outlets, Magic Foods has been able to cultivate a steady stream of clientele in the foodservice industry including hotels, restaurants, bakeries and airline caterers. Currently,

“Unforeseen circumstances will always occur and the success of a business depends on being able to adapt to those circumstances”



Sunglo yoghurt is served on outbound Malaysia Airlines and AirAsia X flights. However, Magic Foods biggest business still comes from the supermarkets which Mr. Gomez attributes to the growing popularity of yoghurt in Malaysia. While he admits that Sunglo is still a small player in this burgeoning market, Magic Foods has built a solid reputation for its products which have been accredited with all the requisite food industry certifications including Halal, Food Safety is the Industry's Responsibility (MeSTI) and Veterinary Health Mark (VHM). The company has also been recognised with the National Mark of Malaysian Brand from SME Corp. Malaysia and was ranked 12th in the Enterprise 50 Award last year.

However, the peaks of a business come with the troughs. In the last one year, the company experienced a surge in the price of an essential raw material. “The price of milk imported from New Zealand has gone up by 50% in just one year. We have to import the milk because our local dairy supply is insufficient for value-added products like yoghurt. The price increase has a very big impact on the business. In addition, Magic Foods had to brace itself when it came to implementation of the Minimum Wage,” says Mr. Gomez. He added that it was painful to adjust to the changes. He had to make sure that he could afford to pay the increased salary and milk price and at the same time make sure he could get sufficient increase in sales to cope with extra cost.

However, the biggest hit for the company was when it lost two of its managing directors successively, both passed



away suddenly. “It was very disruptive to the business but the company had to find a way to move on,” he says. “Ultimately, because the company became less reliant on any specific individual, it grew stronger on its own.” The demise of the managing directors was also a personal loss for Mr. Gomez. They were his parents and their passing marked the major turning points in his career. His father's demise in 2003 was the catalyst that brought him into the business and he took on the mantle of managing director after his mother passed away in 2012. He added that the company was fortunate to have the commitment and dedication of one of the founding members of Magic Foods and present sales manager, Mr. Clarence B. Williams who was able to help steer the company through the trying times to where it is today.

His sound advice for aspiring entrepreneurs, “Unforeseen circumstances will always occur and the success of a business depends on being able to adapt to those circumstances.” These are words of wisdom laced with insight from a very personal experience.

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Appendix 1 : **Key Statistics on SMEs**



Key Statistics on SMEs

Table 1: Number of Establishments by Sector

Sector	Micro	Small	Medium	Total SMEs	Total SMEs	Large	Total Establishment
	Number of Establishments				% Share	Number	Number
Manufacturing	21,516	15,796	2,061	39,373	7.2	1,420	40,793
Services	381,585	83,037	10,084	474,706	86.6	2,819	477,525
Agriculture	31,838	1,775	575	34,188	6.2	343	34,531
Total SMEs	434,939	100,608	12,720	548,267	100.0	4,582	552,849

Source: Census of Establishment and Enterprises, 2005 by Department of Statistics, Malaysia

Table 2: Number of SME Establishments by State

Sector	Micro	Small	Medium	Total SMEs	%
Johor	45,630	9,485	1,356	56,471	10.3
Kedah	33,531	3,066	432	37,029	6.8
Kelantan	34,075	1,528	198	35,801	6.5
Melaka	16,520	2,696	407	19,623	3.6
Negeri Sembilan	14,911	2,275	369	17,555	3.2
Pahang	24,917	2,742	399	28,058	5.1
Pulau Pinang	21,422	4,527	803	26,752	4.9
Perak	37,872	5,567	691	44,130	8.0
Perlis	5,549	340	31	5,920	1.1
Selangor	73,273	22,396	2,854	98,523	18.0
Terengganu	22,112	1,415	207	23,734	4.3
Sabah	18,915	4,901	978	24,794	4.5
Sarawak	25,377	6,601	1,081	33,059	6.0
WP KL	60,835	33,069	2,914	96,818	17.7
Total SMEs	434,939	100,608	12,720	548,267	100.0

Source: Census of Establishment and Enterprises, 2005 by Department of Statistics, Malaysia

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Table 3: Value Added Growth of SMEs by Key Economic Activity, Annual Change in % (constant 2000 prices)

YEAR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Growth Rate (%)									
Agriculture	3.8	2.1	3.4	8.5	3.6	7.4	-1.4	7.3	2.2	5.0
Mining & Quarrying	-0.3	4.1	1.1	-3.6	-1.1	0.9	9.5	1.4	6.2	5.7
Construction	4.6	5.9	5.2	1.0	4.7	3.2	13.2	3.7	7.2	8.6
Manufacturing	-6.4	3.1	9.9	10.3	5.7	8.3	6.3	0.5	-6.6	11.8
Services	2.2	5.1	2.9	6.8	8.0	7.8	12.8	8.8	2.5	7.1
Total Value Added	-0.4	4.6	5.2	8.3	6.9	7.4	10.0	6.4	0.4	8.4

Source: Department of Statistics, Malaysia

Table 4: Contribution of SME to GDP by Key Economic Activity (constant 2000 prices)

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	% share to GDP										
Agriculture	2.4	2.5	2.4	2.4	2.4	2.4	2.4	2.2	2.3	2.4	2.3
Mining & Quarrying	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04
Construction	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Manufacturing	9.2	8.5	8.3	8.7	9.0	9.0	9.2	9.2	8.8	8.4	8.7
Services	17.1	17.4	17.3	16.9	16.9	17.3	17.6	18.7	19.4	20.2	20.2
Less: Undistributed FISIM	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7
Plus: Import duties	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.4
Total Value Added	28.8	28.5	28.3	28.1	28.6	29.0	29.4	30.4	30.9	31.5	31.9

Source: Department of Statistics, Malaysia

Appendix 2 : **List of SME Development Programmes in 2011**

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List of SME Development Programmes in 2011

Ministry of Agriculture and Agro-Based Industry (MOA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Development of Agro-based Industry Programme 	<ul style="list-style-type: none"> To develop comprehensive value chain of food in agro-based industry 	LPP
<ul style="list-style-type: none"> Human Capital Development 	<ul style="list-style-type: none"> Develop competent agro-based entrepreneur in fishery and in terms of business and technical skills through integrated human capital development 	LKIM
<ul style="list-style-type: none"> Development of Agro-based Industry Programme - Increase in Production Capability 	<ul style="list-style-type: none"> Modernise and increase agro-based entrepreneurs' production capacity and capability through mechanisation and automation and guided by technology and upgrading in processing premises towards food safety certification 	MOA
<ul style="list-style-type: none"> IAT Certification Special Project – Promotion and Marketing 	<ul style="list-style-type: none"> Assist entrepreneur in product marketing improvement and expansion of company 	MOA
<ul style="list-style-type: none"> Branding, Promotion and Marketing 	<ul style="list-style-type: none"> Develop a better management in the fishery industry in relation to marketing activities 	LKIM
<ul style="list-style-type: none"> Agro-Based Industry Programme Training Courses 	<ul style="list-style-type: none"> Develop competent agro-based industry entrepreneurs from business and technical skills aspects through integrated human capital development programme 	MOA
<ul style="list-style-type: none"> Development of Agriculture Industry 	<ul style="list-style-type: none"> To increase the volume of agriculture production <ol style="list-style-type: none"> Development of Fruits Industry Development of Vegetables and Short Term Crops Development of Coconut Industry Development of Floriculture Industry Development of Fruit Crops 	Department of Agriculture
<ul style="list-style-type: none"> Integrated Cage Farming 	<ul style="list-style-type: none"> Promote cage fish farming and high scale hatchery headed by leading company using modern farming method 	Department of Fisheries
<ul style="list-style-type: none"> Market Development and Distribution Expansion in Domestic and International Market 	<ul style="list-style-type: none"> Undertake promotion activities and market opportunities to export national agrofood products 	FAMA
<ul style="list-style-type: none"> Marketing Development for Burung Walit, Mushroom/Fungus and Herbal Products 	<ul style="list-style-type: none"> Preparatory courses for entrepreneurs and domestic marketing campaign in the country 	FAMA

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Ministry of Agriculture and Agro-Based Industry (MOA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Bimbingan Usahawan</i> Programmes: <ol style="list-style-type: none"> <i>Pusat Bimbingan Usahawan</i> Agriculture Youth Entrepreneur Incubation Programme (IUBT) Agricultural Certification Course 	<ul style="list-style-type: none"> Provide training for young entrepreneurs to equip them with technical and entrepreneurial skills to be able to manage the agro-based food company with an excellent culture Provide participants with mentoring and hands-on experience in the agriculture field, to become agriculture entrepreneurs who are more confident, skillful and competitive. Participant will be guided to become competitive, skilled and resilient entrepreneurs Train skilled graduates in agricultural technology and to provide basic entrepreneurial necessities in the field of commercial agriculture 	Department of Agriculture
<ul style="list-style-type: none"> Increase Quality and Product Development 	<ul style="list-style-type: none"> Develop quality products with the purpose of ensuring IAT products that comply with food act, safe to be eaten from chemical, microbiology and physical Improve product image from quality, design, packaging and labeling aspect to be competent and competitive in the market 	LKIM
<ul style="list-style-type: none"> Integrated Aquaculture Zone (IZAQ) 	<ul style="list-style-type: none"> Develop an integrated high scale aquaculture production park for production of high quality fish / prawn that fulfill the export requirements Focus on high quality prawn and fish species with consistent quality assurance and product safety 	Department of Fisheries
<ul style="list-style-type: none"> Marketing Development on Ready Crops for Exports 	<ul style="list-style-type: none"> Develop new distributors and to enhance / strengthen existing distributors 	FAMA
<ul style="list-style-type: none"> Training Related to Quality and Safety of Marketers 	<ul style="list-style-type: none"> Guidance and training of marketers in quality control of agricultural products 	FAMA
<ul style="list-style-type: none"> Entrepreneur Development Programme 	<ul style="list-style-type: none"> Develop technology-based entrepreneurs that are able to compete in global market 	MARDI
<ul style="list-style-type: none"> Agro-based Industry Upscaling and Commercialisation Process 	<ul style="list-style-type: none"> Accelerate the commercialisation process selected technologies by MARDI 	MARDI
<ul style="list-style-type: none"> Technology Commercialisation, Enterprise Development and Capacity Building 	<ul style="list-style-type: none"> Transfer of commercialised technologies to SMEs / entrepreneurs and to provide consulting and advisory services 	MARDI

