



## CHAPTER 1

# MSME Development Policies, Initiatives and Programmes



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The year 2023/24 was marked by pivotal advancements in MSME developments, underscoring a stronger emphasis on entrepreneurship. Acknowledging the critical need for sustainability in the evolving economic landscape, the Government in collaboration with various organisations has implemented numerous initiatives aimed at facilitating MSMEs' transition into a sustainable and green economy. The resurgence of tourism industry during the year too provided a significant economic boost, benefiting the broader economy and bolstering MSME growth. On the governance aspect, the National Entrepreneur and MSME Development Council (NESDC) continued to exhibit exemplary leadership in charting future directions for MSMEs in the country. The establishment of the Permanent Secretariat for NESDC in early 2024 further reinforced these efforts by providing transparent analysis on MSME development programmes and provided a platform to address challenges.

### NATIONAL ENTREPRENEUR AND MSME DEVELOPMENT COUNCIL

The National Entrepreneur and MSME Development Council (NESDC) stands as the highest authority for decision-making on matters concerning Micro, Small and Medium Enterprises (MSMEs). Aligned with the national agenda, the Council is tasked with designing policies, strategies and action plans that promote the holistic growth of entrepreneurs and MSMEs across all sectors, thus further fostering competitiveness and resilience. Since its inception in 2004, the NESDC has driven the MSME development agenda forward through a well-coordinated and comprehensive approach in implementing MSME initiatives and programmes.

Highlighting its importance, a new reporting mechanism was introduced early 2024 during NESDC meeting. The Council on 5 February 2024 has approved the establishment of a Permanent Secretariat for NESDC, which is responsible for preparing a comprehensive programme report on all entrepreneurship development funds being allocated to various Ministries and agencies. The report is monitored and presented monthly to the Chairman of NESDC every month, alongside recommendations to address any issues being identified. The Permanent Secretariat meeting, chaired by the Deputy Prime Minister cum the Minister of Rural and Regional Development, consists of 12 members (excluding Chairman) with SME Corp. Malaysia entrusted to serve as the Lead Secretariat.

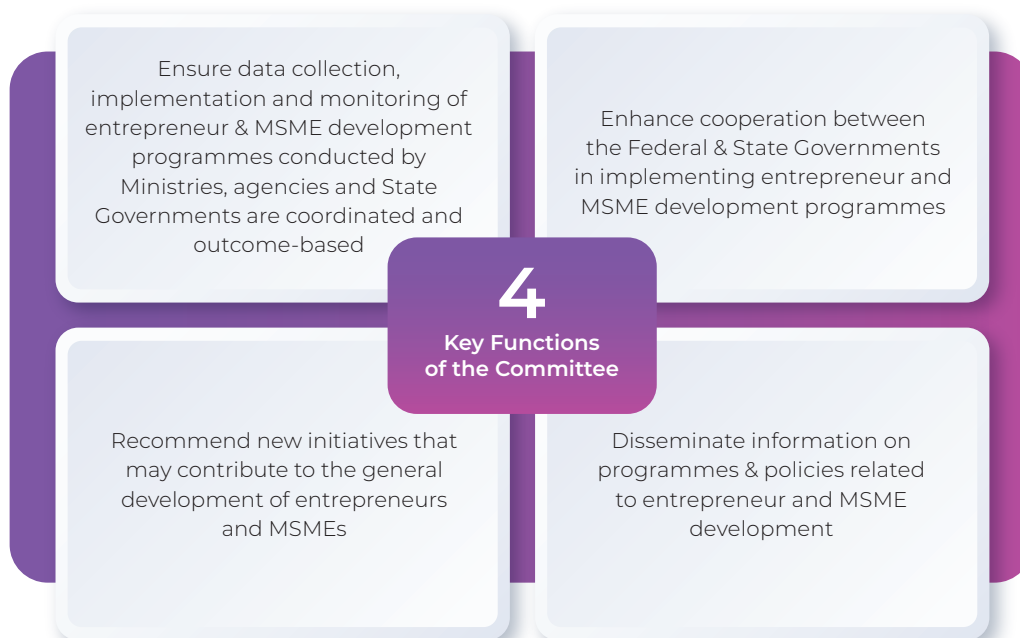


### Members of the Permanent Secretariat for NESDC

Minister, Ministry of Entrepreneur and Cooperatives Development (MECD)	Secretary General, Ministry of Rural and Regional Development (MRRD) or representative
Deputy Minister, MECD	Secretary General, Ministry of Investment, Trade and Industry (MITI) or representative
Secretary General, MECD	Deputy Secretary General (Entrepreneurship Development), MECD
Secretary General, Treasury or representative	Deputy Secretary General (Policy & Monitoring), MECD
Secretary General, Ministry of Economy or representative	Director General, Malaysia Productivity Corporation
Director General, Implementation Coordination Unit, Prime Minister's Department or representative	Chief Executive Officer, SME Corp. Malaysia (as the Lead Secretariat)

### MSME Development Programmes and Monitoring Committee

The MSME Development Programmes and Monitoring Committee was established in 2023 to ensure that the reporting, monitoring and evaluation of entrepreneur and MSME development programmes are conducted in a comprehensive manner through Federal - State Governments collaboration and in line with the goal of optimising resources and avoiding duplication.





The Committee is chaired by the Chief Executive Officer of SME Corp. Malaysia, with the Deputy Chief Executive Officer as alternate chairman. A total of 17 Ministries, 5 sole agencies and 13 State Governments are represented on the Committee.

