

TINJAUAN PMKS *MSME INSIGHTS*

2021

PMKS ke arah Pemulihan yang Mampan
MSMEs towards Sustainable Recovery



Majlis Pembangunan Usahawan dan PKS Kebangsaan (MPUPK)
National Entrepreneur and SME Development Council (NESDC)

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Message from YAB Prime Minister

Micro, small and medium enterprises (MSMEs) are the catalysts to spur Malaysia's strong and sustainable post-COVID-19 economic recovery. The importance of MSMEs as the backbone of the Malaysian economy is irrefutable. Representing more than 1.2 million or 97.4% of the total business establishments in the country, MSMEs contributed significantly to the economy in 2021, 37.4% of Gross Domestic Products (GDP), 11.7% of total exports and 47.8% of total employment.

The COVID-19 pandemic triggered the largest global economic crisis in more than a century, emanating unprecedented shock worldwide over the last two years. In tandem with the global economy's recovery, Malaysia's economy regained its momentum in 2021 registering positive growth in GDP, investments and trade. Strategic measures, in terms of policies, strategies and aids, undertaken by the Government in managing the crisis since May 2020, have proven to be effective in mitigating the impact on the MSME sector, as MSMEs rallied to positive growth in 2021. Despite the lower contribution to the Malaysian economy, it is a triumphant feat for MSMEs nonetheless, considering the unparalleled domestic and global challenges that prevailed.

In meeting the needs and ensuring the survival of businesses, the Government has given special emphasis to MSMEs through various stimulus packages. Since the start of the pandemic, a total of RM196 billion has been allocated to help MSMEs deal with critical issues specifically in financing, cash flow, job retention, human capital development, as well as the adoption of technology and digitisation. In 2021, 210 MSME development programmes were implemented by 15 Ministries, six sole agencies and 53 agencies with a total allocation of RM11.7 billion that benefited 774,694 MSMEs.

Apart from the looming economic uncertainties within and beyond our domestic shores, including significant increases in food costs, as well as the war in Ukraine, which may hinder global growth and aggravate inflationary pressures, the Government is also cognisant of the tremendous issues and challenges confronting MSMEs in their post-COVID recovery path, which are digitalisation gap; low productivity among workers; lack of adequate financial access; insufficient supply chain linkages; and increased economic vulnerability.

Hence, it is imperative for the recovery and continuous development of the MSME sector to evolve, by taking into account long-term strategies that would help to limit the impact of future crises and develop dynamic MSMEs that are resilient, proactive, adept and better able to withstand future shocks as well as increase MSME economic contribution. Emphasis must be given to three focus areas to ensure the sustainable growth of MSMEs, namely participation of MSMEs in the value chain of high impact industries, internationalisation of MSMEs, as well as digitalisation and automation of MSMEs.

The pandemic has reinforced the need for climate action in consumerism. Compliance with environmental, social and governance (ESG) practices has become increasingly important globally among investors, policymakers and other key stakeholders to safeguard businesses from future risks. Hence, in moving forward, it is critical for MSMEs to be ESG compliant in order to thrive in the present and future-proof their businesses. In achieving this goal, the Government is committed to introducing initiatives that will encourage MSMEs towards embracing ESG principles in their operations, to enable them to participate in global markets and secure financing in the future.

The progressive development of MSMEs is now more than ever, a primary agenda of the Government towards revitalising and rebuilding the overall economy and essentially, realising its visions of achieving a high-income nation status by 2025 and transforming Malaysia into an entrepreneurial nation by the year 2030. Rancangan Malaysia Kedua Belas (RMKe-12) signifies the Government's pledge to ensure Malaysia's economic prosperity, inclusivity and sustainability, which includes establishing a conducive and holistic MSME ecosystem that is ESG-friendly to enhance the entrepreneurial capabilities of MSMEs and strengthening the business landscape in order to create resilient, sustainable and globally competitive players.

The Government is intensifying its efforts with a whole-of-Government approach to ensure that the MSME economic recovery momentum will continue steadfastly, propelling MSME economic contributions to steadily surpass the pre-pandemic levels. Financing packages under the Semarak Niaga Keluarga Malaysia (SemarakNiaga) programme worth RM40 billion to restore business capabilities will further rejuvenate the MSME sector in 2022. I am optimistic that through strategic and concerted efforts by the Government and the private sector, we will prevail in our endeavor to empower our MSMEs to successfully navigate the future.

Backed by our strong economic fundamentals, we shall persistently continue to overcome trials and tribulations to bolster Malaysia's progressive economic recovery to emerge as a robust and resilient nation that is prosperous, inclusive and sustainable. In the true spirit and aspirations of Keluarga Malaysia, let us all take this opportunity to work cohesively together in rebuilding our economy towards establishing a better and stronger nation.



YAB Dato' Sri Ismail Sabri bin Yaakob
Prime Minister of Malaysia





MSME Development Policies, Initiatives and Programmes

Chapter

1



Chapter 1

MSME Development Policies, Initiatives and Programmes

Over the years, the National Entrepreneur and SME Development Council (NESDC) has demonstrated unparalleled leadership in reviewing past performances, existing targets and future direction for micro, small and medium enterprise (MSME) development. The establishment of National Entrepreneurship Development Council in 2020 will further drive the development and growth of MSMEs while acting as a communication platform between the Federal and State Governments. This will strengthen current entrepreneurial ecosystem across all levels.

Under the Rancangan Malaysia Kedua Belas (RMKe-12) 2021 - 2025, transforming MSMEs as the new driver of growth will be the game changer. Transformation of MSMEs will increase the contribution of MSMEs to Gross Domestic Product (GDP) and exports, enhance the competitiveness of MSMEs, enhance the capabilities of Bumiputera entrepreneurs and address the low level of technology and digital adoption. Initiatives will be undertaken to boost MSMEs market access and capabilities by strengthening MSME participation in the economy.

NATIONAL ENTREPRENEUR AND SME DEVELOPMENT COUNCIL (NESDC) AND KEY INITIATIVES

The National Entrepreneur and SME Development Council (NESDC) is the highest decision-making body 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. It also acts to boost private sector involvement and support for the national agenda to develop competitive and sustainable entrepreneurs.

The NESDC membership comprises the Prime Minister as Chairman and not more than 20 high-level representatives from the public and private sector appointed by the Chairman. The public sector members of the Council comprise ministers and high-level representatives from Ministries and agencies that are involved in MSME development.

Meanwhile, among the private sector members that attends NESDC by invitation comprise of selected representatives from trade associations such as the National Chambers of Commerce and Industry Malaysia, Federation of Malaysian Manufacturers and Association of Banks Malaysia as well as individuals who possess knowledge, expertise and experience.

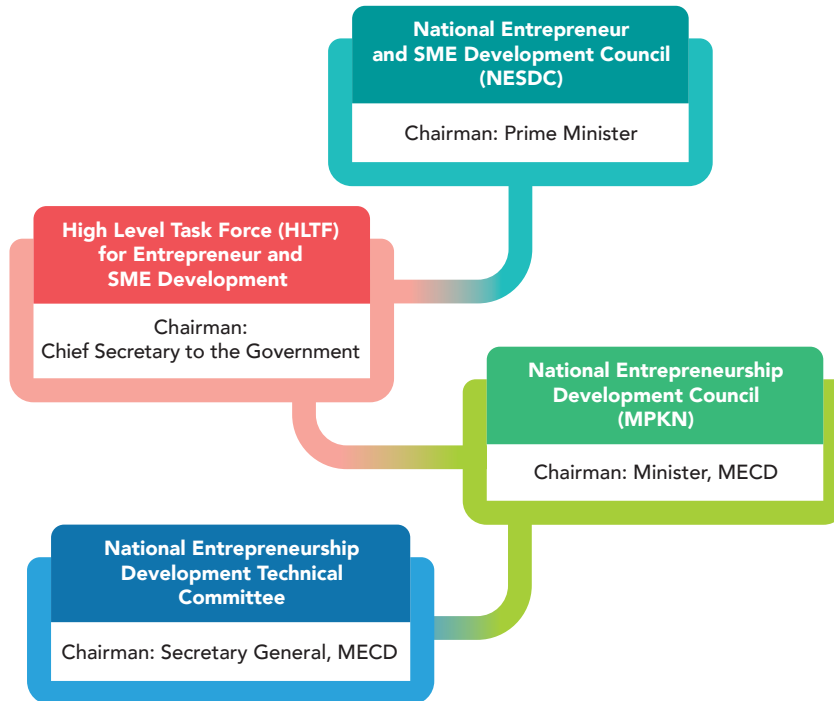
MSME-friendly policies and regulations are prioritised to ensure these are aligned with the Government's efforts to facilitate recovery while entrepreneurs are incentivised to adopt technology and digitalisation to enable them to remain relevant and competitive in facing challenges in the future

The Government views with great concern the challenges faced by MSMEs affected by the COVID-19 pandemic and has, accordingly, rolled out various initiatives to help in expediting its recovery. MSME-friendly policies and regulations are prioritised to ensure these are aligned with the Government's efforts to facilitate recovery while entrepreneurs are incentivised to adopt technology and digitalisation to enable them to remain relevant and competitive in facing challenges in the future.

The 26th NESDC Meeting, chaired by the Prime Minister was held on 30 April 2021. The following key decisions were made at the meeting:

- ▶ Review the Small and Medium Industries Development Corporation Act 1995 (Act 539).
- ▶ Include representatives from Sabah and Sarawak in the High Level Task Force (HLTF) for Entrepreneur and SME Development and the National Entrepreneurship Development Technical Committee.
- ▶ NESDC will undertake the following new functions:
 - Approve policy, strategies and action plans for the holistic development of entrepreneurs and MSMEs across all economic sectors.
 - Review the role and responsibilities of Government Ministries and agencies with regard to the holistic development of entrepreneurs and SMEs across all economic sectors.
 - Enhance cooperation and coordination between Government agencies and the private sector for more effective implementation of entrepreneur and MSME development policies and action plans.
 - Boost the support of the private sector in entrepreneur and MSME development across all economic sectors.
 - Undertake any other functions as and when required.

Chart 1.1: New NESDC Governance Structure



NATIONAL ENTREPRENEURSHIP DEVELOPMENT COUNCIL (MAJLIS PEMBANGUNAN KEUSAHAWANAN NASIONAL, MPKN)

The National Entrepreneurship Development Council (MPKN) was established by the Ministry of Entrepreneur and Cooperatives Development (MECD) to serve as a communication platform between the Federal and State Governments to strengthen the entrepreneurship ecosystem at national and state level.

The MPKN membership comprises the Minister of Entrepreneur and Cooperatives Development as chairman, the Ministry's Secretary General and heads of agencies, Minister and Permanent Secretary of the Ministries responsible for entrepreneurship development for the states of Sabah and Sarawak as well as Ministries and Federal Government agencies, represented by the Secretary General of the Ministry and Head of Government Department of the relevant agency. Other members of the meeting include State Executive Council Members or EXCO responsible for entrepreneurship development.

The MPKN coordinates policies and directions in entrepreneurship development, determines the scope of cooperation between the Federal and States Governments as well as to support strategic measures and initiatives in a holistic and integrated manner to overcome challenges faced by entrepreneurs at various levels.

The Minister of Entrepreneur and Cooperatives Development chaired the first MPKN Meeting which was held virtually on 9 February 2021. One of the main agenda was discussions on strategic cooperation between MECD and the Kedah State Development Corporation and Perlis State Economic Development Corporation to enhance and develop entrepreneurs and MSMEs in the two states.