Ministry of Agriculture and Agro-Based Industry (MOA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Building Capacity and Production Capability 	<ul style="list-style-type: none"> Modernise and increase agro-based entrepreneurs' production capacity and capability through mechanisation and automation 	LKIM
<ul style="list-style-type: none"> Fishermen Transformation Programme 	<ul style="list-style-type: none"> Improve from conventional to modern, commercial and competitive fishermen 	LKIM
<ul style="list-style-type: none"> Pineapple Planting Incentive for below than 15 Acre 	<ul style="list-style-type: none"> Increase national pineapples production Increase small holder income 	MOA
<ul style="list-style-type: none"> Good Agriculture Practice (GAP) - Training grant in course form and hands-on and farm visit GAP and SALM <ol style="list-style-type: none"> Capacity development and transfer of pineapple technology to farmers Technology transfer course and human development / visit and technical training New technology acquisition 	<ul style="list-style-type: none"> Increases GAP compliance levels of entrepreneurs -give recognition to entrepreneurs which practice GAP through programmes certificates such as Skim Amalan Ladang Malaysia (SALM) Develop pineapple entrepreneurs that are knowledgeable and skilled in pineapple crop management Increase productivity of pineapple plantation through the use of latest technology 	MPIB
<ul style="list-style-type: none"> Seminar / Training / Courses 	<ul style="list-style-type: none"> Improve the competitiveness of agro-entrepreneurs among graduates 	MADA
<ul style="list-style-type: none"> Development of Agriculture Entrepreneurs 	<ul style="list-style-type: none"> Develop highly skilled and knowledgeable entrepreneurs 	MADA
<ul style="list-style-type: none"> Product Analysis 	<ul style="list-style-type: none"> Analyse product for nutrition fact, by undergoing microbiology and chemical test 	KADA
<ul style="list-style-type: none"> Increasing Production Capacity 	<ul style="list-style-type: none"> Agro-based industry entrepreneurs are to increase the capability of production capacity through modern equipment and automation, as well as improvements in processing technology and premises of the entrepreneur 	MADA
<ul style="list-style-type: none"> Diversification of Agriculture Products 	<ul style="list-style-type: none"> Increase the production of : <ol style="list-style-type: none"> Vegetables Fruits Herbal plantation Ducks Goats Freshwater and decorative fish Cattle 	KADA

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Ministry of Agriculture and Agro-Based Industry (MOA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Agro food production <ol style="list-style-type: none"> 1. Development of Mango Estate 2. <i>Pembangunan Ternakan Burung Walit</i> 3. <i>Pembangunan Estet Ikan</i> 4. Feedlot Cattle Livestock Development 5. Agro-Tourism Development 	<ul style="list-style-type: none"> • Making the MADA area as a hub for the production of fresh products • Making the MADA area as a hub for fish farming • Making the MADA area as a referral center of technologies and training to farmers in livestock • Improve socio-economic development of local residents 	MADA
<ul style="list-style-type: none"> • Enhancing knowledge & skills: <ol style="list-style-type: none"> i. Courses in the food processing unit farmers ii. Study tour for entrepreneurs iii. Entrepreneurial skills enhancement courses iv. Courses outboard food processing entrepreneurs craft skills enhancement 	<ul style="list-style-type: none"> • Provide exposure to new entrepreneurs on the processing of potential products • Provide exposure to new and existing entrepreneurs of successful IAT business • Provide exposure to new and existing entrepreneurs on matters relating to the processing and marketing by providing both theoretical and technical disclosure • Provide special exposure to entrepreneurs who run the craft business to maximize quality craft products 	KADA
<ul style="list-style-type: none"> • Commercialisation Programme 	<ul style="list-style-type: none"> • Increase the income of farmers in livestock (goat meat) and decorative fish (Arowana) 	KADA
<ul style="list-style-type: none"> • Ladang Sungai Bayu (Agro Tourism) Programme 	<ul style="list-style-type: none"> • Increase the income of farmers in tongkat ali plantation and deer farming 	KADA
<ul style="list-style-type: none"> • Tanah Tinggi Lodging Programme 	<ul style="list-style-type: none"> • Increase the income of farmers in agriculture sector 	KADA
<ul style="list-style-type: none"> • Organic Agriculture Programme 	<ul style="list-style-type: none"> • Increase the income of farmers in the organic agriculture sector through processing of organic fertiliser and organic plantation 	KADA
<ul style="list-style-type: none"> • New Commodity Programme 	<ul style="list-style-type: none"> • Increase the income of farmers and the production of commodities (mushrooms, depu, Roselle, swiflet, goat's milk and quails) 	KADA
<ul style="list-style-type: none"> • Income Increment Programme 	<ul style="list-style-type: none"> • Increase the income of farmers in cattle and chicken feedlots 	KADA

Ministry of Agriculture and Agro-Based Industry (MOA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Permanent Food Production Park (TKPM) 	<ul style="list-style-type: none"> To increase food production 	Department of Agriculture
<ul style="list-style-type: none"> Establishment of Centre for Marketing, Advisory and Distribution 	<ul style="list-style-type: none"> Provide market access and market opportunities for agro-based products and enhance the capability of farmers and micro entrepreneurs to be commercially competitive 	FAMA
<ul style="list-style-type: none"> Fishermen Market 	<ul style="list-style-type: none"> Encourage participation of fishermen/ fishermen's family in the field of entrepreneurship 	LKIM
<ul style="list-style-type: none"> Marketing Centre for Aquaculture Fisheries 	<ul style="list-style-type: none"> Establish well-equipped collection and fisheries marketing centre 	LKIM
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Dana Nelayan</i> 	<ul style="list-style-type: none"> Enable the fishermen to improve their standard of living 	LKIM
<ul style="list-style-type: none"> Small and Medium Scale Industry (SMI) Scheme 	<ul style="list-style-type: none"> Assist small entrepreneurs to expand current or ongoing agriculture projects 	Agrobank
<ul style="list-style-type: none"> Youth Agriculture Scheme 	<ul style="list-style-type: none"> Assisting youth to improve themselves in activities pertaining to the agriculture and agro-based industries 	Agrobank
<ul style="list-style-type: none"> Fund for Food (3F) 	<ul style="list-style-type: none"> Increase food production in the country and reduce food import 	Agrobank
<ul style="list-style-type: none"> Agriculture Entrepreneurs Scheme for Graduates 	<ul style="list-style-type: none"> To reduce unemployment rate among graduates through careers in agriculture and to produce commercial graduate farmers 	Agrobank

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Ministry of Agriculture and Agro-Based Industry (MOA)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Business Quality and Enhancement 	<ul style="list-style-type: none"> Develop and expose entrepreneurs into the new foreign market 	MOA
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> TEKUN Financing 	<ul style="list-style-type: none"> Provide microcredit financing for entrepreneurs in the agriculture sector 	TEKUN
<ul style="list-style-type: none"> Development of Bumiputera Entrepreneurs through Bumiputera Commercial and Industry Community (BCIC) 	<ul style="list-style-type: none"> Develop competitive and viable Bumiputera entrepreneur groups 	Agrobank

Ministry of Agriculture and Agro-Based Industry (MOA)

Contact: Wisma Tani, No. 28 Persiaran Perdana, Precint 4
 Pusat Pentadbiran Kerajaan Persekutuan
 62624 PUTRAJAYA

Tel: 603-8870 1000
 Fax: 603-8888 6020

www.moa.gov.my
www.smeinfo.com.my

Ministry of Plantation Industries and Commodities (MPIC)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
• TUNAS (<i>Tunjuk Nasihat Sawit</i>)	• Assist smallholders to implement good agronomic practices (GAP)	MPOB
• Furniture Design and Making (FDM)	• Provide opportunity for executives and fresh graduates to intensify industry knowledge and skills in furniture design and production	MTIB
• Entrepreneur Development Programme	• Increase participation of small enterprises / smallholders in the commodity sector	MPB
• Entrepreneur Development Programme for Handmade Chocolate, Cookies and Confectioneries	• Encourage handmade chocolates, cookies and confectionaries production, increase the production capacity and to promote local cocoa and chocolate products	MCB
• Improvement of Productivity, Efficiency & Quality of Malaysian Rubber Products (A5)	• Improve the capability and competitiveness of SMEs in the rubber products sector to enable them to compete in a competitive environment	MRB
• Diversification of Secondary Income	• Establish agro-based entrepreneurs among tobacco planters and ex-tobacco planters by conducting training and attachment programmes to increase their income	LTKN
• SME Transfer of Technology Seminar Conjunction with MICCOS 2011	• Encourage the commercialisation of MPOB's technology	MPOB
• Conference on New Business Opportunities in Oleo Chemicals, Biomass and Nutraceuticals Programme	• Encourage the commercialisation of MPOB's technology and investments opportunities in oleo chemicals, biomass sector and nutraceuticals	MPOB
• <i>Kursus Pembangunan Operator Tapak Semaian Sawit</i>	• Provide knowledge and skills in management of palm oil nursery	MPOB
• <i>Kursus Kemahiran Mengred Buah Sawit</i>	• Increase palm oil extraction rate by improving quality of fruits received by mills towards increasing plantations and small holders income	MPOB
• Diploma in Palm Oil Milling Technology (DIPOM)	• Contribute to human resource development especially in management and milling technology in the oil palm industry	MPOB

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Ministry of Plantation Industries and Commodities (MPIC)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Transfer of Technology 	<ul style="list-style-type: none"> Add value to MPOBs technologies and services via commercialisation 	MPOB
<ul style="list-style-type: none"> Intensive Diploma in Palm Oil Plantation Management Technology (IDIOMPT) 	<ul style="list-style-type: none"> Expose candidates to various technologies in palm oil plantation management. Other subjects include labour legislation, finance, engineering and processing 	MPOB

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Bumiputera Marketing Expansion and Exploration Programme 	<ul style="list-style-type: none"> Create opportunities for Bumiputera SMEs to compete in the domestic and international markets 	MTIB

Ministry of Plantation Industries and Commodities (MPIC)

Contact: No 15, 6-13th Floor, Lot 2G4 , Precint 2
Pusat Pentadbiran Kerajaan Persekutuan
62654 PUTRAJAYA

Tel: 603-8880 3300
Fax: 603-8880 3482

www.kppk.gov.my
www.smeinfo.com.my

Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Taste of Malaysia 	<ul style="list-style-type: none"> Promote and market SME products to hypermarkets abroad 	MDTCC In collaboration with: Hypermarket / Departmental Stores / Supermarket
<ul style="list-style-type: none"> <i>Produk Malaysia, Citarasa Kita</i> 	<ul style="list-style-type: none"> Promote and market SME products to local and foreign hypermarkets in Malaysia 	MDTCC In collaboration with: Hypermarket / Departmental Stores / Supermarket
<ul style="list-style-type: none"> Franchise Development Programme 	<ul style="list-style-type: none"> Develop competent and competitive franchisor 	PNS
<ul style="list-style-type: none"> Business Matching Programme 	<ul style="list-style-type: none"> Assist SME to access and list their products in the local and foreign hypermarkets in Malaysia 	MDTCC In collaboration with: Hypermarket / Departmental Stores / Supermarket
<ul style="list-style-type: none"> Seminar on Intellectual Property 	<ul style="list-style-type: none"> Promote IP awareness in protecting their Intellectual Property Right 	MyIPO
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> TUKAR 	<ul style="list-style-type: none"> To modernise family's sundry shop 	Local and Foreign Hypermarkets
<ul style="list-style-type: none"> PAKAR 	<ul style="list-style-type: none"> To house various types of products under one roof. To introduce caravan as a mode of doing business 	FAMA, JKT, PBT