### Members from the Ministries

1.	MECD	10.	Ministry of Domestic Trade and Cost of Living
2.	Ministry of Finance	11.	Ministry of Plantation and Commodities
3.	Ministry of Economy	12.	Ministry of Higher Education
4.	Ministry of Investment, Trade and Industry	13.	Ministry of Housing and Local Government
5.	Ministry of Agriculture and Food Security	14.	Ministry of Communications
6.	Ministry of Human Resources	15.	Ministry of Digital
7.	Ministry of Science, Technology and Innovation	16.	Ministry of Youth and Sports
8.	Ministry of Rural and Regional Development	17.	Ministry of Women, Family and Community Development
9.	Ministry of Tourism, Arts and Culture		

### Members from the Sole Agencies

1.	Bank Negara Malaysia	4.	Credit Guarantee Corporation
2.	Perbadanan Usahawan Nasional Berhad	5.	Federal Land Development Authority
3.	Human Resource Development Corporation		

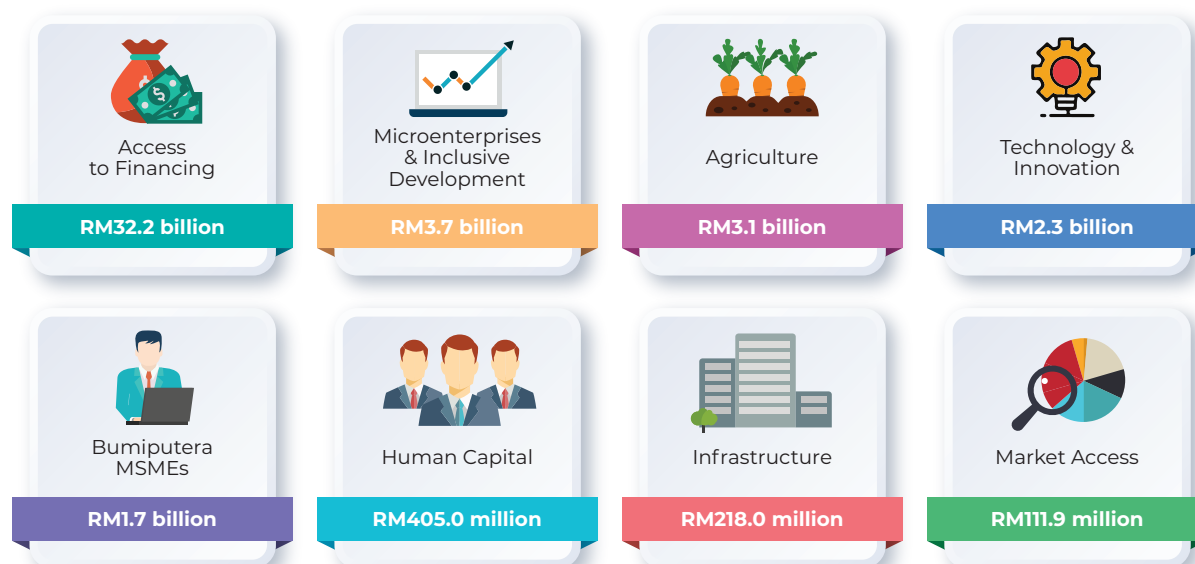


### Members from the State Governments

1.	Perlis State Economic Planning Unit	8.	Johor State Economic Planning Division
2.	Kedah State Economic Planning Division	9.	Pahang State Economic Planning Division
3.	Penang State Economic Planning Division	10.	Terengganu State Economic Planning Unit
4.	Perak State Economic Planning Unit	11.	Kelantan State Economic Planning Unit
5.	Selangor State Economic Planning Unit	12.	Ministry of International Trade, Industry and Investment, Sarawak (MINTRED)
6.	Negeri Sembilan State Economic Planning Unit	13.	Sabah State Government
7.	Melaka State Economic Planning Unit		

## MSME DEVELOPMENT IN BUDGET 2024

The Government unveiled Budget 2024, Malaysia's biggest yet, on 13 October 2023. The budget allocations totalling RM393.8 billion is a 1.9% increase over Budget 2023 (RM388.1 billion). With the theme 'Economic Reform, Empowering People', the second Malaysia MADANI budget focused on three key areas namely the governance for service agility, restructuring of the economy to boost growth as well as raising the citizen's standard of living. A provision of RM43.6 billion has been made for funding facilities either exclusively for the benefit of MSMEs or from which MSMEs can access along with other businesses. The allocations provided for specific target areas are as follows:





MSMEs will also be indirectly benefited from tax & regulatory incentives provided for in the Budget, including:

- Tax exemption of up to 10% for individuals or companies that contributes to institutions, organisations or funds which support educational programmes, including sports education.
- Extension of the Second Chance Policy for young individuals aged 40 and below with debts not exceeding RM200,000.
- Scope expansion of automation tax incentives to cover the commodity sector.
- Extension of tax relief of up to RM2,000 for skills improvement or self-improvement courses until assessment year 2026.

## SUSTAINABILITY INITIATIVES FOR MSMEs IN MALAYSIA

As the world starts to shift to sustainable and ethically business practices, environmental, social and governance (ESG) principles and requirements have become an increasing demand for business to operate. ESG is a metric used to assess a company's commitment to sustainable practices, social responsibility and ethical governance. It demands greater transparency and encompasses financial risks associated with sustainability efforts than normal corporate social responsibility.

Currently, ESG adoption for MSMEs is not compulsory. However, as many large corporations, Government-linked companies (GLCs) and multinationals companies (MNCs) have started adopting such requirement, they may implicate the requirements to their suppliers and supply chain, thus making ESG an important element for any business that intend to grow and be part of the bigger value chain to follow implementing ESG requirements. However, lack of MSME-friendly guidance and information as well as limited ESG experts and funds make it difficult for MSMEs to implement ESG practices. Hence, to support MSMEs in their sustainability journey, it is crucial to provide the right support and guidance.

### PKSlestari

SME Corp. Malaysia initiated the PKSlestari programme in early 2023 to encourage and accelerate the adoption of ESG among MSMEs by developing the MSME sustainability ecosystem. This ecosystem consists of six (6) critical components namely awareness & education; MSME ESG assessment; policy support; market access; standards & compliance; and financing & incentives. SME Corp. Malaysia has undertaken various efforts including engagement and collaboration with Ministries, agencies, financial institutions, universities, MNCs, GLCs, large firms and industry associations to develop a comprehensive sustainable environment to accelerate the adoption of ESG by MSMEs. Continuous efforts are being undertaken to complete this ecosystem.



