

MSME INSIGHTS 2022/23



Reset with New Perspectives

National Entrepreneur and SME Development Council (NESDC)

Content

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Message from YB Minister of Entrepreneur and Cooperatives Development

Year 2022 was a turning point in our path towards rebuilding the nation and reviving the economy through key structural reforms, systemic changes, equitable policies and structured sustainable development.

Despite the global economic slowdown in 2022, Malaysia's economic growth performance surged to 8.7% in Gross Domestic Product (GDP), its highest annual growth recorded within a 22-year period and the fastest growth among Southeast Asia nations. Driven mainly by continued expansion in domestic demand, which was buoyed by solid domestic consumption and rapid rebound in the services sector, as borders reopened and business activities normalised, the strong overall growth is a testament of our country's economic resilience and restored consumer, business and investor confidence in our economy.

The rising importance of Malaysia's micro, small and medium enterprises (MSMEs), as the pulse in driving our economic recovery and expansion post pandemic period, is clearly reflected by their remarkable double-digit GDP growth of 11.6%, surpassing the national GDP growth in 2022. Accounting for almost 1.2 million or 97.4% of the total business establishments in the country, MSMEs contributed significantly to the economy with 38.4% of GDP, 10.5% of total exports and 48.2% of total employment.

The exceptional growth of the MSME sector in 2022 was spurred by supportive Government policies, strategies and initiatives, including economic stimulus packages, emplaced following the pandemic, which have been instrumental in effectively alleviating the impact of the crisis on MSMEs. The Government's commitment to the continual recovery and sustainable development of MSMEs is unequivocal as demonstrated by the various assistances steadfastly accorded to the business sector. In 2022, 231 MSME development programmes were implemented by 15 Ministries, six sole agencies and 52 agencies with a total financial allocation of RM17.8 billion that benefited 807,556 MSMEs.



The global economic climate is rapidly evolving presenting both new challenges and growth opportunities for businesses. Apart from the lingering effects of the pandemic encompassing supply chain disruptions, energy crisis and hyperinflation among others, heightened geopolitical conflicts and extreme environmental events due to climate change are rendering a plenitude of compounding setbacks afflicting businesses today. Conversely, vast opportunities have profoundly arisen from changing business trends, consumer behaviours and market conditions, such as e-commerce; artificial intelligence; eco-friendly practices; gig economy and remote employment; cybersecurity; virtual and augmented reality; and financial technology and blockchain.

In recognising the increasingly pivotal role of MSMEs as the driving force in reshaping Malaysia's economic landscape post-pandemic, MSME development is paramount for the Government moving forward. Apart from enhancing the entrepreneurial capabilities of MSMEs and reinforcing the business landscape aimed to develop dynamic MSMEs that are competent, agile, resilient, sustainable and globally competitive, our mission is to provide an enabling environment to cultivate future-ready MSMEs that are equipped to expediently manage prevailing challenges, as well as to proactively leverage on abound opportunities by embarking on new innovative ventures and solutions that would feasibly position them in the future. Hence, the Government is focused on fortifying the future readiness of MSMEs by consolidating its resources and efforts to systematically enhance critical areas for MSMEs through targeted approaches and accelerated implementation.

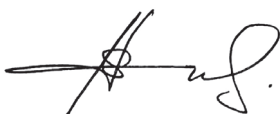
With the overarching goal of developing a conducive and holistic ecosystem for MSMEs to thrive, the Government is instituting a reset strategy, based on a pragmatic value-entrenched approach, as an impetus to catalyse a paradigm shifts to stimulate and expedite MSME development, by further strengthening policy support; developing a comprehensive environmental, social and governance (ESG) framework; establishing an MSME talent management framework; as well as promoting digitalisation, innovation and technology adoption.

These are unprecedented times that warrant unprecedented plans and actions through bold, decisive, foresightful and transformative policies and strategies. Advancing the development of MSMEs is now all the more a key Government agenda towards restructuring and transforming the overall economy, and essentially realising its vision of becoming a leading economy in Asia, as envisioned by the MADANI Economy. Strategic benchmarks have been set to chart the course for Malaysia's upward economic trajectory within the next decade, including elevating the nation among the top 30 largest economies in the world and top 12 in the Global Competitiveness Index, which will advertently catapult the MSME sector.

Among comprehensive yet inclusive strategies geared to intensify MSME development are internationalisation of start-ups and MSMEs, and galvanising private funding for start-ups and technopreneurs, but equally important, an additional appropriation for start-ups, micro financing and digitalisation, together with Budget 2023 with an allocation up to RM40.0 billion for MSMEs.

Spearheading positive economic transformation for Malaysia mandates strong and unwavering resolve to embrace change. The adoption of a whole-of-Government approach is vital in forging synergies among various Ministries and agencies to ensure the successful implementation of MSME policies, strategies and initiatives. Intrinsicly, the combined wisdom, collaborative means and concerted actions through strategic partnerships between the Government and the private sector, will boost the progression of MSMEs. I am confident that by harnessing the invaluable force of a globally forward-thinking collective front, we will triumph in our endeavour to empower our MSMEs to navigate the present and take lead of the future.

Bolstered by our strong economic fundamentals, we shall relentlessly strive to rise above all odds in building a new era of progressive, sustainable economic recovery and growth. Let us work together to uphold the aspiration of Malaysia MADANI based on sustainability, compassion, respect, innovation, prosperity and trust, to transcend Malaysia into a vibrant and robust nation well into the future.



Ewon Benedick PGDK, ASDK

Minister of Entrepreneur and Cooperatives Development



Chapter 1

MSME Development Policies, Initiatives and Programmes



Chapter 1

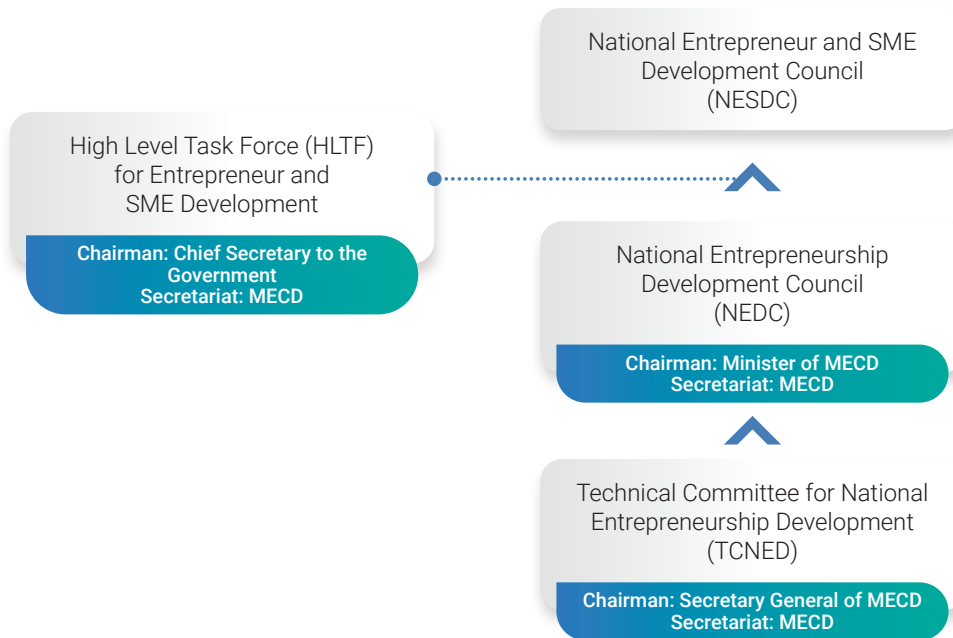
MSME Development Policies, Initiatives and Programmes

While the structured policies and initiatives to MSME development has helped to support MSME recovery and resilience since the start of the COVID-19 pandemic crisis, the next phase would focus on integrating MSMEs into the economic mainstream to become an important engine of growth. Recognising the important role of MSMEs in the economy, the Government is committed towards creating the foundation to support and nurture the development of MSMEs. Thus, the revised 2023 Budget announced in early 2023 will be the first step in laying the Malaysia MADANI policy framework and subsequently will ensure local MSMEs are again competitive and able to increase their business capacity.

GOVERNANCE STRUCTURE OF MSME DEVELOPMENT

The National Entrepreneur and SME Development Council (NESDC) is the highest policy-making authority on matters related to the micro, small and medium-sized enterprises (MSMEs). The council decides on policies, strategies and action plans with regard to the holistic development of entrepreneurs and MSMEs across all sectors of the economy. Chart 1.1 illustrates the governance structure that has been established to develop MSMEs in Malaysia. Several key initiatives bear witness to the success of the NESDC, among which are the adoption of a standard definition for MSMEs, development of MSME database, monitoring and analysis of MSME development programmes, development of MSME financial infrastructure and endorsement of the SME Masterplan (2012 - 2020) with its implementation exercises.

Chart 1.1: Governance Structure of MSME Development in Malaysia



The NESDC meeting held in March 2023 had emphasised the importance of a comprehensive programme implementation and reporting. The following key decisions were made at the meeting:

- implementation of programmes and initiatives needs to be strengthened with more focus to the achievement of the outcome of the programmes instead of only output performance;
- an integrated database is important to reduce work in silos among Ministries and agencies when implementing the MSME development programmes; and
- improvement of the existing ecosystem structure needs to be done to reduce duplication of assistance or programmes among Ministries and agencies.

The High Level Task Force (HLTF) for Entrepreneur and SME Development chaired by Chief Secretary of the Government provides a platform for synergy at the Federal Government level. Meanwhile the National Entrepreneurship Development (NEDC) serves as a platform between the Federal and State Governments pertaining to policy-making decisions on the MSME development at national and state level.

To ensure the NEDC to run effectively, a Technical Committee for National Entrepreneurship Development (TCNED) is established to play a role in identifying problems, challenges and barriers in developing MSMEs, cooperatives and informal entrepreneurs at national and state levels. JTPKN is responsible to submit strategic measures as well as proposals on the solution to NEDC for consideration and approval of implementation.

MSME DEVELOPMENT IN BUDGET 2023

On 24 February 2023, the Government announced the revised Budget 2023 with allocations amounting to RM388.1 billion (including RM2 billion in contingency reserves), which is 16.2% higher than the 2022 Budget (RM334.1 billion). Formulated as Belanjawan MADANI, the budget reflects the principle of accountability and pure value system that can confront the current challenges including the highly uncertain global economic

challenge. With the theme 'Building Malaysia MADANI', a total of RM42.7 billion has been allocated to either exclusively benefit the MSMEs or can be accessed by MSMEs along with other businesses (of this amount, RM3.7 billion is existing funds). Among the key initiatives include:

- Access to Financing – RM37.3 billion
- Development of Microenterprises and Inclusiveness – RM1.9 billion
- Enhancing Digitalisation, Technology and Innovation – RM1.7 billion
- Development of Human Capital – RM1.2 billion
- Development of Agriculture Sector – RM266 million
- Development of Tourism Industry – RM250 million

Among the key tax incentives and regulation that MSMEs can benefit:

- MSMEs' tax rate on taxable income for the first RM150,000 is reduced from 17.0% to 15.0%;
- Provide accelerated capital allowance and 100.0% tax exemption on capital expenditure for the use of technology in the agricultural sector;
- Extend tax deduction of up to RM1.5 million for listing expenses on the ACE and LEAP Markets until assessment year 2025. The tax deduction is also extended to cover the cost of listing technology-based companies on the Bursa Malaysia Main Market;
- Extend income tax incentives and investment tax allowances until 31 December 2025 in aerospace industry to encourage capacity expansion of existing companies and attract investment from new companies;
- Consumer Credit Act will be amended and Consumer Credit Monitoring Board will be established to regulate the credit business and protect consumer rights;
- Drafting of Government Procurement Act will be accelerated; and
- Insolvency Act 1967 will be amended so that bankruptcy cases can be automatically discharged. Cases with debts of less than RM50,000 and fulfil the requirement will be discharged immediately from 1 March 2023.

Box Article

MSME Development Programme in 2022 and 2023

SME Integrated Plan of Action (SMEIPA) has been implemented since 2006. The main objective of SMEIPA is to coordinate, monitor and evaluate the implementation of entrepreneurship and MSME development programmes by Ministries and Agencies. Programme monitoring through SMEIPA is footing through programme achievements in the previous year as well as planned programme in the current year.

PROGRAMMES IN 2022

A total of 231 programmes with financial expenditure amounting to RM17.8 billion were reported for 2022. These programmes that were implemented by 15 Ministries, six Sole Agencies and 52 Agencies has benefited 807,556 MSMEs. In 2022, human capital development was the focus area that implemented the highest number of programmes with 95 programmes (29.0%). These programmes utilised a total of RM3.9 billion and benefitted 213,539 MSMEs. Meanwhile, access to financing programmes received the main bulk of the funding amounting to RM16.5 billion to implement 90 programmes (27.4%) that benefitted 540,248 MSMEs. In order to facilitate MSME access to markets, 57 programmes (17.4%) were implemented during the year with an expenditure of RM116.4 million and benefitted 72,685 MSMEs. Balance 26.2% of the number of programmes were in other focus areas namely innovation & technology adoption and infrastructure.

Table 1: Summary of Programmes in 2022 by Focus Area

Focus Area	Number of Programmes		Financial Expenditure		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Human Capital Development	95	29.0	3,880.0	18.3	213,539	21.4
Access to Financing	90	27.4	16,490.0	77.9	540,248	54.1
Market Access	57	17.4	116.4	0.6	72,685	7.3
Innovation & Technology Adoption	45	13.7	575.2	2.7	63,935	6.4
Infrastructure	41	12.5	100.8	0.5	107,920	10.8

Note: Similar programmes may cater for multiple focus area

PROGRAMMES IN 2023

For 2023, with a total allocation of RM10.6 billion, the Government is currently implementing 225 programmes, which are expected to benefit 644,731 MSMEs. These programmes will be implemented by 12 Ministries, four sole agencies, 52 agencies and seven State Governments. Bulk of the programmes being implemented are for access to financing which a total of 96 programmes (30.5%) with an expenditure of RM10.4 billion and benefitting 361,419 MSMEs. In terms of types of financing, the programmes comprise mainly of soft loan including micro financing (44.1%), guarantee scheme (39.3%), venture capital (13.2%), grant scheme (2.2%), equity & debt financing (0.7%) and others (0.5%).

Table 2: Summary of Programmes in 2023 by Focus Area

Focus Area	Number of Programmes		Financial Expenditure		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Access to Financing	96	30.5	10,440.0	80.4	361,419	51.0
Human Capital Development	94	29.8	2,040.0	15.7	197,683	27.9
Market Access	60	19.0	118.2	0.9	43,273	6.1
Innovation & Technology Adoption	46	14.6	316.8	2.4	28,112	4.0
Infrastructure	19	6.0	65.8	0.5	78,416	11.1

Note: Similar programmes may cater for multiple focus area

Box Article

National Agricommodity Policy 2021- 2030: Empowering Entrepreneurs and Agricommodity MSMEs

BACKGROUND

The empowerment of entrepreneurship and MSMEs in the agricommodity sector is one of the main focuses of the National Agricommodity Policy 2021 - 2030 (DAKN2030). In Rancangan Malaysia Kesebelas (RMKe-11) 2015 - 2020 period, the Ministry of Plantation and Commodities through its agencies offered 11 programmes to develop and train palm oil, rubber, timber, cocoa and pepper entrepreneurs. These included skills upgrading for entrepreneurs and business-owners through short-term courses, machine and equipment loans as well as incubation programmes. Incentives were also given to entrepreneurs involved in the production of chocolate and palm oil-based food products. The Malaysian Timber Industry Board (MTIB) had also introduced a furniture design programme for the timber industry which successfully matched local and international designers to produce better design for furniture. Similar programmes have been planned for implementation under Rancangan Malaysia Kedua Belas (RMKe-12) 2021 - 2025.

PROFILE OF AGRICOMMODITY MSMEs

Agricommodity MSMEs are directly engaged in downstream activities and support services. In 2021, 2,787 MSME were identified under the sector with more than 70.0% engaged in the timber sector while the rest were in the palm oil, rubber, cocoa, pepper and plant-based fibre sector (kenaf).

The role of MSMEs at the upstream level is primarily as suppliers of products and services such as seeds, fertilisers, transportation and marketing. They have a bigger role downstream as supplier of machines, technology and chemicals or provider of automation expertise and training as well as serving as technical services advisor or consultant in palm oil commodities activities, including the production of processed palm oil and basic oleochemicals.

MSMEs in the rubber commodities sector are engaged in the production of Standard Malaysian Rubber (SMR) and basic rubber products with limited technical standards. For those in the timber commodities sector, most of their activities involve serving as Original Equipment Manufacturer in furniture production while those who are in cocoa commodities engage in seed grinding and small-scale chocolate production. MSMEs are also involved in traditional fields of business such as logistics services, packaging, trading and ICT services.

Studies have shown that MSMEs in most agricommodity sectors have created many innovations, most of which were developed internally without any formal assistance from Government agencies.

ISSUES FACED BY ENTREPRENEURS AND MSMEs IN AGRICOMMODITY SECTOR

Entrepreneurs and MSMEs play a key role in innovation, job creation and in the wider socio-economic development. While large industry players are the main contributors to the agricommodity sector, entrepreneurs and MSMEs too have important roles to play across the supply chain.

Though the wider adoption of automation and mechanisation as well digital technology has increased demand for related services and created opportunities for businesses, especially for those in the rural areas, MSMEs are still contending with key issues in their growth and development, including access to financing, limited access to skilled talent and inability to explore their potential in high value activities.

Agricommodity MSMEs, like their counterparts in other sectors, lack the financial means to support growth, development and expansion of their business. Accessing financing is a major challenge as investors, venture capitalist and financial institutions are averse to the risks involved in financing new businesses or unproven innovations.

A 2018 World Bank study on the Malaysian digital economy described access to capital as a 'moderate to high level problem' for the majority of companies in Malaysia, including MSMEs. Although there are various financing programmes for qualified MSMEs, these are generally difficult for them to access due to their limited ability to deal with the complex application process.

The agricommodity sector's value is generally trending towards downstream activities, especially in production, export value and skilled labour employment opportunities. MSMEs need to accelerate the transition to high value-added economic activities through technology adoption, product development and new innovative applications as well as adoption of e-commerce, the rate of which is much slower than that of other sectors such as manufacturing and services.

However, the transition process is not only hampered by difficulty in accessing financing but also by a lack of skilled talent. Employment of skilled talent is a big challenge for agricommodity MSMEs as they are unable or perceived to be unable to pay the market rate for such talent, especially when work in the sector is perceived as 3D (dirty, dangerous, difficult) and has poor career advancement opportunities. Consequently, the MSMEs are unable to take on emerging opportunities, bear the high cost of technology, conduct research & development as well as commercialisation & innovation and, ultimately unable to even explore their potential to move into high value-added activities.


MSMEs need to accelerate the transition to high value-added economic activities through technology adoption, product development and new innovative applications as well as adoption of e-commerce, the rate of which is much slower than that of other sectors such as manufacturing and services.



EMPOWERING AGRICOMMODITY MSMEs

The integrated development of entrepreneurs and MSMEs is pivotal in realising the Government's aspiration for sustainable and equitable socio-economic development as espoused in the National Entrepreneurship Policy 2030 agenda. The Government has consistently focused on upskilling entrepreneurs in the agricommodity sector through training and transfer of technology as well as by initiating measures to improve market access. These efforts will continue in the DAKN2030 period.

The future strategy for the sector will be to expand the services and drive innovation among MSMEs. Three main strategies to be implemented towards this objective are:



STRATEGY 1

Develop smart services to enable entrepreneurs and MSMEs in the sector to provide digital services including development of technology applications, automation and mechanisation equipment repairs, logistics and stock management. New business models which can transform the entire value chain of the sector through digital technology applications will be prioritised.

Support innovation by MSMEs by raising their innovation capability through industry networking, including providing guidance and training for greater exposure to new technology. The Innovation Venture Fund will be established for agricommodity sector, based on the electronics industry's Collaborative Research in Engineering, Science and Technology (CREST) model. The fund will finance innovation, R&D, development of prototypes and upscaling of production.





STRATEGY 3

Attract upstream agricommodity entrepreneurs to engage in technology applications and new work procedures to ensure they would not be left behind. Entrepreneurs will be funded to collaborate with cooperatives through partnerships to introduce commercial agriculture practices, digital procurement and marketing methods. Social enterprises will also be encouraged to collaborate with smallholders to improve agricultural best practices, develop farm-to-table products and create access to market, including through storytelling and digital marketing.



Among the sector-based activities to empower entrepreneurs and MSMEs are:

RUBBER					
Core Policy	Indicator	Baseline 2020	Target 2025	Target 2030	Strategy
INCLUSIVITY Increase Bumiputera participation and safeguard the wellbeing of smallholders	Agricommodity MSME contribution to agricommodity production	RM2.4 billion	RM3.4 billion	RM4.4 billion	-
	Percentage of Bumiputera MSMEs in mid and downstream levels, particularly Next Gen Bumiputera Entrepreneurs	4.0% (13/325)	7.0% (23/325)	9.0% (33/367)	
TIMBER					
Core Policy	Indicator	Baseline 2020	Target 2025	Target 2030	Strategy
INCLUSIVITY To increase Bumiputera participation in the timber industry	Number of Bumiputera entrepreneurs	370	500	600	Empower Bumiputera participation in timber industry through smart partnerships Improve the wellbeing of workers
	Agricommodity MSME contribution to agricommodity production	RM65 million	RM85 million	RM100 million	
	Percentage of Bumiputera MSMEs in mid and downstream levels, particularly Next Gen Bumiputera Entrepreneurs	43.8% (370/845)	59.2% (500/845)	71.0% (600/845)	
COCOA					
Core Policy	Indicator	Baseline 2020	Target 2025	Target 2030	Strategy
INCLUSIVITY To increase the income of smallholders and develop entrepreneurs	Total income of entrepreneurs / MSMEs	RM5 million	RM12.5 million	RM25 million	-
	Agricommodity MSME contribution to agricommodity production	RM5.8 million	RM12.5 million	RM25 million	
	Percentage of Bumiputera MSMEs in mid and downstream levels, particularly Next Gen Bumiputera Entrepreneurs	93.0% (216/232)	90.0% (254/282)	80.0% (257/321)	

PEPPER					
Core Policy	Indicator	Baseline 2020	Target 2025	Target 2030	Strategy
INCLUSIVITY Forging collaboration between smallholders and industry	Number of pepper entrepreneurs established	52	50	50	Implement special programmes to create pepper entrepreneurs
	Agricommodity MSME contribution to agricommodity production	RM20 million	RM24 million	RM25 million	
	Percentage of Bumiputera MSMEs in mid and downstream levels, particularly Next Gen Bumiputera Entrepreneurs	20.0% (11/55)	30.0% (600/2,000)	40.0% (800/2,000)	Facilitate collaboration between producers and players in the pepper industry
PLANT-BASED FIBRES					
Core Policy	Indicator	Baseline 2020	Target 2025	Target 2030	Strategy
INCLUSIVITY Increase participation of Bumiputera in kenaf industry	Agricommodity MSME contribution to agricommodity production	9.4 million	22.5 million	45.5 million	Increase the development of Bumiputera entrepreneurs and MSMEs through new industry programme
	Percentage of Bumiputera MSMEs in mid and downstream levels, particularly Next Gen Bumiputera Entrepreneurs	99.0% (125/126)	80.0% (210/263)	60.0% (520/867)	Form smallholder cooperatives to build a sector economy via mechanisation and other initiatives

Source: DAKN2030

Box Article

Inclusive Business

The Inclusive Business (IB) concept in Malaysia is based on the ASEAN Inclusive Business Framework which was endorsed by the grouping in 2017.

The IB model sees business as a provider of commercially viable goods, services and livelihoods, scale to the community at the bottom of the economic pyramid (BoP) and make them part of the company's core business value chain either as a customer, manufacturer, supplier, distributor, retailer or franchisee.

In 2019, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Inclusive Business Action Network (iBAN) initiated a Report on Landscape Study of Inclusive Business in Malaysia which was completed in 2021 and published on UNESCAP's website in 2022.

The report touches on the relevance of IB for Malaysia as well as analyses and assessments of the environment along with the promotion of IB in the country. The report serves as a referral document for Malaysia's IB agenda.

The promotion of IB is in line with the key principle of the national socio-economic development agenda and a fundamental goal of the RMKe-12 which addresses poverty and inclusivity consistent with the principle of leaving no one behind in efforts to achieve a decent standard of living.

Towards this end, SME Corp. Malaysia has implemented several initiatives to promote IB in Malaysia, including IB promotion and outreach activities and an Inclusive Business Value Chain Development Initiative (IB-VCDI) Pilot Project. Promotion and outreach activities include seminars and forum on IB as part of advocacy and promotion activities to increase awareness and understanding of IB among Government agencies, MSMEs and financial institutions.

IB-VCDI Pilot Project launched on 2 August 2022 aimed at developing microenterprises and potential inclusive communities, including the B40 group, women and youth, to enable them to generate income through integration into the value or supply chain of companies.

Under the project, four strategic partners, namely Farm Fresh Berhad, Serai Malaysia Sdn Bhd, Pepper Labs Sdn Bhd and Mostwell Sdn Bhd which have adapted elements of the IB model in their respective business operations were appointed as IB Principal Companies and given the responsibility to provide the appropriate intervention to implement IB projects for inclusive communities with the aim of integrating them into the companies' value chain.

SME Corp. Malaysia has implemented several initiatives to promote IB in Malaysia, including IB promotion and outreach activities and an Inclusive Business Value Chain Development Initiative (IB-VCDI) Pilot Project.

IB Entrepreneurs and Home-Dealer Development Project in Dairy Milk Industry

Farm Fresh Berhad is the leading home-grown brand for dairy milk in Malaysia. Through its Farm Fresh IB Entrepreneurs and Home-Dealer Development Project, the company seeks to empower single mothers, housewives and the urban poor to become home-dealers (as direct seller and / or through their network agents in targeted localities).