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Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Automotive Workshop Modernisation 	<ul style="list-style-type: none"> To modernise automotive workshop industry 	KPKT, Federation of Automobile Workshop Owners Association of Malaysia (FAWOAM), AAM, Persatuan Pengusaha Industri Bengkel Malaysia (PPIBM), Malaysian Association of Tyre Retreaders and Dealers Society (MATRDS), PROTON, TOYOTA, NAZA

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Graduate Franchise Programme (PFS) 	<ul style="list-style-type: none"> Develop confident and competitive Bumiputera entrepreneurs in franchise business among graduates 	PNS

Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> PNS Franchise Financing Scheme 	<ul style="list-style-type: none"> Develop and promote Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses as well as provide financial assistance for purpose of business expansion and new start-up franchise companies 	PNS
<ul style="list-style-type: none"> PNS Pre-Franchise / Franchisor Financing Scheme 	<ul style="list-style-type: none"> Assist new franchisors by providing financial assistance to potential franchisors and master franchisees 	PNS

C) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> IP-empowering SMEs-South Region and North Region 	<ul style="list-style-type: none"> Assist the SME in registering their Intellectual Property Rights 	MyIPO

Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC)

Contact: No. 13, Persiaran Perdana, Precint 2
Pusat Pentadbiran Kerajaan Persekutuan
62623 PUTRAJAYA

Tel: 603-8882 5500
Fax: 603-8882 5762

www.kpdnkk.gov.my
www.smeinfo.com.my

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Ministry of Energy, Green Technology and Water (MEGTW)

A) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Green Technology Financing Scheme (GTFS) 	<ul style="list-style-type: none"> Promote green technology industry which aims to achieve a sustainable environment 	MEGTW in collaboration with: BNM, CGC, MGTC

Ministry of Energy, Green Technology and Water (MEGTW)

Contact: Block E4/5, Parcel E
Pusat Pentadbiran Kerajaan Persekutuan
62668 PUTRAJAYA

Tel: 603-8883 6200
Fax: 603-8889 3712

www.kettha.gov.my
www.smeinfo.com.my

Ministry of Finance (MOF)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Pembangunan Dataran Usahawan Jalan Sultan Badlishah</i> 	<ul style="list-style-type: none"> • Provide a complete business infrastructure in major cities for entrepreneurs 	Perbadanan Kemajuan Ekonomi Negeri Kedah
<ul style="list-style-type: none"> • <i>Program Pembangunan Usahawan dan Vendor Berteknologi Tinggi di Kulim Hi-Tech Park</i> 	<ul style="list-style-type: none"> • Train new entrepreneurs in high technology industries 	Perbadanan Kemajuan Ekonomi Negeri Kedah
<ul style="list-style-type: none"> • Cottage Retail shop 	<ul style="list-style-type: none"> • Provide business premises in cottage area 	UDA Holdings Berhad
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Malaysian Kitchen Financing Facility 	<ul style="list-style-type: none"> • Provide financing to Malaysian entrepreneurs to set up or expand existing Malaysian restaurants overseas 	EXIM Bank
<ul style="list-style-type: none"> • Tourism Infrastructure Fund 	<ul style="list-style-type: none"> • Support the Government's efforts to develop and promote tourism industry 	BPMB
<ul style="list-style-type: none"> • Initiative Financing Scheme 	<ul style="list-style-type: none"> • Reduce poverty rate in Malaysia by providing financing to poor households which will enable them to undertake viable economic activity hence upgrading their household income 	AIM
<ul style="list-style-type: none"> • Maritime Fund 	<ul style="list-style-type: none"> • Provide financial assistance to existing and new companies involved in shipping, shipyard and marine related activities 	BPMB
<ul style="list-style-type: none"> • Ar-Rahnu Micro Programme 	<ul style="list-style-type: none"> • Provide an easy access micro credit facility to community especially to lower income group as business capital for various productivity activities • Provide access to financing through mortgage transaction based on Syarak rule 	YPEIM
<ul style="list-style-type: none"> • Tourism Special Fund 	<ul style="list-style-type: none"> • Providing access to financing for tourism sector 	SME Bank

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Ministry of Finance (MOF)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Development project - Medan Ikan Bakar, Kg. Siti Mani Kota Bharu 	<ul style="list-style-type: none"> Provide premises equipped with comfortable and organised public facility and amenities for seafood based entrepreneur 	Perbadanan Kemajuan Iktisad Negeri Kelantan
<ul style="list-style-type: none"> Halal Product Development Project 	<ul style="list-style-type: none"> Provide manufacturing premises equipped with machineries and equipment for halal food production 	Perbadanan Kemajuan Iktisad Negeri Kelantan
<ul style="list-style-type: none"> Automotive Centre Development Project in Pengkalan Chepa 	<ul style="list-style-type: none"> Provide business premises and workshops equipped with modern equipment for Bumiputera entrepreneurs in automotive industry 	Perbadanan Kemajuan Iktisad Negeri Kelantan
<ul style="list-style-type: none"> Gerai Tok Bali setup at Pasir Puteh, Kelantan 	<ul style="list-style-type: none"> Provide business area and premises to entrepreneurs in fish based industry 	Perbadanan Kemajuan Iktisad Negeri Kelantan
<ul style="list-style-type: none"> <i>Pembangunan sistem rangkaian, formulasi konsep yang kreatif dan pengurusan makanan ke arah menjadikan industri makanan halal yang strategik</i> 	<ul style="list-style-type: none"> Development of supply chain for halal industry 	Perbadanan Kemajuan Ekonomi Negeri Perak

C) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Entrepreneur "Scale-Up" Coaching Programme 	<ul style="list-style-type: none"> To initiate "Entrepreneur Scale-Up" (ESP) training for entrepreneurs who can grow their business from small to medium or large under Budget 2011 	Cradle Fund Sdn Bhd
<ul style="list-style-type: none"> Cradle Investment Programme 	<ul style="list-style-type: none"> Provide financial assistance to budding entrepreneurs to develop their ideas into prototype or proof of concept Improve commercialisation scenario for technology ideas to build a stronger innovation ecosystem 	Cradle Fund Sdn Bhd

Ministry of Finance (MOF)

C) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> ICT, Biotechnology and Technology Development Project Financing 	<ul style="list-style-type: none"> Provide syariah-based financing facilities which is innovative and flexible for local companies in ICT, biotechnology and technology sectors 	Malaysian Debt Ventures, MDeC, Biotech Corp, MAVCAP, KMP, Cradle Fund Sdn Bhd
<ul style="list-style-type: none"> Non-ICT Fund 	<ul style="list-style-type: none"> Provide financing for start-up and expansion projects in life science and biotechnology, green technology, waste-to-wealth technology and high precision manufacturing 	MTDC
<ul style="list-style-type: none"> Creating High Net Worth Angels Investors (CHANGE) Programme 	<ul style="list-style-type: none"> To create a larger pool of private sector individuals, angels investors and private investments as mandated by MOF 	Cradle Fund Sdn Bhd
<ul style="list-style-type: none"> <i>Dana Modal Teroka</i> MAVCAP II 	<ul style="list-style-type: none"> Provide venture capital financing for technology and ICT companies 	MAVCAP

Ministry of Finance (MOF)

Contact: Kompleks Kementerian Kewangan
No. 5 Persiaran Perdana
Pusat Pentadbiran Kerajaan Persekutuan
62592 PUTRAJAYA

Tel: 603-8882 3000 www.treasury.gov.my
Fax: 603-8882 3893/94 www.smeinfo.com.my

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Ministry of Human Resources (MOHR)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Master Trainer 	<ul style="list-style-type: none"> • Produce experts in training 	PSMB
<ul style="list-style-type: none"> • Training Cum Production (TCP) / Teaching Factory 	<ul style="list-style-type: none"> • Create a smart collaboration between the training institutes expertise and the SME by producing a small batch production • Maximise the usage of machines in all training institutes 	JTM
<ul style="list-style-type: none"> • Brainstorming on Core Competencies for Industries 	<ul style="list-style-type: none"> • Identify the training needs for selected industries 	PSMB
<ul style="list-style-type: none"> • Short term and part time courses 	<ul style="list-style-type: none"> • Upgrade and enhance the industrial workers multitasking capabilities • Enable industrial workers to gain training despite their full time engagement at work 	JTM

B) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • National Dual Training System (NDTS) 	<ul style="list-style-type: none"> • Train 2,400 school dropout students in 2011 	JPK
<ul style="list-style-type: none"> • SME Outreach Programme 	<ul style="list-style-type: none"> • Inculcate training culture in SMEs and establish close linkages with private organisations and academic institutions 	JTM
<ul style="list-style-type: none"> • Training: <ol style="list-style-type: none"> Retraining and Skills Upgrading SMETAP Programme 	<ul style="list-style-type: none"> • Equip workers with knowledge, skill upgrading, capabilities, technical know-how and best practices to be resilient and competitive SMEs 	PSMB
<ul style="list-style-type: none"> • SME Training Needs Analysis Consultancy Scheme 	<ul style="list-style-type: none"> • Assist SMEs in producing annual training plans 	PSMB
<ul style="list-style-type: none"> • Free TNA Programme 	<ul style="list-style-type: none"> • Equip Human Resource Officers with information on how to conduct training needs analysis for their organisation 	PSMB

Ministry of Human Resources (MOHR)

B) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Train-the-Trainer 	<ul style="list-style-type: none"> • Enhance the quality of trainers for SMEs 	PSMB
<ul style="list-style-type: none"> • Evaluation-on-Effectiveness of Training 	<ul style="list-style-type: none"> • Equip trainers and human resources officers with the knowledge on how to conduct evaluation on training programme 	PSMB
<ul style="list-style-type: none"> • Training Needs Analysis Study 	<ul style="list-style-type: none"> • Identify and address training needs based on specific sector 	PSMB

Ministry of Human Resources (MOHR)

Contact: Level 6-9, Block D3, Parcel D
 Pusat Pentadbiran Kerajaan Persekutuan
 62530 PUTRAJAYA

Tel: 603-8886 5000
 Fax: 603-8889 2381

www.mohr.gov.my
www.smeinfo.com.my

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Ministry of Housing and Local Government (MHLG)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: **Strengthening Enabling Infrastructure**

Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Landscape Industrial Village and Exposition (LIVE) 	<ul style="list-style-type: none"> Strengthen and coordinate the development of landscape industry through suitable infrastructure facilities Establish a garden centre for activities related to technology, design and plantation material for landscaping 	Jabatan Landskap Negara

Ministry of Housing and Local Government (MHLG)

Contact: Level 1-38, No 51, Persiaran Perdana, Precint 4
Pusat Pentadbiran Kerajaan Persekutuan
62100 PUTRAJAYA