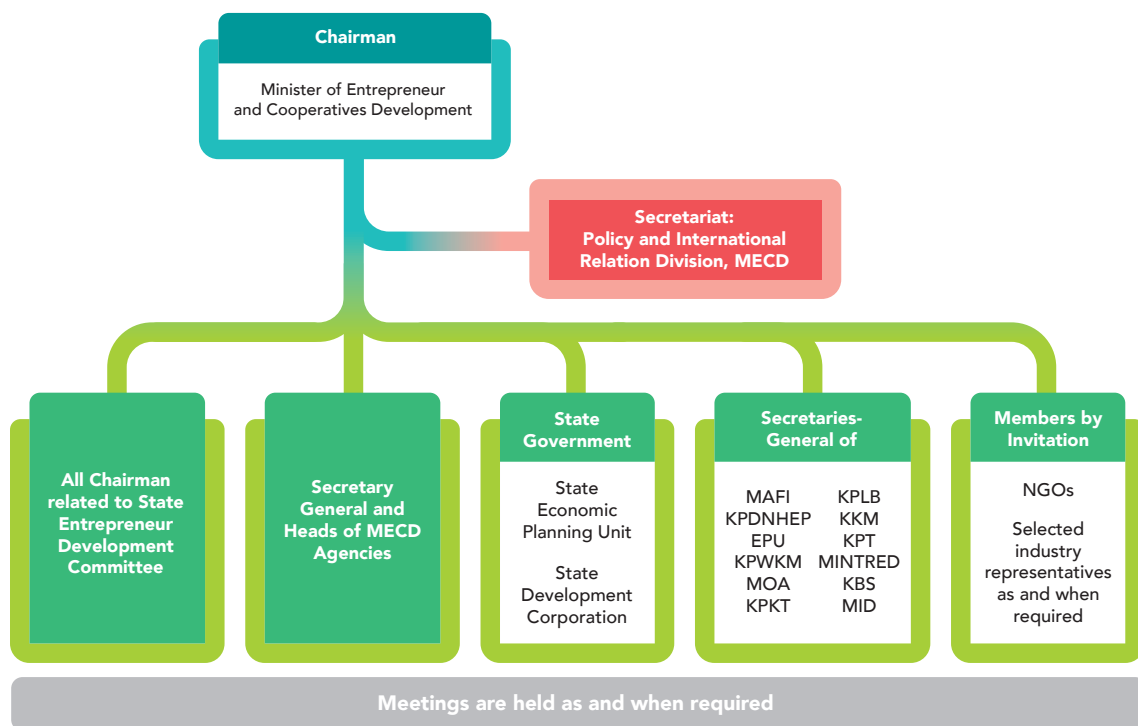
MECD also proposed to study methods and initiatives which could help entrepreneurs in Sabah and Sarawak, especially those in the interior, to diversify their products and services. Initiatives to provide infrastructure, boost productivity and expand the market reach of MSME products in collaboration with the Ministry of Industrial Development Sabah and Sarawak Economic Development Corporation would also be looked into.

MPKN will identify strategic and proactive measures to help entrepreneurs facing challenges amid the economic uncertainties during the pandemic. This, together with the coordinated implementation of entrepreneurship initiatives at the Federal and State level in line with current national policies and socio-economic planning, will contribute towards the development of an entrepreneurship ecosystem that is more holistic and inclusive.

The MPKN plays a key role in supporting MECD to forge a well-planned and integrated entrepreneurship development strategy in line with the Ministry's mission to support the national socio-economic development agenda and realise the aspiration of making Malaysia an outstanding Entrepreneurial Nation by 2030.

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Chart 1.2: MPKN Membership Structure



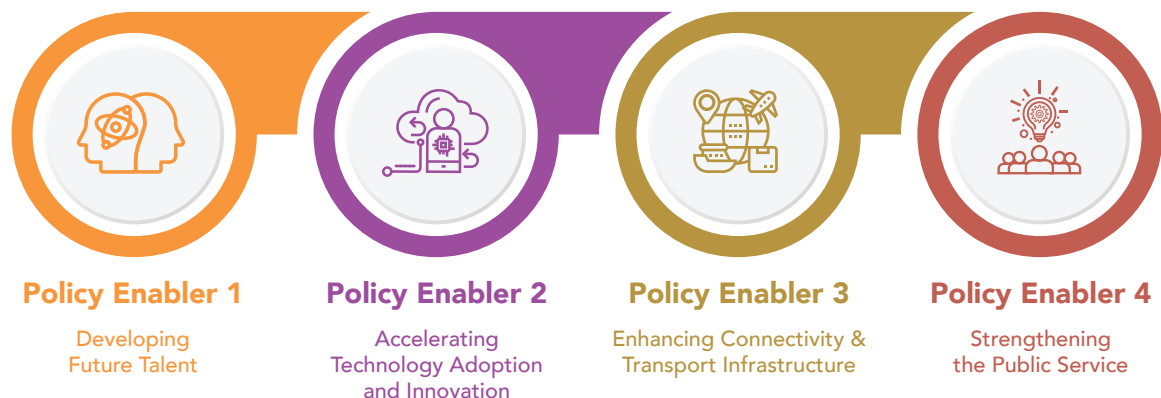
Rancangan Malaysia Kedua Belas (RMKe-12)

On 27 September 2021, YAB Dato' Sri Ismail Sabri bin Yaakob, Prime Minister of Malaysia tabled the Rancangan Malaysia Kedua Belas (RMKe-12) for the period of 2021 to 2025. The RMKe-12 sets a strategic direction to achieve the objective of a 'Prosperous, Inclusive, Sustainable Malaysia', focusing on efforts to rejuvenate economic growth, ensure the nation's prosperity is distributed more fairly and equitably, as well as maintain environmental sustainability. It is also an effort of the Government to plan and implement the sustainable national development agenda in line with the spirit of the Keluarga Malaysia, the aspirations of the Shared Prosperity Vision and the 2030 Agenda for Sustainable Development.

The RMKe-12 introduces a new transformative approach based on three themes, four catalytic policy enablers and 14 game changers. The RMKe-12 is anchored on three key themes, namely:



To support the key themes, four catalytic policy enablers have been introduced to form the foundations and building blocks of Malaysia's development future. The four catalytic policy enablers are:



During the RMKe-12 period, the global economy is expected to regain momentum as it recovers from the COVID-19 pandemic. World trade is expected to grow by 5.3% per annum, mainly supported by better trade performance of emerging markets and developing economies. In tandem with the global economic recovery, the Malaysian economy is expected to grow between 4.5% and 5.5% per annum, resulting in a higher GNI per capita of RM57,882 or USD14,842 in 2025.

MSMEs continued to play an important role in economic development during the RMKe-12 period whereby, a total of 1.2 million establishments were categorised as MSMEs, constituting 97.4% of total business establishment in 2021. However, there are several issues and challenges which impeded the growth of these MSMEs. The MSMEs remain uncompetitive due to low technology adoption, lack of skilled talent and management know-how, as well as facing constricted access to finance. The low adoption of technology and high dependency on unskilled workers have widened the productivity gap between MSMEs and large firms, and render local MSMEs uncompetitive globally. In addition, there is poor understanding among MSMEs regarding processes and compliance to requirements to secure funding. Existing rules and legislation pertaining to business financing procedures are not supportive in promoting sustainable growth of MSMEs and innovation-based entrepreneurship. The lack of holistic and integrated entrepreneurial development programmes has impeded market expansion, innovation and sustainability. The COVID-19 pandemic has further affected the performance of MSMEs arising from lower demand for goods and services and disruption in the supply chain.

Hence, under the RMKe-12 measures for MSMEs are predominately highlighted in Theme 1, Game Changer III: Transforming Micro, Small and Medium Enterprises as the New Driver of Growth.

Selected Key Measures for MSMEs

CHAPTER 3: Propelling Growth of Strategic and High Impact Industries as well as MSMEs

Strategy	Measures
Strategy A1: Boosting Electrical and Electronics Industry in Moving up the Value Chain	The implementation of the Lighthouse Project will be intensified to encourage MNCs to assist local MSMEs in embracing digitalisation and Globalisation 4.0 in their business models. In addition, the establishment of the Fourth Industrial Revolution (4IR) business platform will provide opportunities to E&E companies and MSMEs to accelerate 4IR technology adoption and innovation.
Strategy A3: Establishing a Sustainable Aerospace Industry	The aerospace industry will be transformed to produce more complex products and services. The initiatives will include developing a sustainable ecosystem, clustering and zoning of aerospace activities, establishing an aerospace digital system and venturing into sustainable energy.
Strategy A4: Maximising the Potential of the Creative Industry	Measures to accelerate the creative industry growth include developing a holistic ecosystem, upskilling talent to match industry needs as well as strengthening product development and promotion.
Strategy A5: Re-energising the Tourism Industry	The tourism industry will be re-energised to cater to tourists needs amid higher demands for improved safety and hygiene measures. This includes restoring tourist confidence, providing better quality products and services, enhancing the sustainability of tourism products, strengthening brand positioning and promotion, instituting governance reforms and intensifying domestic tourism.
Strategy A6: Fostering Competitiveness of Inclusive Halal Industry	The role of MSMEs will be enhanced to be a key driver for the development of the halal industry. High performing MSMEs will be groomed as home-grown halal local champions. This will involve upscaling production capacity and product quality as well as promoting local brands to be on par with global brands in improving access to the international market.

Strategy	Measures
Strategy A7: Intensifying Smart Farming Activities	Smart farming approach will be implemented across all subsectors in the agriculture sector. This will be undertaken by developing a comprehensive smart farming framework, accelerating the adoption of modern technologies, improving the dissemination of technological information and talent development, enhancing the participation of technology providers, and empowering local communities.
Strategy B1: Creating Innovative and Sustainable Entrepreneurs	<p>Enhancing Entrepreneurship Development Programmes</p> <ul style="list-style-type: none"> - Entrepreneurial development programmes will be further enhanced to inculcate the right mindset among aspiring entrepreneurs - Incubation spaces will be established in rural and less developed areas to support aspiring entrepreneurs - Outreach programmes will be intensified in boosting entrepreneurial capability and skills among youth, Bumiputera and specific groups - Intrapreneurship development within organisations will be augmented <p>Promoting Innovation-Driven Entrepreneurs</p> <ul style="list-style-type: none"> - Increase the number of innovative entrepreneurs, including youth, Bumiputera and specific target groups in strategic and high impact industries - Entrepreneurs to continuously innovate by adopting advanced and digital technology including in their business operation and management.
Strategy B2: Promoting Inclusive Participation through MSMEs, Cooperatives and Agriculture-Based Associations	<p>The participation of MSMEs, cooperatives and agriculture-based associations in the economy will be strengthened to ensure inclusive growth.</p> <p>Increasing MSMEs Contribution to the Economy</p> <ul style="list-style-type: none"> - Initiatives to accelerate the creation of high growth and innovative firms will include enhancement of targeted assistance for automation, digitalisation, artificial intelligence (AI) and other 4IR technologies - Focus will be given to strengthening the ecosystem for future industry start-ups by creating technology and digital entrepreneurial cluster - Targeted assistance and access to financing will be improved for the development and adoption of new technology - Training and development programmes related to automation, digitalisation and 4IR technologies will be strengthened - A national MSMEs digitalisation roadmap will be introduced to drive the adoption of digitalisation - The Vendor Development Programme (VDP) will be expanded in creating more competent Bumiputera vendors among MSMEs. <p>Increasing Market Access and International Trade Opportunities</p> <ul style="list-style-type: none"> - Measures to enhance market access and opportunities will be further expanded - Government Procurement will be fully leveraged to support MSMEs - Linkages with large firms, especially MNCs will be strengthened in enabling MSMEs to have access to a bigger market; MNCs are encouraged to use locally produced materials by MSMEs - Business-to-business (B2B) opportunities will be expanded through initiatives that encourage large companies to source locally from MSMEs - 'Buy Malaysia Campaign' will be intensified - Efforts will also be undertaken to leverage the benefits of free trade agreements (FTAs) in widening market access and accelerating the internationalisation of MSMEs