Participants are equipped with initial stocks, training, monitoring and kits including a chiller. Farm Fresh supervised the sales of the participants who would eventually grow to become their UHT and fresh pasteurised milk distributors to generate income in their respective communities.

Farm Fresh's efforts in improving the livelihood of under-served communities earned it the ASEAN Business Awards 2020 under the IB Category.

IB Project through Lemongrass Crops

Serai Malaysia Sdn Bhd, a subsidiary of medical device manufacturer Star Medik Group Sdn Bhd, was established as a vehicle to involve communities, particularly the village poor, in the IB value chain. Under the Serai Malaysia Project, the company undertook a guaranteed and consistent bulk purchase of lemongrass at higher than market price from participants from five villages. The participants are supervised and guided by the company to ensure their crops are of premium quality.

Serai Malaysia was awarded the ASEAN IB Awards 2022 for their excellence and conformance to the IB concept and in generating socio-economic impact on people at the bottom of pyramid.

IB Project in Food & Beverage Industry

Pepper Labs Sdn Bhd through its IB Pilot Project in F&B industry helped underprivileged communities such as single mothers living in the city to improve their livelihood by providing training on recipe formulation, raw material procurement as well as sales and marketing in F&B.

The women, from various backgrounds, who participated in the project have not only increased their monthly income but also in generating a steady and constant revenue stream through food catering orders for events and festive celebrations.

Pepper Labs won recognition for their work by winning the distinguished IB Category at the ASEAN Business Awards 2021.

IB Project in Eco Printing Industry

Mostwell Sdn Bhd's Entrepreneurship Project through natural dye and eco printing has enabled artisans from the B40 community to earn a steady income by providing them training in sewing. Most of the project participants are women and one of them is now selling handcrafted clothing at the Kuala Lumpur City Centre (KLCC) shopping mall, with the KLCC management fully bearing the rental for her outlet's space.

APEC Workshop on Inclusive Business

SME Corp. Malaysia hosted the APEC Workshop on Inclusive Business: Charting the Path for Shared Prosperity through Inclusivity from 29 - 30 November 2022.

A total of 116 local and international participants attended the two-day event. The workshop comprised a dialogue session and three panel discussions on topics related to the role and potential of IB in socio-economic development, women empowerment, support for the IB ecosystem as well as showcasing Malaysian IB champions.



Chapter 2

Global & Regional MSME Agenda and Internationalisation





Chapter 2

Global & Regional MSME Agenda and Internationalisation

The market has become increasingly globalised over the past two decades, MSMEs often feel the need to internationalise their business activities to remain competitive. In today's environment, MSMEs that start with a global strategy can move quickly to take advantage of cross-border activities, which provide opportunities not only for revenue growth but also the exchange of knowledge and the enhancement of capabilities that strengthen the long-term competitiveness of the firm.

MSMEs represent the backbone of many national economies and play a pivotal role in the current globalised market. MSMEs often possess some behavioural strengths as entrepreneurial dynamism and flexibility, but at the same time they suffer of paucity in terms of financial and managerial resources, which also affect their ability to engage in economies of scale and scope. Due to their characteristics, they face many challenges while competing internationally with large multinational companies.

ASEAN COORDINATING COMMITTEE ON MICRO, SMALL AND MEDIUM ENTERPRISES

The ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) Meeting is held biannually on a rotational basis among ASEAN member states. In 2022, the ASEAN Secretariat hosted the 13th ACCMSME meeting from 14 - 16 June 2022 and the 14th ACCMSME from 21 - 24 November 2022 whereby both meetings were held virtually.

Cambodia was ASEAN's chair for 2022. The ASEAN Chairmanship 2022 theme was ASEAN A.C.T.: Addressing Challenges Together to underscore the ASEAN's spirit of togetherness as one community and common will in collectively addressing and overcoming challenges facing the region.

MSME development in ASEAN is currently guided by the ten-year ASEAN Strategic Action Plan for SME Development 2016 – 2025 (SAP SMED 2025). SAP SMED 2025, which was launched at the sidelines of the 27th ASEAN Summit in November 2015, aims to enhance ASEAN cooperation amid an increasingly competitive economic landscape and to support MSME growth and development by creating globally competitive and innovative MSMEs by 2025.

The plan addresses common issues faced by MSMEs through five strategic goals:



The 15th ACCMSME and Related Meetings were held in Bangkok, Thailand from 22 - 26 May 2023. The meetings discussed on MSME development in the ASEAN Region and the status of the Strategic Action Plan for SME Development. Among the highlights of interventions pertaining to Malaysia were presentation of a Concept Note on Japan - ASEAN Invest Fit Acceleration Programme by CEDAR, sharing on Inclusive Business Value Chain Development Initiative (IB-VCDI) by SME Corp. Malaysia, updates on cooperation with MECD to organise the US-ASEAN Business Council's 2023 Workshop Series in ASEAN member states and updates on business matching activities between SME Corp. Malaysia and SME Support Japan (SMRJ).

APEC SMALL AND MEDIUM ENTERPRISES WORKING GROUP

The APEC SME Working Group (SMEWG) meets biannually to discuss and push forward projects and initiatives for SMEs within the region. Two plenary meetings were held in 2022, one virtually in Chile on 26 - 27 April and another physically in Phuket, Thailand on 7 - 8 September.

All member economies continued to implement programmes under the five priority areas of the SMEWG Strategic Plan 2021 – 2024:



SME Corp. Malaysia spoke on its Programme for Enhancement of Strategic Industry and High Growth Enterprise (PRESTIGE) under Priority Area 2. The programme targets to develop globally competitive SMEs in strategic sectors by increasing the number of high-growth and innovative firms as well as improving their productivity. Activities under PRESTIGE focus on capacity building and financial assistance to enhance the capabilities of selected SMEs through technology adaptation, organisational transformation and marketing strategy.

The 28th APEC Small and Medium Enterprises Ministerial Meeting was held in Phuket from 9 – 10 September 2022 under the chairmanship of Deputy Prime Minister of Thailand. The meeting emphasised the importance of the objectives of the SME Ministerial Meeting theme, Inclusive Recovery of APEC MSMEs through the Bio – Circular – Green Economy (BCG) Model and High Impact Ecosystem, which seeks to harness technology and innovation to create value, reduce waste, and promote a sustainable business model. The promotion of inclusive and high-impact recovery is centred on four priority areas:

The programme targets to develop globally competitive SMEs in strategic sectors by increasing the number of high-growth and innovative firms as well as improving their productivity.



In 2023, the 55th APEC SMEWG was held from 4 – 5 May 2023 in Hong Kong, China. The meeting discussed various projects and initiatives as well as shared best practices on strategic issues in MSME development. Malaysia presented on the country's MSME landscape, formalisation of informal entrepreneurs and the project report of the APEC Workshop on Inclusive Business: Charting the Path for Shared Prosperity through Inclusivity. Malaysia shared the progress of the Micro Connector Programme as an update under the Priority Area 3 of the SMEWG Strategic Plan at the 56th APEC SMEWG in Seattle, United States from 4 – 5 May 2023. Sideline visit to Boeing Renton Factory in Seattle paved the way for symbiotic exchange of knowledge, best practices and potential collaboration in technology transfer, capacity building and joint development of innovative solutions that will provide market access opportunities for Malaysian MSMEs in the Boeing value chain.

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

Malaysia is a signatory to the Regional Comprehensive Economic Partnership (RCEP), a trade agreement between the 10 members of ASEAN, China, Japan, South Korea, Australia and New Zealand. The RCEP, an ASEAN-driven initiative and an amalgamation of existing free trade agreements between ASEAN and partner countries, intends to establish a modern, comprehensive, high-quality and mutually beneficial economic partnership to facilitate the expansion of regional trade and investment and contribute to global economic growth and development.

SME Corp. Malaysia delivered a special keynote address on SME Transformation to Compete Globally upon RCEP Ratification at the Federation of Malaysian Business Associations (FMBA) Business Forum 2023. The address was to create better understanding of the benefits of RCEP to MSMEs and businesses in general. More than 200 influential business leaders, including presidents of various chambers and captains of industry participated in the forum. SME Corp. Malaysia also highlighted several internationalisation initiatives and programmes that had been undertaken to enhance the growth and competitiveness of domestic MSMEs, the agency's pivotal role in the development of progressive MSMEs as well as efforts to facilitate the internationalisation of MSMEs.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives. Their goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. Based on OECD, MSMEs tend to be underrepresented in international trade and account for a small proportion of exports relative to their share of overall activity and employment. This is in part because MSMEs have fewer resources to meet the high costs often associated with engaging in international markets. Smaller firms also face greater challenges than larger firms in navigating foreign markets, with less capacity to address complex regulatory requirements.

Global Value Chain and Trade

Today, 70.0% of international trade involves global value chains (GVCs) as services, raw materials, parts and components cross borders often numerous times. Once incorporated into final products they are shipped to consumers all over the world. Exports from one country to another often involve complex interactions among a variety of domestic and foreign suppliers. Even more than before, trade is determined by strategic decisions of firms to outsource, invest, and carry out activities wherever the necessary skills and materials are available at competitive cost and quality.

Better measurement leads to better policies. In responding to policy questions raised by the growing importance of GVCs for trade and investment, the OECD launched an initiative to measure trade in value-added (TiVA) terms to provide a more accurate view of the underlying economic importance of trade. TiVA identifies where value is added along the supply chain, to estimate where income and jobs are created, and to provide a new perspective

on bilateral trade imbalances. The OECD TiVA initiative considers the value added by each country in the production of goods and services that are consumed worldwide. TiVA indicators are designed to better inform policy makers by providing new insights into the commercial relations between nations. The competitiveness of a country's exports can depend on imported inputs (inputs which can also include their own previous exports), countries also need to address their own barriers to trade if they are to reap the benefits of participating in GVC trade.

For developing countries seeking to enter or engage in GVCs, there can be pressure to move up the value chain into higher value-adding activities. But the gains from participating in GVCs can come from any stage of the value chain, what matters is doing more of what you are good at. Countries that become efficient at the assembly or production stage can generate greater total value from becoming a globally competitive supplier of these activities, than they can by carrying out higher value-adding activities in which they are less competitive. Ultimately, what matters is the total value that the economic activities within the value chain can generate.

The Impact of Digitalisation on Trade

The digital transformation has reduced the costs of engaging in international trade, facilitated the co-ordination of GVCs, helped diffuse ideas and technologies, and connected a greater number of businesses and consumers globally. But even though it has never been easier to engage in international trade, the adoption of new business models has given rise to more complex international trade transactions and policy issues.

In today's fast-paced and interconnected world, Governments are facing new regulatory challenges, not just in managing issues arising from digital disruption, but also in ensuring that the opportunities and benefits from digital trade can be realised and shared inclusively. Digitalisation increases the scale, scope and speed of trade. It allows firms to bring new products and services to a larger number of digitally connected customers across the globe. It also enables firms, notably smaller ones, to use new and innovative digital tools to overcome barriers to growth, helping facilitate payments, enabling collaboration, avoiding investment in fixed assets with cloud-based services, and using alternative funding mechanisms such as crowdfunding. Digitalisation is also changing how we trade goods. For example, the growth of online platforms has led to a rising number of small packages being sold across international borders. This is giving rise to a range of issues for policymakers, ranging from the physical management of parcel trade, through to the implications for risk management (such as in relation to counterfeit goods or biosecurity standards), and revenue implications in relation to collection of taxes and tariffs.

At the same time, new technologies and business models are changing how services are produced and supplied, blurring already grey distinctions between goods & services, modes of delivery and introducing new combinations of goods & services. A smart fridge requires market access not only for the good, but also for the embedded service. And an article produced by 3D printing, for example, may cross a border as a design service, but becomes a good at the moment of its consumption. Together, these issues pose new challenges for the way international trade and investment policy is made.

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OECD Ministerial Meeting on SMEs and Entrepreneurship

On 27 - 28 June 2023, Ministers from OECD countries and invited non-OECD economies, alongside partner International Organisations and experts, gathered at the OECD Headquarters in Paris for the first meeting of the OECD Committee on SMEs and Entrepreneurship (CSMEE) at Ministerial Level. With the theme Future-Proofing SME and Entrepreneurship Policies, the meeting discussed on strengthening the resilience of SMEs and entrepreneurs in high volatile environments, fostering SMEs and entrepreneurs' contribution to the digital and green transitions as well as enabling SMEs and entrepreneurs navigate a rapidly changing global trade and investment landscape. Malaysia was represented by YB Datuk Ewon Benedick, Minister of MECD.

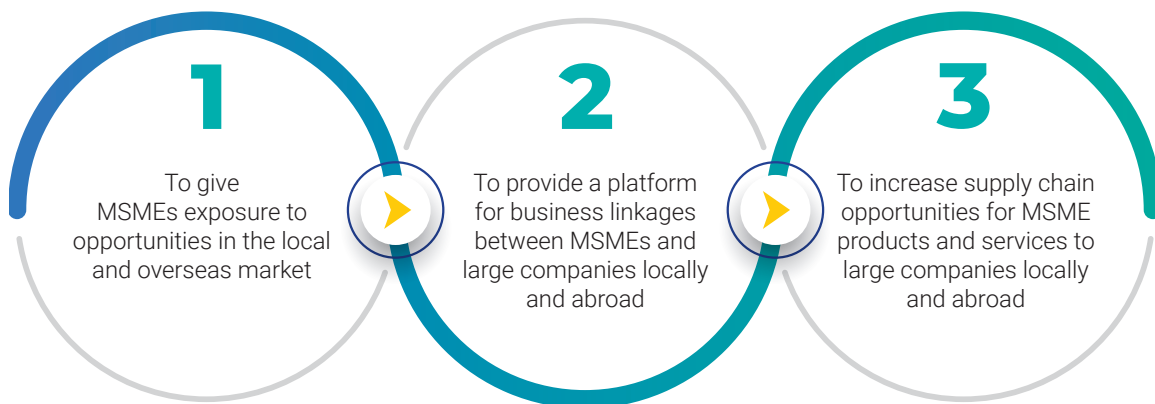


INITIATIVES ON INTERNATIONALISING MALAYSIAN MSMEs

Glocal Linkages SME Programme

SME Corp. Malaysia launched the Glocal Linkages SME Programme (GLOSMEP) in 2021 to serve as an integrated platform for MSMEs to access the domestic and international market and where MSMEs and business partners could engage in business discussions for potential deals.

GLOSMEP has three objectives:

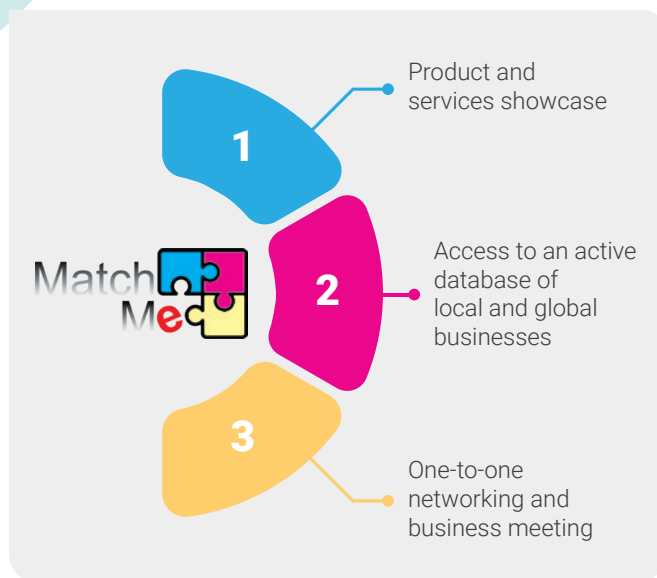


Among the activities organised under GLOSMEP were information-sharing on market opportunities via seminars and webinars; creating virtual networks and business-matching platforms for promotion of products and services to large companies; and organising business-matching and networking to enhance the potential for MSME products and services to be part of the supply chains of large companies.

Export-related activities included capacity building and certification to enhance MSME branding to be at par with international standards and supporting MSMEs via integrated financial assistance programmes.

MatchME

The MatchME platform, one of the main components under GLOSMEP, aims to connect businesses through networking and business-matching virtually. The platform has three main features:



In 2022, a series of hybrid business-matching programmes, in which a total of 431 MSMEs participated, were held on the MatchMe platform. A total of 312 business-matching sessions were conducted with the participation of 48 MNCs and large companies in Malaysia and overseas. These sessions generated potential sales valued at RM35.8 million.

MSMEs has changed their preference for virtual meetings to physical one as Malaysia transitioned from the pandemic to endemic phase. Nevertheless, the virtual platforms offered through MatchMe has succeeded by being cost- and time-effective in providing more options and proven effective for business-matching activities involving foreign companies as well as local MSMEs across the country.

Outcome of Activities under GLOSMEP

The outcome of the activities under GLOSMEP from 2021 to October 2023, as shown in the table below, bears testimony to its effectiveness.

Achievements	2021	2022	2023 (as at October)	Total
Potential sales	RM36.8 million	RM385.0 million	RM647.1 million	RM1.1 billion
Number of MSME participants in business meetings and linkages activities	877	2,293	1,002	4,172
Number of MNC and GLC participants in business meetings and linkages activities	93	297	256	646
Number of business-matching sessions	316	1,783	979	3,078
Number of MSME participants in capacity building for branding activities	245	313	-	558

Activities under GLOSMEP also included creating greater awareness of and making inroads into strategic market destinations for MSME products and services such as China, Hong Kong, Taiwan, Turkiye, Thailand, United Kingdom (UK), United Arab Emirates (UAE), Indonesia, France and the United States. These activities were conducted through collaboration with various market linkers and strategic partners who share the same objective of championing the internationalisation of MSMEs.

International MSME B2B Meet Malaysia-India

SME Corp. Malaysia hosted the International MSME B2B Meet Malaysia - India from 27 – 28 June 2023. The event was officiated by YB Senator Madam Saraswathy Kandasami, Deputy Minister of MECD. More than 300 MSMEs of India, Malaysia as well as global Indian diasporas from Australia, Canada, South Korea, UAE, UK and Singapore participated in the two-day event. The Event saw the launch of an e-Directory, a comprehensive listing of Indian-Malaysian traders, including more than 120 Indian trading and associations in Malaysia as well as signing of two Memorandum of Understanding (MoU) by Malaysian Associated Indian Chambers of Commerce and Industry (MAICCI) with World Tamil Chamber of Commerce and Divine Bharat Chamber of Commerce. The Malaysia-India business matching session conducted in conjunction with the Event recorded potential sales of RM28.1 million.

Jelajah Aspirasi Keluarga Malaysia

The Ministry of Entrepreneurs and Cooperative Development through SME Corp. Malaysia organised a nationwide business-matching tour in conjunction with *Jelajah Aspirasi Keluarga Malaysia*. The tour covered 12 states. A total of 718 MSMEs and 94 local anchor companies participated in 776 business-matching meetings which generated potential sales of RM89.5 million.

Expo 2020 Dubai

The Ministry of Entrepreneur and Cooperatives Development through SME Corp. Malaysia participated under the entrepreneurship cluster in Expo 2020 Dubai Week held from 13 to 19 February 2022. The event focused on start-ups and MSMEs as drivers of national economic development through innovation-driven companies.

17 Malaysian high-performing start-ups and MSMEs, comprising players involved in artificial intelligence technology and innovation, health and medicine and drone-related services, were selected for introduction to potential global business partners. Three Malaysian companies and their foreign counterparts signed MoU on deals potentially worth RM100 million to the former. A total of 72 business-matching sessions, with a potential RM189.9 million in business leads, were held with 61 foreign companies.

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National Mark of Malaysian Brand

The National Mark of Malaysian Brand (NMMB) has been integrated into the GLOSMEP programme to better synergise various activities to facilitate the internationalisation of MSMEs. The branding programme targets to enhance the image of Malaysian products and services in the domestic market before introducing them globally.

The programme, conducted by SME Corp. Malaysia in collaboration with SIRIM QAS International Sdn Bhd, offers certification to businesses which have fulfilled a set of stringent quality standards to carry the NMMB trademark on their products and services for two years. A total of 173 companies, comprising 145 from manufacturing and 28 from services sector were awarded NMMB certification between 2010 and 2022.



Currently, the NMMB has registered trademarks in Malaysia, Australia, Japan, Korea, the Netherlands, Thailand, the United States, India, Hong Kong and Singapore. To further raise its profile, the NMMB trademark is in the process of being registered in 24 countries comprising Brunei Darussalam, Cambodia, Canada, China, France, Georgia, Germany, Hungary, Indonesia, Italy, Mexico, New Zealand, Philippines, Russia, Turkiye, United Kingdom and Vietnam.

SME Corp. Malaysia, SIRIM QAS International Sdn Bhd and SIRIM STS Training Sdn Bhd conducted two outreach sessions and five workshops on Malaysian Brands to the Global Market from July to October 2022 to encourage MSMEs to obtain certification as well as to assist them in developing and enhancing their branding. A total of 313 people participated in the events.

SMEs Export Enhancement Programme

SME Corp. Malaysia is also providing integrated financial assistance to support the MSME internationalisation agenda via the SMEs Export Enhancement Programme. The programme promotes the internationalisation of SMEs by creating a clear market-based framework through the provision of financial assistance in the form of matching grants for various export-related activities. The programme comprises the new SMEs Go Global Programme and the existing Galakan Export Bumiputera (GEB) Programme. As at October 2023 total of 112 MSMEs have received approval for funding totalling RM68.3 million, of which 82 MSMEs were offered RM8.5 million in matching grants while 30 received soft loans totalling RM59.8 million.

Box Article

Championing the Internationalisation of Malaysian MSMEs through Exports Programmes

MATRADE has over the years been championing the internationalisation of MSMEs through various initiatives and programmes. In 2022, MATRADE conducted 16 sustainability exports-related programmes for Malaysian companies along with other initiatives to support MSME penetration of the global market.

SUSTAINABILITY RELATED EXPORT PROGRAMMES

Capacity Building

Six of the 16 sustainability export-related programmes were on capacity building:



Creating Sustainability Awareness

Sustainability awareness programmes were also conducted. These comprised an address by a MATRADE representative on the Relevance of Sustainability to International Trade and a sustainability awareness and readiness survey by the Business Sustainability Pulse Study in collaboration with UN Global Compact Network Malaysia and Brunei, Bursa Malaysia and Nottingham University Malaysia.

Sustainability Competitions

Competitions were also held to honour Malaysian companies that adopt sustainability in their daily operations. These comprised the Inaugural Positive Impact Award and the OGSE Innovation Award 2022 in conjunction with OGA x MOGSEC 2022 which recognises and honours companies that are at the forefront of innovation, have fulfilled sustainability criteria and are moving towards zero carbon initiatives.

Promoting Sustainability

MATRADE was also involved in various forums to promote sustainability, including:

- Standard Chartered Sustainability Conference in conjunction with MIHAS 2023 in a discussion on Growth Opportunities for SMEs via ESG Adoption
- 5th International Sustainable Energy Summit 2022 where MATRADE had an information booth as well as holding an outreach talk for Malaysian companies
- Webinar on Green Energy or Renewable Energy Opportunities in Colombia on 16 November 2022 to support environmental, social and governance (ESG) initiatives. 25 people participated in the webinar where MATRADE's Miami Trade Commissioner and the President of Hergill Corp were speakers.
- International Greentech and Eco Product Exhibition and Conference Malaysia 2022

SUSTAINABILITY EXPORT-RELATED FINANCING PROGRAMMES

MATRADE has four sustainability-related financing programmes designed to assist MSMEs in penetrating the global market. These comprised the Services Export Fund, Market Development Grant, eTrade Programme 2.0, Bumiputera, Women and Youth Exporters Development Programme and Women Empowerment and Sustainability.

Services Export Fund

The Services Export Fund (SEF) is a trade support facility in the form of reimbursable grants to partly defray the cost of Malaysian services providers (MSP), trade and industry associations, chambers of commerce, professional bodies, Government-linked investment companies (GLIC), Government-linked companies (GLC) and cooperatives that meet the eligibility requirements to undertake export-related activities in international markets. Of the 12 activities under SEF, Activity 10 is related to ESG, with the cost of registration for overseas industry certification, including compliance to sustainability for exporting services, being defrayed by the fund.

In 2022, 382 outreach programmes were conducted to promote SEF via seminars, webinars, briefings, talks, consultations and advisory sessions. This was almost a four-fold increase compared with the number of programmes in 2021 due to the recovery in economic activities which enabled the holding of more physical programmes apart from virtual ones.

A total of 276 companies benefitted from the SEF, with 52 receiving funding totalling RM 1.5 million. The grants helped the recipients to generate RM197 million in potential export sales in 2022, an outcome which translated into a return of investment of RM134 from export of services for every RM1 given through the SEF.

Market Development Grant

The Market Development Grant (MDG) was established in 2002 to assist Malaysian companies in penetrating the international market through participation in export promotion activities. Eligible companies can claim a lifetime limit of RM300,000 through a reimbursable grant to defray the costs incurred in participating in such activities.

In 2022, RM19.3 million was disbursed from the MDG to assist 5,710 companies. MSMEs that had received funding from the MDG recorded RM2.5 billion worth of export sales. Recipients of the MDG have increased their presence in countries like the United Arab Emirates, the United States, France, China, Germany, Japan, Singapore, Thailand, Australia and Cambodia.