Tel: 603-8891 5000
Fax: 603-8891 3182

www.kpkt.gov.my
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Ministry of Tourism (MOTOUR)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Seminar Kesedaran Keselamatan Premis Pelancongan</i> 	<ul style="list-style-type: none"> • Increase awareness on safety and security for budget hotel operations 	MOTOUR
<ul style="list-style-type: none"> • Tourism Training Programme for Budget Hotel Operators 	<ul style="list-style-type: none"> • Provide training programme for budget hotel operators 	MOTOUR
<ul style="list-style-type: none"> • Homestay Entrepreneur Training 	<ul style="list-style-type: none"> • Instill entrepreneurship among homestay's operators 	MOTOUR

Ministry of Tourism (MOTOUR)

Contact: No. 2, Tower 1, Jalan P5/6, Precint 5
 Pusat Pentadbiran Kerajaan Persekutuan
 62200 PUTRAJAYA

Tel: 603-8891 7000
 Fax: 603-8891 7100

www.motour.gov.my
www.smeinfo.com.my

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Ministry of Science, Technology and Innovation (MOSTI)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> AgroBio Business Chain Programme 	<ul style="list-style-type: none"> To coordinate the agriculture and manufacturing industry To increase the agricultural product value <ol style="list-style-type: none"> Spearhead the growth for Agriculture Biotech industry Optimising the involvement of Bumiputera in Agriculture Biotech industry 	TPM, Biotech Corp., MOA, FAMA, MARDI, SME Corp. Malaysia

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Traditional Medicines/ Supplement Industry Development Programme 	<ul style="list-style-type: none"> To assist backyard traditional medicine/ supplement producer to become commercial entrepreneurs <ol style="list-style-type: none"> Catalysing the traditional medicine/ supplements Industry (e.g. Jamu) Bringing traditional medicine/supplements into mainstream industry 	MOSTI in collaboration with: TPM, Biotech Corp., SME Corp. Malaysia MARA
<ul style="list-style-type: none"> Biopreneur Development Programme 	<ul style="list-style-type: none"> To produce Biotech based entrepreneur To increase the number of Bumiputera entrepreneur in Biotech industry 	TPM, MOA, FAMA, MARDI, Biotech Corp, SME Corp. Malaysia
<ul style="list-style-type: none"> Micropreneur Development Programme 	<ul style="list-style-type: none"> To assist the needy e.g. single mother, OKU to venture in entrepreneurship related sector 	TPM, Biotech Corp.

Ministry of Science, Technology and Innovation (MOSTI)

C) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
• <i>Dana</i> e-Content	<ul style="list-style-type: none"> • Create quality content products for local and global markets by local companies and develop resilient and competitive content industry 	MOSTI
• Biopreneur Clinic Programme	<ul style="list-style-type: none"> • To produce Biotech based Entrepreneur • To enhanced the knowledge and entrepreneurship skill of Bumiputera entrepreneur in Biotech industry <ol style="list-style-type: none"> i. Spearhead the growth for Biotech industry ii. Optimising the involvement of Bumiputera in Biotech industry 	TPM, Biotech, MOA, FAMA, SME Corp. Malaysia, Biotech Corp.
• Pre-Commercialisation Fund	<ul style="list-style-type: none"> • Undertake the development of new or cutting edge technologies and stimulate the growth and innovation of Malaysian technology-based enterprises by increasing their R&D and commercialisation 	MOSTI
• Commercialisation of R&D Fund (CRDF)	<ul style="list-style-type: none"> • Leverage on Science, Technology and Innovation (STI) for national development and wealth creation via commercialisation of products and process 	MTDC
• Technology Acquisition Fund (TAF)	<ul style="list-style-type: none"> • 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 	MTDC
Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
• Incubation & Technopreneur Development	<ul style="list-style-type: none"> • Provide infrastructure (business premises) & support services (technical & business skills) to entrepreneurs 	TPM

Ministry of Science, Technology and Innovation (MOSTI)

Contact: Level 1-7, Block C4 & C5, Complex C
 Pusat Pentadbiran Kerajaan Persekutuan
 62662 PUTRAJAYA

Tel: 603-8885 8000
 Fax: 603-8888 9070

www.mosti.gov.my
 www.smeinfo.com.my

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Ministry of Rural and Regional Development (MRRD)

A) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Additional Economic Activities 	<ul style="list-style-type: none"> Enable smallholders families to obtain an average family income of at least RM2,000 per month 	RISDA
<ul style="list-style-type: none"> Entrepreneur Development 	<ul style="list-style-type: none"> Obtain 1,000 entrepreneurs among smallholders in 2011 	RISDA
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Technopreneur Bumiputera Fund 	<ul style="list-style-type: none"> Enhancing, strengthening and upgrading potential Bumiputera technopreneurs to a higher level through “Technology Smart Partnership” 	MARA
<ul style="list-style-type: none"> Rural Economy Funding Scheme (SPED) 	<ul style="list-style-type: none"> Provide financial assistance to rural entrepreneurs in manufacturing services, agriculture and rural tourism sectors. It offers 3 types of financing: <ol style="list-style-type: none"> Start-up financing Working Capital and Business Expansion Rehabilitation Financing 	SME Bank, Bank Rakyat
<ul style="list-style-type: none"> MARA Business Financing Scheme 	<ul style="list-style-type: none"> Provide loan assistance to Bumiputera entrepreneurs to increase working capital or business start-ups 	MARA

Ministry of Rural and Regional Development (MRRD)

Contact: Block D9, Complex D
 Pusat Pentadbiran Kerajaan Persekutuan
 62606 PUTRAJAYA

Tel: 603-8886 3500
 Fax: 603-8889 2104

www.rurallink.gov.my
www.smeinfo.com.my

Ministry of International Trade and Industry (MITI)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Halal Manufacturing Success Stories 	<ul style="list-style-type: none"> To provide support and conducive business environment for selected SMEs to expand business and increase sales 	HDC
<ul style="list-style-type: none"> Go Halal! 	<ul style="list-style-type: none"> To establish Halal certified ready SMEs before compliance audit by JAKIM / MAIN / JAIN 	HDC in collaboration: INSKEN
<ul style="list-style-type: none"> <i>Program Pembangunan Kandungan Pengetahuan bagi Firma</i> (myKEII) 	<ul style="list-style-type: none"> To enhance knowledge content of the firm and to be more competitive 	MPC
<ul style="list-style-type: none"> Women Exporters Development Programme (WEDP) 	<ul style="list-style-type: none"> Export assistance programmes designed for small and medium sized women owned businesses. These programmes help SMEs to develop the necessary skills and knowledge to penetrate and further expand their export market 	MATRADE
<ul style="list-style-type: none"> Marketing Development Grant (MDG) for SME 	<ul style="list-style-type: none"> Assistance for SMEs to undertake activities for development of export market 	MATRADE
<ul style="list-style-type: none"> Exports Training Programme 	<ul style="list-style-type: none"> Enhance knowledge of SMEs in export-related areas such as export regulations, market information, international standards, branding, packaging and trade financing 	MATRADE
<ul style="list-style-type: none"> MATRADE Briefing and Consultation Session 	<ul style="list-style-type: none"> Cultivate export culture among SMEs and encourage those particularly outside Klang Valley to utilize the services offered by MATRADE 	MATRADE
<ul style="list-style-type: none"> Industrial Linkage Programme 	<ul style="list-style-type: none"> Develop linkages between SMEs, MNCs, GLCs as well as large companies 	SME Corp. Malaysia
<ul style="list-style-type: none"> SME Innovation Showcase 	<ul style="list-style-type: none"> Provide a platform for SMEs to display products and services available for outsourcing activities 	SME Corp. Malaysia
<ul style="list-style-type: none"> Halal Champion 	<ul style="list-style-type: none"> Increase capability of potential SME to go global and improve trade balance by enhancing SMEs export 	HDC
<ul style="list-style-type: none"> Skills Upgrading Programme 	<ul style="list-style-type: none"> Enhance the capacities and capabilities to employees of SMEs in the technical and managerial levels such as financial, quality management as well as business management 	SME Corp. Malaysia
<ul style="list-style-type: none"> SME Expert Advisory Panel (SEAP) 	<ul style="list-style-type: none"> Strengthen technical advisory services to SMEs through on-site assistance and encourage transfer of technology know-how and experience from industry experts to SMEs 	SME Corp. Malaysia

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Ministry of International Trade and Industry (MITI)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
• Enterprise 50 Award Programme	• Recognise the achievements of Malaysia's enterprising homegrown companies, which are well positioned for the future	SME Corp. Malaysia
• Capacity Development Programme	• Enhance and develop capacity of SMEs human resource in productivity and quality subject matters	MPC
• SME-Brand Development Programme	• Create awareness on branding among SMEs	SME Corp. Malaysia
• SME-University Internship Programme	• Facilitate and upgrade SMEs' knowledge towards improving the business processes, productivity and financial performance while the students will be further exposed to entrepreneurship	SME Corp. Malaysia
• MAJAICO A-1	• Upscale the local automotive parts and components manufacturer towards higher value added activities and enhance capacity building through the implementation of the Lean Production System (LPS)	SME Corp. Malaysia
• SIFE World Cup 2011	• To promote social entrepreneurship, creativity and soft-skills, international networking among IPT students, academicians and business communities	SME Corp. Malaysia
• Capacity Building and Industry Linkage	• To equip more Halal industry players (SMEs) with value added knowledge and support imperative for the growth of Halal industry in Malaysia	HDC
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
• Soft Loan for SMEs (SLSME)	• Assist existing as well as new start-up companies in project, fixed assets and working capital financing	SME Corp. Malaysia in collaboration: MIDF
• Soft Loan Scheme for Automation and Modernisation (SLSAM)	• Encourage industries to modernise and automate their manufacturing processes and upgrade production capacity and capabilities	MIDF
• Soft Loan Scheme for Service Sector (SLSSS)	• To assist companies and enterprises in the services sectors to raise their capabilities and capacities	MIDF

Ministry of International Trade and Industry (MITI)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Business Accelerator Programme (BAP) 	<ul style="list-style-type: none"> 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 Corp. Malaysia
<ul style="list-style-type: none"> Enrichment and Enhancement Programme (E²) 	<ul style="list-style-type: none"> An integrated programme to develop and nurture dynamic, competitive and resilient micro enterprise through M-CORE, capacity building, advisory and technical support as well as financial support 	SME Corp. Malaysia
<ul style="list-style-type: none"> Bridging Financing (BF) 	<ul style="list-style-type: none"> Short-term financing to mitigate the impact of long drawn process due to condition precedence 	SME Corp. Malaysia

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Vendor Development Programme <ol style="list-style-type: none"> Technical Training in Oil & Gas Industry Technical Training in Automotive Industry Training on Quality Compliance 	CAD / CAM Technical Training	MITI in collaboration: TPM & SIRIM
<ul style="list-style-type: none"> Undergraduate Entrepreneurship Program (PKS) 	<ul style="list-style-type: none"> To promote and create awareness among university students on entrepreneurship 	MITI
<ul style="list-style-type: none"> Product Quality Enhancement Programme (Groom Big) 	<ul style="list-style-type: none"> To further develop the production of products through strict compliance to standards requirement 	MITI in collaboration: SIRIM
<ul style="list-style-type: none"> Strategic Partnership with GLCs / Bumiputera Business Chambers / Industries 	<ul style="list-style-type: none"> To create strategic partnership with GLCs (e.g. Kontena Nasional) to develop Bumiputera entrepreneurs 	MITI
<ul style="list-style-type: none"> Domestic Trade Fairs 	<ul style="list-style-type: none"> To create awareness and demand for local products/services 	MITI
<ul style="list-style-type: none"> International Trade Fairs/Specialised Marketing Mission / Solo Exhibition 	<ul style="list-style-type: none"> To promote local products and services for the international markets 	MITI