As part of the awareness and education, SME Corp. Malaysia has held a series of workshops and training to build basic knowledge on ESG practices among MSMEs. A total of 2,153 participants joined in the workshops and training organised by SME Corp. Malaysia in 2023. Meanwhile for 2024, as of 28 November 2024, a total of 2,053 MSME participants have benefited from seminars and workshops related to ESG, namely:

- Briefing and Engagement Session with MSMEs on e-Invoicing Initiative in collaboration with Inland Revenue Board of Malaysia (IRBM), 6 June 2024: 102 participants;
- ASEAN Hong Kong, China (AHKC) SMEs Going ESG Policy Dialogue & Workshop 2024: Empowering SME Sustainability, 27 - 28 June 2024: 248 participants;
- CIMB GreenBizReady™ Programme at The Cooler Earth Sustainability Series 2024 in collaboration with CIMB Berhad, 15 July 2024: 105 participants;



- Briefing Sessions on e-Invoicing Initiative nationwide in collaboration with Alliance Bank, July - October 2024: 1,045 participants;
- Malaysia-Taiwan Forum 2024: ESG Requirements in the Global Value Chain in collaboration with the Small and Medium Enterprise and Start-up Administration (SMESA), 15 October 2024: 166 participants;
- MSME Sustainability Series 2024: Charting the ESG Path for MSMEs in Shah Alam, Selangor, 22 October 2024: 180 participants;
- 2024 ESG Workshop: From Theory to Practice at Tamu Hotel & Suites, Kuala Lumpur, 12 November 2024: 37 participants;
- Integrity Workshop with the Malaysian Institute of Integrity (IIM) at Majestic Hotel, Kuala Lumpur, 25 November 2024: 130 participants; and
- 2024 ESG Workshop: From Theory to Practice at Weil Hotel, Ipoh, 26 November 2024: 40 participants.

## Guidelines and Information Platform on Sustainability for MSMEs

### i. ESG Quick Guide for MSMEs

SME Corp. Malaysia has published the ESG Quick Guide for MSMEs in February 2024 in dual language, namely Bahasa Malaysia and English. It is a practical guide that simplifies the process, making it easier to integrate sustainable practices into day-to-day operations. Covering 13 indicators from managing environmental impacts to improving governance and social responsibility, the Quick Guide outlines eight (8) step-by-step instructions to help MSMEs make a meaningful start on their sustainability journey. The Quick Guide which complements other guide and disclosure documents such as Simplified ESG Disclosure Guide by Capital Markets Malaysia, i-ESG Starter Kit by Ministry of Investment, Trade and Industry (MITI) and Sustainability Reporting Framework by Bursa Malaysia, can be downloaded for free upon completion of the MSME ESG Assessment.



### ii. Simplified ESG Disclosure Guide for SMEs in Supply Chains

The Simplified ESG Disclosure Guide for SMEs in Supply Chains consolidates and simplifies the many complex global and local ESG-related frameworks to improve the availability of ESG data and information by SMEs. The release of the SEDG in October 2023 by Capital Markets Malaysia, makes Malaysia the first country globally to provide SMEs within global supply chains with a streamlined and standardised set of guidelines in relation to ESG disclosures. The SEDG comprises 35 priority disclosures that are aligned with local and global sustainability guidelines, categorised into Basic, Intermediate and Advanced, to cater to the different levels of sustainability maturity of each SME.



### iii. i-ESGStart

i-ESGStart offers a practical guide with step-by-step instructions, illustrative examples and templates for manufacturing businesses. Its primary aim is to empower organisations to disclose their sustainability reports that align with their specific stakeholder needs. This document will also facilitate comprehensive ESG disclosure throughout the entire supply chain. i-ESGStart will drive businesses in creating a paradigm shift from conducting business in a conventional way towards a more sustainable and responsible pathway.





**iv. ESG Jumpstart for SMEs**

The SME Focus Group under the Joint Committee on Climate Change (JC3), co-chaired by Bank Negara Malaysia and UOB Malaysia has launched the ESG Jumpstart for SMEs portal at the JC3 Journey to Zero Conference 2023 held on 23 October 2023. ESG Jumpstart is a one-stop information portal that provides SMEs with a simple and practical reference guide, as well as suggested actions they can take to build up their basic ESG knowledge and capabilities. It also helps SMEs identify and respond to key ESG issues, risks and opportunities. The portal contains useful and practical information on capacity building programmes, certification schemes, and financial & incentive schemes. It also showcases other relevant resources offered by the financial institutions, Government agencies and other partner organisations.

**v. Other Financial and Non-financial Incentives to Accelerate ESG Adoption**

There are various financial and non-financial incentives being offered and implemented by Ministries & agencies and financial institutions to help MSMEs embark on their sustainability journey.

Financial Schemes
Low Carbon Transition Facility (LCTF) – Bank Negara Malaysia
High Tech Green Facility (HTG) – Bank Negara Malaysia
Green Technology Financing Scheme (GTFS) 4.0 – MGTG
Domestic Investment Accelerator Fund – MIDA
Jom Transform - Sustainability Accelerator Programme (JT-SAP) – UOB Malaysia
Business Accelerator Programme (BAP) 3.0 – SME Corp. Malaysia
SME SMART Eco Financing Programme – Bank Islam
Low Carbon Transition Facility – Bank Islam
Sustainability-linked Financing (SLF) and GreenBizReady™ – CIMB
SME Renewable Energy Financing-i – CIMB
Sustainable Green Biz Financing (SGBF) – MIDF
ESG Financing for Solar Panel – OCBC
myimpact SME – Maybank
SME Solar Financing – Hong Leong Bank
Portfolio Guarantee-i (PG-i) ESG Financing – Alliance Bank
Sustainability Impact Programme – Alliance Bank
Green Solutions Finance – Ambank
BAE Green Term Financing-i – Public Bank
SME Green Building Financing – RHB Bank
SME Green Renewable Energy and CAPEX Financing – RHB Bank
SME Green Technology Financing – RHB Bank
SME Green Construction Financing – RHB Bank
SME Green Working Capital Financing – RHB Bank



### Tax Incentives

Green Investment Tax Allowance (GITA) – MIDA
Green Income Tax Exemption (GITE) – MIDA
Further Tax Deduction for Carbon Projects (FTC) – MGTC

### Certifications

MyHIJAU Mark and Directory – MGTC
SIRIM 55: ESG Management System Certification – SIRIM
SIRIM 56: 2024 ESG Reporting – SIRIM
Green Building Index (GBI) Certification – MGTC

### Capacity Building

Workshops and Training under PKSlestarti Programme – SME Corp. Malaysia
SME ESG Hub – UNGCMYB
ESG Foundation Workshop for SMEs – CEDAR
Sustainability Workshops – CMM

### ESG Assessments

MSME ESG Assessment – SME Corp. Malaysia
I-ESGReady Assessment – MITI
SME ESG Readiness Assessment – UNGCMYB

Note: This list is non-exhaustive

## EMPOWERING MSMEs THROUGH TOURISM

### Malaysia Tourism Quality Assurance

The Malaysia Tourism Quality Assurance (MyTQA) initiative, introduced by the Ministry of Tourism, Arts and Culture, aims to improve the quality & service standards of tourism products in the country. It serves as a recognition for high-quality tourism offerings while promoting a culture of service excellence among industry stakeholders. MyTQA certification will not only raise the visibility of a product but also helps to inspire trust and confidence in Malaysian tourism products.