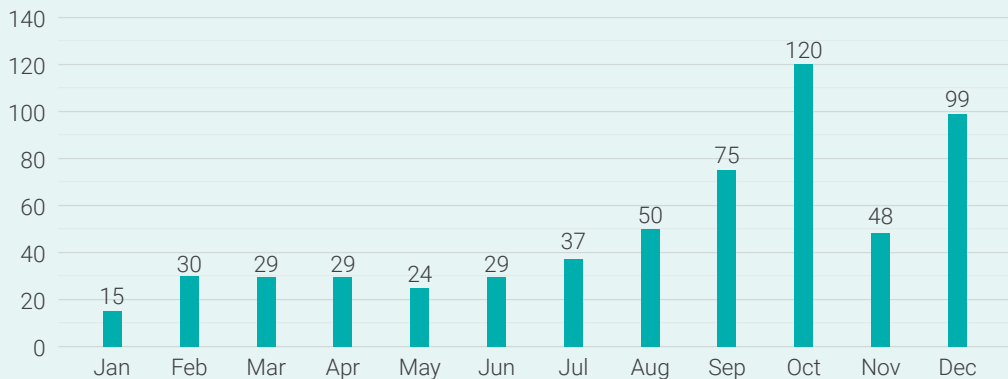
eTRADE Programme 2.0

The eTRADE Programme is designed to facilitate Malaysian MSMEs in accelerating exports by listing their products in international e-commerce platforms. The programme assists MSMEs in enhancing export sales as well as enhancing their presence and visibility through digital marketing, e-commerce training and online export promotions.

From January to December 2022, MATRADE conducted 40 awareness and outreach programmes, comprising largely of briefings via webinars with e-commerce platforms like Alibaba, Amazon, eBay, PanPages, Trinity42 and many others as well as face-to-face trade consultations at the MATRADE information counter. A total of 3,050 people participated in these programmes.

A total of 585 MSMEs received funding from the eTRADE Programme 2.0, of which 438 were for the Onboarding Scheme and 147 for the Digital Marketing and Training Scheme.

Number of MSMEs Assisted in 2022



Some of the major export markets for participants of the programme are China, Hong Kong, USA, Saudi Arabia, UAE, Australia, South Africa as well as ASEAN countries. Most of the MSMEs who received assistance from the programme are from the prepared food, beverage, pharmaceuticals, toiletries and cosmetics, household products and agricultural products sectors.

Bumiputera, Women and Youth Exporters Development Programme

The Bumiputera, Women and Youth Exporters Development Programme (BWYEDP) was established in 2004 to support target groups in exploring their potential in international markets as well as to create a pool of competitive and resilient exporters.

The BWYEDP provides intensive training in exporting for selected companies. The training is tailored to each company's needs, including competency enhancement, capacity building, exposure to international business, networking and mentoring as well as leadership and entrepreneurship development.

From 2004 to 2022, 954 trade promotional activities were conducted for participating companies under the BWYEDP. A total of RM2.3 billion in export sales were recorded by these companies. In 2022, total exports sales recorded by the participating companies was RM 116.5 million, an increase of 53.9% year-on-year.

Women Empowerment and Sustainability

MATRADE conducted the Benchmarking Programme: Mid-Tier Companies and MSMEs to serve as an interactive knowledge-sharing platform with the theme of women empowerment and sustainability. 50 people participated in the programme which was held in Johor Bahru.



Box Article

Milestones in Bilateral Cooperations to Enhance MSME Development

In 2022 and 2023, SME Corp. Malaysia as the Central Coordinating Agency for MSME development has signed several Memorandum of Understanding (MoU) with ASEAN partners as well as Turkiye in the spirit to boost bilateral trade in MSME development, specifically in market access and other new emerging areas.

MoU with Thailand's Office of SME Promotion (OSMEP) was renewed to further strengthen cooperation and partnership in sharing of policies, expertise and information to enhance the competitiveness of MSMEs in the two countries. The MoU puts special emphasis on information exchange and implementation of activities in digitalisation, sustainability and market access for MSMEs. The signing ceremony took place at the sidelines of the Enterprise 50 Award Ceremony 2022 on 25 November 2022 in Kuala Lumpur.

On 11 September 2023, SME Corp. Malaysia renewed the MoU with Turkiye's Small and Medium Sized Industry Development Organisation (KOSGEB). The MoU renewal was further enhanced by the unveiling of the "Global Be-Linked" initiative, a vibrant business matching conduit for Malaysian MSMEs with the foreign counterparts such as Turkish enterprises. With the participation of 12 Turkish firms and 37 Malaysian MSMEs, 42 business matching deals were sealed, translating to potential sales figure of close to RM9.6 million.

MoU between SME Corp. Malaysia and Enterprise Singapore was signed on 30 October 2023 at The Istana, Singapore, witnessed by leaders of both countries, YAB Dato' Seri Anwar bin Ibrahim, Prime Minister of Malaysia and H.E. Lee Hsien Loong, Prime Minister of the Republic of Singapore. The signing was held in conjunction with the YAB Prime Minister's Working Visit to the 10th Malaysia-Singapore Leader's Retreat. The MoU further strengthens the collaboration between the two organisations towards the development of MSMEs in Malaysia and Singapore. The focus of the partnership includes promoting training, digitalisation, sustainability as well as greater market access for the Malaysian and Singaporean MSMEs. SME Corp. Malaysia has identified eight priority sectors for business matching which include smart agriculture, electrical and electronic, aerospace, medical devices, halal industry, oil and gas, tourism, and biomass.

As the outcome of YB Minister MEDC's bilateral discussion with H.E. Yacine El Mahdi Oualid, Minister of Knowledge Economy, Start-ups and Micro-Enterprises, Algeria during the working visit to Algiers, Algeria from 1 - 4 July 2023, a MoU between the two countries is being pursued in the areas of MSME market access, start-ups policies & legal framework and entrepreneurship.


MoU between SME Corp. Malaysia and Enterprise Singapore was signed on 30 October 2023 at The Istana, Singapore, witnessed by leaders of both countries, YAB Dato' Seri Anwar bin Ibrahim, Prime Minister of Malaysia and H.E. Lee Hsien Loong, Prime Minister of the Republic of Singapore.



Chapter 3

Financing Ecosystem for MSMEs





Chapter 3

Financing Ecosystem for MSMEs

Over the years, there have been various initiatives implemented to enhance MSME financing ecosystem in Malaysia. Access to finance is a critical enabler for MSMEs to start operations, invest and grow, withstand shocks, transition to the sustainable and digital economy and participate in the supply chains. Currently, banking institutions are the main source of financing for MSMEs, providing more than 90.0% of total financing. Malaysian MSMEs need to diversify beyond the orthodox banking system and look for financing from the capital market and innovative platforms such as Equity Crowdfunding (ECF), Peer-to-Peer (P2P), Private Equity and Venture Capital should be further explored as funding options for MSMEs and start-ups. The rise of financial technology, financing solutions are becoming more personalised, accessible and attractive through a wide range of products and services offered at competitive rates.

MSME FINANCING BY FINANCIAL INSTITUTIONS

In 2022, Malaysian banks and Development Financial Institutions (DFIs) continued their support of MSMEs by providing needed financing for cashflow and capital investments for business expansion. As at the end of the year, outstanding financing to MSMEs expanded by 5.0% to RM366 billion (2021: 5.7%), due to a higher rate of approvals and disbursements which exceeded pre-pandemic levels. Financing to MSMEs now represents almost half (49.0%) of the total outstanding loans extended to businesses compared to below 45.0% pre-pandemic.

The year saw a continuing momentum in financing approvals for MSMEs with an increase of 18.7% year-on-year exceeding the 13.2% year-on-year rise of 2021. More than RM154 billion in financing was approved for about 230,000 MSME accounts (2021: RM131 billion for about 196,000 accounts). The high approval rate was driven by investment-related financing in tandem with anticipated demand, an indication of a deeper business recovery amid the resumption of investment plans and improved business sentiments.

Amid a landscape of persistent high-cost pressures, approvals for financing and disbursements for working capital purposes also outpaced pre-pandemic levels, with total disbursements rising by 26.7% in 2022 to RM505 billion compared with RM399 billion in 2021.

DFIs continued to play a catalytic role in providing access to financial products and services to MSMEs who encounter difficulty in obtaining financing from banks. MSME financing by DFIs for the year totalled RM5.6 billion (2021: RM4.4 billion), a robust growth of 27.2%. Of the nearly 31,000 MSMEs that received DFI financing, the majority (67.0%) were microenterprises with financing sizes of less than RM50,000.

DFIs is also the main financier for microenterprises, which accounted for 84.0% of the total accounts approved under *Skim Pembiayaan Mikro* in 2022. DFIs are also implementing several initiatives to further bridge the financing gaps faced by under served MSMEs. These included the use of artificial intelligence or other credit scoring methods such as psychometric analysis for better credit assessments, particularly for thin-file customers (with little or no credit record).



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ALTERNATIVE FINANCING

The Securities Commission Malaysia (SC) has continued to expand the fundraising avenues for MSMEs in line with efforts to enable an inclusive multi-layered capital market, towards a more diversified fundraising avenues for businesses, including expanding alternative fundraising platforms for MSMEs and mid-tier companies (MTCs) in particular.

ECF and P2P financing have been on a continued rise, with a growing number of MSMEs turning to digital platforms to secure capital. In total, ECF and P2P financing have facilitated 7,218 MSMEs to raise more than RM4.4 billion. Although there was a 36.0% decrease in total fundraising via ECF in 2022 to RM140.4 million (2021: RM220.7 million), campaign sizes were larger, with 21.0% of campaigns raising above RM3 million each (2021: 17.0% of campaigns). P2P financing continued to grow in 2022, with total fundraising amounting to RM1.6 billion, recording a 38.0% increase (2021: RM1.1 billion) which benefited 3,732 companies (2021: 1,986). The ECF and P2P financing offerings has also seen traction in the agriculture sector, a sector of strategic importance to the local economy.

The launch of Malaysia Co-Investment Fund (MyCIF) special co-investment ratio of 1:2 in 2022, has encouraged more private investments into this sector via these alternative financing platforms. Since inception, ECF and P2P financing have fundraised over RM430 million benefitting more than 400 agri-related MSMEs across the entire value, namely upstream, midstream and downstream. To promote the ECF and P2P financing market further, several initiatives had been successfully implemented to serve the needs of a wider range of businesses and spur higher market growth, such as the following efforts:

i. Widening access to Shariah-compliant financing in ECF and P2P financing

ECF and P2P financing have continued to broaden access to financing for MSMEs. Shariah-compliant offerings on these platforms have also gained traction, with a total of RM368.1 million funds raised as of 31 December 2022. To further harness the potential of ECF and P2P financing platforms, the SC opened applications for registration of new ECF and P2P financing operators with Shariah-based solutions and value-propositions in 2022. This measure is expected to catalyse innovation in Shariah-compliant offerings to further facilitate access to funding needs of MSMEs through alternative fundraising digital platforms and promote greater recovery. It also aims to foster the growth of MSMEs in the halal economy while allowing greater access to investments for all capital market participants.

ii. Catalysing growth in the underserved segments: SCxSC GROW

In October 2022, the SCxSC GROW, a new collaborative programme, was launched under the SC's fintech flagship initiative Synergistic Collaboration by the SC (SCxSC). The SCxSC GROW embodies a collaborative effort with partners in the fintech ecosystem to harness the potential of alternative fundraising digital platforms to meet the needs of underserved players in strategic sectors. The first edition of the SCxSC GROW initiative focused on agriculture, a sector which remains at the forefront of Malaysia's growth priorities and is one of the backbone sectors in Malaysia's economic development. The inaugural launch of SCxSC GROW was supported by relevant ministries, agencies and key players in the agriculture ecosystem during a one-day workshop with the theme 'Unlocking Alternative Financing Potential for Agriculture'. The workshop explored the potential roles of alternative financing avenues that may contribute towards addressing some of the financial gaps that exist in the agriculture sector. It also garnered greater awareness on ECF and P2P financing and encouraged better co-ordination to move the agriculture sector forward and strengthen the country's food security. Some 40 representatives, including senior officials from relevant ministries, agencies and key players attended the workshop. They include the Ministry of Agriculture and Food Security (KPKM), Federal Agricultural Marketing Authority (FAMA) and Agrobank.

iii. Helping MSMEs to regain footing in the economic recovery via MyCIF

MyCIF is an initiative set up by the Malaysian Government to co-invest in MSMEs and social enterprises alongside private investors via ECF and P2P financing platforms. Since 2019, a total of RM230 million has been channelled to the MyCIF which was set up as part of Budget 2019. As at 31 December 2022, MyCIF has successfully co-invested over RM638 million in approximately 35,000 ECF and P2P financing campaigns, benefitting 3,635 MSMEs. The fund had co-invested alongside more than RM2.6 billion from private investors. In 2022, MyCIF focused on the agriculture sector, an industry identified to be of strategic importance to the local economic recovery.

VENTURE CAPITAL (VC) AND PRIVATE EQUITY (PE)

The total number of registered corporations stood at 129 as at 31 December 2022 (refer to Table 3.1). The VC segment accounted for 109 registered corporations (venture capital management corporation, VCMC and venture capital corporation, VCC), while the PE segment consisted of 20 registered corporations (private equity management corporation, PEMC and private equity corporation, PEC). As at end 2022, the number of professionals employed by the industry with at least four years' experience stood at 229.

Table 3.1: Statistics of Industry Participants

Source of Funds	2021	2022
Number of Registered Corporations	124	129
Number of Registered VCMCs and VCCs	105	109
Number of Registered PEMCs and PECs	19	20
Number of VC and PE Professionals ¹	344	229

¹ Professionals with more than four years of experience.

Source: Annual Report 2022, Securities Commission Malaysia

Table 3.2: Industry Key Statistics (RM million)

	2021		2022	
	Private equity	Venture capital	Private equity	Venture capital
Total committed funds under management [1]	9,648.42	5,183.50	10,711.59	5,372.93
Total drawn capital [2]	6,884.29	3,870.73	7,644.83	3,868.54
Estimated capital available for investment [3]=[1]-[2]	3,495.88	1,312.77	3,066.75	1,504.39
Total no. of investee companies	41	211	68	186

Note: The statistics are based on self-reported figures by registered VC/PE firms. Y-o-y movements may vary.

Source: Annual Report 2022, Securities Commission Malaysia

Total committed funds in the industry as at the end of 2022 stood at RM10.7 billion and RM5.4 billion for PE and VC respectively (refer to Table 3.2), with a combined total of RM16.1 billion. For PE, commitments are sourced largely from corporate investors (33.4%), individuals and family offices (17.0%) and financial institutions (12.8%) (refer to Chart 3.1). For VC, Government agencies and investment companies (36.0%), sovereign wealth funds (27.3%) and corporate investors (22.7%) make up the top three sources of funding (refer to Chart 3.2). The top three registered corporations by the amount of investor commitments as at end 2022 were Creador, Xeraya Capital and MAVCAP.

Table 3.3: Investment during 2022

Business Stage	New Investments (RM '000)	% of Segment	No. of Companies
Venture Capital			
Seed	14,637.49	10.5	10
Start-up	6,592.35	4.8	3
Early stage	50,705.45	36.5	8
Growth	66,885.45	48.2	13
Private Equity			
Early stage	320,479.10	28.2	7
Growth	737,112.57	64.9	27
Bridge / Mezzanine / Pre-IPO	77,857.08	6.9	3
Turnaround / Restructuring	890.00	0.1	1
Total	1,275,159.49	100.0	72
Venture Capital	138,820.73	10.9	34
Private Equity	1,136,338.76	89.1	38

Chart 3.1: Source of Funds and Private Equity

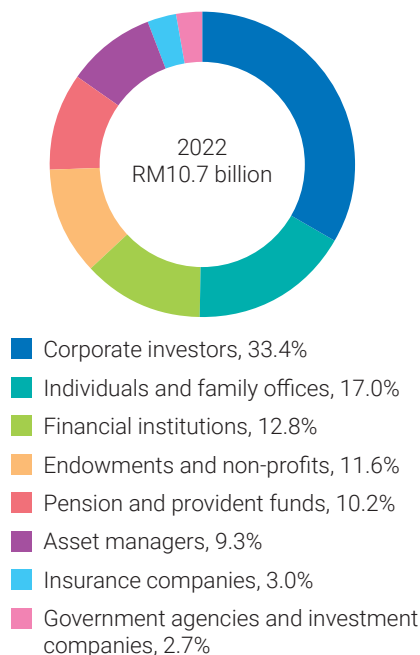
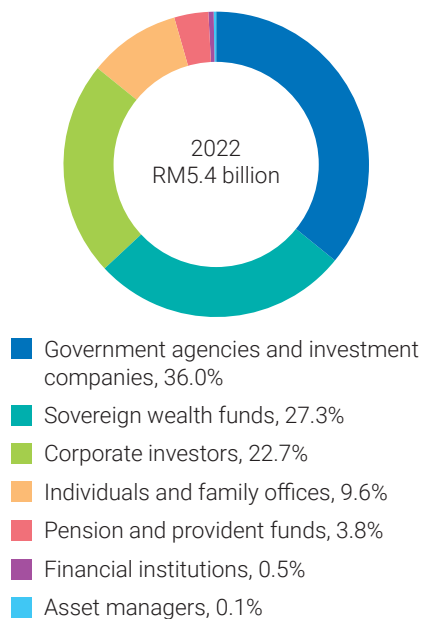


Chart 3.2: Source of Funds and Venture Capital



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

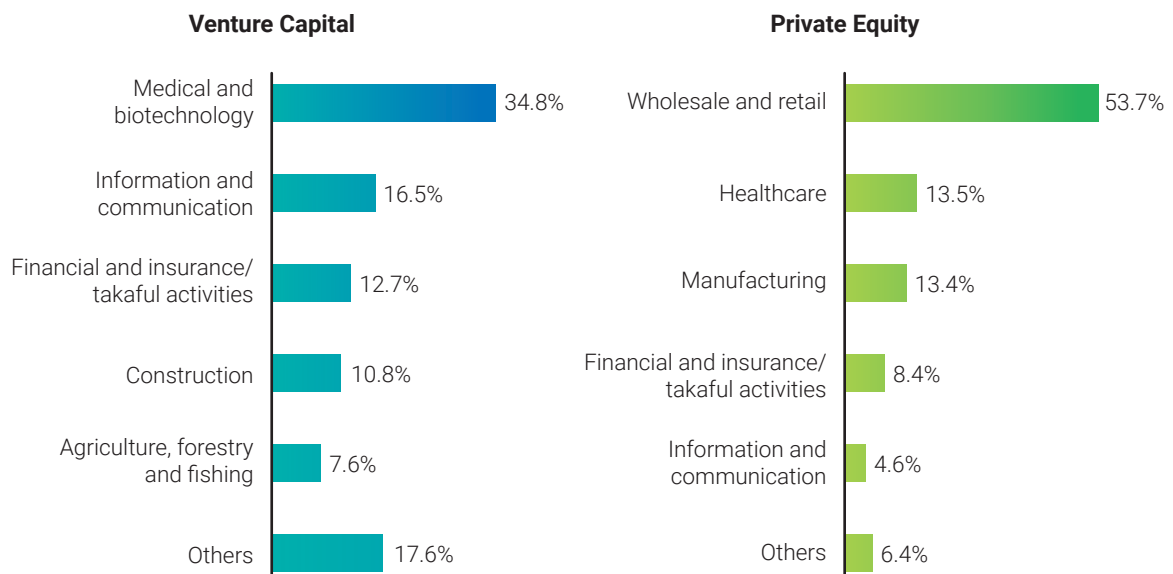


VC investments in 2022 concentrated on growth (48.2%), followed by early stage (36.5%) and seed (10.5%) opportunities. PE investments were primarily channelled into growth plays (64.9%), with some investments made to early stage opportunities (28.2%), followed by bridge, mezzanine and pre-IPO investments (6.8%). In total, 34 VC and 38 PE deals were recorded in 2022 (refer to Table 3.3).

In terms of target industries, medical and biotechnology (34.8%) saw the highest share of VC investment in 2022, followed by information and communication (16.5%), and financial and insurance / takaful activities (12.7%).

As for PE, investments were largely channelled to wholesale and retail trade (53.6%) in 2022, followed by healthcare (13.5%) and manufacturing (13.4%) (refer to Chart 3.3).

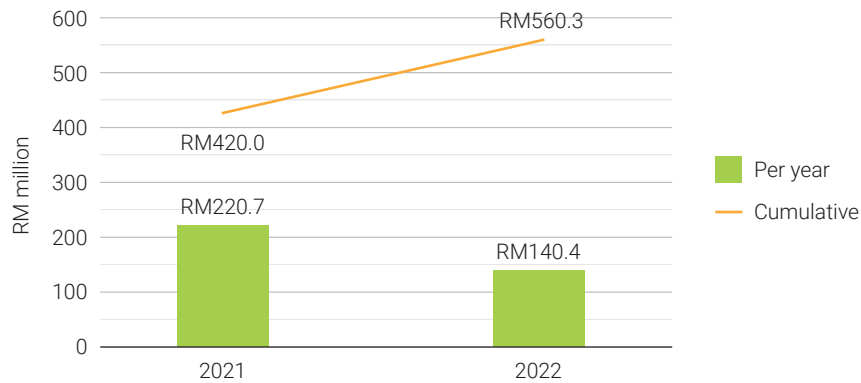
Chart 3.3: Investment in 2022, Top 5 Target Industries



EQUITY CROWDFUNDING (ECF)

Since inception of equity crowdfunding (ECF), total funds raised stood at RM560.3 million via 330 campaigns. Shariah-compliant campaigns contributed to 3.0% of the total funds raised. Total funds raised in 2022 decreased to RM140.4 million from RM220.7 million in 2021 (refer to Chart 3.4). Similarly, total successful campaigns decreased from 104 in 2021 to 67 in 2022. The highest amount of funds raised in 2022 by a single fundraising campaign stood at RM17.0 million. In terms of the sectors served, professional, scientific and technical activities continued to receive the most funds in 2022, with total funds raised amounting to RM41.4 million in 2022 (refer to Chart 3.5). In particular, the agriculture, forestry and fishing sector grew exponentially, from RM753,750 in 2021 to RM19.3 million in 2022. In Chart 3.6, the number of campaigns for Series A grew from 54.0% in 2021 to 72.0% in 2022. In 2022, majority of the campaigns were fundraising for purposes of business expansion.

Chart 3.4: Total Funds Raised



Source: Annual Report 2022, Securities Commission Malaysia

Chart 3.5: Top Five Sectors by Total Funds Raised

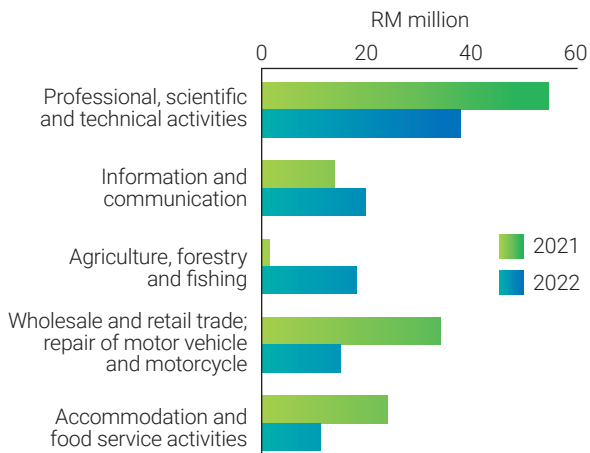
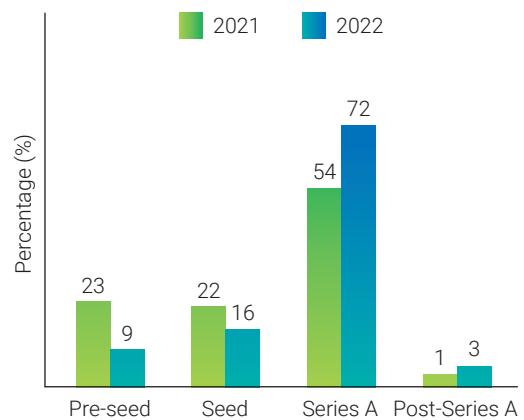


Chart 3.6: Fundraising Stages



Source: Annual Report 2022, Securities Commission Malaysia

PEER-TO-PEER FINANCING (P2P)

Since its inception, the total funds raised via P2P financing stood at RM3.9 billion via 54,791 campaigns. 9.0% of the total funds raised were via Shariah-compliant campaigns. Chart 3.7, shows the total funds raised in 2022 increased to RM1.6 billion from RM1.1 billion in 2021. In terms of the sectors served, wholesale and retail trade; repair of motor vehicles and motorcycles continued to receive the most funds in 2022, with total funds raised amounting to RM927.7 million (refer to Chart 3.8). In Chart 3.9, 54.0% of investment notes issued in 2022 are categorised as other financing types. The purpose of fundraising in 2022 continued to be predominantly for working capital (refer to Chart 3.10).