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Ministry of International Trade and Industry (MITI)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
• Entrepreneur Advertising Programme	• To assist entrepreneurs in promoting their products and services via media channels with a minimum cost	MITI
• One District One Industry (SDSI)	• To market and promote SDSI products and services to domestic and international market	MITI
• <i>Program Promosi Kecemerlangan Organisasi</i> (TQM)	• To assist the potential Bumiputera SMEs to venture into the international market	MITI
• Bumiputera Enterprise Enhancement Programme (BEEP)	• Develop potential Bumiputera SMEs in all states. The programme provides selected Bumiputera SMEs comprehensive assistance package, comprising of financial assistance and advisory services	SME Corp. Malaysia
• Bumiputera Exporters Development Programme (BEDP)	• Export assistance programmes design for small and medium sized Bumiputera companies. These SMEs Pogrammes help SMEs to develop the necessary skills and knowledge to penetrate and further expand their export markets (Since 2004)	MATRADE
Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
• <i>Pusat Pengumpulan dan Pemasaran Produk</i> (4PU) / Trading House	• To collect and market products and services by Bumiputera entrepreneurs	MITI
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
• <i>Program Pinjaman Usahawan PKS</i>	• Financial assistance to Bumiputera entrepreneurs	SME Bank

Ministry of International Trade and Industry (MITI)

Contact: Block 10, Kompleks Pejabat Kerajaan
Jalan Duta 50622 KUALA LUMPUR

Tel: 603-6203 3022
Fax: 603-6203 2337

www.miti.gov.my
www.smeinfo.com.my

Ministry of Information Communications and Culture (KPKK)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Research and Development 	<ul style="list-style-type: none"> Develop and produce market-oriented products that are competitive for domestic and international market 	Malaysian Handicraft Development Corporation
<ul style="list-style-type: none"> Craft Entrepreneur Development 	<ul style="list-style-type: none"> Develop and increase the number and capacity of resilient and viable entrepreneurs in the craft industry through: <ol style="list-style-type: none"> One District One Industry Project Entrepreneur Upgrading 	Malaysian Handicraft Development Corporation
<ul style="list-style-type: none"> Craft Skilled Development 	<ul style="list-style-type: none"> Produce knowledgeable, highly skillful, creative and innovative graduates in the field of Batik craft, weaving, ceramic, woodcraft, metal craft and rattan to fulfill the skilled manpower demand of the craft industry 	Malaysian Handicraft Development Corporation
<ul style="list-style-type: none"> Craft Preservation and Restoration 	<ul style="list-style-type: none"> Restore and preserve the craft heritage 	Malaysian Handicraft Development Corporation
<ul style="list-style-type: none"> Craft Marketing 	<ul style="list-style-type: none"> Increase the craft sales of entrepreneurs in domestic and international markets 	Malaysian Handicraft Development Corporation
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Creative Industry Loan 	<ul style="list-style-type: none"> Provide financial assistance to promote the development of creative industry as well as enhance local creative content in the local and international markets 	BSN, MOF
<ul style="list-style-type: none"> Film Art and Multimedia Development Fund 	<ul style="list-style-type: none"> Provide financing for production of quality short films / documentary / animation 	FINAS

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Ministry of Information Communications and Culture (KPKK)

B) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Network Content Development Grant 	<ul style="list-style-type: none"> Facilitate and encourage Malaysian's involvement in the creation, production and distribution of highly creative, original and marketable network content for domestic and international markets 	KPKK

Ministry of Information Communications and Culture (KPKK)

Contact: Kompleks Sultan Abdul Samad, Jalan Raja
50610 KUALA LUMPUR

Tel : 603-2612 7600
Fax : 603-2693 5114

www.kpkk.gov.my
www.smeinfo.com.my

Ministry of Youth and Sports (MOYS)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Basic Entrepreneurship Course 	<ul style="list-style-type: none"> Provide exposure to young entrepreneurs on basic entrepreneurial skills to equip their knowledge and capability to face business challenges 	MOYS
<ul style="list-style-type: none"> Smart Partnership Youth Entrepreneur 	<ul style="list-style-type: none"> Provide business space and opportunities for youth to get exposure and understand the concept of entrepreneurship 	SIRIM
<ul style="list-style-type: none"> Course on Design & Labelling 	<ul style="list-style-type: none"> Provide knowledge to young entrepreneurs on food packaging and labelling technology 	SIRIM
<ul style="list-style-type: none"> Technical Course for Youth on Agriculture 	<ul style="list-style-type: none"> Provide knowledge to young entrepreneurs on technical agricultural-based business know-how 	MOYS

Ministry of Youth and Sports (MOYS)

Contact: KBS Tower,
No. 27 Persiaran Perdana, Precint 4,
62570 PUTRAJAYA

Tel : 603-8871 3333
Fax : 603-8888 8770

www.kbs.gov.my
www.smeinfo.com.my

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Ministry of Women, Family and Community Development (MWFCD)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Inkubator Keusahawanan Wanita (I-KeuNITA)</i> 	<ul style="list-style-type: none"> To eradicate poverty and improve the quality of life for women 	JPW
<ul style="list-style-type: none"> <i>Program Pembangunan Usahawan Wanita</i> 	<ul style="list-style-type: none"> Motivate women's participation in business through talks and sharing of experience 	JPW
<ul style="list-style-type: none"> <i>Geran Teman 1Azam</i> 	<ul style="list-style-type: none"> Special Grants for participants of skills training programmes conducted by JPW for them to start-up or expand their business 	JPW
<ul style="list-style-type: none"> <i>Inkubator Kemahiran Ibu Tunggal (I-KIT)</i> 	<ul style="list-style-type: none"> Eradicate poverty and increase the quality life of single mothers 	JPW

Ministry of Women, Family and Community Development (MWFCD)

Contact: Level 1-6, Kompleks Pejabat Kerajaan Bukit Perdana
Jalan Dato' Onn, 50515 KUALA LUMPUR

Tel: 603-2693 0095
Fax: 603-2693 4982

www.kpwkm.gov.my
www.smeinfo.com.my

Ministry of Industrial Development Sabah (MID Sabah)

A) Enhancing Viability of SMEs across All Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Specialised Food Processing Course 	<ul style="list-style-type: none"> To upgrade and increase skills and expertise of entrepreneurs in processing food products from local resources 	Jabatan Pembangunan Perindustrian dan Penyelidikan
<ul style="list-style-type: none"> <i>Kursus Asas Kontraktor</i> 	<ul style="list-style-type: none"> Develop contractor's self-confidence 	Kementerian Pembangunan Sumber dan Kemajuan Teknologi Maklumat (KPSKTM)
Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Pembangunan Usahawan Desa</i> 	<ul style="list-style-type: none"> To increase income of rural entrepreneurs 	Ministry of Rural Development Sabah
<ul style="list-style-type: none"> Shophouses 	<ul style="list-style-type: none"> To develop shophouses for rural entrepreneurs 	KPP
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Financing Scheme for technical school leavers & workshop workers (<i>Skim Lepas Teknik dan Pekerja Bengkel</i>) 	<ul style="list-style-type: none"> Assist technical school leavers and workshop workers to purchase machine and equipment to start new business 	SEDCO

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Ministry of Industrial Development Sabah (MID Sabah)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Small Projects under Social Development Programme 	<ul style="list-style-type: none"> Provide small projects to social aid recipients and other target groups to develop their entrepreneurship skills and enhance their standard of living 	Jabatan Perkhidmatan Am Kota Kinabalu
<ul style="list-style-type: none"> Entrepreneur Development Scheme 	<ul style="list-style-type: none"> Develop progressive and resilient Bumiputera SME Entrepreneur 	UiTM
<ul style="list-style-type: none"> Entrepreneurship for Single Mother 	<ul style="list-style-type: none"> Provide training for single mothers to become entrepreneurs and expand their business 	Kementerian Pembangunan Masyarakat dan Hal Ehwal Pengguna / Jabatan Hal Ehwal Wanita Sabah
<ul style="list-style-type: none"> <i>Program mempelbagai dan menambah pendapatan petani, penternak dan nelayan (Program 2M2P)</i> 	<ul style="list-style-type: none"> Assist the SMEs in purchasing machines and new equipment to increase product quality and productivity 	Kementerian Pertanian dan Industri Makanan Sabah
<ul style="list-style-type: none"> <i>Program Pengembangan Industri Hiliran</i> 	<ul style="list-style-type: none"> To provide training for SMEs in the area of processing, developing, enhance productivity and the quality of products 	Kementerian Pertanian dan Industri Makanan Sabah
<ul style="list-style-type: none"> <i>Program Pembangunan Produk dan Pembungkusan</i> 	<ul style="list-style-type: none"> Enhance the product quality of SMEs 	MID
<ul style="list-style-type: none"> <i>Program 1 Azam (Azam Tani)</i> 	<ul style="list-style-type: none"> Assist SMEs in business start-up and buying machines 	Kementerian Pertanian dan Industri Makanan Sabah

Ministry of Industrial Development Sabah (MID Sabah)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Pembangunan Industri Kecil Perikanan (PIKP)</i> 	<ul style="list-style-type: none"> Increase the downstream fishing industry 	Koperasi Kemajuan Perikanan dan Nelayan Sabah
<ul style="list-style-type: none"> <i>Skim Pembiayaan Usahawan Bumiputera Sabah (SPUBS)</i> 	<ul style="list-style-type: none"> Provide financing for Bumiputera companies to start-up and develop their business 	SEDCO
<ul style="list-style-type: none"> <i>Skim Pembiayaan Usahawan Wanita Sabah</i> 	<ul style="list-style-type: none"> Provide financing facilities for women entrepreneurs to start-up or expand existing businesses 	KPP/ SEDCO

Ministry of Industrial Development Sabah (MID Sabah)

Contact: 9-11th Floor, Block C
Wisma Tun Fuad Stephens, Karamuning
Locked Bag 2037
88622 Kota Kinabalu SABAH

Tel: 6088-255055
Fax: 6088-267727

www.sabah.gov.my/mid
www.smeinfo.com.my

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Ministry of Industrial Development Sarawak (MID Sarawak)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Program Pembangunan Vendor Perabot</i> 	<ul style="list-style-type: none"> • Provide training courses and seminar for SMEs 	PUSAKA
Strategic Thrust: Strengthening Enabling Infrastructure		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Industrial Estate Development 	<ul style="list-style-type: none"> • To develop industrial estate in Kota Samarahan, Tebedu, Demak Laut, Kota Samarahan Zon C, Lawas Light Industrial Areas, and Kapit 	PUSAKA
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Kredit Bahan Mentah, Skim Dana Pusingan dan Skim Penyimpanan Stok</i> 	<ul style="list-style-type: none"> • To create competitive Bumiputera entrepreneurs in the furniture industry for global and domestic market 	PUSAKA