Strategy	Measures
	<p>Capitalising Cooperatives, Agriculture-based Associations and Social Enterprises in Developing Entrepreneurs</p> <ul style="list-style-type: none"> - The cooperative movement among the B40 and rural communities will be further promoted - Blueprint Perusahaan Sosial 2021 - 2025 will be introduced to further strengthen social enterprise development - Program Perolehan Impak Sosial Kerajaan (PPISK) will be rolled out to enable the onboarding of social enterprises to the national e-procurement system
Strategy B3: Creating a Conducive and Holistic Ecosystem for Entrepreneurship	<p>Enhancing Governance, Regulations and Institutional Roles</p> <ul style="list-style-type: none"> - A corporate governance toolkit for MSMEs will be developed to improve business efficiency and performance - Relevant laws and regulations will be improved to ensure businesses and cooperatives remain vibrant - Measures will continue to be undertaken to encourage registration of businesses in the informal sector - A commissioner will be appointed to provide support for small businesses in securing payments on time and will act as a mediator in resolving payment disputes - A centralised database will be established to provide comprehensive information on entrepreneurship activities; MyAssist MSME, Pusat Internet Komuniti (PIK) and Pusat Internet Desa (PID) will be further strengthened - Roles and functions of entrepreneurship development organisations (EDOs) will be strengthened and streamlined. <p>Improving Access to Financing</p> <ul style="list-style-type: none"> - Co-funding initiatives between the public and private sectors will be intensified (high-potential and innovative entrepreneurs / enterprises venturing into high value-added products and services) - Role of the Development Financial Institutions (DFIs) will be revitalised - Access to financing for new entrepreneurs, especially start-ups, will also be improved - Financing procedures and processes will be simplified to expedite the approval and disbursement - Intervention programmes will be introduced to assist failed entrepreneurs and mitigate the risk of bankruptcy.

Performance of MSMEs and Targets

	Performance in 2020	Targets under RMKe-12
Contribution of MSMEs to GDP	38.1%	45.0%
Contribution of MSMEs to Total Exports	13.5%	25.0%
Average Annual Growth of Labour Productivity of MSMEs	1.2% (2016 – 2020)	3.5% (2021 – 2025)
MSMEs to Digitalise Business Operations	-	90.0%
Bumiputera Enterprise Contribution to GDP	-	15.0%

Box Article

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MSME Development Programmes in 2021 and 2022

The SME Integrated Plan of Action (SMEIPA) presents a comprehensive overview of MSME development programmes by various Ministries and agencies in a year. It also incorporates the achievements of the preceding year's programmes. The information outlined in SMEIPA will facilitate effective coordination and collaboration to ensure greater synergy among Ministries and agencies as well as the private sector in shaping policies and strategies for MSMEs, implementation of MSME development programmes and monitoring of outcomes and achievements.

PROGRAMMES IN 2021

In 2021, a total of 15 Ministries, six sole agencies and 56 agencies were involved in implementing 210 MSME development programmes, with financial expenditure amounting to RM11.7 billion. These programmes have benefitted 774,694 MSMEs during the year.

Table 1: Summary of Programmes in 2021 by Focus Area

Focus Area	Number of Programmes		Financial Expenditure		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Access to Financing	91	28.7	11,531.8	77.4	384,472	39.9
Human Capital Development	90	28.4	2,482.9	16.7	349,588	36.3
Innovation & Technology Adoption	49	15.5	674.4	4.5	109,587	11.4
Market Access	49	15.5	127.2	0.9	113,732	11.8
Infrastructure	38	12.0	77.5	0.5	5,928	0.6

Note: Similar programmes may cater for multiple focus area

Most number of programmes implemented throughout the year were for access to financing, which amounted to 91 programmes (28.7%) with an expenditure of RM11.5 billion and benefitted 384,472 MSMEs. Meanwhile, human capital development programmes have benefitted 349,588 MSMEs and utilised a total of RM2.5 billion through 90 programmes. The programmes include entrepreneurship development as well as enhancing the skills and competencies of employees. A total of 49 programmes were undertaken to enhance innovation & technology adoption with an expenditure of RM674.4 million and benefitted 109,587 MSMEs.

PROGRAMMES IN 2022

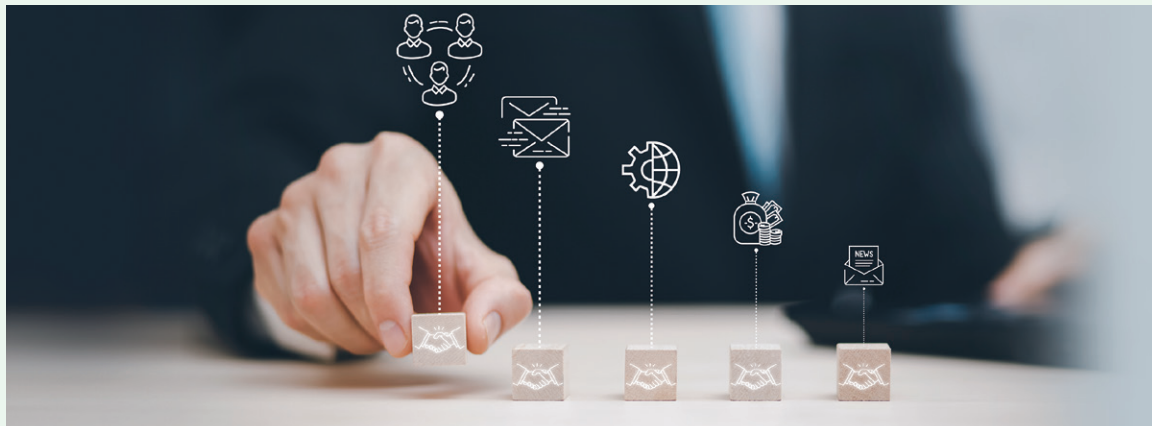
In ensuring the recovery and sustainable growth of MSMEs, the Government will continue its efforts to spur greater MSME growth by providing support through five key focus areas namely, access to financing, human capital development, market access, innovation & technology adoption as well as infrastructure. For 2022, with a total allocation of RM14.7 billion, the Government is currently implementing 213 programmes, which are expected to benefit 479,588 MSMEs. These programmes will be implemented by 15 Ministries, six sole agencies and 53 agencies. Access to financing has the majority of programmes (29.5%) and the highest amount of financial commitment of RM14.5 billion. As for the rest of the programmes, 26.5% of the programmes are dedicated to human capital development, followed by market access (17.1%), innovation & technology adoption (13.6%) and infrastructure (13.3%).

For 2022, with a total allocation of RM14.7 billion, the Government is currently implementing 213 programmes, which are expected to benefit 479,588 MSMEs. These programmes will be implemented by 15 Ministries, six sole agencies and 53 agencies

Table 2: Summary of Programmes in 2022 by Focus Area

Focus Area	Number of Programmes		Financial Allocation		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Access to Financing	100	29.5	14,445.5	79.7	373,385	62.1
Human Capital Development	90	26.5	2,020.1	11.2	125,970	20.9
Market Access	58	17.1	1,111.5	6.1	42,839	7.1
Innovation & Technology Adoption	46	13.6	427.7	2.4	47,659	7.9
Infrastructure	45	13.3	110.0	0.6	11,859	2.0

Note: Similar programmes may cater for multiple focus area



Box Article

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Malaysian SME Programme Efficiency Review by The World Bank

The Ministry of Entrepreneur and Cooperatives Development, through SME Corp. Malaysia, collaborated with the World Bank to conduct the Malaysian SME Programme Efficiency Review (PER) to assess the effectiveness of the country's MSME support programmes. The PER assessed the adequacy and suitability of the policy framework for MSME support as well as the policy and programme mix in supporting Government efforts to facilitate greater innovation-led productivity growth.

With MSMEs making up 97.4% of total Malaysian establishments and contributing 37.4% to national GDP in 2021 as well as being significant contributors to employment and exports, the review is important in helping policymakers recalibrate support programmes for greater efficacy in enabling MSMEs to raise their performance and productivity levels.

Some of the observations of the review are as follows:

Big Variation in Total Factor Productivity

Total factor productivity (TFP) is a crucial measure of efficiency and is thus an important indicator for policymakers. The review shows significant variations in TFP between Malaysian firms of different sizes, with small firms, generally, lagging far behind larger firms. In Malaysia, firms in the top 25% of TFP distribution are 11.6 times more productive than those in the bottom 25%. This is a vastly greater gap than in the case of China and countries from the OECD and ASEAN region, where the average gap is less than four times. The higher degree of variability is largely explained by the average TFP levels of large and small firms which have wider TFP distributions than medium-sized firms, indicating that many local MSMEs are inefficient compared with their global peers.

Another indicator of the performance level of Malaysian MSMEs is in the export trade where large firms predominate and MSMEs play a much lesser role in terms of integration into global value chains. Exports account for 50.0% and 15.0% of the overall sales or revenue of large and medium exporting firms respectively while it is estimated that less than 5.0% of MSMEs have achieved export sales or revenue of more than 10.0% of overall turnover.

The higher degree of variability is largely explained by the average TFP levels of large and small firms which have wider TFP distributions than medium-sized firms, indicating that many local MSMEs are inefficient compared with their global peers

Challenges in Innovation and Technology Adoption

While the COVID-19 crisis has made innovation and technology uptake by businesses increasingly urgent to maintain competitiveness, Malaysian MSMEs face several fundamental challenges in adopting innovation and new technologies.

The share of Malaysian MSMEs that invest in R&D is lower than that of several ASEAN comparators. Local MSMEs are also lagging in the adoption of digital technologies compared with other upper-middle income countries and are also less likely to adopt complex innovations and technologies in their business operations and management practices due to a lack of technical capabilities.

Amid a rapidly changing business landscape caused by the emergence of innovative new technologies and business practices, attempts to adopt new technologies and business practices to enhance capabilities are hampered by a lack of skilled workers as well as managerial and organisation skills to raise productivity, spur innovation and build resilience.

MSME Funding

While the share of financing by financial institutions has increased considerably over the past decade, MSMEs continue to experience constraints in accessing financing, especially when they are unable to provide adequate collateral.

Bank Negara Malaysia survey in 2018 found that MSMEs rely heavily on informal sources of funding, with about 51.0% being self-financed and 17.0% funded by family & friends while only 27.0% of respondents reported being financed by financial institutions. Younger MSMEs, without sufficient track records or collateral, depend largely on self-financing though external financing tends to increase as they mature.



CHARACTERISTICS OF MSME SUPPORT PROGRAMMES

The PER analysed the composition of MSME and entrepreneurship support policies with the objective of reducing redundancies and improving efficiency to ensure that the most pressing needs of MSMEs are adequately addressed.