Chart 3.7: Total Funds Raised

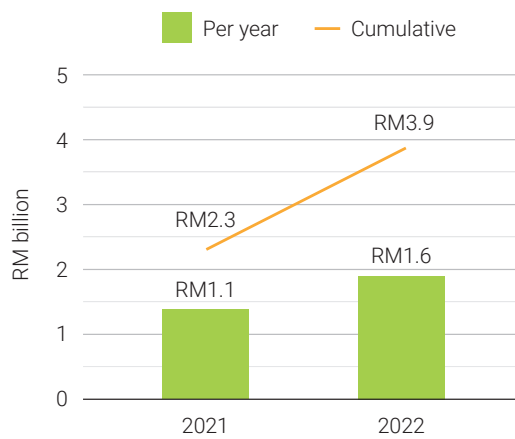


Chart 3.8: Top 5 Sectors by Total Funds Raised

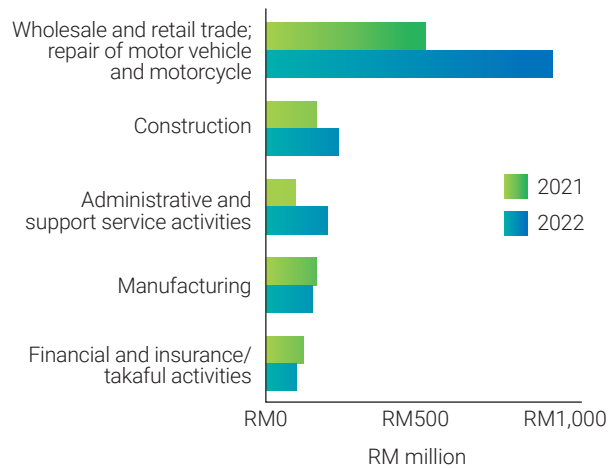


Chart 3.9: Fundraising Type

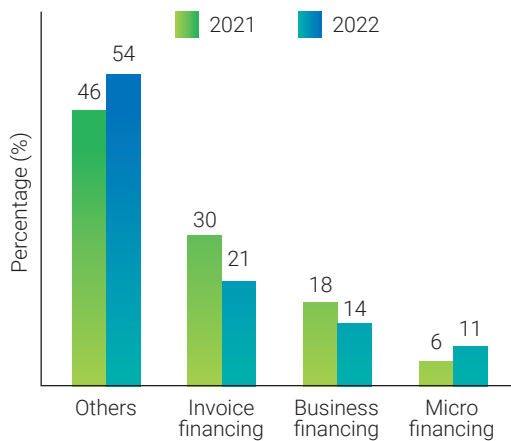
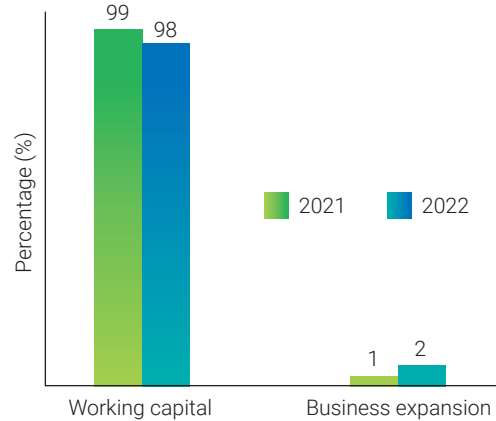


Chart 3.10: Fundraising Purpose



Box Article

BNM's Fund Boosts Financing for MSME Growth

Amid the economic recovery in 2022, policy priorities, including those under Bank Negara Malaysia (BNM) such as the BNM Fund for MSMEs (BNM's Fund), were realigned to strengthen the economic foundation and potential in a post-pandemic world.

The BNM's Fund shifted its focus towards incentivising and crowding-in private financing for MSMEs to enter identified new growth areas as well as to transition to a greener and low-carbon future. The shift is a step towards creating a more diversified funding ecosystem which can offer more sustainable financing options.

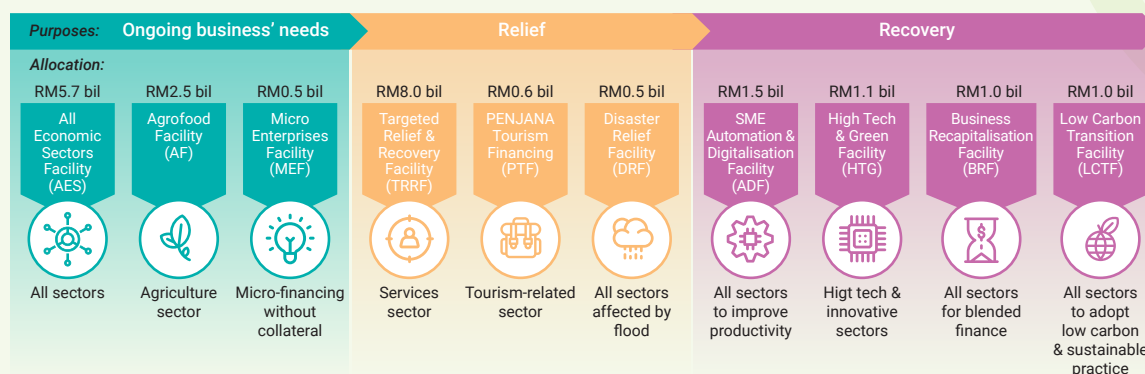
Two new facilities, the Low Carbon Transition Facility (LCTF) and the Business Recapitalisation Facility (BRF) were introduced in February 2022. The LCTF supports MSMEs in transitioning to low-carbon and sustainable operations while the BRF is for restructuring or increasing MSME capital funding. The High Tech Facility - National Investment Aspirations (HTF-NIA) was also enhanced and rebranded as the High Tech and Green Facility (HTG). These facilities are designed to support eligible MSMEs in making investments to spur economic growth, particularly in areas such as digital technology, green technology and biotechnology.

An additional allocation of RM1.3 billion was provided, with RM300 million to HTG; RM500 million to the Agrofood Facility (AF); as well as RM500 million to the SME Automation and Digitalisation Facility (ADF). BNM activated the Disaster Relief Facility 2022 (DRF 2022) to provide urgent financing to MSMEs affected by the nationwide floods. The financing was for repairs and replacement of damaged assets, including plants and machinery, as well as for additional working capital.

As at the end of December 2022, participating financing institutions had approved over RM200 million in financing under DRF 2022 to assist more than 500 MSMEs. The additional allocations coupled with the enhanced facilities brought the total amount of financing available through BNM's Fund from RM9.1 billion in 2019 to RM31.1 billion in 2022.

From the onset of the pandemic to the end of 2022, RM22.6 billion in financing (2021: RM19.4 billion) was approved for more than 65,000 MSME accounts (2021: 53,000). The total amount of disbursements was RM20.1 billion (2021: RM16.4 billion). As at March 2023, RM9.7 billion remained available for MSMEs from all sectors.

An additional allocation of RM1.3 billion was provided, with RM300 million to HTG; RM500 million to the Agrofood Facility; and RM500 million to the SME Automation and Digitalisation Facility.

Facilities under BNM's Fund for MSMEs: Total Allocation of RM31.1 billion¹

¹ As at 31 Dec 2022, RM10 billion allocated for the Special Relief Facility has been fully utilised and closed for application

Targeted Schemes Widen Access to Financing for Microenterprises

Access to financing for microenterprises, which make up about 80.0% of total MSME establishments, has steadily improved, with its share of financing accounts increasing from 35.0% at the end of 2021 to almost 37.0% at the end of 2022.

Skim Pembiayaan Mikro is one of the schemes that enable microenterprises to access collateral-free business financing quickly, easily and conveniently. Microenterprises that lack collateral or credit history can obtain up to RM50,000 in financing from the scheme.

From the scheme's establishment in 2005 until the end of 2022, 11 participating banks had approved financing totalling RM13.7 billion to more than 5.6 million accounts. The total as at the end of 2022 was RM1.3 billion while an additional RM702.7 million was approved for 23,000 accounts during the year.

BNM introduced the iTEKAD programme during the pandemic in 2020 to drive greater social resilience. The scheme is intended to make social finance an important component of Malaysia's financial ecosystem and, specifically, to support the growth of microentrepreneurs beyond funding needs. A total of 10 financial institutions are participating in iTEKAD whereby as at the end of 2022, iTEKAD has benefitted over 1,500 microentrepreneurs.

iTEKAD is a blend of philanthropic and commercial funds which offers seed capital (funded by social finance funds such as zakat, cash waqf, donation and social impact investment); microfinancing; and structured training and mentorship to help microentrepreneurs generate sustainable income. Since its introductions, iTEKAD has delivered tangible benefits to its participants in the form of business growth, sustained employment, financial resilience and digital adoption.

Enhancing MSME Financial Awareness, Literacy and Capability Post-Pandemic

Financial awareness, literacy and capabilities, especially in digital financial services, are pivotal in helping MSMEs to face post-pandemic challenges. Amid the continued recovery momentum since the reopening of the economy in 2021, BNM has been supporting several outreach initiatives to create greater awareness as well as to educate MSMEs on the facilities available under BNM's Fund.

In 2022, BNM participated in the Jelajah Aspirasi Keluarga Malaysia Negeri Selangor and Program Akses Kepada Peluang Pembiayaan Usahawan (Biaya) Zon Tengah in Kuala Lumpur organised by the Ministry of Entrepreneur and Cooperatives Development (MECD). The events attracted more than 33,000 individuals and MSME owners. BNM also organised dialogues with the business community in collaboration with the Association of Banks in Malaysia, Association of Islamic Banking and Financial Institutions Malaysia and Association of Development Finance Institutions of Malaysia to better understand the challenges faced by businesses, especially during and after the pandemic.

BNM also collaborated with Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) on the Cashless Desa and *Bank Bergerak* programmes in the rural areas of Sabah as part of a broader initiative to promote a cashless society and facilitate convenient financial access. The two programmes, though primarily focused on consumer or individual outreach, also engaged with MSMEs, particularly microentrepreneurs in Lahad Datu and Telupid, to raise their awareness on BNM's Fund, availability of digital financial services as well as fraud protection.

Redress Mechanisms – Important Components of Holistic MSME Financing

With improving business conditions since the reopening of the economy in 2021, the repayment capability of MSMEs has remained largely intact, as reflected in the strong 26.8% growth in financing repayments. Since rising after the expiry of the targeted repayment assistance programme, the ratio of impaired MSME financing from the banking system has remained at near 3.0% at the end of 2022 (2021: 2.5%).

The share of MSME loans under repayment assistance also continued to decline, to 5.6% of total MSME loans or 1.0% of total loans from the banking system. Most MSMEs that had exited the repayment assistance programmes were able to service their loans though there were a small number that continued to face repayment difficulties due to higher input costs exacerbated by their lower financial buffers and limited pricing power. For borrowers who are facing difficulties, help is available through:

- **Bespoke repayment assistance from banks**
Borrowers can approach their respective banks to request for restructuring or rescheduling of their repayment, including the option for lower monthly instalments.
- **Credit Management and Counselling Agency**
Borrowers who are unable to reach an amicable solution with their banks can seek assistance from the Credit Management and Counselling Agency (AKPK) via its Small Debt Resolution Scheme (SDRS). The SDRS, since its establishment, has achieved a near 100.0% approval rate for more than 1,500 MSMEs who sought assistance. The SME Helpdesk@AKPK was set up in November 2020 as an alternative advisory and submission channel for repayment assistance requests.
- **Financing Advisory Service**
MSMEs who have been unsuccessful in obtaining loans from financial institutions are encouraged to contact the Financing Advisory Service (Khidmat Nasihat Pembiayaan) at myKNP@CGC for advice. MyKNP, operated by Credit Guarantee Corporation (CGC), is designed to boost the ability of MSMEs in obtaining financing as well as to inform on the availability of financing across other funding sources. MyKNP also helps MSMEs understand the reasons for the rejection of their loan applications and may also recommend alternative solutions such as Peer-to-Peer financing or financing available at Government agencies.

Box Article

Micro Financing for MSMEs

Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) Nasional is an entrepreneur development institute with the role to provide small capital financing facilities for businesses (micro credit) in an easy and quick way and they have disbursed RM8.3 billion in micro-financing since its establishment in 1998 up to March 2023. The funding was channelled through 170 of its branches nationwide, had benefited 752,177 entrepreneurs. TEKUN Nasional provides financing from RM1,000 to RM200,000 for entrepreneurs developing their businesses. Apart from this they also provide not only financing facilities, but also advisory services and business networks.

Among the financial assistance provided by TEKUN Nasional are as follows:

TEKUN Niaga Financing Scheme

TEKUN Niaga is a financing facility based on tawarruq which involves two separate sales contracts. The first contract is when TEKUN sells commodities to the entrepreneur at pre agreed price which comprised of the financing amount plus profit to be paid on differed payment basis. The second contract is when entrepreneur sells purchased commodities (conducted by TEKUN as sales agent) to a third party at the price equivalent to the financing amount on cash basis.

Teman TEKUN Financing Scheme

Teman TEKUN is based on the group concept in providing financing facilities that are easier, faster and more efficient to business needs.

Ar Rahnu TEKUN

Ar Rahnu TEKUN is a short-term Sharia compliant mortgage financing product (Qardh) where the client/ entrepreneur will pledge gold products or jewellery based on the types of gold accepted (refer to list of gold) as collateral for the financing granted. This facility is based on the Sharia contract, namely Qardh, Rahn and Wadiah Yad Dhamanah under the management of the Product Department of AR RAHNU TEKUN and monitored by the Sharia Department of TEKUN Nasional.

Kontrak-i Financing Scheme

Kontrak-i Financing scheme is a process to finance contracts and direct supplies obtained from the Federal Government, State Government, Government Agencies and Statutory Bodies.

TEKUN Mobilepreneur

TEKUN Mobilepreneur provides financing facilities to delivery service entrepreneurs using motorcycles. Funding is provided to applicants for the following purposes:

- Purchase of Motorcycles
- Motorcycle Repair
- Revolving Capital

Community Entrepreneur Development Scheme of India (SPUMI)

This scheme is to encourage the participation of the Indian community to venture into business innovatively as well as stimulate the field of entrepreneurship in Malaysia.

In 2023, TEKUN Nasional has introduced a special financing programme without collateral for entrepreneurs who do business online through the Skim Pembiayaan Online TEKUN (SPOT). This special financing is open to all ages and genders including women and young entrepreneurs and as of 10 February 2023, a total of 118 women and youth entrepreneurs have received SPOT financing involving an allocation of RM884,000.



Box Article

MIDF Financing Schemes for Green Biz, Digitalisation and Revitalisation

The Malaysian Industrial Development Finance Berhad (MIDF) has made available financing schemes to encourage greater usage of green technology and efficient energy by industry as well as a scheme to help revitalise MSME business that had been affected by the pandemic.

Sustainable and Green Biz Financing

The Sustainable and Green Biz Financing (SGBF) is to help local industry players make greater use of green technology and efficient energy. The focus of the financing scheme is on energy conservation, power generation and distribution, renewable energy technologies and reduction of carbon emission.

The scheme, which is open only to eligible companies from the manufacturing and the services sector, offers a minimum of RM100,000 and up to a maximum of RM10,000,000 in financing. The fixed financing rate is as low as 2.0% per annum on monthly rest for MSMEs and 5.0% per annum on monthly rest for non-MSMEs.

As at 31 December 2022, MIDF had approved financing totalling RM30.8 million under SGBF for 24 companies.

Soft Financing Scheme for Digital and Technology

The Soft Financing Scheme for Digital and Technology (SFDT) was launched in 2020 and has been crucial in promoting technology adoption among MSMEs across all sectors as well as encouraging digital entrepreneurship. The SFDT has helped to ease cashflow blockages, enhance competitiveness and enable business expansion.

MSMEs can also apply for financing to purchase motor vehicles, machinery and equipment, ICT hardware and software, working capital as well as contract financing for financing purchase or receivables related to the digital economy platform from Ministries, Government agencies or GLC.

As at 31 December 2022, MIDF had approved financing facilities totalling RM8.8 million under SFDT to 15 companies.

SME Revitalisation Financing

The SME Revitalisation Financing (SMERF) is to facilitate the starting, re-starting or continuation of the businesses of MSMEs that had been adversely affected by the pandemic. SMERF provides financing to MSMEs for working capital as well as purchase of assets needed to operate their business, such as commercial motor vehicles, machinery and equipment, and ICT hardware and software. Eligible companies from all economic sectors can obtain financing of a minimum amount of RM50,000 and up to RM250,000 based on a fixed financing rate of as low as 3.0% per annum on monthly rest.

As of 31 December 2022, MIDF had approved financing facilities of RM32.1 million under SMERF to 175 companies. SMERF is part of the Government's Strategic Programme to Empower the People and Economy (PEMERKASA), the funding for which is channelled through SME Corp. Malaysia and with MIDF as the programme implementer.



Box Article

Sustainability Sukuk Framework

SME Bank established the Sustainability Sukuk Framework in 2021 to drive sustainability and serve as a guideline for all our Sustainability Sukuk issuances. The framework is aligned with the following guideline and standards:

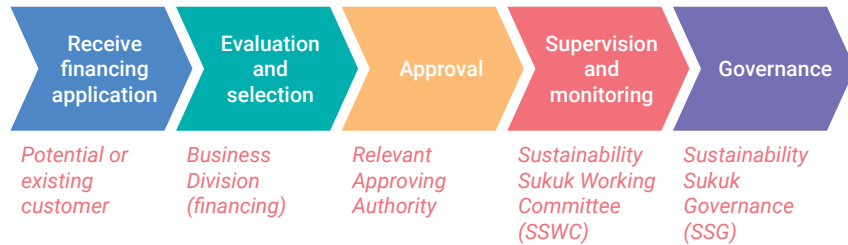
- Sustainable and Responsible Investment (SRI) Sukuk Framework, issued by the Securities Commission (SC) Malaysia;
- ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum (ACMF); and
- Sustainability Bond Guidelines, Green Bond Principles (GBP), Social Bond Principles (SBP), issued by the International Capital Market Association (ICMA).

SME Bank Sustainability Sukuk Framework Summary

Issuer	SME Bank
Issuer ratings	AAA (Malaysian Rating Corporation Berhad)
Offering	Sustainability Islamic Medium-Term Notes (IMTNs)
Size	Up to RM3.0 billion
Use of proceeds	<p>New or existing assets, businesses and/or projects (collectively, Eligible Assets) that promote the categories outlined below (Eligible Categories):</p> <ol style="list-style-type: none"> 1. Renewable energy 2. Clean transportation 3. Green building 4. Energy efficiency 5. Sustainable water and wastewater management 6. Waste and pollution control 7. Affordable basic infrastructure 8. Access to essential services: Healthcare 9. Access to essential services: Education and vocational training 10. Socioeconomic advancement and empowerment 11. Pandemic outbreak socioeconomic impact mitigation <p>SME Bank has developed a list of exclusionary criteria on the use of the Sustainability Sukuk proceeds. SME Bank will not knowingly finance any of the projects included in the exclusionary criteria:</p> <ol style="list-style-type: none"> i. Criteria for non-Shariah compliant business activities / products / goods ii. Criteria for aesthetic business iii. Criteria for mixed activities business

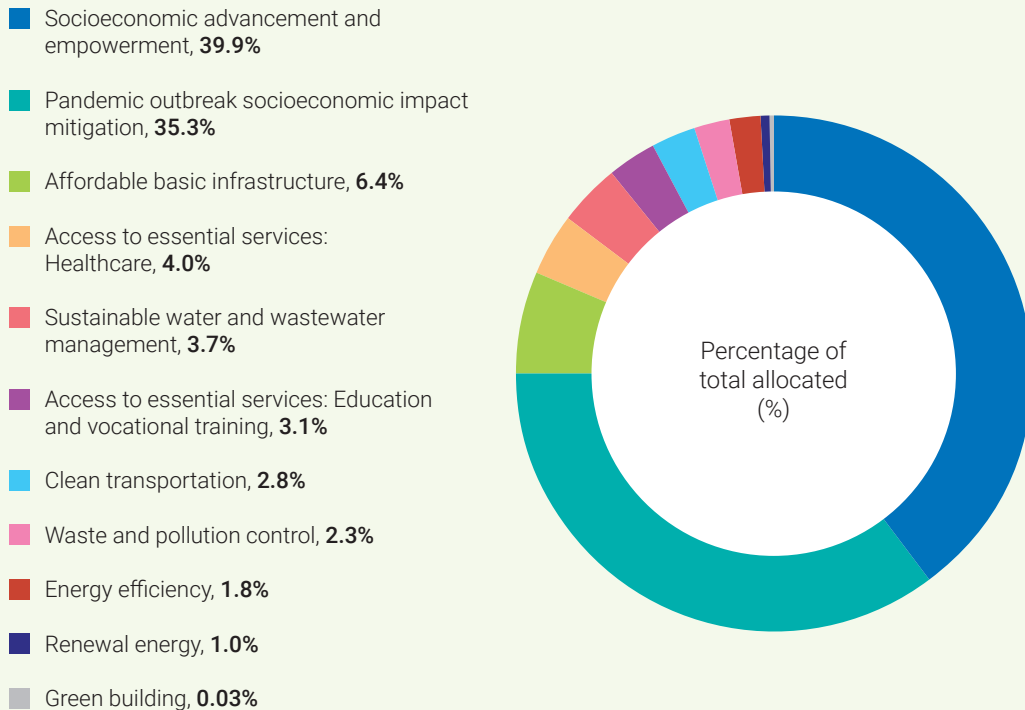
Process for project evaluation and selection

SME Bank’s Business Division will perform an initial selection and evaluation according to the Eligible Categories and eligibility criteria. They will then propose recommendations on the Eligible Assets to the respective Approving Authority for review and approval based on the relevant Authority Limit (AL). The Sustainability Sukuk Working Committee (SSWC) will review the Eligible Assets periodically to ensure they meet the eligibility criteria and report to the Compliance and Risk Management Committee (CRMC).



As of 30 June 2023, the net proceeds of SME Bank’s Sustainability Sukuk of RM2 billion (1st tranche RM500 million, issued in August 2021, 2nd tranche RM500 million, issued in August 2022 and 3rd tranche, RM1 billion issued in May 2023) have been allocated to finance or refinance in part or in whole, new or existing assets, businesses and / or projects (collectively, “Eligible Assets”). General financing will qualify as the Eligible Assets if at least 80.0% of the financing recipient’s revenue is derived from sources that meet the relevant eligibility criteria.

Chart 1: Eligible Assets which those Proceeds were Allocated



Source: Sustainability Sukuk Progress Report 2023, SME Bank

Box Article

MSME Digital Financing Initiative

The MSME Digital Financing Initiative by SME Corp. Malaysia is intended to provide a more flexible access to financing for MSMEs via a digital platform which is open 24/7 for online applications. The programme, conducted in collaboration with microLEAP, offers an innovative and fast short-term financing solution for MSMEs through a digital platform with a simplified application process and a Shariah-compliant product.

Short-term financing from a minimum of RM50,000 and up to a maximum of RM500,000 at a low profit rate of 2.0% per annum are available for working capital, operating expenditure (purchase of inventory, raw materials, etc.) and financing for business improvement, including purchase of machinery & equipment, systems; ecommerce; e-payment & ICT applications; packaging & product packaging; advertising & promotion; and certification & quality management system.

The programme is open to companies with certified MSME status; are registered with the Companies Commission Malaysia (SSM); with 60.0% Malaysian ownership; have been in operations for at least six months; and committed to undergo the SCORE or M-CORE assessment.

In 2022, 36 MSMEs received financial assistance totalling RM12.1 million. The low-profit rates make the programmes more attractive to MSMEs as the burden of repayment is reduced while the likelihood of success is greater for recipients of the funding.





Chapter 4

Technology, Innovation and Digitalisation



Chapter 4

Technology, Innovation and Digitalisation

In recent years, MSMEs globally have accelerated their uptake of digital tools and participation in networks supporting innovation spillovers, including through an increased use of digital platforms. Based on OECD Entrepreneurship and SME Outlook Report 2023, the use of social media had become broadly mainstreamed, with an uptake of over 60.0% of the total business population in OECD countries, and the share of SMEs using cloud computing services doubled in less than six years. This acceleration reflects the increasing value of data for business intelligence, with firms moving to the cloud not only to upgrade their technology but also to drive business innovation. This digital trend has further spurred open innovation such as business practice to source ideas and solutions and digital technology adoption which has supported SMEs in navigating the twin transition.

Chart 4.1: Businesses purchasing cloud computing services

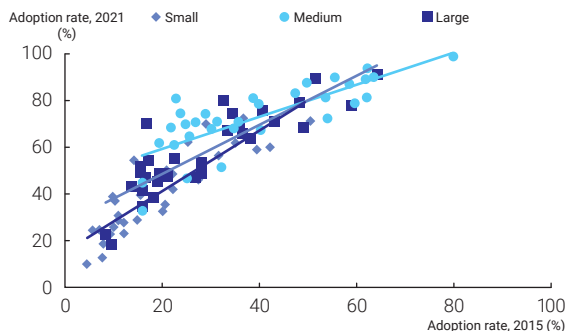
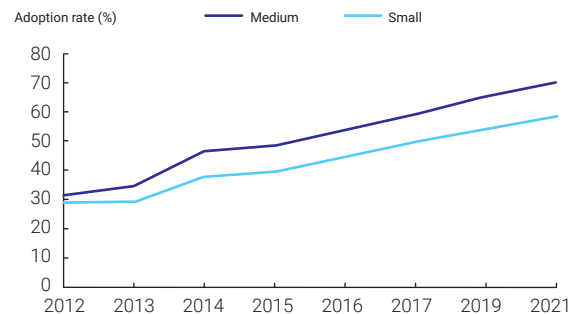


Chart 4.2: Businesses using social media



Source: SME and Entrepreneurship Outlook 2021, OECD

The diagrams above show firms purchasing cloud computing services by firm size from 2015 to 2021 and percentage of firms using social media from 2012 to 2021.

THE EMERGENCE OF AN ERA OF HYBRID RETAIL

The report on “SMEs in the Era of Hybrid Retail: Evidence from an OECD D4SME Survey” presents new evidence on how retail SMEs are adapting their business models to hybrid consumption patterns, based on recent trends and survey among retail SMEs in six OECD countries, namely France, Germany, Italy, Japan, Korea, and Spain. Digitalisation has triggered a profound transformation of the retail sector. Retail businesses now have multiple digital sales channels including online platforms and their own virtual shop. Retail consumers’ demand have also evolved with increasing requests of online alternatives or complements to the offerings of traditional physical shops. The COVID-19 pandemic and the introduction of social distancing measures accelerated the on-going trend for increased online spending across all age groups. Although the lifting of COVID-19 restrictions has seen in-person shopping resume, with a corresponding reduction in the overall share of online shoppers, the impacts of COVID-19 on spending patterns appear to be long-lasting with consumers making the best of both worlds and shopping in an ever more hybrid way.

Retail businesses are adopting more hybrid practices and SMEs are no exception. Operating multiple sales channels, both online and offline presents various opportunities such as increased sales, broadened customer base and improved relationship with customers. Integrating online sales channels leads to enhanced business resilience, especially for small businesses. During the COVID-19 pandemic, many brick-and-mortar retail SMEs also integrated online models, including selling through e-commerce platforms, and offering buy online, pick up in-store option in order to cope with stringent mobility measures and to accommodate the rise in consumers’ demand for online interaction.

SMEs are embracing this new era of hybrid retail, where physical and digital channels co-exist, overlap and interact. However, going hybrid or multiplying sales channels also brings challenges, such as increased competition, lower margins and increased operational complexity to manage multiple channels. In addition, there is still room to improve the digital readiness of SME retailers to effectively utilise digital tools and services, particularly in managing digital marketing and raising SME awareness regarding digital risks.