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Industri Asas Tani & Makanan</i> 	<ul style="list-style-type: none"> • To improve the economy and develop a dynamic industry entrepreneurs 	Jabatan Pertanian Sarawak
<ul style="list-style-type: none"> • <i>Program Pembangunan Kenal pasti Usahawan</i> 	<ul style="list-style-type: none"> • Create and expand the business chain development between entrepreneurs and consumers, distributors and marketing agents 	UPUB
<ul style="list-style-type: none"> • Business Development Programme 	<ul style="list-style-type: none"> • MARDI Technology Test-bed System 	MARDI
<ul style="list-style-type: none"> • <i>Pameran, Ekspo, SDSI, Misi Perdagangan Domestik</i> 	<ul style="list-style-type: none"> • To promote and market the products of SMEs in the Domestic Market 	UPUB
<ul style="list-style-type: none"> • <i>Pameran, Ekspo, SDSI, Misi Perdagangan Antarabangsa</i> 	<ul style="list-style-type: none"> • To promote and market the products of SMEs in the International Market 	MATRADE

Ministry of Industrial Development Sarawak (MID Sarawak)

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Latihan Teknikal</i> 	<ul style="list-style-type: none"> • To provide technical training to micro entrepreneurs in <ol style="list-style-type: none"> Swiflet Farming <i>Tanaman Karas</i> Craft Industry Fish Farming Cake and Pastry Handphone Repairing 	FRIM, Jabatan Veterinar
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Small and Medium Industry Financing Scheme (SPIKS) 	<ul style="list-style-type: none"> • Provide financing support for SMEs in manufacturing, services and ICT sectors 	MID

C) Promoting Development of SMEs in K-based Industries

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • Content Industry 	<ul style="list-style-type: none"> • Develop new entrepreneur in the content industry 	MOSTI / FINAS

Ministry of Industrial Development Sarawak (MID Sarawak)

Contact: 12th & 13th Floor, Wisma Sumber Alam
 Jalan Stadium, Petra Jaya
 93500 Kuching SARAWAK

Tel: 6082- 313 212
 Fax: 6082-445 337

www.mid.sarawak.gov.my
www.smeinfo.com.my

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Bank Negara Malaysia (BNM)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Outreach and Awareness Programmes for SMEs and Micro Enterprises 	<ul style="list-style-type: none"> Enhance access to financing by SMEs through outreach and awareness programmes 	BNM
<ul style="list-style-type: none"> Creation of Financing Help Desks at Business Chambers / Associations via 'Train-the-Trainers' 	<ul style="list-style-type: none"> Increase SMEs' awareness on availability of financing avenues, requirements and processes 	BNM
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> Fund for Small and Medium Industries 2 (FSMI2) 	<ul style="list-style-type: none"> Ensure eligible SMEs have access to financing at a reasonable cost 	BNM
<ul style="list-style-type: none"> Micro Enterprise Fund (MEF) 	<ul style="list-style-type: none"> Provide continuous access to financing for micro enterprises 	BNM

B) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> New Entrepreneur Fund 2 (NEF 2) 	<ul style="list-style-type: none"> Promote the growth of Bumiputera SMEs by ensuring that they have access to financing at a reasonable cost 	BNM

Bank Negara Malaysia (BNM)

Contact: Jalan Dato' Onn, P.O Box 10922
50929 KUALA LUMPUR

Tel: 603-2698 8044
Fax: 603-2691 2990

www.bnm.gov.my
www.smeinfo.com.my

Perbadanan Usahawan Nasional Berhad (PUNB)

A) Promoting Bumiputera Participation in SME Sector

Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> • <i>Skim PKS</i> 	<ul style="list-style-type: none"> • Increase the number and quality of Bumiputera entrepreneurs in manufacturing and services sectors 	PUNB
<ul style="list-style-type: none"> • PROSPER Property 	<ul style="list-style-type: none"> • Purchase retail premise at strategic locations 	PUNB
<ul style="list-style-type: none"> • <i>Pemborong PROSPER</i> 	<ul style="list-style-type: none"> • Develop Bumiputera entrepreneurs in wholesale sectors that provide bulk purchase activities 	PUNB
<ul style="list-style-type: none"> • PROSPER <i>Runcit</i> 	<ul style="list-style-type: none"> • Increase the quality of Bumiputera entrepreneurs in the distributive and retail sector 	PUNB
<ul style="list-style-type: none"> • PROSPER <i>Siswazah</i> 	<ul style="list-style-type: none"> • Equip young Bumiputera graduates and certificate holders with skills and knowledge to venture into the retail and distributive sectors 	PUNB

Perbadanan Usahawan Nasional Berhad (PUNB)

Contact: Level 10, Block 1B, Plaza Sentral
 Jalan Stesen 5, KL Sentral
 50470 KUALA LUMPUR

Tel: 603-2785 1515
 Fax: 603-2780 2100

www.punb.com.my
www.smeinfo.com.my

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Federal Land Development Authority (FELDA)

A) Enhancing Viability of SMEs across All Sectors

Strategic Thrust: Building Capacity and Capability		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Tunas Mekar</i> 	<ul style="list-style-type: none"> Create new entrepreneurs among young graduates from the settlers' families to improve and enhance the economic activity at the scheme and encourage second generation of FELDA to live at the scheme 	FELDA
<ul style="list-style-type: none"> <i>Program Pembangunan Usahawan FELDA</i> 	<ul style="list-style-type: none"> Increase number of entrepreneur through various types of assistance such as provision of business premises, machine and equipment and advisory services, training to improve quality of product and market opportunities 	FELDA
Strategic Thrust: Enhancing Access to Financing		
Major Programmes	Programme Objectives	Implementing Agency
<ul style="list-style-type: none"> <i>Skim Insentif Usahawan Felda (SIUF)</i> 	<ul style="list-style-type: none"> Encourage settlers to start or expand existing business which contributes to increase household income. Interest free loans are given to purchase machines and equipment for businesses 	FELDA

Federal Land Development Authority (FELDA)

Contact: Wisma FELDA
 Jalan Perumahan Gurney
 54000 KUALA LUMPUR

Tel : 603-2617 2617
 Fax : 603-2692 0087

www.felda.net.my
www.smeinfo.com.my

Appendix 3 : **Glossary**

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List of Ministries and Related Agencies

Ministry of Agriculture and Agro-Based Industry

Related Agencies	Acronym	Contact
Bank Pertanian Malaysia Berhad	Agrobank	Leboh Pasar Besar, Peti Surat 10815, 50726 Kuala Lumpur Tel: 603-2731 1600 Fax: 603-2691 4908 www.agrobank.com.my
Federal Agriculture Marketing Authority	FAMA	Bangunan FAMA Point, Lot 17304 Jalan Persiaran 1 Bandar Baru Selayang, 68100 Batu Caves, Selangor Tel: 603-6126 2020 Fax: 603-6138 3650 / 5200 www.fama.gov.my
Malaysian Agriculture Research and Development Institute	MARDI	Peti Surat 12301, Pejabat Pos Besar 50774 Kuala Lumpur Tel: 603-8943 7111 Fax: 603-8948 3664 www.mardi.gov.my
Tabung Ekonomi Kumpulan Usaha Niaga	TEKUN	No. 2, Jalan 4/146, Metro Centre Bandar Tasik Selatan 57000 Kuala Lumpur Tel: 603-9058 8550 Fax: 603-9059 5777 www.tekun.gov.my
Muda Agriculture Development Authority	MADA	Ampang Jajar, 05990, Alor Setar, Kedah Darul Aman Tel: 604-7728 255 Fax: 604-7722 667 www.mada.gov.my
Department of Fisheries	DOF	Wisma Tani, Level 1 - 6, Block Menara 4G2, Precint 4 Pusat Pentadbiran Kerajaan Persekutuan, 62628 Putrajaya Tel: 603-8870 4000 Fax: 603-8889 2460 www.dof.gov.my
Department of Veterinary Services	DVS	Wisma Tani, Block Podium, Lot 4G1, Precint 4 Pusat Pentadbiran Kerajaan Persekutuan, 62630 Putrajaya Tel: 603-8870 2000 Fax: 603-8888 6021 www.jpvpk.gov.my

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Ministry of Agriculture and Agro-Based Industry

Related Agencies	Acronym	Contact
Fisheries Development Authority of Malaysia	LKIM	Level 3, Menara Olympia Jalan Raja Chulan, Peti Surat 12630 50200 Kuala Lumpur Tel: 603-2617 7000 Fax: 603-2070 9331 www.lkim.gov.my
Lembaga Pertubuhan Peladang	LPP	Block C Utara Pusat Bandar Damansara, Bukit Damansara 50460 Kuala Lumpur Tel: 603-2094 5222 Fax: 603-2095 4239 www.lpp.gov.my
Malaysia Pineapple Industry Board	MPIB	Wisma Nanas, No. 5, Jalan Padi Mahsuri Bandar Baru UDA, 81200 Johor Bahru, Johor Tel: 607-2361 211 Fax: 607-2365 694 www.mpib.gov.my

Ministry of Plantation Industries and Commodities

Related Agencies	Acronym	Contact
Malaysian Palm Oil Board	MPOB	No. 6, Persiaran Institusi, Bandar Baru Bangi 43000 Kajang, Selangor P.O. Box 10620, 50720 Kuala Lumpur Tel: 603-8769 4400 Fax: 603-8925 9446 www.mpob.gov.my
Malaysian Rubber Board	MRB	Level 17 & 18, Bangunan Getah Asli (Menara) 148 Jalan Ampang, 50450 Kuala Lumpur Tel: 603-9206 2000 Fax: 603-2163 4492 www.lgm.gov.my
Malaysian Timber Industry Board	MTIB	Tingkat 13-17, Menara PGRM, No. 8, Jalan Pudu Ulu, 56100 Cheras, Kuala Lumpur Tel: 603-9282 2235 Fax: 603-9200 3769 www.mtib.gov.my
National Kenaf and Tobacco Board	LKTN	Jalan Sultan Yahya Petra, 16150 Kubang Kerian Kota Bharu, Kelantan Tel: 609-7652 933 Fax: 609-7642 248 www.lktn.gov.my
Malaysian Cocoa Board	MCB	Level 5 & 6, Wisma SEDCO Peti Surat 211, 88999 Kota Kinabalu, Sabah Tel: 6088-234 477 Fax: 6088-239 575 www.koko.gov.my
Malaysian Pepper Board	MPB	Lot 1115, Jalan Utama, Tanah Putih P.O. Box 1653, 93916 Kuching, Sarawak Tel: 6082-331 811 Fax: 6082-336 877 www.mpb.gov.my

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Ministry Domestic Trade, Co-operatives and Consumerism