Redundancy analysis was conducted on 275 different MSME and entrepreneurship support programmes and instruments. The programmes covered in the review included only those that were mostly implemented by Government agencies or Government-linked institutions and reported under the SME Integrated Plan of Action (SMEIPA). Instruments such as tax incentives for MSMEs or programmes which are wholly funded through private sector initiatives were excluded.

Some key takeaways from the review on Malaysia's MSME Programmes are as follows:

Programmes Largely Provide Loans to Firms and Grants that Finance Technical Assistance through the Provision of Training and Education as well as Credit Guarantees

Credit guarantees are arrangements according to which an agency guarantees to provide collateral or to secure the lending transactions of MSMEs in the event of default. Additionally, the value of the programmes in this review refers to the sum of operating expenditures incurred by the agencies to implement the programme, together with the actual disbursements made to beneficiaries. It should be noted that the values of credit guarantees are tied to the disbursed loans or credit.

Large Proportion of Disbursements Concentrated in a Few Programmes

An analysis of all programmes implemented between 2016 to 2019 shows that a large proportion of disbursements were concentrated in only a few programmes, with five of the largest, which provided loan financing to MSMEs, taking up more than 80.0% of the total value of disbursements. At the same time, there is a great number of small-sized programmes, often with very similar and generic objectives.

Fragmented Implementation of Programmes

The implementation of programmes is fragmented due to the involvement of large number of Ministries and agencies. From 2016 to 2019, more than 270 different MSME programmes were implemented by more than 80.0% of agencies across almost all the line ministries, thereby creating significant coordination challenges.

Programmes Largely Focused on Growth and Expansion Stages

Most MSME and entrepreneur programmes are largely focused on the growth and expansion stages of existing firms with more than 190 programmes implemented and RM36.5 billion disbursed from 2016 to 2019. These many programmes for growth and expansion contrasted sharply with those that focused on start-ups, with only 80 programmes and RM5.2 billion in disbursements in the 2016 - 2019 period. However, despite the strong support for growth and expansion programmes, there has been only

limited improvements in MSME productivity which has not even come close to the target set under the SME Masterplan. Labour productivity of MSMEs in Malaysia is also significantly lower than that of other countries. Such a situation raises questions as to the efficacy of the programme mix and the support that was provided.

Lack of Programmes That Address Specific Needs

Only a small proportion of total programmes and disbursements address the specific needs and deficiencies of MSMEs, including those related to business R&D, management practices and firm linkages even though these areas of support are critical in enabling MSMEs to boost innovation and productivity performance. The disbursements appear to have been largely concentrated in programmes that are designed to increase the general capacities of MSMEs through the provision of finance to acquire fixed assets and working capital. Programmes to support technology adoption and non-R&D innovation have increased in terms of their share to total number of programmes but this has not translated into an increase in total value of the disbursements for these programmes.



RECALIBRATING PUBLIC SUPPORT POLICY FOR MSMEs

The Government has, over the years, introduced, implemented, and revised numerous programmes and instruments to support an extensive range of MSME activities. The value of Malaysia's programmes in proportion to GDP at almost 1.0% of GDP in 2018 and 0.6% in 2019 is relatively high compared to other countries.

The emphasis of public policy needs to be more on efficient execution of policies and programmes to support MSMEs. The current economic uncertainty amid the pandemic poses great challenges for the Government in balancing the need to provide immediate relief to MSMEs against the need to re-allocate resources and recalibrate priorities to facilitate longer-term, productivity-led growth. In short and medium term, interventions are needed to facilitate the recovery of MSMEs while in the long term, policies would need to focus on support for long-term resilience and growth. With the Government's fiscal space already shrinking even before the pandemic due to a decline in revenue and increased expenditures, the need to recalibrate the Government support agenda for MSMEs and pivot towards a private sector driven post-pandemic recovery has become that more urgent.

Box Article

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MSME Insights 2021

Human Capital Development in MSMEs

SOCIAL SECURITY INITIATIVES

The Self-Employment Social Security Scheme (SESSS) was introduced by Social Security Organisation (SOCSO) under the provisions of the Self-Employment Social Security Act 2017 (Act 789) which came into force on 1 June 2017. The scheme, which provides social security coverage for work hazards such as occupational diseases and accidents, was initially applicable only to the self-employed in passenger transport services such as taxi, e-hailing and bus drivers. Coverage was extended to cover 19 other sectors from 1 January 2020:



Goods and food transport



Agriculture



Livestock breeding



Forestry



Fishery



Food



Manufacturing



Construction



Hawkers



Premises for accommodation



Online business



Information technology



Data processing



Agents



Professional services



Support services



Arts



Household services



Beauty and healthcare



Table 1: Type of Contribution Payment Plans

Plan	Insured Monthly Earning (RM)	Contribution Payment Per Year (RM)	Contribution Payment Per Month (RM)
1	1,050.00	157.20	13.10
2	1,550.00	232.80	19.40
3	2,950.00	442.80	36.90
4	3,950.00	592.80	49.40

Through National Recovery Plan, the Government had in response to the economic uncertainties amid the pandemic, introduced various social security initiatives to ensure that MSMEs and self-employed segment are protected. SOCSO was tasked to undertake the implementation of these initiatives. SOCSO collaborated with MECD, Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), Malaysia Fisheries Development Board, Persatuan Pengguna Islam Malaysia and various other parties in implementing these initiatives, four of which are the PenjanaGig Programme, SPS Lindung, SPS Prihatin Wanita and the Wage Subsidy Programme.

i. PenjanaGig Programme

The PenjanaGig Programme is a Government assistance package to provide social security and welfare facilities to self-employed individual in the gig economy. Registered gig employees are given free protection for one year under Plan 2 of the SESSS. Thereafter, the annual contribution of RM232.80 is 70.0% subsidised by the Government, with the balance contributed either by the gig employees themselves or their platform service providers.

ii. SPS Lindung

SPS Lindung, or Employment Injury Scheme, is a component of the SESSS, introduced under Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) assistance package. The scheme, which is specifically for self-employed individuals, namely delivery riders, is an enhancement of the PenjanaGig Programme, as unlike the latter, the Government will contribute in full to the riders' protection coverage. Delivery riders are defined as those who are self-employed and performing delivery of goods or food by means of motorcycles, bicycles or on foot. Coverage for one year is provided with a contribution of RM232.80 under Plan 2 of the SESSS. Application to participate in the scheme can be made directly to SOCSO by the self-employed themselves or through their service provider platforms.

iii. SPS Prihatin Wanita

The SPS Prihatin Wanita programme, introduced under the Program Strategik Memperkasa Rakyat dan Ekonomi (PEMERKASA) provides social security protection for all self-employed women in the informal sector. The Programme is also a component of the SESSS. The contribution plan set for this Programme is under the Plan 2 of the SESSS, amounting to RM232.80 per year. The assistance by the Government comes in the form of a 70.0% subsidisation of the annual contribution, with the balance paid by the self-employed.

iv. Wage Subsidy Programme

The Wage Subsidy Programme (*Program Subsidi Upah*, PSU), a financial assistance by the Government was introduced on 1 April 2020 to help employers retain their workforce. A total of RM25.71 billion was allocated by the Government for PSU 1.0 to PSU 4.0. Firms, including MSMEs, with employees earning salaries of RM4,000 and below were eligible for the Programme. Statistical data from SOCSO showed that PSU 1.0 to PSU 4.0 had been pivotal in staving off mass unemployment in 2020 and 2021, with 791,379 employers and 7.82 million workers benefitting from the Programme. The outcome is an indication of the impact of the PSU in enabling employers who were facing financial challenges to continue operations without retrenching workers amid falling demand as well as social and economic constraints.

TRAINING PROGRAMME FOR MSMEs

SME Development Programme is one of the initiatives under the PENJANA HRD Corp implemented by Human Resource Development Corporation (HRD Corp) to build skills and increase the knowledge of Malaysia's MSMEs workforce. The objectives of the initiative are:

- To encourage MSME employers to conduct continuous and systematic training of their employees to boost their knowledge and skills;
- To develop a pool of skilled workers to meet the needs of the various sectors of the economy as well as to boost quality and productivity in industries to enhance competitiveness in international markets;

- To create employment opportunities in the MSME sector as well as to increase the income level of MSME workers in line with the Government's aspiration of a high-income workforce before 2030; and
- To develop MSME capability to boost company-level productivity and competitiveness to penetrate the export market as well as for international expansion.

As of December 2021, the initiative has trained a total of 9,814 employees with total allocation of RM50 million.

YOUTH ENTREPRENEUR PROGRAMME

The Tunas Usahawan Belia Bumiputera (TUBE) programme, which was first mooted at the March 2014 Young Bumiputera Entrepreneurs Congress, is a Government initiative to encourage youths to venture into business. The Programme supports the Government's youth development policy where entrepreneurship is one of the key focus areas. It is designed to spur entrepreneurship among youths, particularly Bumiputeras between the ages of 18 and 30 who are keen to venture into business and who have basic skills certificates from local training institutions or skills centres as well as to cause a paradigm shift among youths to become providers of employment rather than being job seekers. The programme also includes people with disability, asnaf and orang asli.

Since its inception in 2014 and up to 2020, seven TUBE programmes have been conducted nationwide, with the resultant creation of 5,643 youth entrepreneurs out of the total of 6,268 participants. In 2021, the TUBE 8.0 programme was conducted together with TUBE@IPT, an extension of the original programme by SME Corp. Malaysia to encourage graduates to embrace entrepreneurship and to choose business as their preferred career choice.

TUBE@IPT is open to university students who are in their last semester as well as for graduates from public universities who fulfil the selection criteria as set by the eight participating universities which comprise Universiti Putra Malaysia, Universiti Kebangsaan Malaysia, Universiti Islam Antarabangsa Malaysia, Universiti Malaysia Pahang, Universiti Malaysia Kelantan, Universiti Sultan Zainal Abidin, Universiti Malaysia Sarawak and Universiti Tun Hussein Onn Malaysia.

The programme contents comprise the following:



Education in entrepreneurship and training in entrepreneurial skills, including management, finance, basic accounting, product marketing and service as well as idea development and presentation of business plans.



A Buddy System under which a participant is mentored and monitored by a business counsellor from SME Corp. Malaysia for 12 months, at the end of which the participant is deemed to have sufficient knowledge and skills to effectively manage the business in which he is contemplating to engage.



Subject to the outcome of his presentation to the Evaluation Panel, a participant will be eligible to be considered for a maximum grant of up to RM15,000.

A total of 514 TUBE 8.0 and TUBE@IPT participants successfully completed their training, of whom 500 succeeded in obtaining grants to start their business. Participants who have received grants under the TUBE programme can also apply for additional aid from Government agencies such as Majlis Amanah Rakyat, Perbadanan Usahawan Nasional Berhad and TEKUN Nasional which offer assistance for business expansion. Programmes such as TUBE@IPT has proved to be useful in not only fostering an entrepreneurial culture among graduates but also in mitigating the graduate unemployment issue, especially during the prevailing economic uncertainties amid the COVID-19 pandemic.





Global & Regional MSME Agenda and Internationalisation

Chapter

2



Chapter 2

Global & Regional MSME Agenda and Internationalisation

Internationalisation has become increasingly important to the competitiveness of enterprises of all sizes. In today's environment, MSMEs that start with a global strategy can move quickly to take advantage of cross-border activities, which provides opportunities not only for revenue growth but also the exchange of knowledge and the enhancement of capabilities, thereby strengthening the long-term competitiveness of the firms. It creates opportunities for MSMEs to absorb spillovers of technology and managerial knowledge, broaden and deepen their skillsets, innovate, scale up and enhance productivity. International exposure, whether through imports, exports or foreign direct investment (FDI), frequently goes hand in hand with higher productivity and can be an important driver of employment growth.