MALAYSIAN DIGITAL ECONOMY LANDSCAPE

The Malaysian digital economy has recorded exponential growth especially over last decade. As of January 2020, there was an estimated 33.0 million internet users and an internet penetration rate of 96.9%. According to reports from the World Bank and other sources, Malaysia’s digital economy has shown remarkable growth and has been estimated to have reached USD11 billion in value in 2019 and projected to grow to USD26 billion by 2025. Growth has been and will continue to be fuelled by increasing internet penetration, e-commerce activities and the adoption of digital technologies by businesses and consumers. E-commerce particularly has been pivotal in the growth of Malaysia’s digital economy, with a contribution of 13.0% to Gross Domestic Product (GDP) and valued at RM201.1 billion in 2021 compared with 11.6% and RM163.3 billion in 2020.

Malaysia has made significant investments in digital infrastructure, including the rollout of high-speed broadband networks and the development of 5G technology, thus driving digital adoption and creating fertile grounds for digital businesses. The Government’s commitment to develop a robust digital economy can be seen in its digitisation of public services, of which 90.0% are now available online and while e-payment facilities are available in 78.8% of public agencies.

Post-pandemic, there is a sense of urgency among local businesses to adopt digital solutions. This is aligned with a World Bank study published in October 2022 which found that 15.0% of new digital consumers in Malaysia entered the market during the pandemic and accelerated demand for digital platforms. The same report also mentioned that 25 Government agencies and at least 10 state and municipal agencies were implementing approximately 101 MSME digitalisation programmes. The World Bank findings are supported by CPA Australia’s Business Technology Survey 2022 which reported that 94.0% of companies in Malaysia plan to accelerate technology adoption over the next 12 months.



Businesses and consumers have shifted to online platforms for various activities, including remote work, online shopping and virtual socialising, thus bringing about greater data generation and data analytics activities as well as reliance on artificial intelligence for predictive measures.

The pandemic has further accelerated the adoption of digital technologies as businesses and individuals switched to online daily transactions. Businesses and consumers have shifted to online platforms for various activities, including remote work, online shopping and virtual socialising, thus bringing about greater data generation and data analytics activities as well as reliance on artificial intelligence for predictive measures.

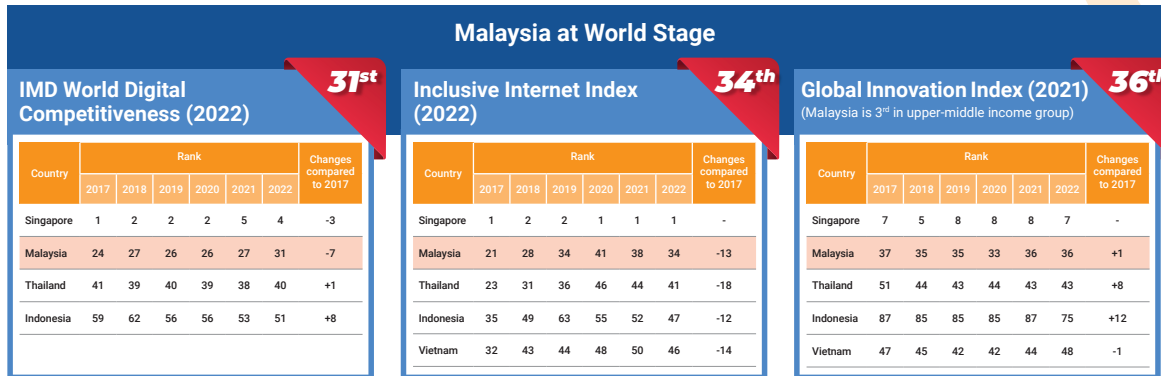
The Information and Communication Technology Satellite Account (ICTSA) 2022 published by the Department of Statistics, Malaysia reported that the contribution of information and communication technology (ICT) and e-commerce to GDP was recorded at 23.0% with a value of RM412.3 billion in 2022. The performance was contributed by the Gross Value Added of the ICT industry (GVAICT) at 13.6% (2021: 14.0%) and e-commerce of other industries at 9.4% (2021: 9.2%). GVAICT recorded RM243.7 billion with a growth of 12.4% in 2022 compared to 7.8% in the previous year. This growth was supported by the ICT manufacturing industry with a better growth of 21.3% compared to 11.0% in 2021. Meanwhile, exports of ICT products increased to RM444.5 billion with a growth of 24.9% in 2022 compared to 13.1% in the previous year. Exports of ICT products constituted 32.2% of total national exports. Employment in the ICT industry has increased 1.0% to 1.22 million persons in 2022 (2021: 1.21 million persons), with a contribution of 7.9% to total employment (2021: 8.0%). Majority of the employees hired by ICT manufacturing at 36.1%, followed by ICT services (29.3%) and ICT trade (21.7%).

Malaysia's performance in key global indices reflects the effectiveness of national policies in developing the country's digital economy. As shown in in the Chart 4.3, Malaysia is positioned in the top 50 in these indices. Malaysia's positioning in these indices:


- 31st in the IMD World Digital Competitiveness (2022) rankings
- 34th in the Inclusive Internet Index (2022)
- 36th in the Global Innovation Index (2021)
- 53rd in the UN e-Government Development Index (2022)

For trade facilitation, the country scored 85.2% for paperless trade and 61.1% for cross-border paperless trade.


Chart 4.3: Malaysia's Digital Economy Landscape



Where are we today?




Government




UN e-Government Development Index (2022)


Country	2022 Rank
Singapore	12 th
Malaysia	53 rd
Thailand	55 th
Indonesia	77 th
Vietnam	86 th
Philippines	89 th




90.0% of Government services are available online, but systems are not all linked¹




78.8% of Government agencies provide e-payment facilities to customers²



87th of 94 - Malaysia in Global Open Data Index 2017, indicating limited datasets, not easily found and publicly available




Businesses




Malaysia's score in Trade Facilitation and Paperless Trade (2021)³


Paperless trade	85.2%
Cross-border paperless trade	61.1%




17 Data Centers in Malaysia (2022)⁴



RM163 billion e-commerce gross value added to the economy in 2020⁵




46.8% of businesses in Malaysia has adopted cloud computing in 2019⁶




26.0%* MSMEs picked digital adoption as the preferred strategy for post-pandemic survival⁵


*1,713 participants were surveyed in the Study



Society




92.0% Malaysian are active on social media (2022)⁷




Household access to broadband (2021)⁸:


Type	Mobile	Fixed
Urban	95.3%	46.5%
Rural	88.1%	18.1%




873 Pusat Internet Komuniti across Malaysia, targeting underserved areas and groups (2020)²




3.5 billion online banking **1.1 billion** e-wallet transactions (2021)²



71.0% of employees fear that their jobs may be at risk due to automation (2021)¹⁰



57.0% of workers say they improved their digital skills since the pandemic began¹⁰



10,016 cyber incidents reported in Malaysia (2021)¹¹

Source: ¹MyGov, ²Bank Negara Malaysia (2021/2021), Annual Report 2021, ³UN Global Survey on Digital and Sustainable Trade Facilitation, ⁴MDEC, ⁵Institute of Strategic & International Studies (ISIS) Malaysia, Strengthening Digital Trade and Digitalisation in Malaysia, ⁶Usage of ICT & e-commerce by Establishment, DOSM, 2020, ⁷Data Reportal Digital 2022 Malaysia, ⁸ICT Use and Access by Individuals and Households, DOSM, 2021, ⁹MCMC Annual Report 2020, ¹⁰PwC's Hopes and Fears Survey 2021 Malaysia Report, ¹¹Cybersecurity Malaysia

MSME DIGITALISATION AND TECHNOLOGY ADOPTION

One of the key pillars of the Government's digital transformation agenda is to provide robust support for digital adoption by MSMEs. It was reported that 26.0% of Malaysian MSMEs have chosen digitalisation as the preferred strategy for post-pandemic survival, a stark reminder of the importance of digital technologies in maintaining business continuity as well as connectivity.

MSMEs, which make up 97.4% of total business establishments, form the backbone of Malaysia's economy and are significant contributors to GDP, employment and exports as well as drivers of job creation and entrepreneurship, especially for women, youth and marginalised groups. However, due to their size, MSMEs face challenges in digitalisation, financing, regulatory compliance, technology, and business strategy.

Over the last decade, MSME digitalisation has been a focal point in various public strategies, including the Malaysia Digital Economy Blueprint, the country's flagship long-term digital strategy. The blueprint launched in February 2021, intends to create greater opportunities for MSMEs in building and expanding locally, regionally and globally through digitalisation.

The blueprint targets to help 800,000 MSMEs digitalise and 875,000 MSMEs to adopt e-commerce by 2025. Of the six thrusts, 22 strategies and 48 national initiatives in the blueprint, several directly address the needs of MSMEs.

The following are the initiatives under the blueprint to support MSME digitalisation.

Policy Thrust	Strategy	Initiative	Target	Lead Agency / Agencies	Status
Boost economic competitiveness through digitalisation	Facilitating digital adoption, access and effective use of digital technology across all firm sizes and digital maturity level	Provide a tailored Digital Compass for businesses to foster digital usage	More than 800,000 MSMEs adopt digitalisation (2025)	Ministry of Entrepreneur and Cooperatives Development and Ministry of Communications	In-progress
	Developing digital industry clusters and driving entrepreneurial activities	Incorporate comprehensive digital economy elements in international trade arrangements and cooperation	Key and strategic digital economy elements incorporated in all international trade arrangements and cooperation pursued by Malaysia (2030)	Ministry of Investment, Trade and Industry	Almost completed

Policy Thrust	Strategy	Initiative	Target	Lead Agency / Agencies	Status
Build agile and competent digital talent	Reskilling current workforce with the digital skills needed to stay relevant	Introduce a training programme for senior managers to improve digital skills	50.0% of senior management in Government-linked companies, MNCs and MSMEs to participate in the programme by 2025	Ministry of Human Resources	In-progress
		Streamline reskilling initiatives by various Government agencies onto a centralised portal for ease of access	MYFutureJobs as a single platform for upskilling and reskilling programmes for all employers and employees in Malaysia by 2030		In-progress
	Ensuring that gig workers are protected and equipped with the right skills	Introduce long-term social protection for gig workers	All gig workers to have social protection	Ministry of Human Resources and Ministry of Finance	In-progress
Create an inclusive digital society	Increasing inclusivity of all Malaysians in digital activities	Promote electronic payment onboarding programmes for both merchants and consumers towards a cashless society	400 electronic payment transactions made per capita by 2022, 36 EFTPOS terminals per 1,000 inhabitants by 2022	Bank Negara Malaysia	In-progress
	Empowering special target groups in society to participate in the digital economy through entrepreneurship activities	Providing an online platform to facilitate better access for vulnerable groups	875,000 MSMEs onboard e-commerce by 2025	Ministry of Entrepreneur and Cooperatives Development	In-progress

In the area of technology adoption, report on Industry 4.0 Technology Adoption in Malaysian Manufacturing: Strategies for Enhancing Competitiveness by Asia School of Business (ASB) indicated that talent and skills gap seem to be the barrier for technology adoption. Firms face major barriers to IR4.0 deployment due to lack of talent and skills familiar to IR4.0 to operate the new machines and effectively analyse the data collected by the machines. In certain cases, adoption of new technology has resulted in labour-augmentation rather than labour replacement. Government incentive is seen to be the key driver that supported firms in adopting emerging technologies including provision of specific to grants for acquisition of technologies as well as collaboration with various training institutes for training and upskilling to address the talent shortage.

Proposed policy recommendations for short, medium and long terms:

Short-term

Strengthen technical and vocational education system as one of the issues cited by majority of the firms due to lack of skilled workers and talent to operate adopted technology.

Medium-term

Develop incentives that match the entrepreneurial discovery of new activities. Incentives include skills training, technical support from training and technical centres, grants to allow customisation and mix-match of machines customised to the manufacturing process and forward-looking innovation programmes.

Long-term

Build the ecosystem of entrepreneurship in new areas of growth by supporting innovative activities instead of sectors. Institutional architecture is important to establish the ecosystem which includes political leadership to drive the agenda, coordination and mechanism for transparency.

Box Article

Digitalising MSMEs to Boost Competitiveness

The COVID-19 pandemic exposed the vulnerability of MSMEs to disruptive trends that arises. Amid the economic recovery post-pandemic, valuable lessons were learned, not least of which was digital transformation is a pivotal pathway to business resilience and sustainability.

Feedback received from the SME Digital Summit (August 2020) and the IDC Digital SMB Pulse 2022 had revealed that the business priorities of MSMEs improving revenue growth, efficiency, cashflow, workflow management and enhancing business agility were sidelined amid the disruptions of the pandemic as survival took precedence over all else. The pandemic did, however, make MSMEs more aware of the importance of digital resilience for survival.

Majority of the MSMEs surveyed have indicated intention to digitise their business, with 57.0% of the respondents indicating they will invest in digital technologies such as e-commerce and e-payment options, to enable online selling or improve online sales. Another 51.0% reported they intend to formulate a digital strategy to help in navigating a crisis with clear goals; 49.0% will focus on having a digital culture that embrace risks and innovation; 47.0% will invest in automation of processes as well as digitalisation to be less dependent on human intervention; and 39.0% will invest in solutions to enable employees to work remotely or in automation of core processes like finance and human resource management.

The 100 Go Digital initiative was launched by the Malaysia Digital Economy Corporation (MDEC) in 2022 to address the challenges faced by MSMEs post-pandemic, help in meeting their priorities as well as in digital transformation to boost competitiveness. The programme offered a series of digital coaching workshops to help MSMEs improve their business via adoption of digital technologies. This was complemented by 40 speaking engagements via digital platforms to create digital adoption awareness and a nationwide Malaysia Digital Dialogue, a special one-day physical that engaged with businesses of all sizes via knowledge sharing activities, advisories and strategic collaborations to facilitate digital adoption. More than 45,000 businesses benefitted from the programme, the final outcome of which was the adoption of digitalisation by 25,000 MSMEs.

MDEC also held the 2023 edition of 100 Go Digital in collaboration with industry players, Government agencies and digitalisation partners. The 2023 edition comprised of a flagship coaching programme, 10 nationwide business digitalisation workshops and an onboarding programme to accelerate digital adoption. MDEC's digitalisation partners were brought in to support MSMEs in the digitisation process. The programme focused on three sectors, namely food & beverage retailers (retail owners, hawkers and small traders), professionals (consultants, accountants, auditors, health practitioners, real estate agents) and logistics (logistics supply chain that need automation solutions). It focused on seven areas for digitalisation, which are digital marketing, commerce, remote working, Enterprise Resource Planning (ERP) / accounting & tax, procurement, Human Resource (HR) payroll system / Customer Relationship Management (CRM) and electronic point of sale system.

Majority of the MSMEs surveyed have indicated intention to digitise their business, with 57.0% of the respondents indicating they will invest in digital technologies such as e-commerce and e-payment options, to enable online selling or improve online sales.

Box Article

Championing Innovation via the National Technology and Innovation Sandbox

The National Technology and Innovation Sandbox (NTIS) was launched in June 2020 as part of the National Economic Recovery Plan (PENJANA). The programme is in line with the objectives of the National Science, Technology and Innovation Policy 2021 - 2030 to strengthen the development and use of advanced technology to transform industry and society by empowering local talent in science, technology and innovation as well as in upgrading the country's technology infrastructure, including digital technology.

The NTIS is under the purview of the Ministry of Science, Technology and Innovation (MOSTI) and supported by Mimos Bhd, Malaysia Technology Development Corporation (MTDC) and Futurise Sdn Bhd. The Malaysian Research Accelerator for Technology and Innovation (MRANTI) serves as the main NTIS secretariat.

The NTIS was conceived with two goals, namely (i) to champion local innovation and to create a smoother and faster pathway for the commercialisation of Malaysian technology, and (ii) to use the programme as a testbed for disruptive technologies with potential to solve some the challenges that have been exacerbated by the pandemic. NTIS aims to create high-skilled job opportunities to increase GDP, gross national income and social inclusion. NTIS also targets to increase private sector participation, investment and collaboration in research, improve the rate of product commercialisation as well as to drastically reduce dependence on foreign labour.

Achievements

11 NTIS sandboxes have been launched as at March 2023. These included agriculture, robotics and automation, logistics, drone technology, high-tech education, sports technology, smart highways, digital IoT, sustainable smart cities, health tech hub and construction.

MDTC, the main funding partner for NTIS, has approved financing totalling RM79.2 million to 98 MSMEs as well tech start-ups to develop innovation. Another 176 MSMEs and tech start-ups received technical, regulatory facilitation and test site support. Some applications for funding have also been referred to other suitable grant organisations that are in strategic partnership with NTIS.

24 recipients of NTIS funding have successfully commercialised their products & solutions and generated revenue of nearly RM51.8 million. Aonic (formerly known as Poladrone Solutions Sdn. Bhd.) is one of the success stories of the programme. The company is a drone solutions provider to agricultural enterprises and aerial mapping of plantations and industrial and construction sites. MySpatial Sdn Bhd is another success story. The company is a geospatial mapping specialist that provides services to the public and private sector. Its services include agriculture drone mapping, aerial mapping & survey, drone assistance in heavy infrastructure inspections & maintenance and geospatial support services.

Box Article

Enhancing Access to Open Data via OpenDOSM NextGen

Open data matters for Malaysia because it has a significant impact on the country's development and progress. Open data enables greater transparency and innovation as well as facilitating greater collaboration and discovery or value creation among researchers and evidence-based decision-making.

The Government has been working on making data more open and accessible to the public by implementing several initiatives to promote the use of open data, including the creation of the Open Data Portal which allow users access to a variety of Government datasets. Additionally, the Public Sector Open Data Platform has created an open data ecosystem that connects open data owners i.e. Government agencies, academics, industries, NGOs and the public with users to develop innovations from the data obtained.

Enhancing Access to Open Data

The Department of Statistics, Malaysia (DOSM) launched its OpenDOSM NextGen platform on 12 January 2023 to support the Government's efforts in promoting open data. The platform enables greater access to open data related to official statistics produced by DOSM as well as those of other Government agencies.

OpenDOSM NextGen is designed to cater to the needs of a wide range of users, including policymakers, industry experts, researchers, journalists, data scientists, youths and students as well as the general public. The platform is equipped with additional new features for greater efficiency in delivering statistical information, with smooth access, minimum downtime and negligible lag, allowing simultaneous data access. The data is organised in a catalogue and displayed on a dashboard for better understanding by users. It also complements the Government's efforts to establish a data infrastructure to enhance data-driven decision-making in creating a responsive service delivery ecosystem as well as faster response in meeting public needs. The platform will not only empower citizen engagement in the development of a culture of innovation but also facilitates public contribution to effective policymaking.

Besides the statistics issued by DOSM, the platform also contains administrative data from various Government agencies, including more than 35 million high-frequency raw data records from PriceCatcher, a mobile application developed by the Ministry of Domestic Trade and Cost of Living. The data captured by the app will assist users in conducting in-depth analysis for price behaviour studies. Data on healthcare, finance, social including on GDP, consumer prices and demographics are also available in the app. The scope of the OpenDOSM NextGen dataset will be expanded from time to time to cover other datasets from Ministries and agencies.



Special Highlights



A close-up photograph of a white and black robotic hand holding a small green seedling with soil. The background is a blurred field of green plants. The image is partially overlaid by a pink circular graphic on the left side.

Special Highlights

Crisis including pandemics, wars and natural disasters have impacts on MSMEs and entrepreneurs throughout the world. OECD's Future-Proofing SME and Entrepreneurship Policies Report 2023 highlighted that majority MSMEs lost their revenue and source of income, surveys across the world showed that 70.0% - 80.0% of SMEs experienced a substantial decline in revenues in the first year of the crisis. In consequence, MSME cash reserves came under severe strain.

Apart from this the COVID-19 hit the tourism economy hard, with unprecedented effects on jobs and businesses. Tourism was one of the first sectors to be deeply impacted by the pandemic, as measures introduced to contain the virus led to a near-complete cessation of tourism activities around the world.

Given their large weight in economic value added and their key role in communities that MSMEs play, steps need to be taken to future-proof their businesses against any crisis and ensure their survivability.

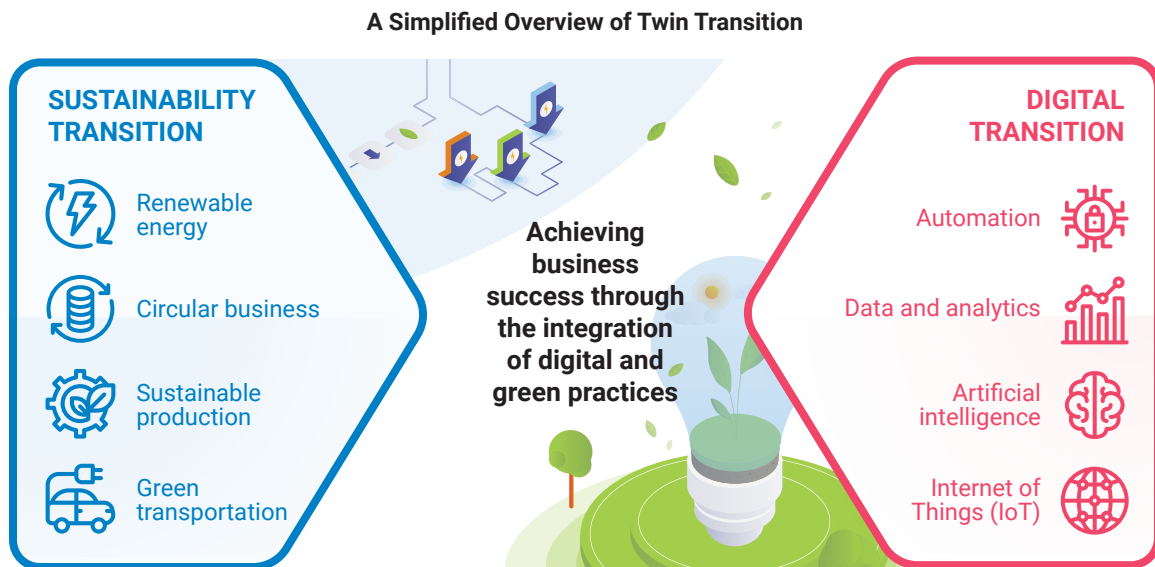
EMPOWERING MSMEs THROUGH TWIN TRANSITION

In this decisive decade for climate action, digitisation has a major role to play in supporting sustainable growth. Indeed, digital solutions could reduce global carbon emissions by 20.0%, according to the World Economic Forum. By adopting the 'twin transition', organisations can bring the digital and sustainability agendas together to improve digital function, drive sustainability goals and future-proof their organisations.

The COVID-19 pandemic has shaken global trade and forced companies to redesign their supply chains. Twin transition is a critical imperative for businesses to thrive in this decisive decade. By embracing digitalisation and sustainable practices, businesses can reduce costs, improve efficiency, enhance brand reputation and drive innovation. The twin transition presents significant opportunities for businesses to create value and gain a

competitive advantage. However, it also requires a fundamental shift in business operations, strategies and mindsets. This is an eye-opener to most companies globally. Particularly affected were the MSMEs and their recovery in the post-pandemic era. MSMEs today are confronted with the twin challenges of sustainability and digital transformation.

Based on article by OECD on SME Digitalisation & Sustainability: The Twin Transition, MSMEs can accelerate their transition towards sustainable models by implementing digitally based eco-innovations, such as, carbon footprint testing technologies, tracing of sustainable materials in supply chains through distributed ledger technology or the use of ecological sensors connecting with IoT devices to promote ecological practices through social media. By adopting eco-innovations and developing 'green' products, services, practices and business models, MSMEs can tap new opportunities, increasing their market share and capturing new markets.



Among the key success factor of Twin Transition, MSMEs need to:

i. Embrace Digitalisation

The digital transition is a crucial enabler of the green transition. Digitalisation helps businesses to optimise operations, reduce waste and improve efficiency, thereby minimising their environmental footprint.

ii. Adopt Sustainable Practices

MSMEs must adopt sustainable practices across their entire value chain to reduce their environmental impact. This involves rethinking product design, raw material sourcing, production processes, logistics and disposal. By adopting sustainable practices, businesses can reduce costs, increase operational efficiency and enhance brand reputation.

iii. Collaborate and Engage with Stakeholders

Transitioning towards a sustainable future requires collaboration and engagement with stakeholders, including customers, suppliers, investors, employees and communities. Businesses need to involve stakeholders in their transition journey, listen to their feedback and address their concerns.

Drivers of a Twin Transition

i. Increase Efficiency and Cost Savings

Adopting sustainable practices and digital technologies, will enable MSMEs to reduce costs, optimise operations and improve efficiency. This can result in significant cost saving and enhancing the bottom line.

ii. Improve Brand Reputation

MSMEs that embrace sustainability can enhance their brand reputation and differentiate themselves from competitors. Consumers are increasingly conscious of the impact of their purchasing decisions on the environment, society and businesses that prioritise sustainability are likely to gain their trust and loyalty.

iii. Innovation and New Business Models

The twin transition presents significant opportunities for businesses to innovate and create new business models that leverage digital technologies and sustainability practices. This can result in the development of new products and services that meet evolving customer needs and preferences.

iv. Access to Capital

Investors are increasingly looking to invest in businesses that prioritise sustainability. By embracing sustainability, businesses can access a broader pool of capital and secure funding for their transition journey.