Related Agencies	Acronym	Contact
Suruhanjaya Koperasi Malaysia	SKM	Level 5-7, Block J, Pusat Bandar Damansara 50608, Kuala Lumpur Tel: 603-2081 2400 Fax: 603-2093 5026 www.skm.gov.my
Malaysian Franchise Association	MFA	1st Floor Wisma Motor, 339 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur Tel: 603-2697 1557 Fax: 603-2697 1559 www.mfa.org.my
Perbadanan Nasional Berhad	PNS	Perbadanan Nasional Berhad Level 9B, Menara Dato' Onn, PWTC, 45 Jalan Tun Ismail 50480 Kuala Lumpur Tel: 603-2698 6670 Fax: 603- 2698 6617 www.pns.com.my
Intellectual Property Corporation of Malaysia	MyIPO	Unit 1-7, Ground Floor, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur Tel: 603-2299 8400 Fax: 603-2299 8989 www.myipo.gov.my

Ministry of Finance

Related Agencies	Acronym	Contact
Malaysia Venture Capital Management Berhad	MAVCAP	Level 10, Menara Bank Pembangunan 1016, Jalan Sultan Ismail 50250 Kuala Lumpur Tel: 603-2050 3000 Fax: 603-2698 3800 www.mavcap.com
Malaysia Debt Ventures Berhad	MDV	Level 5, Menara Bank Pembangunan 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur Tel: 603-2617 2888 Fax: 603-2697 8998 www.debtventures.com
Export-Import Bank of Malaysia Berhad	EXIM Bank	Level 8, UBN Tower, No. 10 Jalan P. Ramlee, P.O. Box 13028, 50796 Kuala Lumpur Tel: 603-2034 6666 Fax: 603-2034 6699 www.exim.com.my
Amanah Ikhtiar Malaysia	AIM	No. 2 & 4, Jalan Medan Setia 2, Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur Tel: 603-2094 0797 Fax: 603-2095 1889 www.aim.gov.my
Bank Kerjasama Rakyat Malaysia Berhad	Bank Rakyat	Bangunan Bank Rakyat, Jalan Tangsi Peti Surat 11024, 50732 Kuala Lumpur Tel: 603-2612 9600 Fax: 603-2612 9655 www.bankrakyat.com.my
Bank Pembangunan Malaysia Berhad	BPMB	Menara Bank Pembangunan Bandar Wawasan No.1016, Jalan Sultan Ismail, 50250 Kuala Lumpur Tel: 603-2611 3888 Fax: 603-2698 5701 www.bpmb.com.my

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Ministry of Finance

Related Agencies	Acronym	Contact
Bank Simpanan Nasional	BSN	Wisma BSN, 117, Jalan Ampang, 50450 Kuala Lumpur Tel: 603-2162 3222 Fax: 603-2710 7252 www.bsn.com.my
Cradle Fund Sdn Bhd	CFSB	Suite 4.8.1 Level 4, PNB Darby Park 10 Jalan Binjai, 50450 Kuala Lumpur Tel: 603-2166 4730 Fax: 603-2166 4737 www.cradle.com.my
Penang Development Corporation	PDC	No. 1 Pesiaran Mahsuri, Bandar Bayan Baru 11909 Bayan Lepas, Penang Tel: 604-6340 111 Fax: 604-6432 405 www.pdc.gov.my
Perbadanan Kemajuan Iktisad Negeri Kelantan	PKINK	Level 4-11, Bangunan PKINK, Jalan Tengku Maharani 15710 Kota Bharu, Kelantan Tel: 609-7414 141 Fax: 609-7414 140 www.pkink.gov.my
UDA Holdings Berhad	UDA	BB Plaza, Lot 111, Jalan Bukit Bintang 55100 Kuala Lumpur. Tel: 603-2730 / 8500 Fax: 603-2713 8500 / 8555 www.uda.com.my
Yayasan Pembangunan Ekonomi Islam Malaysia	YaPEIM	No. 52, Bangunan YPEIM, Jalan Kampung Attap Beg Berkunci 11012, 50732 Kuala Lumpur Tel: 603-2273 3170 Fax: 603-2273 316 www.yapeim.net.my
PROKHAS Sdn Bhd	PROKHAS	Level 12, Bangunan Setia 115, Lorong Dungun Bukit Damansara, 50490 Kuala Lumpur Tel: 603-2096 5000 Fax: 603-2096 5090 www.prokhas.com.my

Ministry of Human Resources

Related Agencies	Acronym	Contact
Pembangunan Sumber Manusia Berhad	PSMB	Wisma PSMB, Jalan Beringin, Damansara Heights 50490 Kuala Lumpur Tel: 603-2096 4800 Fax: 603-2096 4999 www.hrdf.com.my
Department of Labour	JTM	Level 6, Block D4, Kompleks D, Pusat Pentadbiran Kerajaan Persekutuan, 62530 Putrajaya Tel: 603-8886 5555 Fax: 603-8889 2417 www.jtm@mohr.gov.my
Jabatan Tenaga Kerja	JTK	Level 5, Block D3, Kompleks D Pusat Pentadbiran Kerajaan Persekutuan, 62530, Putrajaya Tel: 603-8886 5000 Fax: 603-8889 2368 www.jtksm.mohr.gov.my
Department of Skills Development	DSD	Level 7 & 8, Block D4, Kompleks D Pusat Pentadbiran Kerajaan Persekutuan, 62530, Putrajaya Tel: 603-8886 5000 Fax: 603-8889 2423 www.dsd.gov.my

Ministry of Housing and Local Government

Related Agencies	Acronym	Contact
Jabatan Landskap Negara	JLN	Level 7, Plaza Permata (IGB), Jalan Kampar off Jalan Tun Razak, 60400 Kuala Lumpur Tel: 603-4047 0000 Fax: 603-4046 2416 www.jlandskap@kpkt.gov.my
Jabatan Kerajaan Tempatan	JKT	Level 4, Block K, Pusat Bandar Damansara, 50782 Kuala Lumpur, Tel: 603-2094 7033 Fax: 603-2094 9720 www.kpkt.gov.my

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Ministry of Science, Technology and Innovation

Related Agencies	Acronym	Contact
MIMOS Berhad	MIMOS	Technology Park Malaysia, 57000 Kuala Lumpur Tel: 603-8995 5000 Fax: 603-8996 2755 www.mimos.my
Technology Park Malaysia Corporation Sdn Bhd	TPM	Level 5, Enterprise 4, Technology Park Malaysia 57000 Bukit Jalil, Kuala Lumpur Tel: 603-8998 2020 Fax: 603-8998 2110 www.tpm.com.my
Standards and Industrial Research Institute of Malaysia Berhad	SIRIM Berhad	No. 1, Persiaran Dato' Menteri, Seksyen 2 Peti Surat 7035, 40911 Shah Alam, Selangor Tel: 603-5544 6000 Fax: 603-5510 8095 www.sirim.my
Multimedia Development Corporation	MDeC	MSC Malaysia Headquarters, Persiaran APEC 63000 Cyberjaya, Selangor Tel: 1-800-88-8338 Fax: 603-8315 3115 www.mdec.my
Malaysian Technology Development Corporation	MTDC	Level 8 - 9, Menara Yayasan Tun Razak Jalan Bukit Bintang, 55100 Kuala Lumpur Tel: 603-2161 2000 Fax: 603-2163 7542 www.mtdc.com.my
Malaysian Biotechnology Corporation	Biotech Corp.	Corporate Office, Level 23, Menara Atlan 161B Jalan Ampang, 50450 Kuala Lumpur Tel: 603-2116 5588 Fax: 603-2116 5411 www.biotechcorp.com.my
Malaysia Industry-Government Group for High Technology	MIGHT	Block 3517, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Tel: 603-8315 7888 Fax: 603-8888 8232 www.might.org.my

Ministry of Science, Technology and Innovation

Related Agencies	Acronym	Contact
Malaysian Science and Technology Information Centre	MASTIC	Level 4 Block C5, Complex C Federal Government Administrative Centre 62662 Putrajaya Tel: 603-8885 8038 Fax: 603-8889 2980 www.mastic.gov.my
Nuclear Malaysia	NUKLEAR	Agensi Nuklear Malaysia, 43000 Kajang, Selangor Tel: 603-8911 2000 Fax: 603-8911 2150 www.nuclearmalaysia.gov.my
Department of Standards Malaysia	DSM	Century Square, Level 1 & 2, Block 2300 Jalan Usahawan, 63000 Cyberjaya Tel: 603-8318 0002 Fax: 603-8319 3131 www.standardsmalaysia.gov.my
Agensi Inovasi Malaysia	AIM	Level 3, West Wing, Perdana Putra Federal Government Administrative Centre 62502 Putrajaya Tel: 603-8888 8098 Fax: 603-8888 3436 www.innovation.my

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Ministry of Rural and Regional Development

Related Agencies	Acronym	Contact
Federal Land Consolidation and Rehabilitation Authority	FELCRA	Wisma Felcra, Lot 4780, Jalan Rejang, Setapak Jaya Peti Surat 12254, 50772 Kuala Lumpur Tel: 603-4143 3646 Fax: 603-4142 8162 www.felcra.com.my
Central Terengganu Development Authority	KETENGAH	Karung Berkunci, No. 3, Bandar Al-Muktafi Billah Shah 23409 Dungun, Terengganu Tel: 609-8223 100 / 101 / 102 Fax: 609-8223 104 / 105 / 106 www.ketengah.gov.my
Kedah Development Authority	KEDA	Level 2-5, Bangunan Tunku, Jalan Tunku Ibrahim Peti Surat 195, 05720 Alor Setar, Kedah Darul Aman Tel: 604-7205 300 / 7205 301 Fax: 604-7340 958 www.keda.gov.my
South Kelantan Development Authority	KESEDAR	Bandar Gua Musang, 18300 Gua Musang Kelantan Darul Naim Tel: 609-9132 200 Fax: 609-9121 211 www.kesedar.gov.my
South East Johor Development Corporation	KEJORA	Bangunan Ibu Pejabat KEJORA, Jalan Dato' Hj. Hassan Yunus, 81930 Bandar Penawar, Johor Tel: 607-8843 000 Fax: 607-8221 600 www.kejora.gov.my
Rubber Industry Smallholders Development Authority	RISDA	KM 7, Jalan Ampang, Karung Berkunci 11067 50990 Kuala Lumpur Tel: 603-4256 4022 Fax: 603-4257 6726 www.risda.gov.my

Ministry of Rural and Regional Development

Related Agencies	Acronym	Contact
Majlis Amanah Rakyat	MARA	Level 26, MARA Headquarters Jalan Raja Laut, 50609 Kuala Lumpur Tel: 603-2691 5111 Fax: 603-2691 5543 www.mara.gov.my
Jabatan Kemajuan Masyarakat	KEMAS	Level 5 - 9, No. 47, Persiaran Presint 4 Pusat Pentadbiran Kerajaan Persekutuan 62100 Putrajaya Tel: 603-3891 2000 Fax: 603-8888 2312 www.kemas.gov.my
Department of Orang Asli Development	JAKOA	Level 10,20 & 20 M, Block Barat Wisma Selangor Dredging, Jalan Ampang 50450 Kuala Lumpur Tel: 603-2161 0577 Fax: 603-2162 1470 www.jakoa.gov.my