Various initiatives have been put in place through international platforms to further improve the business environment, reduce trade barriers as well as lower export cost and further elevate the MSMEs on the international stage. In fact, MSMEs may tap into this sizeable opportunity within the region by leveraging on existing Free Trade Agreement (FTA) as well as regional groupings such as Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN). These will be among the key drivers in policy interventions that support internationalisation of MSMEs.

APEC INTERNATIONALISATION INITIATIVES

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum that aims to build a dynamic and harmonious Asia-Pacific community through championing free and open trade and investment; promoting and accelerating regional economic integration; encouraging economic and technical cooperation; and facilitating a favourable and sustainable business environment among its 21 member economies.

In 2021, all member economies continued to implement programmes under the five priority areas of the APEC Small and Medium Enterprises Working Group (SMEWG) Strategic Plan 2021 - 2024, namely



In the 26th APEC SME Ministerial Meeting, held virtually in Wellington, New Zealand on 9 October 2021, the focal point of the ministerial statement was on navigating the recovery of SMEs from the impact of the COVID-19 pandemic. The statement covered two sub-topics:

- Supporting SMEs through the COVID-19 pandemic
- Promoting the inclusive development of sustainable, resilient, digitally enabled and innovative SMEs for recovery

To support activities in the two focus areas, APEC conducted various programmes and introduced initiatives that highlighted the digital economy, business ethics, market access and internationalisation as follows:

- Workshop for SMEs in APEC: Embracing Industrial Revolution 4.0 in Boosting Economic Performance of Export-oriented SMEs
- APEC Workshop on Transforming Businesses in the Digital Age
- APEC Business Advisory Council (ABAC): Public-Private Dialogue on Reopening Borders for Safe and Seamless Travel, jointly organised by ABAC Singapore and ABAC Hong Kong, China
- APEC Workshop on Inclusive Digital Society: Alleviating Poverty and Improving Living Standards through Increased Economic Growth
- APEC Workshop on Business Continuity Planning with Crisis Management for SMEs / MSMEs
- APEC Virtual Customs Business Dialogue 2021 with the theme Enabling Greater and Inclusive Participation of Micro, Small and Medium Enterprises in Global Trade
- APEC Symposium and Workshop on Technology Roadmaps to Promote Industry 4.0 in Developing APEC Economies
- Invitation to the APEC Global MSME Forum 2021
- APEC Workshop on Opportunities and Challenges for Retail SMEs on the Internet and in the Digital Economy
- APEC Disaster Risk Management Strategies to Support MSMEs Business Sustainability
- APEC Cross-Domain Innovation Ecosystem Forum and Workshop
- APEC Workshop on Utilising Digital Technology in the Field of Trade Facilitation under the Current COVID-19 Pandemic and Beyond with the theme Empowering MSMEs to Participate in Cross-Border Trade
- APEC Workshop on Catalysing the Growth of Inclusive and Sustainable Start-Up Ecosystems;
- APEC SCSC: APEC Conference on Pre-packaged Food Packaging and Labelling
- APEC Online Workshop on Individual Action Plan (IAP) for the Enhancement of the Ratio of Women's Representation in Leadership
- Learning Workshop on Artificial Intelligence Experiences of APEC Economies

The ongoing key initiatives under the SMEWG include continuous sharing of best practices among member economies at the SMEWG meetings. The following best practices were shared during the 51st APEC SMEWG Meeting in Canada from 18 - 19 May 2021:

- Australia: Australia's SME-led Budget to Help Drive Economic Recovery
- Canada: Canada's Spectrum of Supports for Entrepreneurs and Small and Medium Enterprises & Internationalisation of SMEs & Financing for SMEs
- Indonesia: Fostering National Ecosystem of Entrepreneurship & Supporting SME Recovery in Boosting Economic Performance of Export-Oriented SMEs
- Japan: Building Declaration of Partnership between Major and MSMEs in Japan
- Singapore: Seizing Opportunities in a Post-COVID World through Innovation
- Hong Kong, China: Hong Kong, China's Support for SMEs to Capture Global Business Opportunities under the Post-pandemic New Normal
- Malaysia: Empowering Women through Access to Capital and Markets
- Chinese Taipei: Strengthening SME Digital Resilience
- Vietnam: Programme on Supporting Enterprises' Digital Transformation 2021 - 2025
- Thailand: Debt Restructuring through Asset Warehousing with Buy-Back Options as a Part of Thailand's Financial Rehabilitation Measures
- Macao, China: Support Measures for SMEs in Response to COVID-19
- Chinese Taipei: How Do Start-ups Enter the Government Market?

APEC SMEWG also issued the following reports on the outcomes of workshops as part of the APEC Internationalisation of SMEs Week:

- APEC-Canada Growing Business Partnership by Justin Kwan, Program Manager, Asia-Pacific Foundation of Canada (APFC)
- Women Who Export: Overcoming Obstacles and Succeeding Internationally by Jacqueline Palladini, Deputy Director, Global Affairs Canada
- Business Ethics for APEC SMEs Initiative by Russell Williams, Senior Vice President, Diabetes Canada
- SME Recovery and Internationalisation: Connecting Research to Policy by Eugene Boieleanu, Professor, University of Calgary
- Implementation of the La Serena Roadmap for Women and Inclusive Growth (2019 - 2030)
- Way Forward for Strategic Plan 2021 - 24: Project Tracking and Monitoring

The 52nd APEC SMEWG Meeting on sharing best practices, held from 23 - 24 September 2021 in New Zealand, comprised the following:

- Hong Kong, China: Nurturing a Conducive Environment for Technology Start-ups in Hong Kong, China
- Japan: Japan's Measures to Promote Business Start-ups
- New Zealand: New Zealand's Digital Boost Initiative
- Singapore: Boosting SMEs' Digital Capabilities to Capture Growth Amidst COVID-19 Pandemic
- Chinese Taipei: The Achievements and Prospects of the Cross-Domain Innovation Ecosystem
- Macao, China: Fostering SME Digitalisation - The Electronic Consumption Benefits Plan
- Indonesia: Promoting SMEs Access to Finance
- Korea: Carbon Neutral Financing: Net-Zero Support Fund and 2021 Carbon Neutral Management Innovation Voucher Programme
- Thailand: Digital Factoring Platform for SMEs.

ASEAN INTERNATIONALISATION INITIATIVES

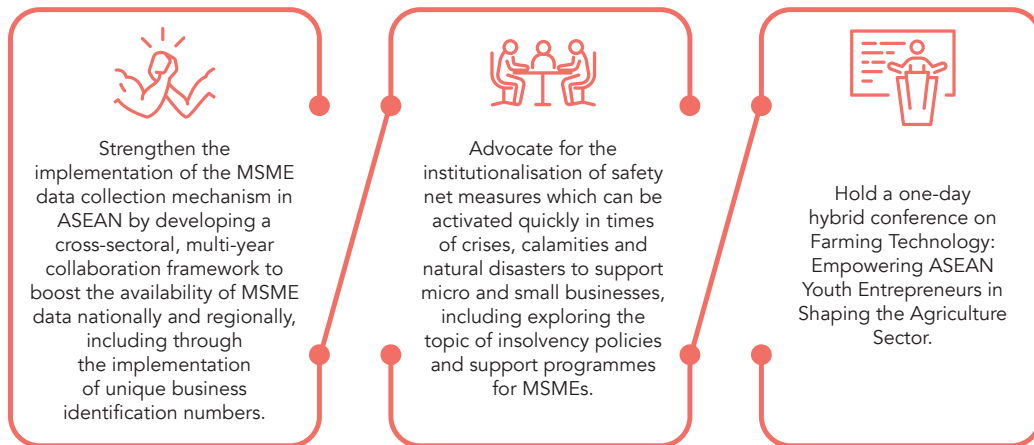
Based on the ASEAN Business Sentiment Survey 2020, MSMEs dominate the ASEAN business landscape, accounting for an average of 97.2% of a country's total enterprises. MSME contributions to Gross Domestic Product (GDP) in ASEAN countries averages 41.1%, with a compounded growth rate of 2.3%.

MSMEs are significant job creators in ASEAN, contributing more than 65.0% of total employment in the region during 2010 to 2019. Most MSME employees are in the wholesale and retail segments. Vietnam recorded the highest increase in MSME employment based on a compound annual growth rate of 6.4%.

ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) Priority Deliverables

SME Corp. Malaysia has assumed a supporting role in the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME). The ACCMSME Meeting is held biannual in rotation among ASEAN member states. In 2021, Lao PDR hosted a virtual 11th ACCMSME meeting from 5 - 9 April 2021 while the 12th meeting was held in Brunei from 1 - 5 November 2021.

The ACCMSME priority deliverables for 2021 were to:



Enabling Digital Capabilities of Malaysian SMEs through the COVID-19 Crisis

On 15 July 2021, SME Corp. Malaysia co-organised a webinar on Enabling Digital Capabilities of Malaysian SMEs through the COVID-19 Crisis with the US-ASEAN Business Council. The topics covered in the webinar highlighted initiatives and assistance offered to MSMEs from various stakeholders such as the Malaysian Digital Economy Corporation, VISA and Facebook.

More than 200 participants comprising business owners and executives of Malaysian MSMEs attended the virtual programme. Regional Managing Director and Senior Vice President US-ASEAN Business Council, Michael W. Michalak delivered the opening remarks and was inaugurated by Dato' Suriani binti Dato Ahmad, Secretary General of the Ministry of Entrepreneur Development and Cooperatives and Chair of the ACCMSME 2021.



The webinar's first session on Malaysia's Socialisation Programme for MSMEs featured a speaker from SME Corp. Malaysia, who spoke on the MyAssist MSME portal and MatchMe platform as well as the ASEAN SME Academy, an online learning platform for ASEAN small businesses.

FREE TRADE AGREEMENTS

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Committee on Cooperation and Capacity Building and Committee on Development were held virtually on 6 and 7 July 2021. Delegates from the following CPTPP members participated, namely Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam. The Committee was chaired by the representative of the Ministry of Foreign Affairs of Japan.

Regional Comprehensive Economic Partnership (RCEP)

Malaysia will be the 12th signatory country, joining 11 others namely Singapore, China, Japan, Brunei, Cambodia, Laos Thailand, Vietnam, Australia, New Zealand and South Korea that have completed the ratification process.

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, marks the amalgamation of existing free trade agreements (FTAs) between ASEAN and partner countries. The main objective of the RCEP is 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.

For SMEs Chapter, area of cooperation encompasses to encourage innovation and use of technology, promoting awareness, understanding and effective use of the intellectual property system, promoting good regulatory practices and building capacity as well as sharing best practices on enhancing the capability and competitiveness of SMEs.

The benefits of RCEP to SMEs covers:



65.0% tariff reduction for trade of goods;



Business will be able to trade with clearer regulations;



Facilitate job creations and new investments;



Gaining market access and sources for raw material and labour;



Facilitate advanced technical cooperation through digitalisations and smart manufacturing;



Enable greater inclusion in global and regional supply chains;



Ensure greater transparency and stronger discipline on non-tariff measures; and



Simplified customs procedures and enhanced trade facilitation.