Box Article

Building Sustainable MSMEs with PKSlestari

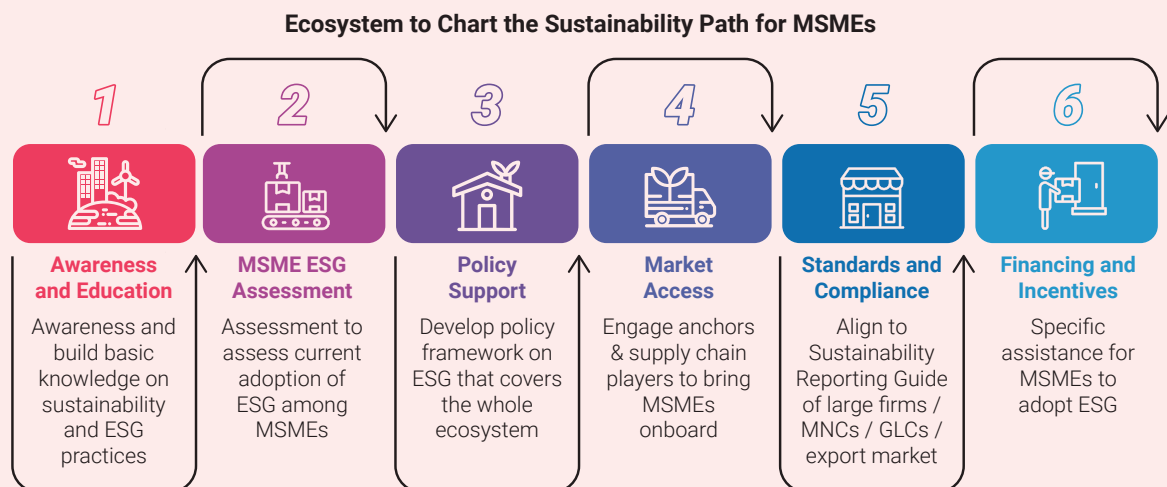
Background

Two global megatrends are based on the principle of sustainability, namely scarcity due to unsustainable use of natural resources and dematerialisation, which the United Nations Environment Programme (UNEP) defines as “the reduction of total material and energy throughout of any product and service, and thus the limitation of its environmental impact”.

In 2015, only 0.8% of Malaysian MSMEs were found to have expenses related to environmental compliance. The majority of MSMEs who had spent on environmental compliance were from the services sector (55.4%) while 24.8% were from manufacturing and 14.5% from construction. In 2021, green practice awareness had risen to 26.0% of MSMEs and by 2023, 40.0% of MSMEs have reported awareness of environmental, social and governance (ESG).

The top three challenges in addressing sustainability issues faced by MSMEs are a lack of information and guidance, lack of ESG expertise among MSMEs and lack of funds. Conversely, the top three drivers for the MSME sustainability agenda are to improve brand image and reputation, to stay competitive and to reduce business.

SME Corp. Malaysia, as the central coordinating agency for MSME development, has a vital role in facilitating MSME adoption of ESG principles. The PKSlestari initiative was thus conceived to develop a holistic ecosystem that will drive the sustainability agenda for MSMEs. The ecosystem will be based on six elements, namely awareness and education; ESG assessment; policy support; market access; compliance and standards; and financing and incentives.



i. Awareness and Education

As the awareness level of sustainability and ESG practices is still low among MSMEs, awareness and education programmes are central to the *PKIestari* agenda. In 2023, SME Corp. Malaysia intensifies awareness campaigns by organising the 2023 SME Sustainability Series to provide MSMEs basic knowledge on ESG practices, including the effect on their business.

The series of workshops cover the following topics:

- Introduction to sustainability and ESG practices
- Framework for ESG and sustainable practices
- Assessing risks and opportunities from ESG
- Developing an ESG strategy
- Measuring and monitoring ESG performance

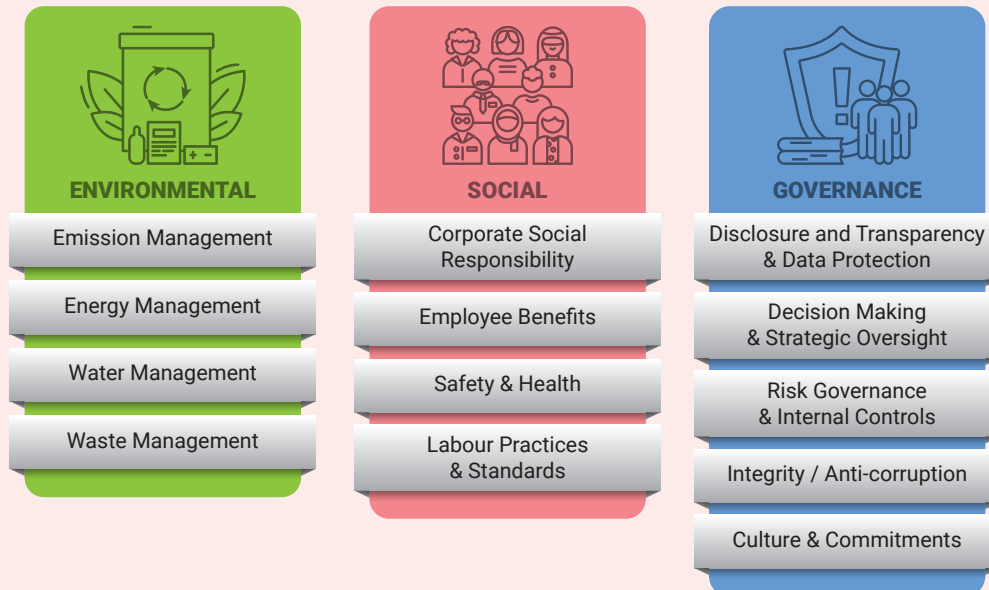
A total of 2,153 MSMEs participated in workshops and training organised by SME Corp. Malaysia in 2023, as follows:

- SME Sustainability Training under Action Center for Sustainable SMEs (ACCESS) with UN Global Compact Network Malaysia & Brunei from September 2022 - March 2023 in which 17 MSMEs were trained and graduated from the programme;
- MSME Sustainability Series 2023: Charting the ESG Path for MSMEs in collaboration with PETRONAS (1st Session) on 21 March 2023 attended by 151 PETRONAS SME vendors;
- MSME Sustainability Series 2023: Charting the ESG Path for MSMEs in collaboration with PETRONAS (2nd Session) on 14 June 2023 attended by 250 PETRONAS SME vendors;
- Procedural Workshop on Complies of Act Section 17A MACC was co-organised with Institute Integriti Malaysia (IIM) Session 1 & 2 on 29 August 2023 and 26 September 2023 attended by 82 participants.
- National Climate Governance Summit & Climate Governance Workshops for SMEs on 5 - 7 September 2023 was co-organised with Climate Governance Malaysia (CGM) attended by 1,425 participants online and physically; and
- MSME Sustainability Series 2023: Charting an ESG Path for MSMEs and Business Matching for High Growth Industries on 26 September 2023 was attended by 228 MSMEs.

ii. MSME ESG Assessment

The MSME ESG self-assessment has 13 indicators to help firms gauge their current ESG adoption level as well as identifying strengths and weaknesses in their management system.

13 Indicators of MSME ESG Assessment



The scoring obtained by a firm will determine its categorisation, namely have not started, basic, developing, intermediate and advanced. The type of action plans, financial assistance and capacity building plans needed by each firm will be determined by its scoring.

iii. Policy Support

SME Corp. Malaysia is taking on a bigger role in ESG policy support for MSMEs through policy recommendations based on surveys and assessments. Towards this end, the agency is collaborating with various Ministries and agencies like Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia to accelerate the adoption of ESG in MSMEs.

iv. Market Access

SME Corp. Malaysia will engage with large corporates, multinationals (MNCs), or anchors to attract vendors or MSMEs into their supply chain through a targeted industry approach, for example, oil & gas or electrical & electronics.

v. Standards and Compliance

In Malaysia, there is currently no official ESG standards or requirements as well as sustainability reporting for MSMEs. Hence, lack of clear guidelines is a stumbling block to the ESG journey of MSMEs. SME Corp. Malaysia is collaborating with SIRIM to formulate the ESG Management System: Requirement and Guidance as well as the ESG Management System: Reporting. These will guide MSMEs that are seeking to adopt or enhance ESG practices.

vi. Financing and Incentives

Specific assistance in the form of soft loans, grants and tax incentives are crucial to encourage and support MSMEs to adopt ESG practices. Apart from the initiatives of SME Corp. Malaysia, the Government is playing a key role in spearheading the sustainability agenda by providing tax and non-tax incentives to support firms, particularly MSMEs, to embed ESG practices in their operations.



Box Article

Tourism Recovery Plan 2022

Tourism Recovery Plan 1.0

The tourism industry continued its rebound in 2022, with the removal of domestic and international travel restrictions and remains one of the pillars of the economy. Gross Value Added Tourism Industries (GVATI) in 2022 amounted to RM251.5 billion contributing 14.0% to Gross Domestic Product (GDP) as compared to 12.8% in 2021. Providing employment to 3.61 million people (2021: 3.52 million) or 23.4% of total employment in 2022. This outstanding performance is in tandem with the reopening of the country's borders to international travellers on 1 April 2022 and the abolishment of quarantine requirements and COVID-19 screening tests from 1 August 2022.

To further accelerate the recovery of tourism industry, the Ministry of Tourism, Arts and Culture (MOTAC) has also implemented the Tourism Recovery Plan (TRP) 1.0 which introduced several key strategies to strengthen the country's tourism industry.

These included revitalising domestic tourism by offering more attractive travel packages via digital platforms, incentives and promotions in the form of rebates or discounts as well as promoting rural tourism. In 2021, Malaysians have fully redeemed the incentives given by MOTAC in the form of discounts, rebates and vouchers offered to consumers of airlines, hotels, and cultural products with a total value of RM10.1 million, resulting in an expenditure of RM 66.7 million.

The Langkawi International Tourism Bubble Project (LITB) was launched on 15 November 2021 to attract international travellers in tandem with the opening of the country's borders. The LITB is a pilot project to test the preparedness of Malaysia's tourism ecosystem to adjust to new norms in handling foreign tourists. A total of 5,800 foreign visitors came to Langkawi in the three-month period of the LITB project, with only 2.4% of the total testing positive for category 1 and 2 Covid-19 at Kuala Lumpur International Airport and the Langkawi International Airport (LIA). The visitors contributed over RM28 million to the Langkawi economy. The success of the LITB project prompted the Government to fully open the country's borders on 1 April 2022.

MOTAC also provided financial and non-financial aid to affected industry players. A total of RM61 million was allocated in 2020 and 2021 to support more than 20,000 tourism-related businesses licensed by or registered with MOTAC, including travel agencies, Malaysian My Second Home (MM2H) agents, homestay operators, tour guides and operators of spas and foot massage centres. MOTAC had also provided non-financial aid in the form of relaxed licensing conditions for travel agencies and payment of compounds as well as fee exemption for travel agencies and tour guides.

The LITB is a pilot project to test the preparedness of Malaysia's tourism ecosystem to adjust to new norms in handling foreign tourists.

Review of Tourism Recovery Plan 1.0

The World Tourism Organisation Panel of Experts projected brighter prospects for tourism in 2022 while the majority of experts expect international arrivals to return to 2019 levels only in 2024 or beyond. MOTAC anticipates a time-frame of between two to three years to revive the tourism industry.

The ministry has since then reviewed and improved upon TRP 1.0 to ensure the competitiveness of Malaysia's tourism industry with its Strategic Framework: 5 Pathways which focuses on increasing revenue, securing smart international and national partnerships, inclusivity and sustainability for the industry amid mounting uncertainties for the future.

Strategic Framework: 5 Pathways

Pathway

1

Support Tourism and Cultural Business Recovery

MOTAC's budget allocation of RM265 million in Budget 2022 will help to accelerate recovery for the industry through financial and non-financial aid like providing training, reskilling and upskilling, easing regulatory burden as well as providing a support structure for tourism MSMEs.

Pathway

2

Restore Travellers' Confidence and Seamless Intra-Regional and International Travel

COVID-19 has changed travellers' tastes and behaviour. There is also a trend towards niche tourism like adventure, ecotourism and experiential travel as well as domestic and regional vacations. The strategy aims at restoring travellers' confidence in the security, health and convenience aspects of holiday destinations.

Pathway

3

Reinvent Tourism and Cultural Products and Services to Drive Competitiveness

With the changing behaviour of tourists in picking holiday destinations as well as the trend towards niche and community-based tourism and off-the-grid experiences, products and services must be reinvented for the sector to remain competitiveness vis a vis regional competition.

Pathway

4

Align Tourism with Sustainability and Inclusivity

Sustainable and responsible tourism enhances the sector's role in economic development. Negative impact on the environment, culture and heritage resources and values will be minimised while women, youth and indigenous communities will be empowered to ensure that tourism wealth is shared equitably.

Pathway

5

Reinforce Recovery with Long-Term Resilience and Crisis Preparedness

The pandemic has revealed gaps in the preparedness and resilience of the tourism industry in facing crises. The strategy will be to help industry players strengthen resilience and crisis preparedness through digital transformation and innovation.

Box Article

Malaysian Homestay Experience Programme

Introduction

The Malaysian Homestay Experience Programme bundles tourism promotion with a cultural immersion experience for tourists. The emphasis is on experiential and community-based tourism whereby tourists stay with a host family in a traditional Malaysian home and participate in cultural activities such as cooking local food and traditional dance performances as well as handicraft workshops. Other options include exploration of the surrounding area and learning about a community's history and culture.

The programme was first launched in 1995 in Temerloh, Pahang, as a part of the Rural Tourism Master Plan which aimed to increase the participation of rural communities in tourism. Participation in the programme is open to individuals in rural communities as well as any interested individuals (those who can offer products and cultural attractions as well as accommodation for tourists) to join the nearest registered homestay community. Accommodation is provided by homestay operators (comprised largely of traditional households) that are registered with MOTAC.

MOTAC has expanded the homestay concept to the Kampungstay programme. With Kampungstay, tourists do not stay with the host but are provided with comfortable though basic accommodation representative of rural life but are still able to interact with and observe the culture and daily routine of the community they are staying in. The programme aimed at boosting the socio-economic development of those participating in tourism, especially of those in rural areas, by creating MSMEs in tourism and culture; empowering community-based tourism; maintaining community identity and heritage; and raising the quality of joint ventures between the public and private sector. Another objective is to attract youths into tourism by creating greater awareness of the homestay concept and its business potential.

Participants Registered with Malaysia Homestay Experience Programme

State	2018	2019	2020	2021	2022
	Number of Participants				
Perlis	56	56	56	56	47
Kedah	345	356	356	356	211
Penang	234	234	243	246	121
Perak	305	305	305	305	145
Selangor	449	449	454	449	115
Melaka	137	137	137	138	595
Negeri Sembilan	288	288	300	300	138
Johor	522	556	557	557	441

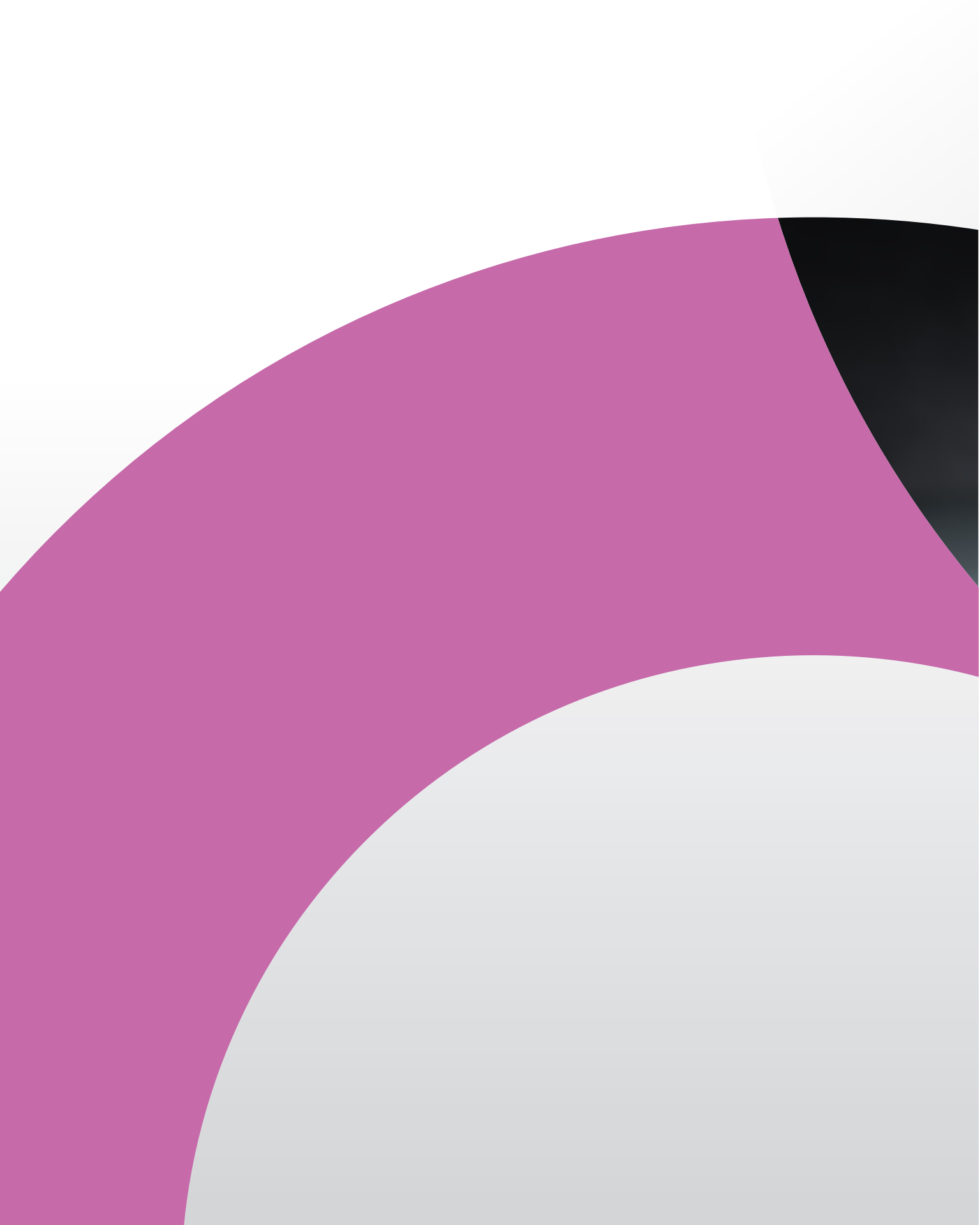
State	2018	2019	2020	2021	2022
	Number of Participants				
Kelantan	152	152	152	152	124
Terengganu	185	216	223	223	115
Pahang	323	323	323	333	304
Sarawak	601	653	653	683	391
Sabah	394	406	406	436	82
Labuan	79	79	79	79	568
Total	4,070	4,210	4,244	4,313	3,397

Annual Income Derived from Malaysia Homestay Experience Programme

State	2018	2019	2020	2021	2022
	RM				
Perlis	120,361.00	183,199.09	45,008.76	19,445.00	90,010.29
Kedah	452,240.00	555,843.20	317,165.60	259,935.00	1,168,050.03
Penang	401,117.00	455,113.00	89,340.00	206,177.00	1,001,261.00
Perak	712,138.00	683,860.30	173,389.00	148,969.00	648,290.00
Selangor	1,624,595.00	924,459.00	252,255.00	98,618.00	1,408,517.00
Melaka	1,263,845.00	1,303,604.52	209,190.00	575,891.00	1,897,314.00
Negeri Sembilan	680,583.00	638,156.00	180,981.00	364,477.89	1,490,691.55
Johor	1,319,185.40	744,678.00	539,986.00	772,031.00	2,562,257.00
Kelantan	119,035.00	60,825.00	47,364.00	218,809.50	190,173.50
Terengganu	606,600.00	1,078,952.50	400,420.00	72,900.00	428,140.00
Pahang	9,814,823.90	10,107,348.28	3,538,251.56	120,730.00	6,007,350.05
Sarawak	4,032,311.50	4,547,507.91	1,263,052.06	820,246.50	1,876,495.10
Sabah	6,235,688.20	7,950,954.46	1,940,289.68	2,140,965.25	8,113,591.87
Labuan	254,551.00	427,710.00	127,430.00	307,107.00	1,674,361.75
Total	27,637,074.00	29,662,211.60	9,124,122.66	6,126,302.14	28,556,503.14

Tourist Arrivals under Malaysia Homestay Experience Programme

Type of Tourists	2018	2019	2020	2021	2022
	Number of Tourists				
Domestic	290,153	373,558	114,639	82,704	549,986
International	82,322	85,341	19,378	54	13,915
Total	372,475	458,899	134,017	82,758	563,901



Inspiring Stories



How an Entrepreneur Turns a Crisis into a Multimillion Ringgit Business



Nordinis binti Permin's business was on the brink of collapse during the pandemic lockdown. Cash reserves were almost depleted, ongoing jobs were either suspended or cancelled and all seemed hopeless. Yet, from that impending disaster has emerged a multimillion Ringgit ready-to-drink beverage business.

Anis, as she is popularly known, is the 43-year-old CEO of Adin Marketing Group. As a teenager, she used to help at her father's printing and advertising business, Adin Trading, and dreamed of being an entrepreneur to improve the quality of life for her family. Life was tough but it was through these difficult times that strength of character, a strong work ethic and a never-say-die spirit were instilled in her.

In 2007, Anis, who holds a diploma in Hotel and Catering Management as well as in Strategic Online Marketing, quit her job as a spa manager of a holiday resort in Johor, to take over Adin Trading. By sheer hard work and determination, she increased turnover four-fold, from RM12,000 in monthly sales to RM50,000 within the same year. A year later in 2008, annual turnover reached RM1 million. To take the business further, Anis then incorporated Adin Trading Sdn. Bhd. in 2009.

In that same year, she expanded the business into graphics design, printing and sales of souvenir items and later to event management along with the supply of festive souvenirs and decorative items to major shopping malls in Johor Bahru.

In 2013, the business underwent another name change, this time to Adin Media Group Sdn. Bhd., in line with the expanded scope of business. Her clientele grew to include Government agencies across Johor

such as the Road Transport Department, Customs, Immigration and Forestry Department as well as major corporations such as Johor Land Berhad, Johor Corporation, Uda Land Berhad, UEM Land Berhad, Iskandar Regional Development Agency and Medini Iskandar Malaysia.

In March 2020, however, everything came to a jarring halt when the nationwide lockdown was imposed at the outbreak of the COVID-19 pandemic. The business was not allowed to operate as it was not an essential service. Anis was confronted with a survival crisis.

She said of that time, "We had 45 permanent employees, the majority of whom had been with us for more than five years. Our average monthly expenditure to maintain all the workers and premises was RM120,000. At the end of the first year of lockdown, our cash reserves were almost gone. We had to sell off some of our assets as we didn't want to terminate any of the workers or asked them to go on no-pay leave or take a pay cut".

As the lockdown dragged on, drastic action was needed to avoid a total collapse. At a brainstorming session with her management team to consider survival plans, a suggestion put forward was to go into the ready-to-drink beverage business with popular drinks such as *kopi-o*, *teh tarik* and *sirap bandung*.

The idea was, with people confined to their homes and restaurants shuttered, why not bring some cheer by delivering these iconic and much-loved beverages right to their doorsteps? That was an epiphany moment when the Haos Ek? brand of beverages was born.

The workers were informed on the crisis the company was in and the need to go into a new business for survival. Anis said, "We gave them three options. First, take no-pay leave with a guarantee of re-employment when the economy reopens. Second, work as usual or work from home but with a pay cut of up to 40%. Third, join the new business which has two possible outcomes: if the business succeeds, no pay cut but if the project fails, everyone loses their job while I lose everything". To Anis' surprise, all the workers chose to take their chances with the new business.

Anis led from proof-of-concept to product development and branding, to full-scale production to sales and marketing strategy, advertising and promotion. The Haos Ek? brand of beverages, comprising Kopi O, Kopi Peng, Teh Tarik, Bandung Pink and Chocolate, was launched on 1 June 2021.

The beverage had an extraordinarily good reception upon its launching, with coverage of the products even going viral. Within a year of its launching, two million bottles of Haos Ek? beverages were sold. Within two years, a total of 5.4 million bottles were sold. Currently, Haos Ek? is a leading brand for ready-to-drink beverages.



The product has since then received Halal and MeSTI (Ministry of Health) certification and Anis is now pushing to get her products into the modern trade market, with the hope of taking a local beverage into the global market as well. "We look forward for a great response from the market and always eager to explore new taste or idea continuously to stay relevant".

Anis said entry into modern trade, which is dominated by big companies, is difficult and MSMEs need Government help in market penetration. "The Government may hold talks with supermarkets and hypermarkets to reduce the listing cost and shorten the payment period for suppliers. The listing cost can be up to hundreds of thousands of Ringgit. The payment period to suppliers can be up to four months. Bumiputera entrepreneurs may not have the financial means to penetrate this market under such conditions".

On her challenges she faced in the early stage of her business, Anis said the most critical were access to financing and access to market. She added that she was able to survive these and other challenges back then thanks to support in the form of funding, training, marketing and promotion from Amanah Ikhtiar Malaysia and TEKUN Nasional. The Johor Department of Agriculture also assisted in the form of grant besides helping in product promotion while SME Bank helped with funding during the pandemic.

Anis attributed the resilience of the company to two assets, namely the workforce and experience. "Our greatest asset is our workers who chose to stay with us to support the new business. Our second most important asset is our experience in graphic design, printing and advertising as these helped tremendously in building the Haos Ek? brand".

She added, "Our company's success was based on adopting a systematic approach in doing business from the very beginning, especially in understanding the market, financial and human resource management. Patience is surely needed as we are in business for the long-term. There is no such thing as overnight success. When we are down, get up quickly. When we are at the top, be prepared to fall down but always climb back up again. Be humble to learn from others who had been on the same road as you. Do it from the heart and spread the love because it will reach more people out there, thus make your journey easier and more meaningful".

Siti Padillah Stands Out as an Entrepreneur in a Male-dominated Industry



In a male-dominated electrical and electronics (E&E) industry, CG Global Profastex Sdn. Bhd. stands out as a company that is owned by a woman.

Managing Director of CG Global, Siti Padillah binti Abdul Wahab, 46, said her interest in the industry was sparked during her college days when she used to work part-time in E&E factories during her semester breaks. After graduating with a Degree in Bachelor of Management, her first job as a production supervisor with a LED components manufacturer, further deepened her interest in the industry. Her next job as a human resource officer with a Japanese electronics manufacturer would lead to a turning point in her life.