Certification can be obtained under seven tourism product categories:

i. Culture & Heritage Tourism

ii. Nature, Adventure & Eco-tourism

iii. Man-made Tourism

iv. Sports & Recreation Tourism

v. Shopping & Lifestyle Tourism

vi. Aqua & Marine Tourism

vii. Meeting, Incentive, Conference & Exhibition Tourism

To date, 90 tourism products have received MyTQA certification, which is awarded on a voluntary basis. The evaluation process is carried out by officials from MOTAC and representatives from tourism-related non-Governmental organisations (NGOs). Each application undergoes a thorough evaluation, including surprise inspections within 30 days of submission and onsite audits to ensure adherence to six key criteria: marketing & promotion; appearance & experience; facilities; staff & business operators; safety practices; and sustainability practices. Certified products are featured on MOTAC website and other major Malaysian tourism promotion platforms. Additionally, these products are given priority access to tourism development funding and opportunities to participate in international tourism promotion campaigns.

## Community Skills Development Project

The Community Skills Development Project (*Projek Pembangunan Kemahiran Komuniti*, PPKK) is an initiative by Malaysian Handicraft Development Corporation (Malaysian Handicraft) to foster interest among target communities such as youth, people with disabilities, urban & rural B40 group and indigenous people of Sabah & Sarawak, to engage in the production of craft products. The project is an effort by the Government to improve the socio-economic well-being of these communities by empowering people to generate income through craft entrepreneurship.



PPKK is carried out on a Train and Place approach, whereby participants are given training in technical and entrepreneurial skills based on a designated craft field of a community. Participants who acquire such skills will have higher employability or, if they so wish, to become craft entrepreneurs on a full- or part-time basis. The project consists of three main elements:

- Craft product development and production workshop
- Entrepreneurship course
- Business simulation





The craft product development and production workshop are a multi-phase skills training programme that focuses on the skills of participants in producing quality craft products which can be marketed. The entrepreneurship course covers entrepreneurial skills training and various aspects of business management, finance, operations, marketing and information technology & communication. The business simulation segment offers trainees an exposure and experience in marketing their products directly to customers through participation in Malaysian Handicraft's promotion events, with participation based on specific projects and from state community representatives.

From 2023 until August 2024, Malaysian Handicraft organised 100 activities under PPKK, with participation by 1,474 people from the craft community. The activities covered community development projects based on five main craft fields: textiles; forest-based; metal-based; earth-based; and various crafts, including development and production of crafts based on batik, embroidery, mengkuang weaving, rattan weaving, iron, copper blocks, ceramics and beads.

PPKK has piqued the interest of various communities to engage in the craft business, with new communities setting up craft enterprises on a full- or part-time basis. From 2023 until August 2024, RM1.9 million in sales were generated through communities in which a total of 130 individuals had registered as craft entrepreneurs.

PPKK has proven to be a success in not only creating employment opportunities but also in serving as a support system for existing entrepreneurs while strengthening the value chain of the local craft industry. In response to the successful outcome of PPKK, Malaysian Handicraft introduced the Craft Community Award to recognise craft communities that had shown outstanding performance under the project. The award was won by PPKK Lenggong, Perak, in 2024.

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## Box Article

# MSME Development Programmes in 2023 and 2024

Since its implementation in 2006, the SME Integrated Plan of Action (SMEIPA) has provided an annual, comprehensive overview of MSME development initiatives undertaken by various Ministries & agencies. Through a consolidated information, SMEIPA enhances coordination and fosters collaboration, enabling a more synergistic approach among stakeholders. This framework supports the formulation of coherent policies & strategies, facilitates the effective execution of MSME development programmes and ensures systematic monitoring of outcomes & achievements.

## Programmes in 2023

For the year 2023, a total of 258 programmes with a combined financial expenditure of RM15.5 billion were implemented, benefiting 761,832 MSMEs. These initiatives were carried out by 13 Ministries, five sole agencies, 50 other agencies and 10 State Governments. Most number of programmes implemented throughout the year were for access to financing, which amounted to 117 programmes (31.5%) with an expenditure of RM15.3 billion and benefited 403,913 MSMEs. Of this funding, 62.7% was allocated for microfinancing and loan schemes, while 33.5% was directed towards guarantee schemes. Meanwhile, human capital development emerged as the second most prioritised area, with 113 programmes (30.5%) receiving RM3.5 billion in funding benefiting 338,047 MSMEs. To better facilitate MSME access to markets, 67 programmes (18.1%) were implemented with expenditure of RM137.8 million, reaching 75,155 MSMEs. The remaining balance of 19.9% programmes were in other focus areas namely innovation & technology adoption and infrastructure.

**Table 1:** Summary of Programme 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	117	31.5	15,293.7	78.5	403,913	46.5
Human Capital Development	113	30.5	3,537.8	18.2	338,047	38.9
Market Access	67	18.1	137.8	0.7	75,155	8.6
Innovation & Technology Adoption	49	13.2	438.8	2.3	39,988	4.6
Infrastructure	25	6.7	78.4	0.4	11,747	1.4

Note: Similar programmes may cater for multiple focus area



## Programmes in 2024

In ensure the sustainable growth of MSMEs, the Government remains committed to advancing their development through comprehensive support measures. For 2024, a total of 325 programmes have been implemented with a total allocation of RM33.8 billion, aimed at benefiting more than 578,447 MSMEs. These initiatives are spearheaded by 14 Ministries, four sole agencies, 50 implementing agencies and 13 State Governments. Looking at its focus areas, access to financing and human capital development are the top priorities with each comprised of 132 initiatives (31.0%). Nevertheless, financing dominates in terms of funding given its highest allocation of RM33.6 billion. The financing initiatives are predominantly structured around guarantee schemes (67.8%), followed by soft loans including microfinancing (29.8%), grants (1.6%), subsidies (0.4%) and other forms of support (0.4%). As for the rest of the focus areas, 18.5% of the programmes are dedicated to market access, followed by infrastructure (10.1%) and innovation & technology adoption (9.4%).