As part of creating awareness to SMEs and business, MITI has collaborated with Federation of Malaysian Manufacturers (FMM) in conducting a webinar on Navigating the Regional Comprehensive Economic Partnership (RCEP): Understanding RCEP Chapters on Small & Medium Enterprises (SMEs) and Economic & Technical Cooperation (ECOTECH) on 26 March 2021 through virtual platform, ZOOM. SME Corp. Malaysia participated in this webinar to have a better understanding on the various chapters in the RCEP agreement for business to take advantages of RCEP once it is ratified. A total of over 80 participants consisting of Chief Executive Officers, General Managers, Export and Import Managers, Business Development Managers and Executives participated in the webinar.



SME Corp. Malaysia participated in this webinar to have a better understanding on the various chapters in the RCEP agreement for business to take advantages of RCEP once it is ratified

Webinar on Promising Market for SMEs in Malaysia and Georgia

SME Corp. Malaysia in collaboration with the Embassy of Georgia, has successfully organised the 'SME Webinar: Promising Market for SMEs in Malaysia and Georgia' on 21 June 2021 virtually. The webinar was graced by the Deputy Minister of Entrepreneur Development and Cooperatives and the Deputy Minister of Foreign Affairs, Georgia.

A total of over 100 participants from both Malaysia and Georgia consisting of MSMEs, entrepreneurs, Government officials, business associations, chambers of commerce, and industry stakeholders participated in the webinar. The webinar was organised as part of a Memorandum of Understanding (MoU) area of cooperation between SME Corp. Malaysia and Enterprise Georgia to enable exchange of information related to MSME development and to provide MSMEs and entrepreneurs an understanding of market and investment opportunities that were available in both countries respectively.

The webinar was conducted through interactive sharing sessions with involvement of speakers from the Malaysian Investment Development Authority (MIDA), Enterprise Georgia, Georgian Chamber of Commerce and Industry, and SME Corp. Malaysia.



Box Article

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APEC Policy Dialogue on SMEs and Entrepreneurship Framework: Let's be Coherent and Cohesive

Malaysia, through the Ministry of Entrepreneur Development and Cooperatives and SME Corp Malaysia, hosted the virtual APEC Policy Dialogue on SMEs and Entrepreneurship Framework: Let's be Coherent and Cohesive from 7 - 9 September 2021.

A total of 197 representatives from 15 APEC economies, namely Brunei Darussalam, Canada, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, Peru, Philippines, Singapore, Chinese Taipei, Thailand, United States of America and Vietnam participated in the programme. The participants comprised of speakers, moderators and representatives who are key stakeholders from the public and private sector as well as academicians.

Objectives of the Dialogue

Develop an inclusive and comprehensive SME and entrepreneurship policy for adoption by the APEC economies

Harmonise the roles of entrepreneur development policies and programmes to support the APEC economic agenda

Create a conducive and integrated SME and entrepreneurship ecosystem among APEC economies



Programmes Dialogue

Dialogue with public and private sector representatives who shared best practices for the formulation of comprehensive SME and entrepreneurship policies

Breakout sessions on six focus areas: innovation and technology adoption, human capital development, access to financing, market access, legal and regulatory environment and infrastructure

Roundtable discussions to deliberate and make policy recommendations on the six focus areas as a basis for an APEC entrepreneurship policy framework

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A total of 27 policy recommendations were formulated under the six focus areas i.e. Innovation and Technology Adoption, Human Capital Development, Access to Financing, Market Access, Legal & Regulatory Environment and Infrastructure which have been identified as the levers to accelerate SME growth.

The policy recommendations were premised upon three areas that SMEs need to adopt to navigate under the new normal, specifically sustainability, digitalisation & innovation, as well as inclusiveness. The policy recommendations were endorsed by the APEC SMEWG on 24 September 2021.

KEY TAKEAWAYS

The six key takeaways on the recommendations were:

1

Strong emphasis has been placed on recommendations that empower SMEs through digitalisation across the six pillars, such as the need for APEC economies to develop a national roadmap respectively on SME digitalisation strategy while facilitating adoption of digitalisation to improve productivity and efficiency.

2

The recommendation to establish a specific institutional body to champion green financing is in line with promoting Environmental, Social and Governance (ESG) among SMEs. In addition, the proposed recommendation on an integrated support centre for temporary special financial loans for SMEs would be instrumental in creating a conducive business environment to boost SME recovery post-pandemic. This should be complemented with intensified efforts to create awareness among SMEs on the current financing ecosystem, including fintech.

3

In acknowledging the issue of mental health among SMEs employees as a critical issue of the pandemic, the proposal for a policy to provide support to address mental health and advocating effective feedback tools and systems is a timely one.

4

Encouraging SME participation in the global value chain has been a long-term agenda. The proposed establishment of SME consortia could help SMEs to address the issue of economies of scale.

5

Government officials in APEC economies need to work together, including collaboration with the private sector, to ensure common regulatory issues take into consideration the need to ease the regulatory burden of SMEs.

6

A modern and efficient infrastructure with improved connectivity is needed to drive growth opportunities for SMEs.

Box Article

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Development Programmes for Exporters



SUSTAINABILITY ACTION VALUES FOR EXPORTERS PROGRAMME

The Sustainability Action Values for Exporters (SAVE) Programme is a collaboration between MATRADE and the CIMB Group to build mutual trust as well as to partner in providing workshops and training for selected SMEs. The Memorandum of Understanding on the SAVE Programme was signed on 4 February 2020. The content of the programme was delivered through CIMB appointed sustainability partner namely IMPACTO Sdn Bhd.

Objectives of the Programme

Assist SMEs in understanding sustainability within the context of global markets and small businesses, the benefits, costs and action steps

Assist SMEs in strategising and implementing sustainability plans

Enhance local exporters' capabilities in economic, environmental and social (EES) issues

Outcome of the Programme

A total of eight webinars were conducted throughout the year 2020 - 2021 which participated by 196 participants

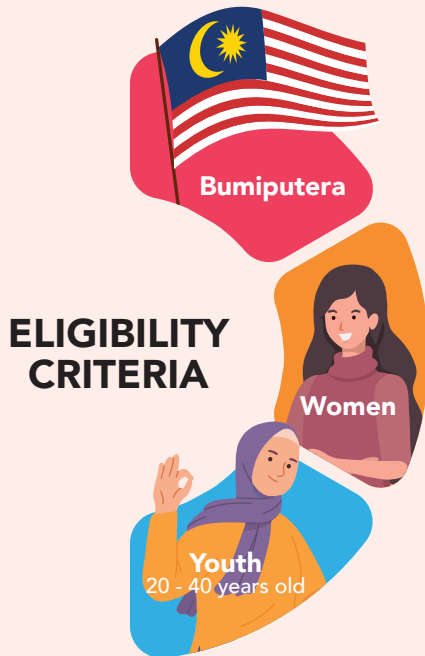
BUMIPUTERA, WOMEN AND YOUTH EXPORTERS DEVELOPMENT PROGRAMME

The Bumiputera, Women and Youth Exporters Development Programme (BWYEDP) is an inclusive programme by MATRADE which was first initiated in 2004 as an export outreach programme to develop Bumiputera exporters. In 2005, it was expanded to include women entrepreneurs while youth-owned companies were brought into the programme in 2014.

Objective of the Programme

Nurture new-to-export and export-ready Bumiputera, women-owned and youth-owned companies to explore international markets as well as to create a pool of competitive and resilient exporters among them

BWYEDP offers assistance and support programmes for a period of three years to selected companies from the three segments. It is a programme covering exports trainings tailored to companies' requirement, which includes capacity building trainings, exposure to international markets and businesses, networking, mentoring, as well as leadership and entrepreneurship development. This is done to enhance competitiveness and business sustainability for overseas market expansion.



-  **Registered**
 under Companies Act 2016 as a Private Limited Company or 'Sendirian Berhad' (Sdn Bhd)
-  **51.0% Ownership**
-  **CEO / Managing Director**
-  **3 Years**
 in domestic market & export ready
-  **Registered**
 as MATRADE Members & complete the Export Readiness Assessment Tools (ERAT)

Outcome of the Programme

- Since its establishment in 2004, BWYEDP had approved a total of 430 participations of Bumiputera, Women and Youth companies into the programme
- As of January 2022, a total of 342 companies had graduated with 88 companies still undergoing the programme

Detail	Bumiputera	Women	Youth (20 - 40 years old)	Total
Total no. of Companies	216	163	51	430
No. of Companies Graduated from the Programme	182	130	30	342
No. of Companies Currently in the Programme	34	33	21	88

eTRADE PROGRAMME 2.0

The eTRADE Programme was designed to facilitate Malaysian SMEs in accelerating their exports by listing their products and services in international e-commerce platforms. The programme started in October 2014 in collaboration with MDEC and from 2017 onwards it was run by MATRADE under the Rancangan Malaysia Kesebelas (RMKe-11). The eTRADE Programme 2.0 is a continuation from the previous eTRADE Programme implemented by MATRADE.

Objectives of the Programme

Assist Malaysian MSME to accelerate their exports through participation in cross border e-commerce platforms

Enhance their online presence through digital marketing and e-commerce training activities

Under eTRADE Programme 2.0, there are two financial schemes for Malaysian MSMEs to enjoy, namely the Onboarding Scheme and the Digital Marketing & Training (DMT) Scheme. Through the Onboarding Scheme, companies can enjoy up to RM5,000 to cover part of the onboarding cost to join cross border e-commerce platforms. Through the DMT Scheme, companies are able to utilise up to RM20,000 to undertake digital marketing activities and training programmes for the purpose of exports.

Through market intelligence, MATRADE realised that importers from Malaysia's main trading partners were increasingly utilising e-commerce for their business activities. As such, MATRADE subsequently took necessary steps to improve and enhance e-commerce programmes to aid Malaysian exporters, in line with the global trends.

In 2021, 39 awareness and outreach activities were conducted, mostly through webinars, which consisted of briefing sessions and eTRADE Consultation Days. A total of 2,100 companies and 6,664 participants joined these programmes.

Box Article

Glocal Linkages SME Programme (GLOSMEP)



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SME Corp. Malaysia introduced the Glocal Linkages SME Programme (GLOSMEP) in 2021 as an integrated platform for MSMEs and prospective business partners to initiate discussions and create linkages for access to the domestic and global value chain.

Objectives of the Programme

Expose MSMEs to market opportunities locally and abroad

Provide a platform to create business linkages between MSMEs and large companies locally and abroad

Boost supply chain opportunities for MSME products and services to large companies locally and abroad

Various Activities under GLOSMEP

Information sharing on market opportunities in local and international markets through outreach seminars or webinars

Development of virtual networks and business-matching platforms to introduce MSME products and services to large companies

Organise networking and business-matching activities to promote MSME products and services as part of the supply chain of large companies

The MatchMe platform which was introduced in June 2021 is one of the main components of GLOSMEP to facilitate MSME access to markets by providing linkages to potential international markets via virtual networking and business-matching. The platform has three main features:

1



Showcase of products or services to local and international markets

2



Provide access to an active database of potential businesses partners locally and globally

3



Conduct one-on-one networking and business meetings



As a virtual platform that is accessible at any time and from anywhere, MatchMe is a more cost-effective approach to conventional meetings business-matching activities.