Siti Padillah explained, "An economic recession occurred during my employment with the company. My involvement in a layoff scheme led me to a meeting with my mentor in this industry, who is also an owner of local E&E manufacturing firm. That fateful meeting paved the way to me becoming an E&E entrepreneur".

After 13 years, she learned about Electronic Manufacturing Industries, which focus on printed circuit board assemblies, from her mentor, and she took the challenge with her lady partner to establish CG Global Profastex Manufacturing Sdn. Bhd. in 2016, located at Seberang Perai, Penang. CG Global provides contract manufacturing services for printed circuit board assemblies (PCBA) and box build assemblies to customers in telecommunication, lighting, automotive, medical, transportation, oil and gas and agriculture. Up to 95% of its products are exported, including to United States (US), United Kingdom (UK), France, Australia and China.

She said, "My capital came from the mentor who helped me start the business with refurbished and second-hand machines that he transferred from his previous business. This gives me the bullet to start the business without having to get financial support from the financial institution at the beginning stage of operation. Raw material and machinery suppliers also helped by giving long-term payment terms. She described the early and growth stage challenges as formidable due to financial constraints as E&E manufacturing requires high capital investments for machinery, buildings and raw materials.

"Because of financial constraints, I started operations with refurbished machinery that has been in used for more than 10 years. The outdated technology affects productivity but that was the best we could afford then. Another challenge was limited capacity, which affected our ability to cater to big orders".

Finding talent was another hurdle Siti Padillah had to grapple with as Penang is an E&E hub with many MNCs. "Talent naturally gravitates towards these MNCs. As an MSME, I could only attract fresh graduates and train them from scratch".

Gender stereotyping was yet another challenge as the fledgling enterprise was run by women in a male-dominated industry and gaining market confidence initially was frustrating. It was through sheer determination that Siti Padillah navigated

through the challenges of the early stage and now stands tall as an E&E entrepreneur and an inspiration for women to enter into businesses where their presence is minimal.

She said that in spite of the many challenges especially from the pandemic disruptions, over the last few years, the company has held a steady course and has always stayed profitable. Starting with revenue of a few millions in the first year, CG Global has continuously grown with double-digit million sales for the past six years. Pandemic COVID-19 has had an impact on businesses whose revenue declined in 2020 and 2022, but we are able to maintain profitability every year because, when sales drop, we make sure to cut costs in our business processes.



Siti Padillah is grateful to the assistance provided by several Government agencies in the company's early and growth stage. She attributed the ability of CG Global to make a mark in the E&E industry to assistance from the Government, especially in the form of finance, market access facilitation as well as training.



Siti Padillah is grateful to the assistance provided by several Government agencies in the company's early and growth stage. She attributed the ability of CG Global to make a mark in the E&E industry to assistance from the Government, especially in the form of finance, market access facilitation as well as training. Between 2018 and 2022, the company received grants through various programmes such as SME Corp. Malaysia's grants for productivity and automation, certification and quality management system under the Bumiputera Enterprise Enhancement Programme (BEEP).

SME Bank also provided assistance under the Business Export Programme to explore new markets and improve marketing materials. MATRADE offered a grant under its Women Exporter Development Programme while MIDA provided funding under its Intervention Fund Grant – Industry 4WRD programme to digitalise warehouse operations. MIDA and MATRADE also facilitated the company's participation in international trade fairs and business matching.

CG Global is targeting new markets in the UK, US and Germany. "Though we have already penetrated the UK and US market, there are still plenty of opportunities in various industries there. We are also exploring new markets, conducting R&D for new products, looking into business diversification and greater automation and digitalisation of business processes".

Siti Padillah is a fervent believer of a lean business model as 'it is pivotal to survival in a crisis.' She also sees new opportunities in ESG adoption considering that it is an increasingly global practice.

Her advice to those who aspire to be an E&E entrepreneur: "One must have good knowledge of surface-mount technologies, E&E manufacturing processes related to PCBA and box build assembly. Automation, digitalisation and IoT knowledge are also crucial for success in this business. Sound technical knowledge of the industries you are dealing with is essential. And do remember, be prepared for a high level of investment when you enter the E&E business".

From Squash Pro to Auto Parts Entrepreneur



Life has a way of taking one into unexpected paths. This indeed, is absolutely true of Sharon Wee Ee Lin, a graduate in business administration who started off as an auditor in a multinational accounting firm, then became a professional squash player who represented Malaysia for two decades, became a certified international squash coach and professional trainer, founded the Sharon Wee Pro Squash Academy, was a TV sports commentator and now, auto parts entrepreneur cum braking system expert trainer.

Sharon, 46, is co-founder and director of Emerald Auto Parts, the leading braking system spare parts distributor in Malaysia. She related how she ended up as an entrepreneur in a male-dominated business: "I have always had this entrepreneurial streak. My career as a professional athlete builds strength of character to push me to achieve more. I wanted to challenge myself in business and to make a good living after my sports career".

"Entrepreneurship is tough but incredibly rewarding. Personally, it's about making an impact on myself and the world around me. It's like planting a seed to grow my own dream. I get to shape it, watch it grow and enjoy the harvest. I also wanted to challenge myself in a male-dominated business, be an inspiration to other women, to tell them that we can do it too if we set our mind to it".

Emerald Auto Parts was established in 2014 by Sharon and her partners. Today, the company is the market leader in braking system products and the only distributor that carries a full range of braking parts for all types of car models in Malaysia. It is also the official distributor of 23 global premium brands, four of which are in-house brands and an exporter as well.

The 4-star rated company was one of the winners of SME Corp. Malaysia's Enterprise 50 Award 2022. It was ranked 13th and the only automotive company among the top 50 best companies in Malaysia.

What is the secret to the success of Emerald Auto Parts? Sharon said, "We know our market very well. My partners are people with industry expertise. We offer quality and yet affordable braking system products. We ensure our business is sustainable by staying agile, is open to innovation and by delivering high-quality products and services consistently. We have developed effective marketing strategies that continually expands our outreach to new geographic areas, partnering with customers on loyalty programmes as well as increasing our product range".



"We continuously reach out to all levels of customers and the community through educational and awareness sharing, including braking systems programmes, social media activations, CSR as well as paying attention to ESG considerations. To stay relevant, we make sure to keep pace with emerging trends, like next-generation vehicles, new technology and innovation. And we are also in strategic partnerships with Petronas AutoExpert and Malaysia Automotive Robotics and IoT Institute (MARii)".

The business, which now has a workforce of 52, started with six employees while the initial capital came from the partners and bank loans. Sharon described the early stage of business as 'really tough and we had to work hard to earn the trust of our suppliers and customers'.

"We applied the push and pull marketing strategy where our company and products are made known from end users up to workshop and dealers. We created excitement through special promotions and became known in the industry for being active in marketing via social media contents, physical events, collaboration with influencers as well as our own braking system expert programme to share knowledge and the latest information to the industry".

Success, she insisted, comes from persistence and hard work and being creative, especially when a business is in the early stage. Support from the Government was also crucial, which in her case, was SME Corp. Malaysia who provided guidance and financial assistance. Other Government ministries and agencies such as MITI, MECD, MoT, KPDN, SME Bank, MIDF, MATRADE and MARA also provided assistance in various forms. She added that the Government's support through the economic stimulus plan was crucial in ensuring survival for the business community during the pandemic.

Sharon said that in good or bad times, Government support is pivotal in not only sustaining MSMEs but also to spur growth. Assistance can be in the form of



financial support and incentives, facilitating greater access to funding and market & export as well as in capacity building & training. Streamlining the regulatory process as well as physical & digital infrastructure development and support for innovation & research are equally important.

Strong relationships with suppliers and customers are vital to ensure business continuity, especially during difficult times, she added. "During the lockdown period, we constantly engaged with suppliers and customers for win-win solutions while our digital strategy and strong customer communications also helped in business continuity".

As to the company's long-term plans, Sharon said, "Our key plans include product and service diversification in line with market trends, innovation and R&D in collaboration with our suppliers; digital transformation; talent development to drive innovation as well as ensuring robust financial management".

Her advice to MSMEs that are keen to venture into the auto parts business: "First of all, do an in-depth study of the industry. Identify your niche market or unique selling proposition, then draw up a business plan. Start small and upscale gradually".

"Be adaptable and innovative. Keep learning as the marketplace is changing so fast. Always engage with your customers as their feedback is vital to your business. And don't forget about having a digital presence. For business sustainability, always practise financial prudence. On a personal level, persistence and patience are absolutely essential if you want to be in business for the long term".



Seeing Business Potential in Humble Spices and Herbs



While others do not give a second thought to ubiquitous local spices and herbs like pepper, chillies, lemongrass and galangal, Sarawakian Dickens Anak Mambu saw business potential. Dickens, 41, is the founder of MDF Global Sdn. Bhd., a manufacturer of downstream products based on local spices and herbs. The company is located in Kota Samarahan, Sarawak.

A graduate in biology and a MSc in Sustainable Land and Development Planning, Dickens had worked in the palm oil industry in Sabah, Sarawak, Kuala Lumpur and Kalimantan, Indonesia, before becoming an entrepreneur. MDF Global was conceived in 2014 when Dickens saw potential in the variety of downstream products that could be made from local spices and herbs.

He explained, "Pepper, galangal, chillis and lemongrass are found everywhere in Sarawak. Overseas and locally, I saw so many downstream products made from these ingredients but I can hardly find any made in Sarawak. That was the spark that inspired me to become an entrepreneur to mine the potential, particularly in Sarawak market".

In the initial stage, Dickens just sourced pepper from longhouse residents to supply to shops and middlemen. As he obtained sufficient capital, he opened his own production facilities and as the Dmambu brand became better known in the market, he was able to put them on the shelves of several selected supermarkets. The Dmambu brand now carries 30 types of products based on lemongrass, galangal, sour eggplant (*terung asam*) and chilli. Going forward, Dickens has plans to expand his market to Peninsular Malaysia as well as overseas.

MDF Global's products have now obtained halal, MeSTI (Ministry of Health) and Good Manufacturing Practices (GMP) certification. The company also won the International Pepper Community Award 2020 for Excellence in Export of Value-Added Pepper Products. Dickens himself received the Anugerah Usahawan Berjaya 2022, Sarawak Bumiputera Entrepreneur, Agro Category award as well as the Malaysia Human Resource Development Excellent Trainer Award 2023. He was also appointed an advisor to the Sarawak High Learning Institution 2022-2023 entrepreneurship programme as well as being a regular speaker on entrepreneurship and motivational programmes organised by Sarawak Skills Development Centre.



Dickens started the business with his own funds and it was only later, as the business grew, that he sought guidance from MARDI and a loan from TEKUN Nasional. He also received aid from the Malaysian Pepper Board (MPB) who also helped to introduce his products to overseas buyers.

Dickens said, "My main challenge in the early and expansion stage was lack of capital, cash flow for operating and other expenses. I also lacked equipment like dryers and grinders to process raw materials. These are expensive and I couldn't afford to purchase them. As a newcomer in the market, it was very tough to get market acceptance. I had to compete with other long-established businesses with similar product lines and also to attract customers to my brand".

Dickens started off his product promotion directly by putting up kiosks in shopping malls as well as distributing brochures. Social media platforms such as Facebook, Instagram and Shopee were also used for promotional purposes together with participation in programmes or expos sponsored by MPB and the Sarawak Agriculture Department.

As to aid from the Government, Dickens said, "We participated in courses and seminars as well as expos in Peninsular Malaysia that were sponsored by MPB. MPB also provided financial aid in the form of machines to simplify the production process".

During the pandemic lockdown, Dickens said he had to be creative and adaptive to survive the disruption to business. "We were always on the look-out for ways to increase productivity and income in order to survive. One of the ways was getting our employees working from home to get involved in selling via phone or online, including social media".



Dickens hopes the Government will continue to provide assistance to boost the growth of the MSMEs, especially grants or micro loans to help MSMEs in enhancing their competitiveness as well as to facilitate greater market access, locally and internationally. The Government's help is also needed for MSMEs to comply with ESG practices in line with global requirements.

To ensure long-term business sustainability, Dickens is focusing on "enhancing our performance in the long term by reducing operating costs while at the same time improving quality to ensure continual customer confidence in our products". The company will also enhance its networking, especially towards the goal of marketing its products to Government bodies.

Dickens' advice to anyone who intends to venture into his line of business: "First of all, have a business plan as it is your roadmap to success. It makes you focus on what needs to be done in order to succeed. At the personal level, strength of character is vital. Never give up! Push on even in the face of big challenges. And in this digital era, we have to be digitally savvy. Nowadays, it's just not possible to conduct business without embracing digitalisation".



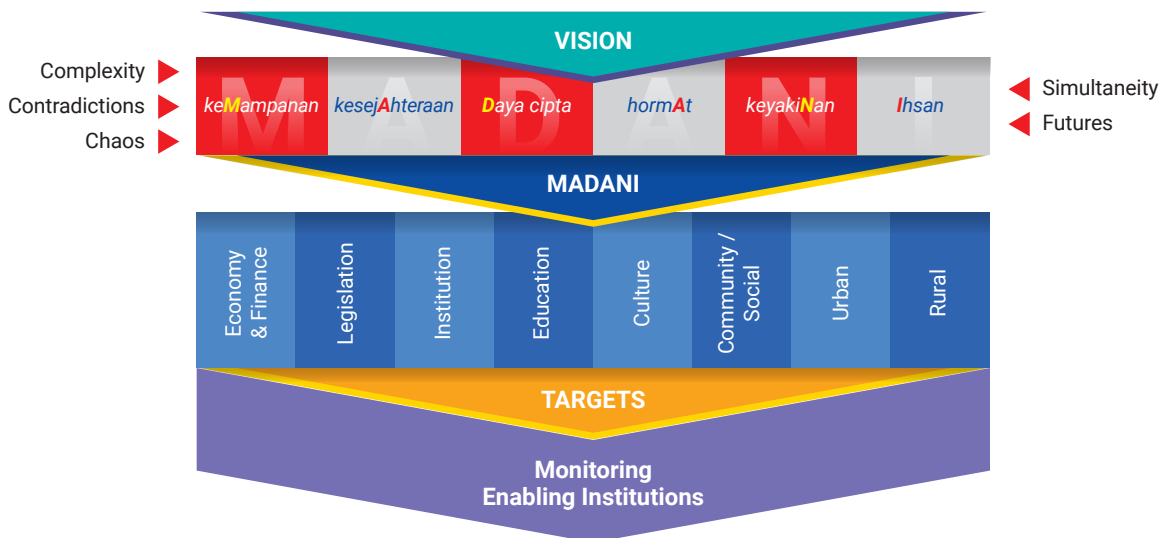
Moving Forward



Moving Forward

Navigating through Malaysia MADANI and MADANI Economy Framework

The Malaysia MADANI policy framework introduced by Prime Minister Datuk Seri Anwar Ibrahim in January 2023 lays out his vision of a civilised, skilled, and inclusive society, proposes with six core values. The values are *keMampanan* (Sustainability), *KesejAhteraan* (Prosperity), *Daya cipta* (Innovation), *hormAt* (Respect), *keyakiNan* (Trust) and *Ihsan* (Compassion). MADANI is targeted to be the basis for each core value that will be explored to strengthen the eight requirements namely economy and finance, legislation, institutions, education, community, culture, urban and rural.

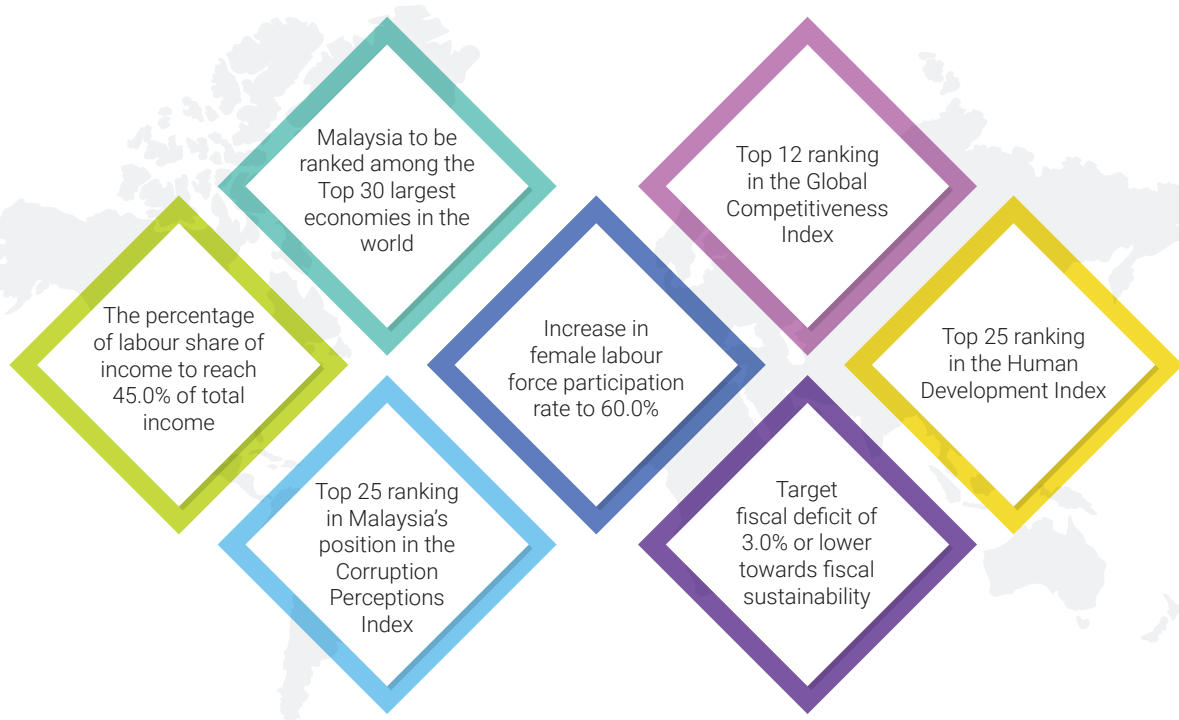


In line with this, in July 2023, the MADANI Economy: Empowering the People Framework was launched which aims at a comprehensive restructuring of the Malaysian economy to enhance growth as well as to uplift the quality of life of all segments of society. The core objectives are to make Malaysia a leading Asian economy and to raise the quality of life of the people through the equitable distribution of the enlarged national wealth from greater economic growth.

The Framework addresses long-term issues related to the country's competitiveness and appeal as an investment destination and current issues which needed to be addressed immediately, such as the impact of the rising cost of living on the people. The short-term targets will address pressing issues that affect the people, such as accelerating the implementation of projects for schools and dilapidated clinics and the eradication of hardcore poverty by 2023.

The medium-term targets comprise seven intermediate indicators that are to be achieved within the next 10 years:

The Framework addresses long-term issues related to the country's competitiveness and appeal as an investment destination and current issues which needed to be addressed immediately, such as the impact of the rising cost of living on the people.



MAKING MALAYSIA A LEADING ASIAN ECONOMY

In achieving this goal, various initiatives and policies will be implemented towards making Malaysia a regional powerhouse. These will include establishing greater economic integration with neighbouring countries; nurturing more highly competitive local companies to penetrate the ASEAN market; going beyond free trade agreements to trade diplomacy and strategic arrangements; focusing on high-added value or economically sophisticated activities such as E&E, chemicals, petrochemicals and oleochemicals; and introducing outcome-based tax incentives to support and reward companies engaged in high-impact activities.

Malaysia will be made more competitive and easier to do business by:

- Strengthening investment promotion agencies under MIDA to attract investment and facilitate investor affairs proactively;
- Reviewing investment incentives with particular focus on encouraging investments that generate high-income jobs and are sourced locally; and
- Upgrading industrial areas with complete infrastructure and increasing human capital development to meet the needs of investors.



SPURRING DIRECT DOMESTIC INVESTMENT AND MSME DEVELOPMENT

Direct domestic investment (DDI) is set as one of the key performance indicators for the country's investment achievements. Malaysia is currently ranked 20th in the Global Startup Ecosystem Report 2023, with the domestic start-ups ecosystem valued at USD46 billion for the first half of 2020 to 2022. Among the Government incentives and initiatives to spur the DDI and MSME development are:

- i. RM1 billion to match private funds to support local start-ups and technopreneurs;
- ii. RM100 million will be allocated to strengthen the research, development, commercialisation and innovation (R&D&C&I) ecosystem, with the focus on industrial needs, renewable energy, food security and new growth activities.

In encouraging the internationalisation of local start-ups and MSMEs, the Government will assist in growing companies, especially Bumiputera-owned entities, to venture into new growth areas. An additional RM20 million in funding will be allocated to boost growth of exports as well as to support the Mid-Tier Companies Development Programme and Market Development Grant under MATRADE.

Where else, in terms of digital transformation, the implementation of the Digital ID will help accelerate the expansion of online businesses and applications. A matching grant for digitalisation will be increased by RM100 million to assist MSMEs in accelerating their transition to digitalise business processes. Apart from this, entrepreneurial development, training and financing programmes will be enhanced for specific groups, including women and youths. An additional RM400 million was allocated for micro financing under agencies such as SME Corp. Malaysia, TEKUN Nasional and TERAJU.

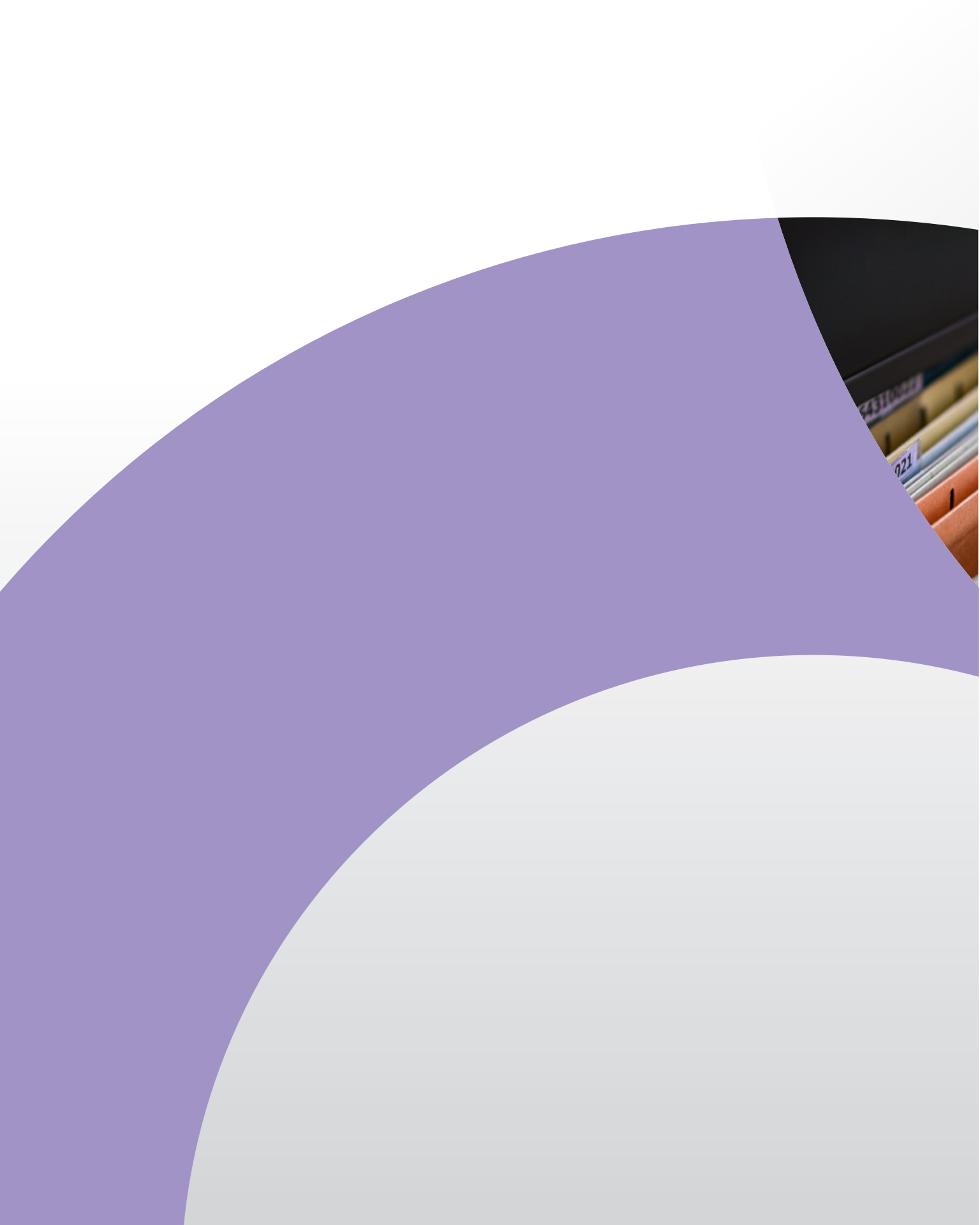
BUDGET 2024

On 13 October 2023, the Budget 2024 was announced with the theme “Economic Reform, Empowering the People”. This second MADANI Budget is a continuation of the MADANI Economy Framework. Budget 2024 hopes to kickstart Malaysia’s comeback as an economic champion within the ASEAN region through various initiatives and action plans under National Energy Transition Roadmap, New Industrial Master Plan 2030 and the reviewed 12th Malaysia Plan. It focuses on three key areas (i) Best Governance for Service Agility; (ii) Restructuring of the Economy to Boost Growth; and (iii) Improving People’s Living Standards.

Budget 2024 prioritises empowerment of MSMEs to achieve the goals of the MADANI Economic Framework by strengthening competitiveness of MSMEs through capacity building. A total of RM43.6 billion has been allocated for the development of MSMEs through initiatives and programmes that can directly benefit them. Access to financing which is often the main challenge for MSMEs continues to receive the largest allocation of RM32.2 billion or 73.7% of the total allocation for MSMEs.