**Table 2:** Summary of Programme in 2024 by Focus Area

Focus Area	Number of Programmes		Financial Allocation		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Access to Financing	132	31.0	33,551.7	96.5	403,177	64.8
Human Capital Development	132	31.0	559.9	1.6	109,878	17.7
Market Access	79	18.5	165.9	0.5	77,879	12.5
Innovation & Technology Adoption	40	9.4	399.8	1.1	26,801	4.3
Infrastructure	43	10.1	100.5	0.3	4,430	0.7

Note: Similar programmes may cater for multiple focus area

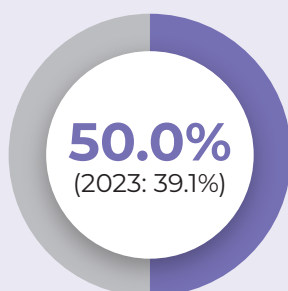


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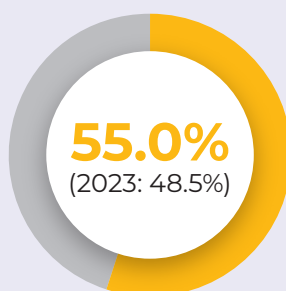
# MSME Strategic Plan 2030

MSMEs continued to face headwinds as they grapple with post-pandemic challenges amid a volatile global economy. This highlighted the difficulties that MSMEs face when confronted with unexpected challenges. Key factors contributing to these difficulties include low productivity, limited competitiveness and limited adoption of technology. Recognising this situation, Ministry of Entrepreneur and Cooperatives Development (MECD) has developed the MSME Strategic Plan 2030, outlining targeted measures to create a competitive business environment.

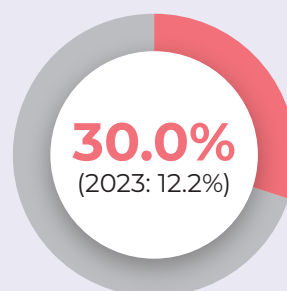
The Plan is designed to further enhance MSMEs' growth and resilience, as well as improve adaptability to emerging trends, thus ultimately elevate their contribution to the national economy. By 2030, among key targets that the Plan aims to achieve are:



MSME Contribution  
to Overall GDP



MSME Contribution  
to Overall Employment

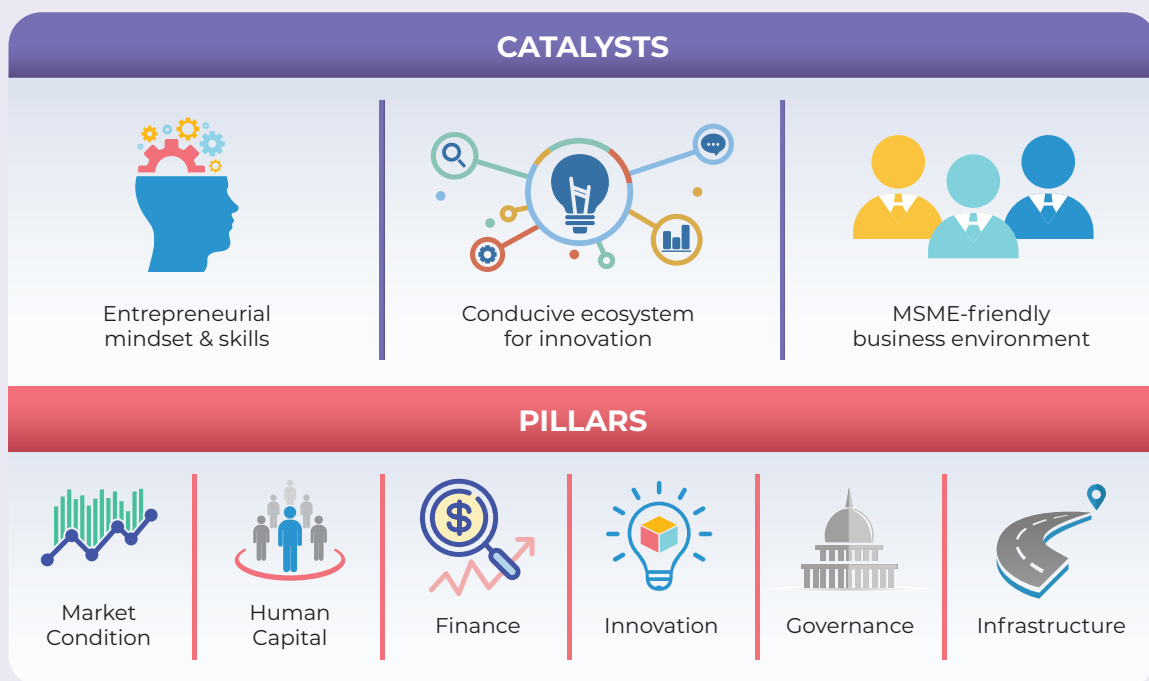


MSME Contribution  
to Overall Exports

Two key trends are shaping the future of MSMEs namely the rapid acceleration of digital transformation and the growing adoption of ESG principles. Recognising these trends, the Plan has identified three (3) catalysts and six (6) pillars towards realising the long-term targets:

- **Entrepreneurial mindset & skills:** Encourage an entrepreneurial mindset and forward-thinking among business owners to keep them motivated and open to new ideas.
- **Conducive ecosystem for innovation:** Establish a supportive entrepreneurial ecosystem with key elements like R&D, access to talent, funding and expertise in using IR4.0 technologies, backed by strong governance and digital infrastructure.
- **MSME-friendly business environment:** Create a business environment that provides resources to build market networks, access to financing and develop flexible regulations & infrastructure tailored to MSME needs.