Since its inception, the platform has hosted 740 MSMEs, 93 MNCs and large companies from Malaysia and abroad in virtual business-matching sessions and generated sales with a potential value of RM38 million. This outcome achieved via remote meetings, showcases the power of digitalisation in helping businesses to overcome challenges amid the pandemic.

SME Corp. Malaysia also collaborates with market linkers to leverage on their insights on and networks in specific fields of business and geographical locations to assist MSMEs gain wider access to better markets



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Six webinars were held in 2021 to create greater awareness of market access opportunities among MSMEs, including business tips for specific domestic markets such as hypermarkets, chain marts in the petrol station and international markets such as the United States, France and China.

In August 2021, a webinar on Riding the Wave of RCEP into China was held to share insights on opportunities for MSMEs when RCEP came into force for Malaysia on 18 March 2022. The RCEP, the largest free trade agreement in the world, has 15 countries as signatories and cover a combined population of 2.2 billion or 29.5% of the world's population. Against this backdrop, SME Corp. Malaysia will continue to facilitate Malaysian MSMEs' access to markets by strengthening collaboration with various stakeholders from both the public and private sectors as well as non-governmental organisations with a view to achieving optimum synergy for a win-win situation for all, especially for the benefit of Malaysian MSMEs.





Financing Ecosystem for MSMEs

Chapter

3



Chapter 3

Financing Ecosystem for MSMEs

Malaysia's financial system today is the outcome of continued efforts and reforms over decades, core building blocks were established and have placed Malaysia's financial sector on a stronger footing, not only to withstand the shocks of the recent pandemic and natural disaster, but also to become a source of strength to cushion the impact to the economy which is highlighted in the Financial Sector Blueprint 2022 - 2026 and one of the key initiatives is the enhancements to the financing ecosystem for micro, small and medium enterprises (MSMEs).

Beyond bank financing, alternative sources of financing and financial instruments are key to support the growth of firms and promote longer-term financial stability. Broad strategies are required to develop a wider range of funding instruments to better meet the diverse funding needs of MSMEs across the business lifecycle.

MSME LENDING BY FINANCIAL INSTITUTIONS

Financial institutions have been bearing high amount of MSME outstanding loans over the last decade, reflecting steady support for MSMEs. Their loans have more than doubled from the RM141 billion in 2010 to RM305 billion in 2020 and RM320 billion in 2021. The share of MSME lending proportionate to business loans has risen from 38.0% in 2010 to 45.0% in 2021, underscoring the recognition of MSMEs as key economic players by financial institutions.

In 2021, total financing disbursements and approvals to support MSME relief and recovery exceeded that of 2020 as well as before the onset of the pandemic. Banks continued to undertake the major share of the financing disbursement to MSMEs as indicated by the 98.0% of the loans disbursed to MSMEs in 2021 being sourced by banks' own internal funds, with Bank Negara Malaysia (BNM) Funds for MSMEs serving only as a supplement.

Banks and Development Financial Institutions approved more than RM72 billion in financing to about 134,000 MSME accounts in 2021 compared with the pre-pandemic total of RM67 billion to 146,000 accounts in 2020 and RM71 billion to 121,000 accounts in the 2017 - 2019 period. In 2021, banks channelled RM312 billion in financing to MSMEs, exceeding the RM257 billion in 2020 and the RM300 billion in the pre-pandemic period of 2017 - 2019. Disbursements, particularly for working capital purposes, increase dramatically in 2021 as more liquidity needs emerged in tandem with businesses entering recovery during the ongoing national economic recovery phase. Correspondingly, approval rates have also improved, with nearly three out of four MSME financing applications obtaining approval during the year.



In 2021, banks channelled RM312 billion in financing to MSMEs, exceeding the RM257 billion in 2020 and the RM300 billion in the pre-pandemic period of 2017 - 2019

BRIDGING GAPS IN MSME FINANCING

Development Finance Institutions (DFIs), enabled by continuous Government support and regulatory flexibilities, continue to play a counter-cyclical role in bridging financing gaps, especially for businesses affected by the pandemic. More than 25,000 MSMEs benefitted from new financing totalling RM4.5 billion from DFIs in 2021. This accounted for about one-fifth of the total number of MSME financing accounts approved by financial institutions, a bigger share compared with the pre-pandemic level of 13.0% (2019). The financing covered segments such as microenterprises, startups, first time borrowers and the tourism sector which were facing greater challenges in accessing financing from commercial banks.

The approvals by DFIs comprised largely of utilisation of special financing schemes which were established to support the recovery of viable MSMEs affected by the pandemic, namely, the Special Relief Facility under the BNM Fund for MSMEs, Government schemes and the DFIs' own special lending programmes with accommodative features such as repayment holiday of up to one-year, lower instalment amounts as well as affordable rates.

FINANCING SERVICES TO FACILITATE MSME RECOVERY

The financing ecosystem for MSMEs has been strengthened considerably over the years and continued to be enhanced amid the pandemic. The existence of a stronger and more effective ecosystem which played a pivotal role in providing critical financial support to MSMEs in distress was hugely instrumental in facilitating the recovery of the MSME during these uncertain times. Among the facilities available to support MSME financing are imSME, MyKNP and AKPK.



imSME

One of the innovative measures that facilitates MSME financing is the creation of the imSME platform by Credit Guarantee Corporation Malaysia Berhad (CGC). The acronym "I am mSME", represents micro, small and medium enterprises. It is Malaysia's first online MSME financing and loan referral platform supported by BNM and participating banks. The platform acts as a one-stop online financing referral portal that allows MSMEs to apply for financing from multiple lenders as well as matching applicants with the most suitable facility or lender. imSME enables access to fast and real-time information on financing and loan options, thus reducing search and time cost. Since its inception in 2018, the online financing or loan referral platform recorded over 2.2 million visitors, with 4,700 accounts approved worth RM488 million.

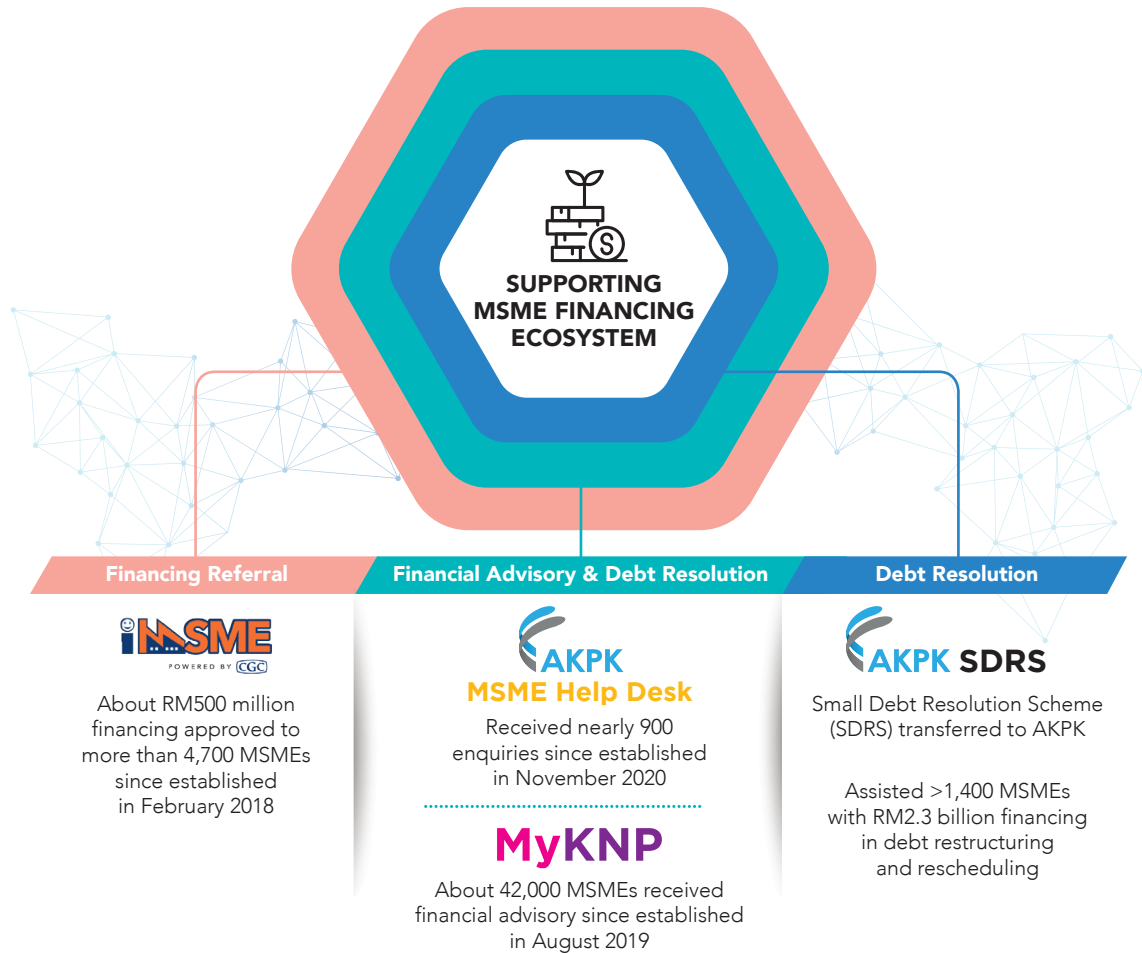
Khidmat Nasihat Pembiayaan (MyKNP)

MyKNP is a financing advisory service formalised by BNM in collaboration with CGC and the Credit Counselling and Debt Management Agency (*Agensi Kaunseling dan Pengurusan Kredit*, AKPK). MyKNP, which is managed by CGC, acts as a financial services advisor to MSMEs who had been unsuccessful in obtaining business financing from banks. The platform helps to enhance the eligibility profile of applicants as well as providing information on alternative financing. About 42,000 MSMEs has received assistance through MyKNP in 2021.

Agensi Kaunseling dan Pengurusan Kredit (AKPK)

AKPK is a one-stop platform to help MSMEs obtain more convenient access to debt restructuring services and financial education. In September 2020, the function of the Small Debt Resolution Scheme (SDRS) was transferred to AKPK to enable the platform to leverage on its strong online and nationwide presence through its 12 branches to provide more effective services to MSMEs as well as to expand the capacity of the SDRS in facilitating debt resolution. Since its inception in 2003, SDRS has achieved a close to 100.0% success rate in helping more than 1,400 MSMEs to restructure and reschedule their debts amounting to RM2.3 billion as at end of December 2021. AKPK also set up a dedicated MSME Helpdesk in November 2020 as an alternative channel for advisory services and submission of repayment assistance requests. This virtual helpdesk, which is available between 9.00 am to 9.00 pm from Monday to Saturday, provided assistance to nearly 900 SMEs in 2021.

Chart 3.1: Comprehensive Supporting Ecosystem to Assist MSME Recovery



SUPPORTING MSMEs BEYOND FINANCIAL SERVICES

Beyond lending, the financial industry also supports MSMEs by providing advisory services through their dedicated business units in areas such as capacity building.

The Centre for Entrepreneur Development and Research (CEDAR), a wholly owned subsidiary of SME Bank, focuses on entrepreneur development programmes including training, coaching, mentoring and sharing of knowledge and information such as research papers, sectoral outlook and business tips. The movement restrictions amid the pandemic led CEDAR to develop e-learning modules and conduct training and capacity-building programmes online, thus boosting MSME participation in these programmes. In 2020, there was a sharp rise in the number of participants to 13,600 compared with 2,300 in 2019.