In conclusion, the Malaysia MADANI and MADANI Economy Framework will further intensify and accelerate the development of the MSME ecosystem through enhancing financial and market access, human capital development, innovation, technology adoption and internationalisation towards one that will elevate its contribution to the socio-economic, as well as contribute towards achieving the nation’s target of making Malaysia among the top 12 (now top 32) in the Global Competitiveness Index in 10 years.





Appendices



Appendix 1

List of Selected MSME and Entrepreneurship Development Programmes in 2023

Access to Financing

Implementer / Agency	Programme Name	Programme Objective / Activity
Bank Negara Malaysia (BNM)		
Bank Negara Malaysia (BNM)	Bank Negara Malaysia's Fund for Micro, Small & Medium Enterprises (BNM's Fund for MSMEs)	To enhance access to financing for MSMEs at a lower cost
Ministry of Rural and Regional Development (MRRD)		
Majlis Amanah Rakyat (MARA)	MARA Business Financing Programme	To provide business financing assistance to 1,500 Bumiputera entrepreneurs (PROSPEC - Professionals, SPIKE - Express Contract Loan & MISA - Smart Auto loan schemes) during the period of 2021 - 2025
Ministry of Agriculture and Food Security (MAFS)		
Food And Agro-Based Industry Division (BIMAT)	Entrepreneur Development Programme: <ul style="list-style-type: none"> • High Impact Product (HIP) Matching Grant Programme • Change Upgrade Product (CUP) Matching Grant Programme • Human Capital Development Programme • Development of Processing, Packaging and Marketing Centres 	<ul style="list-style-type: none"> • High Impact Product (HIP) Matching Grant Programme (food & agro-based industry entrepreneurs with sales RM300,000 up to RM5 million) • Change Upgrade Product (CUP) Matching Grant Program (food & agro-based industry entrepreneurs with sales less than RM300,000) • Human Capital Development Programme to strengthen human capital development among MSMEs / entrepreneurs by strengthening food industry entrepreneurial knowledge & skills • Development of Processing, Packaging & Marketing Centres
Farmers Organisation Authority (LPP)	Program Pemerkasaan Usahawan Peladang (Rise-UP)	<ul style="list-style-type: none"> • Improve farmer's net income to more than RM4,000 per month • Creating agro-preneurs capable to undertake agriculture production, processing & large-scale service & quality products

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Communications		
Malaysia Digital Economy Corporation (MDEC)	Dana Teknologi Inovasi untuk Globalisasi (TIG)	Incentives to encourage product development up to commercialisation stage in order to: <ul style="list-style-type: none"> • Spearhead development of innovative & commercially viable products & services • Increase number of commercially viable IP • Improve competitiveness of companies to enable them going global
Ministry of Entrepreneur and Cooperatives Development (MECD)		
Bank Kerjasama Rakyat Malaysia (BKRM)	RAKYATpreneur 4.0	<ul style="list-style-type: none"> • Serving the Community & Nation, communicates the dedication & commitment to enhance the living standards of those around the industry by meeting their financial needs & delivering exemplary services • Align with the Value-based Intermediation (VBI) that aims to generate sustainable impact to the economy and community • Aimed at empowering the development of micro, small and medium enterprises (MSMEs) and strengthen the development of social enterprises, development programmes for hawkers & petty traders • Contribute towards United Nation Sustainable Development Goals (UN SDGs) 1, 8 & 9
Perbadanan Nasional Berhad (Pernas)	Pernas Financing Scheme: <ul style="list-style-type: none"> • Franchisee Financing • Micro Franchisee (SPKF) • Pre-Franchise / Pre-Franchisor • Franchisor • Pre-Franchisee B.I.T • Pre-Franchisor B.I.T • Food Truck • PS 2.0 (Pernas Financing Scheme) 	Develop & promote Middle-level Bumiputera Entrepreneurs (MLBE) in franchise businesses through financial assistance for the purposes of business expansion & new start-up of franchise companies
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	IBS Promotion Fund 2.0 (IBS 2.0)	To provide financial assistance to the eligible contractors, manufacturers and installers of Industrialised Building Systems (IBS)
SME Corporation Malaysia (SME Corp. Malaysia)	Micro Entrepreneur Business Development Programme (BizMe 2.0)	To enhance entrepreneurship skills & potential sales / productivity of Micro Enterprises by providing guidance & technical support

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Entrepreneur and Cooperatives Development (MECD)		
TEKUN Nasional (TEKUN)	TEKUN Mobilepreneur 4.0 (Mobilepreneur 4.0)	<ul style="list-style-type: none"> • Capital financing for entrepreneurs of goods delivery services using motorcycles • Provide an opportunity to generate income through delivery services • Financing for the purpose of repairing / purchasing a motorcycle
Ministry of Investment, Trade and Industry (MITI)		
Malaysian Industrial Development Finance Berhad (MIDF)	Sustainable and Green Biz Financing (SGBF)	<ul style="list-style-type: none"> • Encourage & increase utilisation of green technology & energy efficiency among local industry players • Increase marketability of local companies using green technology & energy efficiency into national & global market • Encourage the use of energy efficiency systems & the use of 'greener' manufacturing processes which reduce water & raw material consumption & thus minimise air pollution, solid waste & waste generation • Assist local industry players to improve the cash flow and reduce the business costs
Ministry Of Rural and Regional Development (MRRD)		
Community Economic Development Division (BPEK)	Program Desa Lestari (PDL)	<ul style="list-style-type: none"> • Enhance the community abilities in planning & implementing projects in the villages • Develop economic activities by creating job opportunities & wealth creation to the community via cooperative
Rural Entrepreneur Development Division (BPUD)	Rural Business Challenge 2.0 (RBC 2.0) 2023	<ul style="list-style-type: none"> • Encourage youths especially in rural areas to choose entrepreneurship as a career of choice • Creating new employment opportunities & increasing income for the surrounding population • Creating attractive rural areas to live in
Rubber Industry Smallholder Development Authority (RISDA)	Additional Economic Activities (AET): <ul style="list-style-type: none"> • Start-up Incentive Scheme and Nano Incentive Scheme 	<ul style="list-style-type: none"> • An initiative to help entrepreneurs manage the product / service production business based on capacity factor management • Enable capital assistance / incentives to be used efficiently and effectively in developing businesses • Produce smallholder entrepreneurs who are able to manage their business efficiently & effectively using optimal resources

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Science, Technology and Innovation (MOSTI)		
Kumpulan Modal Perdana Sdn Bhd (KMPSB)	Electrical & Electronics and Renewable Energy Fund (E&E & RE Fund)	Provide venture capital financing to relevant companies in Electrical & Electronics (E&E) & Renewable Energy (RE) sector
Perbadanan Usahawan Nasional Berhad (PUNB)		
Perbadanan Usahawan Nasional Berhad (PUNB)	PUNB's Entrepreneurship Financing Programmes	<ul style="list-style-type: none"> • Develop and increase the number of Bumiputera entrepreneurs through PUNB's entrepreneurship financing programme • Enhancing the capacity of Bumiputera entrepreneurs with knowledge through training and development programmes as well as market exposure

Human Capital Development

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Agriculture and Food Security (MAFS)		
Malaysian Agricultural Research and Development Institute (MARDI)	Progressive & Competitive Agri-Food Technopreneur Empowerment through Technology Transfer & Innovation MARDI	<ul style="list-style-type: none"> • Technical services to the target group of entrepreneurs • Technical services to the future entrepreneurs & one-off clients • Entrepreneurs & future entrepreneurs benefitting from technology application & product innovation activities through professional services at Test Beds, Incubators, Model Farm & Training Complex • Entrepreneur's product quality enhancement using appropriate techniques & precise packaging technology in meeting market demands and regulatory requirements
Ministry of Entrepreneur and Cooperatives Development (MECD)		
Entrepreneurship Ecosystem Development Division (BPES)	PKPKS - Program Intervensi Peluang Kedua kepada Usahawan	Implement a second chance intervention program to help unsuccessful entrepreneurs & reduce the risk of bankruptcy as well as provide guidance to PMKS entrepreneurs so that they can continue to survive
Professional Training and Education for Growing Entrepreneurs (PROTEGE)	Career Placement and Entrepreneurship Training for TVET 3.0 Graduates (GRACE 3.0)	Improving the employability of unemployed graduates through skills training & professional certification as well as placement training with industry

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Entrepreneur and Cooperatives Development (MECD)		
UDA Holdings Berhad (UDA)	UDA Entrepreneur Incentive Programme (PIUU): <ul style="list-style-type: none"> • UDA Bizznita • UDA 4 Youth • UDA Preneur • UDA Preneur Trainee • Ushaniaga (An incentive program for entrepreneur) 	Provision of retail space for PMKS entrepreneurs & training schemes to business-related PMKS entrepreneurs to help PMKS entrepreneurs be competitive & stay in the market
Ministry of Higher Education (MOHE)		
Ministry of Higher Education (MOHE)	HEIs Entrepreneurship Programme 2023	<ul style="list-style-type: none"> • Ensure the sustainability of cultivating entrepreneurship in all entrepreneurship programmes • Produce quality students with entrepreneurship mind set, attributes & values • Increase the involvement of HEIs graduates in entrepreneurship as a long term career • Strengthen entrepreneurship educators / mentors & HEIs staff competency • Increase entrepreneurship programmes by utilising technology & innovation • Strengthen high impact entrepreneurship network • Strengthen a holistic & integrated synergistic entrepreneurial ecosystem
Ministry of Housing and Local Government (KPKT)		
Bahagian Kesejahteraan Komuniti (BSK)	Urban Community Economic Empowerment (PEKB) Programme	To improve skill of the target group (B40 in urban area) to become individual business owner (entrepreneurs) with the aim to increase their income & improve their quality of life towards poverty eradication
Ministry Of Rural and Regional Development (MRRD)		
Majlis Amanah Rakyat (MARA)	Business Digitalisation Programme	To develop 1,800 Bumiputera entrepreneurs from 2022 - 2025 to help increase efficiency in business operations by using digitisation methods
State of Sabah Government (Sabah State)		
Jabatan Hal Ehwal Wanita Sabah (JHEWA)	Single Mothers and B40 Women Development Programme	Provide skills / guidance for single mothers especially from rural areas to help them in generating income through entrepreneurship

Implementer / Agency	Programme Name	Programme Objective / Activity
State of Sabah Government (Sabah State)		
Industrial Development and Research Department (DiDR)	Bantuan IKS (BAIKS)	Enhance SME's capacity & capabilities through grants in the following categories: <ul style="list-style-type: none"> • Machinery & equipment • Product Packaging • Business Digitalisation • Franchise
Unit Perancang Ekonomi Negeri Selangor (UPEN Selangor)		
Unit Perancang Ekonomi Negeri Selangor (UPEN Selangor)	Domestic and overseas MSME Entrepreneur Promotion Programme (Entrepreneur Promotion)	To promote local products locally & internationally through local & international programmes / exhibitions

Infrastructure

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Rural and Regional Development (MRRD)		
FELCRA Berhad (FELCRA)	Village Equipment Program: Business Premises	Assisting entrepreneurs by providing conducive Business Premises for the purpose of increasing the income of entrepreneurs
Kedah Regional Development Authorities (KEDA)	Project to Upgrade IKS KEDA Premises (Naiktaraf IKS)	To improve local economy by providing facilities & premises which are more conducive & safe complimentary with beautiful environment
Ministry of Agriculture and Food Security (MAFS)		
Lembaga Kemajuan Ikan Malaysia (LKIM)	Fishermen's Market Development	<ul style="list-style-type: none"> • Encourage the entrepreneurship to reduce the dependency on the 'middle-man' • Expand market access • Allows fishermen to obtain higher income • Allows consumers to obtain fresh & quality supply of fish at affordable price • Contribute to the economic & social development of local communities
Ministry of Entrepreneur and Cooperatives Development (MECD)		
Business Licensing Electronic Support System (BLESS)	Development and Implementation of Business Licensing Electronic Support System (BLESS)	Provide services to process license applications online

Innovation and Technology Adoption

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Rural and Regional Development (MRRD)		
South East Johor Development Authority (KEJORA)	Product Quality Transformation Programme	Encourage the product potential of entrepreneurs by enhancing the product image through transformation of product packaging & marketing materials
Central Terengganu Development Authority (KETENGAH)	Product Empowerment & Certification Programmes	<ul style="list-style-type: none"> • Increase entrepreneurs income • Improve entrepreneurs standard of living • Create job opportunities • Increase entrepreneurs economy
Ministry of Communications		
MYNIC Berhad (MYNIC)	Program Realisasi Impian Ekonomi Digital (PRIME) Digital Branding through: <ul style="list-style-type: none"> • BIZ.MY (free registration) • GO2 Brand Standard • Other domain categories 	Allocation of 20,000 units of BIZ.MY & 5,000 COOP.MY domain name bundled with GO2 Brand Standard (digital marketing application) FREE for the first year to all newly registered & existing MSME with main objective: <ul style="list-style-type: none"> • Get more MSME online by using .MY instead of other outside domain like .COM • Educate & create awareness on the importance of having a proper online presence • Educate & create awareness on the importance of securing their domain name as the digital branding as common practice globally • Data acquisition for nation's strategic purposes
Ministry of Investment, Trade and Industry (MITI)		
Malaysia Productivity Corporation (MPC)	Enterprise Productive	<ul style="list-style-type: none"> • To develop productivity mindset among MSMEs for business sustainability • To improve MSMEs' business efficiency through process improvement
Malaysia Productivity Corporation (MPC)	Industry 4WRD Readiness Assessment - RA Assessment	RA Assessment: <ul style="list-style-type: none"> • To help firms in the manufacturing sector & its related services understand their present capabilities & gaps towards Industry Revolution 4.0 • To provide recommendations on intervention strategies to adopt Industry 4.0
Malaysian Investment Development Authority (MIDA)	SME Investment Desk (SME Desk)	Act as a one stop center for assisting MSMEs to facilitate the transformation of MSMEs in terms of capacity building and productivity. Malaysia's businesses and MSMEs will have a single contact point at MIDA HQ and all its state offices to obtain guidance and advice on the Government's initiatives and facilities

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Investment, Trade and Industry (MITI)		
SIRIM Berhad (SIRIM)	Implementation of Core Activities Targeted at Enhancing Productivity & Market Expansion of SMEs (SIRIM-Fraunhofer Programme 2.0)	To increase technology adoption & innovation by MSMEs aiming towards enhancing productivity, stimulating innovation and growth of MSMEs
Ministry of Science, Technology and Innovation (MOSTI)		
NanoMalaysia Berhad (NMB)	NanoMalaysia Energy Storage Technology Initiative	Power storage projects that use nanotechnology to supply electrical power to tools or devices and electronic systems such as laptops, tablets & telephones are easy to use. The main objectives of building this project are to: <ul style="list-style-type: none"> • Through NESTI, Malaysia responds to the growing demand for power storage systems from the renewable power sector (Fi, NEM & Large Scale Solar), power (power quality & stability), the digital economy sector (MyDIGITAL, electronic devices & systems) & also the emerging new market of electric vehicles in ASEAN & global regions
Selangor Economic Planning Unit (UPEN Selangor)		
Selangor Economic Planning Unit (UPEN Selangor)	Entrepreneur Packaging Improvement Programme (Packaging)	Provide Improvement Packaging Programmes (for new products & current - product improvement)

Market Access

Implementer / Agency	Programme Name	Programme Objective / Activity
Kedah State Economic Planning Unit (BPEN Kedah)		
Kedah State Economic Planning Unit (BPEN Kedah)	Social Media Marketing Course: <ul style="list-style-type: none"> • Facebook • Instagram • Tiktok • Instagram 	<ul style="list-style-type: none"> • To give the knowledge to entrepreneur about how to promote their product online • To teach them how to increase their view on social media
Federal Land Development Authority (FELDA)		
Federal Land Development Authority (FELDA)	Program Vendor SAWARI (PVS)	Promotion and marketing of FELDA entrepreneurs' products to SAWARI outlet via Program Vendor SAWARI (PVS)

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of Rural and Regional Development (MRRD)		
Penang Regional Development Authority (PERDA)	Entrepreneur Support & Empowerment Programme PERDA: Rural Product Commercialisation (SPEAR-RPC)	<ul style="list-style-type: none"> • Producing High Quality Rural Entrepreneurial Products In Accordance With International Standards • Increasing the Production Capacity & Products Of Rural Entrepreneurs in the Commercial Market
Ministry of Agriculture and Food Security (MAFS)		
Federal Agricultural Marketing Authority (FAMA)	AgroSedia Supply Package - Strengthening Retail Institutions: <ul style="list-style-type: none"> • 15 Gerai Buah-buahan Segar (GBBS) • 2 Medan Gerai Buah-buahan Segar (GBBS) • 20 Karavan Tani • 3 Medan Food Truck • 15 Agrobazaar Rakyat 	Provide a variety of retail outlets for farmers / small producers to market their products directly
Ministry of Entrepreneur and Cooperatives Development (MECD)		
Bahagian Pembangunan Ekosistem Keusahawanan (BPES)	Business Matching Programme (PADANIAGA) 2023	To expand the market access of micro, small & medium enterprises (MSMEs) by providing a conducive platform & environment
Bahagian Pembangunan Francais and Vendor (BPFV)	Halal Entrepreneur Internationalisation Programme - Massive: <ul style="list-style-type: none"> • International Trade Expo [iTEX] 	Provide funding grants for the involvement of entrepreneurs & cooperatives in trade fairs & expos abroad
Perbadanan Nasional Berhad (Pernas)	Portal Pybli (Portal Pybli)	Helping entrepreneurs grow their businesses through digital platforms
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak		
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak	Domestic & International Trade Fair & Expos	Assist entrepreneurs in promoting their product at the international / domestic exhibition

Implementer / Agency	Programme Name	Programme Objective / Activity
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak		
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak	Bazar Rakyat Online Sarawakku Sayang (BROSS)	<ul style="list-style-type: none"> • Assist entrepreneurs to market their products online during Ramadhan • Continue to assist BROSS entrepreneur via online training
Ministry of Investment, Trade and Industry (MITI)		
Halal Development Corporation Berhad (HDC)	Halal Home Grown Champion - Sourcing Partnership (HSPP)	Develop a competitive local halal champion company to meet international quality & standards
Ministry of Plantation and Commodities (KPK)		
Malaysian Timber Industry Board (MTIB)	Local & International Market Promotion Programmes	Increase the MSMEs sales in domestic & international market

Appendix 2

Glossary of Abbreviations

Organisations / Associations / Institutions

Name	Acronym
ASEAN Coordinating Committee on Micro, Small and Medium Enterprises	ACCMSME
Credit Counselling and Debt Management Agency	AKPK
Asia-Pacific Economic Cooperation	APEC
Asia School of Business	ASB
Association of Southeast Asian Nations	ASEAN
Bank Negara Malaysia	BNM
Credit Guarantee Corporation Malaysia Berhad	CGC
Collaborative Research in Engineering, Science and Technology	CREST
Department of Statistics, Malaysia	DOSM
Federal Agricultural Marketing Authority	FAMA
Federation of Malaysian Business Associations	FMBA
High Level Task Force	HLTF
International Capital Market Association	ICMA
International Data Corporation	IDC
Small and Medium Enterprises Development Organization of Turkiye	KOSGEB
Ministry of Domestic Trade and Cost of Living	KPDN
Ministry of Agriculture and Food Industry	MAFI
Majlis Amanah Rakyat	MARA
Malaysian Agricultural Research and Development Institute	MARDI
Malaysia Automotive, Robotics and IoT Institute	MARii
Malaysia External Trade Development Corporation	MATRADE
Malaysia Venture Capital Management Berhad	MAVCAP
Malaysia Digital Economy Corporation	MDEC
Ministry of Entrepreneur and Cooperatives Development	MECD
Malaysian Investment Development Authority	MIDA

Name	Acronym
Malaysian Industrial Development Finance Berhad	MIDF
Ministry of Investment, Trade and Industry	MITI
Ministry of Science, Technology and Innovation	MOSTI
Malaysian Pepper Board	MPB
Malaysia Technology Development Corporation	MTDC
Ministry of Transport Malaysia	MOT
Ministry of Tourism, Arts and Culture	MOTAC
Malaysian Research Accelerator for Technology and Innovation	MRANTI
Malaysian Timber Industry Board	MTIB
National Entrepreneurship Development Council	NEDC
National Entrepreneur and SME Development Council	NESDC
National Mark of Malaysian Brand	NMMB
Organisation for Economic Co-operation and Development	OECD
Private Equity Management Corporation	PEMC
Private Equity Corporation	PEC
Regional Comprehensive Economic Partnership	RCEP
Securities Commission Malaysia	SC
Small Medium Enterprise Development Bank Malaysia Berhad	SME Bank
SME Corporation Malaysia	SME Corp. Malaysia
Technical Committee for National Entrepreneurship Development	TCNED
United Nations Economic and Social Commission for Asia and the Pacific	UNESCAP
World Trade Organisation	WTO

Funds

Name	Acronym
SME Automation and Digitalisation Facility	ADF
Agrofood Facility	AF
All Economic Sector	AES
Business Recapitalisation Facility	BRF
Disaster Relief Facility	DRF

Funds

Name	Acronym
High Tech and Green Facility	HTG
Low Carbon Transition Facility	LCTF
Micro Enterprises Facility	MEF
Malaysia Co-Investment Fund	MyCIF
Strategic Programme to Empower the People and Economy	PEMERKASA
National Economic Recovery Plan	PENJANA
PENJANA Tourism Financing	PTF
Services Export Fund	SEF
Soft Financing Scheme for Digital and Technology	SFDT
Sustainable and Green Biz Financing	SGBF
SME Revitalisation Financing	SMERF
Skim Pembiayaan Online TEKUN	SPOT
Community Entrepreneur Development Scheme of India	SPUMI
Trade and Advocacy Fund 2 Plus	TAF2+
National Entrepreneur Group Economic Fund	TEKUN
Targeted Relief and Recovery Facility	TRRF

Government Programmes

Name	Acronym
Bumiputera Enterprise Enhancement Programme	BEEP
Program Akses Kepada Peluang Pembiayaan Usahawan	BIAYA Usahawan
Bumiputera, Women and Youth Exporters Development Programme	BWYEDP
Galakan Export Bumiputera	GEB
Market Development Grant	MDG
Programme for Enhancement of Strategic Industry and High Growth Enterprise	PRESTIGE
Small Debt Resolution Scheme	SDRS
Tourism Recovery Plan 1.0	TRP 1.0

Other Terms

Name	Acronym
Three Dimensional	3D
Dirty, Dangerous and Difficult	3D
ASEAN Capital Markets Forum	ACMF
Bottom 40%	B40
Bio-Circular-Green	BCG
Bottom of the Pyramid	BoP
Chief Executive Officer	CEO
Coronavirus Disease	COVID-19
Credit Risk Management System	CRMS
Direct Domestic Investment	DDI
Development Financial Institutions	DFI
Enterprise Resource Planning	ERP
Equity Crowdfunding	ECF
Electrical & Electronics	E&E
Environmental, Social and Governance	ESG
Food and Beverage	F&B
Gross Domestic Product	GDP
Government-linked Companies	GLC
Government-linked Investment Companies	GLIC
Glocal Linkages SME Programme	GLOSMEP
Good Manufacturing Practices	GMP
Global Value Chains	GVCs
Inclusive Business	IB
Inclusive Business Action Network	iBAN
Inclusive Business Value Chain Development Initiative	IB-VCDI
Information and Communication Technology Satellite Account	ICTSA
Internet of Things	IoT
Kuala Lumpur City Centre	KLCC
Light Emitting Diode	LED
Langkawi International Tourism Bubble Project	LITB
Gross Value Added Tourism Industries	GVATI

Other Terms

Name	Acronym
Information and Communication Technology	ICT
Human Resources	HR
Sustainability, Prosperity, Innovation, Respect, Trust and Compassion	MADANI
Food Safety is the Responsibility of the Industry	MeSTI
Multinational Corporation	MNC
Memorandum of Understanding	MoU
Micro, Small and Medium-sized Enterprises	MSMEs
Malaysian Services Providers	MSPs
Mid-tier Companies	MTCs
National Technology and Innovation Sandbox	NTIS
Financing Advisory Services	MyKNP
Office of SME Promotion	OSMEP
Peer-to-Peer	P2P
Private Equity	PE
Printed Circuit Board Assemblies	PCBA
Regional Comprehensive Economic Partnership	RCEP
Research and Development	R&D
Research, Development, Commercialisation and Innovation	R&D&C&I
Rancangan Malaysia Kesebelas	RMKe-11
Rancangan Malaysia Kedua Belas	RMKe-12
ASEAN Strategic Action Plan for SME Development 2016 - 2025	SAP SMED 2025
Small & Medium Enterprises	SME
SME Integrated Plan of Action	SMEIPA
Small and Medium Enterprises Working Group	SMEWG
Standard Malaysian Rubber	SMR
Synergistic Collaboration by the Securities Commission	SCxSC
Trade in Value-Added	TiVA
United Kingdom	UK
United States	US
Venture Capital	VC
Venture Capital Corporation	VCC
Venture Capital Management Corporation	VCMC

Appendix 3

MSME Definition

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

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

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

Size	Micro		Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	< RM 300,000	< 5 employees	RM300,000 to < RM15 million	5 to < 75 employees	RM15 million to ≤ RM50 million	75 to ≤ 200 employees
Services & other sectors			RM300,000 to < RM3 million	5 to < 30 employees	RM3 million to ≤ RM20 million	30 to ≤ 75 employees

Note: < is less than
≤ is not exceeding

Under the definition, all MSMEs must be entities registered with Companies Commission of Malaysia (SSM) or other equivalent bodies. Entities below are deemed as non-MSMEs:

- Public-listed companies on the main board
- Subsidiaries of:
 - Public-listed companies on the main board;
 - Multinational corporations (MNCs);
 - Government-linked companies (GLCs);
 - Syarikat Menteri Kewangan Diperbadankan (MKD); and
 - State-owned enterprises.

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