The strategies formulated in this MSME Strategic Plan 2030 serve as a guide to ensure the implementation of actions are in line with the objective to develop MSMEs. The 13 strategies which will drive the implementation of the Plan are:

- 1) Boost entrepreneurial skills and competency of MSME owners
- 2) Encourage new entrepreneurs and MSMEs to participate in high value-added activities
- 3) Improve MSMEs' access to financing and digital knowledge
- 4) Enhance ability of MSMEs to attract and retain local talent
- 5) Expand access to digital training, upskilling and IR4.0 for MSME workforce
- 6) Encourage MSMEs to carry out more research & development and commercialisation & innovation (R&D&C&I) activities
- 7) Ensure MSMEs have access to stable broadband connectivity & adopt best practices for digital business
- 8) Improve MSME access to resources needed to establish international market networks
- 9) Create more opportunities for MSMEs to establish local market networks and expand business
- 10) Improve financing ecosystem for MSMEs
- 11) Improve MSME access to efficient infrastructure & regulatory environment to reduce cost of doing business
- 12) Enhance the capability of MSMEs to recover from unforeseen circumstances
- 13) Encourage MSMEs to adopt sustainable practices

In conclusion, the MSME Strategic Plan 2030 provides MSMEs with the necessary tools and capabilities to achieve sustainable growth while adapting to emerging trends and maintaining their vital role in the national economy. Furthermore, the Plan focuses on building resilient MSMEs capable of navigating uncertainties in the business landscape. With the comprehensive framework and strategies, the Plan sets a clear path to achieving its long-term goals with its implementation being monitored thoroughly through the NESDC platform.

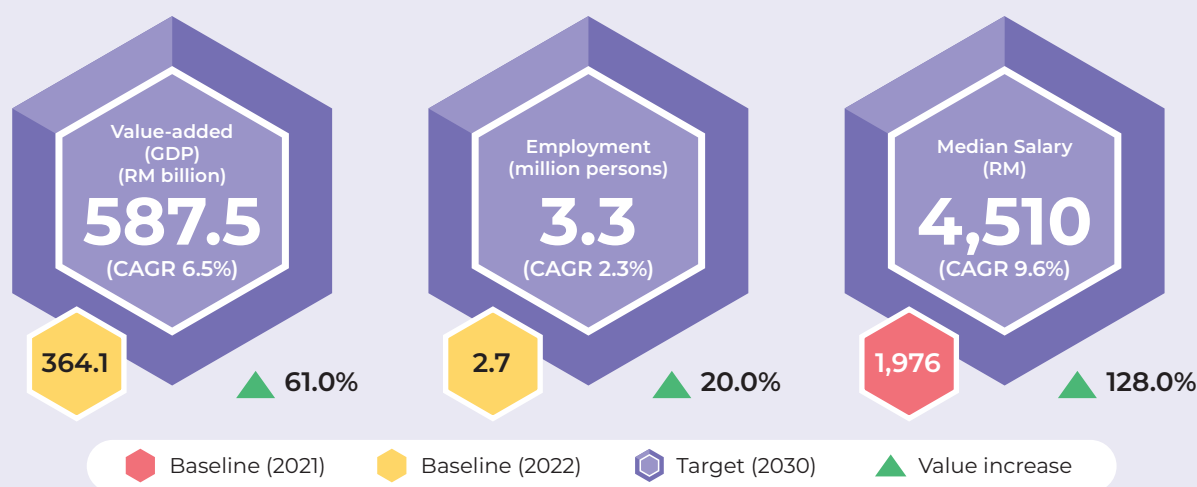


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# New Industrial Master Plan 2030

The New Industrial Master Plan 2030 (NIMP 2030), spearheaded by Ministry of Investment, Trade and Industry (MITI) serves as a transformative blueprint for the manufacturing sector within a seven-year span from 2023 to 2030. The manufacturing sector stands as a cornerstone of Malaysia's economic growth and global trade. In 2022, it accounted for 24% of the nation's GDP and 84% of total exports, while creating employment opportunities for approximately 2.7 million people. This sector not only underpins the country's economic growth and resilience but also reinforces its competitiveness on the international stage.

Designed to position Malaysia as a global leader in industrial development, NIMP 2030 emphasises fostering robust domestic linkages to generate nationwide wealth through manufacturing activities while reinforcing Malaysia's standing within the global value chain in ensuring long-term and sustainable growth. The NIMP 2030 aims to drive impactful outcome for Malaysia's manufacturing sector by achieving key macroeconomic targets, as illustrated below.



CAGR: Compounded Annual Growth Rate

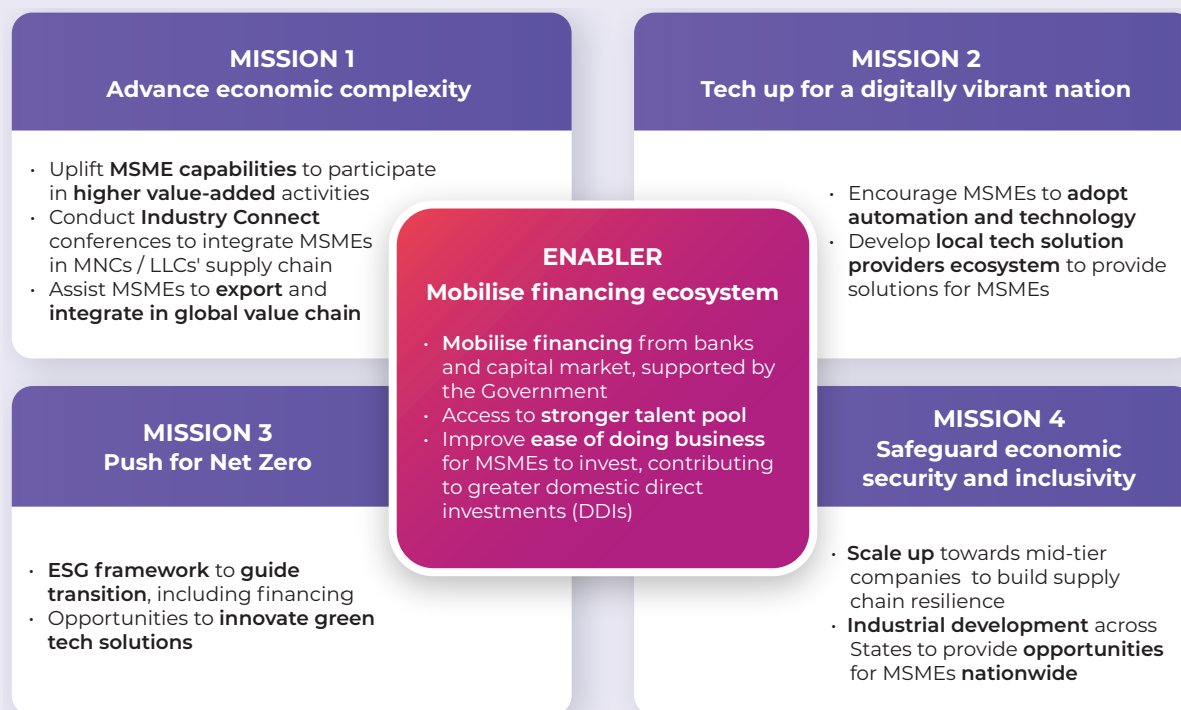
The strategies adopted to deliver these targets include increasing economic complexity, creating high-value job opportunities, strengthening domestic industrial linkages, improve inclusivity and enhance ESG practices.