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Ministry of International Trade and Industry

Related Agencies	Acronym	Contact
SME Corporation Malaysia	SME Corp. Malaysia	Level 6, SME 1, Block B, Lot E Jalan Stesen Sentral 2, KL Sentral 50470 Kuala Lumpur Tel: 603-2775 6000 Fax: 603-2775 6001 www.smecorp.gov.my
Malaysia Productivity Corporation	MPC	Lorong Produktiviti, Off Jalan Sultan 46904 Petaling Jaya, Selangor Tel: 603-7955 7266 Fax: 603-7957 8068 www.mpc.gov.my
Malaysian Investment Development Authority	MIDA	Block 4, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral 50470 Kuala Lumpur Tel: 603-2267 3633 Fax: 603-2274 7970 www.mida.gov.my
Malaysia External Trade Development Corporation	MATRADE	Menara MATRADE, Jalan Khidmat Usaha Off Jalan Duta, 50480 Kuala Lumpur Tel: 603-6207 7077 Fax: 603-6203 7037 www.matrade.gov.my
Malaysian Industrial Development Finance Bhd	MIDF	Level 19, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur Tel: 603-2173 8888 Fax: 603-2173 8877 www.midf.com.my

Ministry of International Trade and Industry

Related Agencies	Acronym	Contact
SME Bank Berhad	SME Bank	Menara SME Bank, Jalan Sultan Ismail Peti Surat 12352, 50774 Kuala Lumpur Tel: 603-2615 2020 Fax: 603-2692 8520 www.smebank.com.my
National Institute for Entrepreneurship	INSKEN	Bahagian Pembangunan Keusahawanan (BPU) Level 2-C2 & Level 3-C2, Block Menara, Menara Usahawan No 18, Persiaran Perdana, Presint 2, 62652 Putrajaya Tel: 603-8880 5005 Fax: 603-8880 5152 www.insken.gov.my
Halal Industry Development Corporation	HDC	5.02, Level 5, KPMG Tower, First Avenue Persiaran Bandar Utama, 47800 Petaling Jaya, Selangor Tel: 603-7965 5555 Fax: 603-7965 5500 www.hdcglobal.com.my

Ministry of Women, Family and Community Development

Related Agencies	Acronym	Contact
Women Development Department	JPW	Level 25 & 26, Menara Tun Ismail Mohamed Ali Jalan Raja Laut, 50582 Kuala Lumpur Tel: 603-2697 1080 Fax: 603-2693 4740 www.jpw.gov.my

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Ministry of Industrial Development Sabah

Related Agencies	Acronym	Contact
Sabah Economic Development Corporation	SEDCO	Level 8, 9 & 10, Wisma SEDCO Lorong Wawasan Plaza Off Coastal Highway, P.O. Box 12159 88837 Kota Kinabalu, Sabah Tel: 6088-266 777 Fax: 6088-219 263 www.sedco.com.my
Sedcovest Holdings Sdn.Bhd	SEDCOVEST	3rd Floor, Wisma SEDCO Off Coastal Highway 88837 Kota Kinabalu, Sabah Tel: 6088-266 451 Fax: 6088-219 263 www.sedco.com.my
Palm Oil Industry Cluster Sabah	POIC	POIC Sabah Sdn. Bhd. 1st Floor, Sabah Trade Centre Jalan Istiadat, Likas Bay, Likas 88400 Kota Kinabalu, Sabah Tel : 6088-272 261 Fax : 6088-272 581 / 580 www.poic.com.my
Kota Kinabalu Industrial Park	KKIP	Lot 118, Export Oriented Industrial Zone Phase 1 Kota Kinabalu Industrial Park (KKIP) Jalan Sapangar, Menggatal 88450 Kota Kinabalu, Sabah Tel : 6088-498 001 / 005 Fax : 6088-498014 / 011 www.sabah.com.my/kkip
Department of Industrial Development & Research	DIDR Sabah	7th & 8th Floor, Block C, Wisma Tun Fuad Stephens 88300 Kota Kinabalu, Sabah, Malaysia Tel : 6088-214 866 / 215 035 Fax: 6088-257 814 www.sabah.gov.my/didr

Ministry of Industrial Development Sarawak

Related Agencies	Acronym	Contact
Department of Agriculture, Sarawak	DOA	Level 12 - 17, Menara Pelita Jalan Tun Abdul Rahman Yaakob Petra Jaya, 93050 Kuching, Sarawak Tel: 6082-441 000 Fax: 6082-447 821 www.doa.sarawak.gov.my
Pejabat Residen Bahagian Samarahan	PRB Samarahan	Jalan Datuk Mohd. Musa 94300 Kota Samarahan, Sarawak Tel: 6082-671 205 Fax: 6082-671 289 www.samarahanro.sarawak.gov.my
Pejabat Residen Bahagian Betong	PRB Betong	Level 2-3, Block Menara Kompleks Pejabat Kerajaan Negeri Bahagian Betong Kawasan Bandar Baru, Jalan Spine 95700 Betong, Sarawak Tel: 6083-472 866 / 766 Fax: 6083-472 966 www.betongro.sarawak.gov.my
Pejabat Residen Bahagian Kuching	PRB Kuching	Jalan Diplomatik, Off Jalan Bako Petra Jaya, 93050 Kuching, Sarawak Tel: 6082-319 700 / 800 Fax: 6082-319 711 / 716 www.kucingro.sarawak.gov.my

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Organisations / Associations / Institutions

Name	Acronym
Asia-Pacific Economic Cooperation	APEC
Association of Banks in Malaysia	ABM
Central Coordinating Agency	CCA
European Union	EU
Multimedia University	MMU
National Human Resources Centre	NHRC
National SME Development Council	NSDC
Organisation for Economic Co-Operation and Development	OECD
Syarikat Jaminan Pembiayaan Perniagaan Berhad	SJPP
Universiti Tenaga Nasional	UNITEN

Funds

Name	Acronym
Commercialisation of R&D Fund	CRDF
Fund for Small and Medium Industries 2	FSMI2
New Entrepreneur Fund 2	NEF2
Public Transport Development Fund	TPPA
Small Debt Resolution Scheme	SDRS
<i>Tabung Projek Usahawan Bumiputera-i</i>	TPUB-i
Technology Acquisition Fund	TAF
The Rural Economy Funding Scheme	SPED

Government Programmes

Name	Acronym
Agro-based Industry	IAT
Business Accelerator Programme	BAP
Collection and Marketing Centre for Entrepreneur Product	4PU
Enrichment and Enhancement Programme	E ²
High Performing Bumiputera SME Programme	TERAS
<i>Inkubator Kemahiran Ibu Tunggal</i>	I-KIT
<i>Inkubator Keusahawanan Wanita</i>	I-KeuNITA
Microenterprise Competitive Rating for Enhancement	M-CORE
National Dual Training System	NDTS
National Talent Enhancement Programme	NTEP
One District One Industry	SDSI
<i>Produk Malaysia Citarasa Kita</i>	PMCK
Small Retailer Transformation Programme	TUKAR
SME Competitive Rating for Enhancement	SCORE
SME Expert Advisory Panel	SEAP
Students in Free Enterprise	SIFE
Sustainability Achieved via Energy Efficiency Programme	SAVE
<i>Tunjuk Nasihat Sawit</i>	TUNAS

Government Documents

Name	Acronym
Capital Market Masterplan 2	CMP2
Economic Transformation Programme	ETP
Government Transformation Programme	GTP
New Economic Model	NEM
Ninth Malaysia Plan	9MP
SME Integrated Plan of Action	SMEIPA
Tenth Malaysia Plan	10MP
Third Industrial Master Plan	IMP3

Other Terms

Name	Acronym
1Malaysia Micro Protection Plan	1MMPP
Additional Economic Activities	AET
Business Development Service	BDS
Banking Institutions	BIs
Bank Negara Malaysia Laman Informasi Nasihat dan Khidmat	BNMLINK
Consultative Group to Assist the Poor	CGAP
Consumer Price Index	CPI
Credit Monitoring Service	CMS
Development Financial Institutions	DFIs
Electrical and Electronics	E&E
Electrical Home Appliances	EHA

Other Terms

Name	Acronym
Entry Point Projects	EPPs
Foreign Direct Investment	FDI
Gross Domestic Product	GDP
Government Link Company	GLC
Gross National Income	GNI
Goods and Services Tax	GST
Intellectual Property	IP
Kuala Lumpur International Airport 2	KLIA2
Kuala Lumpur International Financial District	KLIFD
Middle Level Bumiputera Entrepreneur	MLBE
Multinational Corporation	MNC
Mass Rapid Transit	MRT
Northern Corridor Implementation Authority	NCIA
National Key Economic Areas	NKEA
National Key Result Areas	NKRA
Non-performing financing	NPF
Non-performing loans	NPL
Oil Field Services and Equipment	OFSE
Overnight Policy Rate	OPR
One Referral Centre	ORC
Producer Price Index	PPI

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Other Terms

Name	Acronym
Refinery and Petrochemical Integrated Development	RAPID
Research and Development	R&D
Small and Medium Enterprise	SME
Strategic Reform Initiatives	SRI's
Solid State Lighting	SSL
Statutory Reserve Requirement	SSR
Venture Capital	VC
Venture Capital Companies	VCC
Venture Capital Management Companies	VCMCs

Appendix 4 : **Definition of SMEs**

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Definition of SMEs

The definition of SMEs is based on two criteria:

- The total sales turnover/revenue by a business in a year; OR
- The number of full-time employees by a business.

Generally SMEs in Malaysia are defined as follows:

- Manufacturing sector: Sales turnover of less than RM25 million OR full-time employee of less than 150
- Services and other sectors: Sales turnover of less than RM5 million OR full time employee of less than 50

Detailed definition by the three category namely Micro, Small and Medium are as follows:

Annual Sales Turnover:

Size	Manufacturing (including agro-based) & manufacturing-related services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than RM250,000	Less than RM200,000	Less than RM200,000
Small	From RM250,000 to less than RM10 million	From RM200,000 to less than RM1 million	From RM200,000 to less than RM1 million
Medium	From RM10 million to less than RM25 million	From RM1 million to less than RM5 million	From RM1 million to less than RM5 million

Number of Full-Time Employees:

Size	Manufacturing (including agro-based) & manufacturing-related services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	From 5 to less than 50 employees	From 5 to less than 20 employees	From 5 to less than 20 employees
Medium	From 50 to less than 150 employees	From 20 to less than 50 employees	From 20 to less than 50 employees

Definition of K-Based SMEs

National SME Development Council defined K-Based SMEs as follows:

	Definition
K-Based SMEs	SMEs, including consultancy firms, that have knowledge workers making up more than 20% of their staff. Knowledge workers must possess at least tertiary or professional education;
	SMEs that directly use ICT and technology in business processes or for product improvements;
	SMEs that adopt innovation and R&D in business processes or for product improvements; or