## NIMP 2030 and MSME Industrialisation Agenda

Malaysian MSMEs are a driving force behind the nation's economic progress, contributing significantly to growth, employment and trade. Zooming on to the manufacturing sector, despite MSMEs represented only 5.4% of total MSME establishments in 2023, they accounted for an impressive 20.2% of the sector's contribution to MSME GDP. These firms also made notable contributions, generating 74.3% to total MSME exports and employ 1.3 million workers throughout the year, underscoring their indispensable role in the economy.



Under NIMP 2030, MSMEs are envisioned as critical enablers, serving as essential suppliers of local content, strengthening value chains, supporting export activities and fostering regional development. Their roles are instrumental in driving the NIMP 2030's long-term targets. The outlined strategies tailored specifically for MSMEs are presented below.



The achievement of the MSME missions outlined in the NIMP 2030 is contingent upon several critical factors including:

**a) Skilled workforce and nurturing talent**

MSMEs must have access to the technical expertise and skilled talents. Ongoing training and development programmes are essential to improve employee skills and keep them aligned with industry advancements.

**b) Technological adoption and digitalisation**

Adopting technology and digital solutions is essential for bolstering the competitiveness of MSMEs in today's dynamic economic landscape. Utilising productivity-enhancing software, increasing automation and embracing cutting-edge technologies will enable MSMEs to stay ahead in a digital-driven business environment.

**c) Networking and collaboration**

Strategic partnerships with suppliers, distributors and industry associations ensure MSMEs to access new markets, share resources and leverage each other's strengths. Such collaborative efforts, grounded in knowledge exchange and shared initiatives, can drive innovation, strengthen market positioning and unlock new business opportunities.

**d) Access to financing**

Adequate financial support will assist MSMEs to invest in equipment, technology upgrades and working capital. This in turn will enable MSMEs to seize growth opportunities, expand their operations and stay competitive in the industry.



## Box Article

# E-Invoicing for MSMEs

The e-Invoice initiative was introduced in Malaysia as part of the Government's efforts to modernise the tax system and enhance transparency in business transactions. E-Invoicing replaces paper or electronic documents such as invoices, credit notes and debit notes by enabling businesses to generate and store machine-readable, digital versions of invoices. The plan to implement e-Invoice was first announced in Budget 2023 by the Prime Minister of Malaysia, with execution to be in phases.

### Timeline of e-Invoice Implementation

Phase	Targeted Taxpayer	Implementation Date
1	Taxpayers with annual turnover or revenue > RM100 million	1 August 2024
2	Taxpayers with annual turnover or revenue > RM25 million up to RM100 million	1 January 2025
3	Taxpayers with annual turnover or revenue > RM500,000 and up to RM25 million	1 July 2025
4	Taxpayers with annual turnover or revenue of up to RM500,000	1 January 2026

Following this announcement, YB Minister of Finance II on 2<sup>nd</sup> July 2024, has announced the exemption of e-Invoice for firms, including MSMEs with annual turnover less than RM150,000. They would only need to submit e-Invoices on 1 January of the second year if annual turnover for the current year exceeds RM150,000. Nevertheless, exempted firms and MSMEs are encouraged to voluntarily use e-Invoicing as it would help in reducing manual work and enhance transparency in transactions. Other benefits of adopting e-Invoicing for businesses include:

- unified invoicing through streamlined creation & submission of invoices;
- integrated tax filing for more efficient & accurate tax reporting;
- digitalised tax and financial reporting & aligning with the industry standards; and
- streamlined operations for more efficient tax compliance.

The main authority overseeing the e-Invoice implementation in the country is the Inland Revenue Board of Malaysia (IRBM). Generally, there are two mechanisms for taxpayers to transmit e-Invoices to the IRBM namely through MyInvois Portal and via the Application Programming Interface (API). The MyInvois Portal which is hosted by IRBM is available to all taxpayers at no cost, making it ideal for MSMEs. The system can be used to issue e-Invoices, cancel or review transactions that have been made. Issuance of e-Invoices through MyInvois is automatically deemed to be in compliance with statutory e-Invoicing implementation requirements.

Meanwhile, the API mechanism enables seamless integration between taxpayers' systems and the MyInvois Portal, streamlining data transmission. Nonetheless, its adoption necessitates upfront technological investments and adjustments to existing system infrastructures.

The MyInvois Portal which is hosted by IRBM is available to all taxpayers at no cost, making it ideal for MSMEs especially those with a low volume of transactions.



## Facilitations and Incentives for MSMEs

To ease taxpayers and businesses in transitioning to e-Invoice, IRBM announced some relaxation for the initial phase of implementation. A six-month relaxation period from the mandatory implementation date will be given for each phase to issue consolidated e-Invoice for all transactions as follows:

- Allow all activities / industries to issue consolidated e-Invoice including self-billed invoice;
- Allow any description of transactions to be entered in the field column "Product or Services Description"; and
- If there is application of e-Invoice from buyers, sellers are allowed to issue consolidated e-Invoice without issuing e-Invoice for each transaction.

Furthermore, IRBM cited that during the six-month relaxation period, no prosecutions or penalties will be imposed for e-Invoicing non-compliance, provided taxpayers adhere to the outlined consolidated e-Invoicing requirements. This grace period is anticipated to offer taxpayers ample time to achieve full compliance with the e-Invoicing implementation framework.

To recognise taxpayers who successfully implement e-Invoicing according to the mandated timeline (without using the above relaxation), special incentives under Budget 2025 has been announced whereby purchase of ICT equipment, computer software packages and consulting fees are to be given accelerated capital allowance from three (3) years to two (2) years for assessment year 2024 and 2025. This includes consultation, licensing & incidental fees related to the development of customised computer software. On top of that, other general incentives being offered for taxpayers include:

- Accelerated capital allowance from four (4) years to three (3) years for the purchase of ICT equipment & computer software packages; and consultation, licensing & incidental fees related to the development of customised computer software at accelerated rates of 40% for initial allowance and 20% for annual allowance (effective from assessment year 2024); and
- Tax deduction of up to RM50,000 per year on ESG related expenses including cost of consultancy services for the implementation of e-Invoicing from 2024 until 2027.

In facilitating the successful implementation of e-Invoicing within the mandatory timeline, IRBM has undertaken extensive engagement and educational initiatives targeted at MSMEs. These include training sessions to enhance technological literacy among MSMEs and guide them in integrating e-Invoicing into their business operations. The positive reception of these efforts is evident in the growing participation rates, reflecting heightened awareness and interest in adopting e-Invoicing practices.

Complementing these outreach efforts, IRBM has also introduced several digital solutions to streamline the e-Invoicing process for MSMEs. The MyInvois Mobile Application which mirrors the functionalities of the MyInvois Portal, provides users with a flexible and on-the-go experience. Additionally, IRBM is set to launch a QR Code Application designed to simplify e-Invoice issuance by automating the entry of buyer information, thereby reducing administrative burdens for businesses.

On top of that, the ongoing development of an e-Point of Sale (e-POS) Application aims to extend support to small businesses. Offered free of charge, this tool will enable seamless purchase and sale transactions by integrating directly with the MyInvois system for automatic validation and e-Invoice generation. This application is expected to be ready before Phase 3 implementation, ensuring MSMEs and all taxpayers are well-prepared to meet the mandatory requirements.

Looking at the statistics, the IRBM recorded a total of 64.5 million e-Invoice submissions for validation until 23 October 2024. Interestingly, about 30% of companies in Phase 2 and Phase 3 have voluntarily implemented e-Invoice well ahead their mandatory implementation date. This indicates growing readiness and interest among businesses in implementing e-Invoicing.



Box Article

# Vendor Development Programme

The Vendor Development Programme (VDP) is a collaborative effort between the Government and industry to develop Bumiputera vendors. The programme is intended to raise the contribution of Bumiputera companies to GDP, export value and market share.

Anchor companies under the VDP are local or international business entities that are deemed to have the capability to help develop vendors in line with the goals of the programme. To date, 40 anchor companies have signed Memorandum of Understanding (MoUs) with the Ministry of Entrepreneur and Cooperatives Development (MECD) for the programme. Participating anchor companies are entitled to a Double Deduction Tax Incentive (DDTI), subjected to the following criteria:

- i. Eligible operating expenditure must be confirmed by MECD before claims are made;
- ii. Deductions for eligible operating expenses are limited to RM500,000 per assessment year; and
- iii. Deductions are given for three consecutive years of assessment, from 1 January 2021 to 31 December 2025.

The DDTI can be claimed by anchor companies for the following operating expenses:

- i. Cost of product development, research & development, innovation & quality enhancement;
- ii. Cost of enhancing vendor capability such as ISO, Kaizen or 5S certification, evaluation programmes and business process reengineering; and
- ii. Cost of skills training for vendors, capacity building, lean management and financial management system.

As at 31 July 2024, 40 anchor companies across 10 sectors and 1,316 vendor companies are participating in the programme as shown in Table 1 below. The VDP is complemented by two other programmes namely Vendor Capacity Development Programme and Vendor Innovation & Commercialisation Grant.

**Table 1:** Vendors Participating in VDP by Industry

Industry	Number of Vendors
Energy and utilities	400
Property and plantations	322
Services	201
Automotive	100
Telecommunications	100
Pharmaceuticals and medical devices	80
Transport	60
Oil and gas	28
Food and beverages	20
Textiles	5
Total	1,316



## Vendor Capacity Development Programme

The Vendor Capacity Development Programme is intended to create efficient and productive Bumiputera vendors who will be resilient, competitive and sustainable through adoption of best practices in production & management services. Grants of up to RM200,000 are offered for the following:

- i. Human capital and capacity development;
- ii. Standards and accreditation;
- iii. Access to market and financing;
- iv. Efficiency and technical skills enhancement;
- v. Technology transfer;
- vi. Machinery / software / hardware upgrading; and
- vii. Market access.

From 2021 until September 2024, a total of RM15.5 million in grants were given to 86 vendor companies under the programme as shown in Table 2 below.

**Table 2:** Allocations and Recipients of Vendor Capacity Development Programme

Year	Total Allocations (RM million)	Total Number of Recipients (Vendor Companies)
2021	0.5	3
2022	5.0	26
2023	5.0	27
2024 (Jan-Sept)	5.0	30
<b>Total</b>	<b>15.5</b>	<b>86</b>

## Vendor Innovation and Commercialisation Grant

The Vendor Innovation and Commercialisation Grant is intended to spur innovation among Bumiputera companies by enhancing research and commercialisation in production & management services. Grants of up to RM1 million are offered under this programme. From 2021 until September 2024, a total of RM32.3 million in grants were given to 94 vendor companies as shown in Table 3 below.

**Table 3:** Allocations and Recipients of Vendor Innovation and Commercialisation Grant

Year	Total in Allocations (RM million)	Total Number of Recipients (Vendor Companies)
2021	2.3	2
2022	10.0	10
2023	10.0	25
2024 (Jan-Sept)	10.0	57
<b>Total</b>	<b>32.3</b>	<b>94</b>