The Agrobank Centre of Excellence partners with Government agencies and industry groups to conduct development programmes, business clinics and mentoring for entrepreneurs in the agriculture sector and agro-food industry while Bank Rakyat has set up several SME & Cooperatives Business Centre (SMEC) that

are dedicated to entrepreneurial development. SMEC is a one-stop centre that provides holistic advisory and financing services for MSMEs and cooperatives to upscale their businesses. As at end of December 2021, 10 SMECs are in operation nationwide.

DFIs have also initiated philanthropic activities to assist vulnerable segments such as low-income groups and asnaf to increase their income through entrepreneurship. In April 2021, Bank Rakyat launched its RAKYATpreneur 2.0 programme to nurture over 200 asnaf entrepreneurs nationwide. A similar initiative was also introduced by SME Bank under the Asnaf Entrepreneurship Programme 2.0 or ISHRAF 2.0 to support micro and small asnaf entrepreneurs in expanding and sustaining their businesses through the adoption of digital technology.

Banks have also accelerated the offering of digital financial solutions to help businesses pivot in the new normal, including digital financing, onboarding customers to e-payment, establishing online marketplaces and providing digital business tools such as human resource systems and accounting tools.

Some of the MSME support services provided by various banks are:

CIMB SME Partners

CIMB, through its panel of partners, offers exclusive pricing to its customers to utilise digital services related to logistics, e-commerce, digital marketing and connectivity solutions.

iStart@HLB

Hong Leong Bank assists MSMEs by complementing its banking services with digital business solutions such as accounting, e-commerce and logistics.

Maybank SME Digital Financing

Maybank offers Straight-Through-Financing a fully automated process to speed up financial transactions that enables eligible customers to receive approval and disbursement in less than five minutes. The credit approval process adopts the use of advanced analytics and machine learning modules based on existing credit approval scorecards as well as other features such as customer profile, deposits, type of facility, credit history, business transactions and nature of business.

Maybank Sama-Sama Lokal

Maybank offers local MSMEs to transform their businesses online without any commission to enable the businesses to receive 100.0% of the income via its M2U platform. The platform also provides education and training to merchants including for product placements, communication and digital marketing.

Public Bank Enterprise Digital SME Assist

Public Bank, in collaboration with its MSME digital partners provides MSME customers with business tools such as HR systems, accounting tools and e-commerce solutions to grow their business.

UOB Bank Jom Transform

UOB offers participating MSMEs exposure or matching with digital business solutions as well as providing training and workshops on digital skillsets.

Banks have also accelerated the offering of digital financial solutions to help businesses pivot in the new normal, including digital financing, onboarding customers to e-payment, establishing online marketplaces and providing digital business tools such as human resource systems and accounting tools





CREDIT GUARANTEE CORPORATION (CGC) ASSISTANCE FOR MSMEs

The availability of credit guarantee schemes has helped to motivate financial institutions to continue lending amid economic uncertainties when banks are more risk-averse and awaiting clarity on the performance of MSME loans that are currently under repayment assistance.

CGC continues to provide guarantees schemes to MSMEs in the services sector via BNM's fund Targeted Relief and Recovery Facility (TRRF), which offers a financing tenure of up to seven years, with a moratorium on monthly instalments of at least six months.

Disaster Relief Facility (DRF) 2021 is a financing facility established by BNM to alleviate the financial burden of MSMEs affected by floods and enable them to resume their business operations. Other than TRRF and DRF, High Tech Facility - National Investment Aspirations (HTF-NIA) was introduced to support high-tech and innovation-driven MSMEs affected by COVID-19 to recover and revitalise the nation's innovation capacity. A financing rate of up to 5.0% per annum is offered for financing inclusive of the guaranteed fee.

Through CGC's guarantee schemes, these programmes have benefitted more than 9,000 MSMEs, providing access to financing worth nearly RM3 billion in 2021. CGC provided moratorium flexibility to MSMEs, a temporary relief measure allowing our customers to defer their loan repayments. CGC continues to support and serve the guarantee to direct financing customers to enable them to sustain their business operations during the challenging time through the Targeted Repayment Assistance (TRA) programme. As at end of 2021, more than 50.0% of CGC's direct financing customers and over 24,000 guarantee customers have been granted assistance under this programme.

In addition, CGC has been proactively reaching out to the customers in need of Rescheduling & Restructuring (R&R) for their loan to support MSMEs in this challenging environment. The R&R is open to MSMEs with existing loan with CGC under the schemes BizMula-i, Bizwanita-i, Redemption & Conversion, Full Risk Schemes e.g. BizSME and Tabung Projek Usahawan Bumiputera (TPUB-i). Among new schemes introduced by CGC to ensure the MSME sustain their business include the following:

BizMikro-i

BizMikro-i scheme provides another avenue for microentrepreneurs to obtain financing by using psychometric assessment as an alternative credit assessment tool. This scheme aims to provide financing to the unserved and underserved MSMEs by bringing them into the formal financial ecosystem. These microentrepreneurs often lack track records and collateral to access financing from financial institutions. An alternative credit assessment is needed to assess the MSMEs in this segment.

BizBina-i

BizBina-i is a direct financing scheme availed to all existing CGC customers whose business operations have been affected by the floods. This is to alleviate the financial burden and assist these MSMEs to resume their business operations following this natural disaster with a 1.5% per annum reduction in profit rate and an extended tenure to five years with six-month moratorium. This scheme is geared to allow more MSMEs to survive and continue their businesses.

ALTERNATIVE FINANCING

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While alternatives to traditional debt finance are particularly important for start-ups, high-growth and innovative MSMEs, the development of alternative financing techniques may be relevant to the broader population of MSMEs. Capital gaps exist also for firms seeking to effect important transitions in their activities, such as ownership and control changes, as well as for MSMEs seeking to leverage and improve their capital structures. Excessive reliance on debt financing compared to equity will lead to higher cost, as loans to firms that already have considerable amounts of debt tend to have higher interest rates and increase the risk of financial distress and bankruptcy. Thus, the Government's decision to allocate more funds into alternative financing will further support the needs of MSMEs who are underserved by traditional financial institutions and open opportunities for businesses who have been adversely impacted by COVID-19.

In response the Securities Commission has worked on strengthening alternative financing avenues to meet the funding needs of MSMEs such Venture Capital (VC), Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) lending. Throughout 2021 the Malaysian capital market remained resilient and orderly amid the relatively challenging global and domestic environment. Total funds raised in the capital market remained robust, rising to RM130.9 billion in 2021 (2020: RM114.6 billion), above the five-year pre-pandemic average of RM121.4 billion, of which RM16.6 billion was raised via the equity market, while RM114.3 billion was raised through the corporate bond market. Meanwhile, alternative financing avenues via ECF and P2P financing continued to gain traction especially in supporting the funding needs of MSMEs. The growth in alternative financing increased by 149.2% in 2021 with RM2.4 billion raised (RM1.4 billion from ECF / P2P financing and RM1.1 billion from venture capital / private equity).

Venture Capital (VC) and Private Equity (PE)

As at 31 December 2021, the total number of registered corporations stood at 124 (refer to Table 3.1). The VC segment accounted for 105 registered corporations (Venture Capital Management Corporation, VCMC) and (Venture Capital Corporation, VCC), while the PE segment consisted of 19 registered corporations (Private Equity Management Corporation, PEMC) and (Private Equity Corporation, PEC).

Table 3.1: Statistics of Industry Participants

Detail	31 December 2020	31 December 2021
Number of Registered Corporations	127	124
Number of Registered VCMCs and VCCs	106	105
Number of Registered PEMCs and PECs	21	19
Number of VC and PE Professionals*	175	344

* Professionals with more than four years' experience

Source: Annual Report 2021, Securities Commission Malaysia

Total committed funds in the industry as at 2021 stood at RM5.2 billion and RM9.6 billion for VC and PE respectively (refer to Table 3.2), with a combined total of RM14.8 billion. For VC, the Government agencies and investment companies (45.0%), sovereign wealth funds (27.9%) and corporate investors (19.7%) make up the top 3 sources of funding (refer to Chart 3.2). For PE, commitments are sourced largely from corporate investors (28.6%), individuals and family offices (19.1%), and financial institutions (11.9%) (refer to Chart 3.3). In terms of business stage, VC investments in 2021 concentrated on early stage (51.3%), followed by seed (20.5%) and growth (17.9%) opportunities. The top three registered corporations by amount of investor commitments as at end 2021 were Creador, Xeraya Capital, and MAVCAP.

Table 3.2: Industry Key Statistics (RM million)

Detail	2021		2020	
	Private Equity	Venture Capital	Private Equity	Venture Capital
Total committed funds under management [1]	9,648.42	5,183.50	7,385.73	4,314.34
Total drawn capital [2]	6,884.29	3,870.73	5,874.77	3,187.31
Estimated capital available for investment [3]=[1]*[2]	3,495.88	1,312.77	1,510.96	1,127.03
Total no. of investee companies	41	211	31	311

Note: The statistics are reported on self-reported figures by registered VC / PE firms.

Source: Annual Report 2021, Securities Commission Malaysia

Chart 3.2: Sources of Funds for Venture Capital (2021: RM5.2 billion)

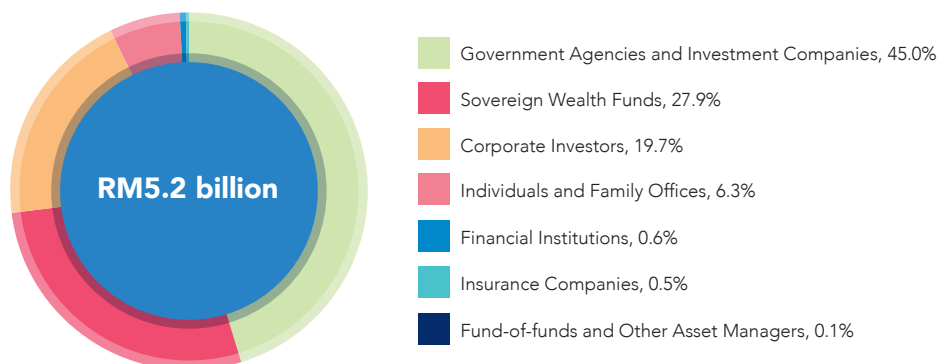
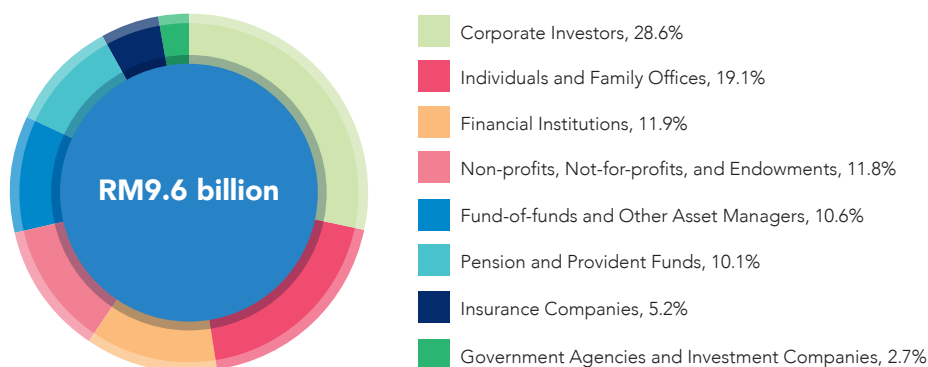


Chart 3.3: Sources of Funds for Private Equity (2021: RM9.6 billion)

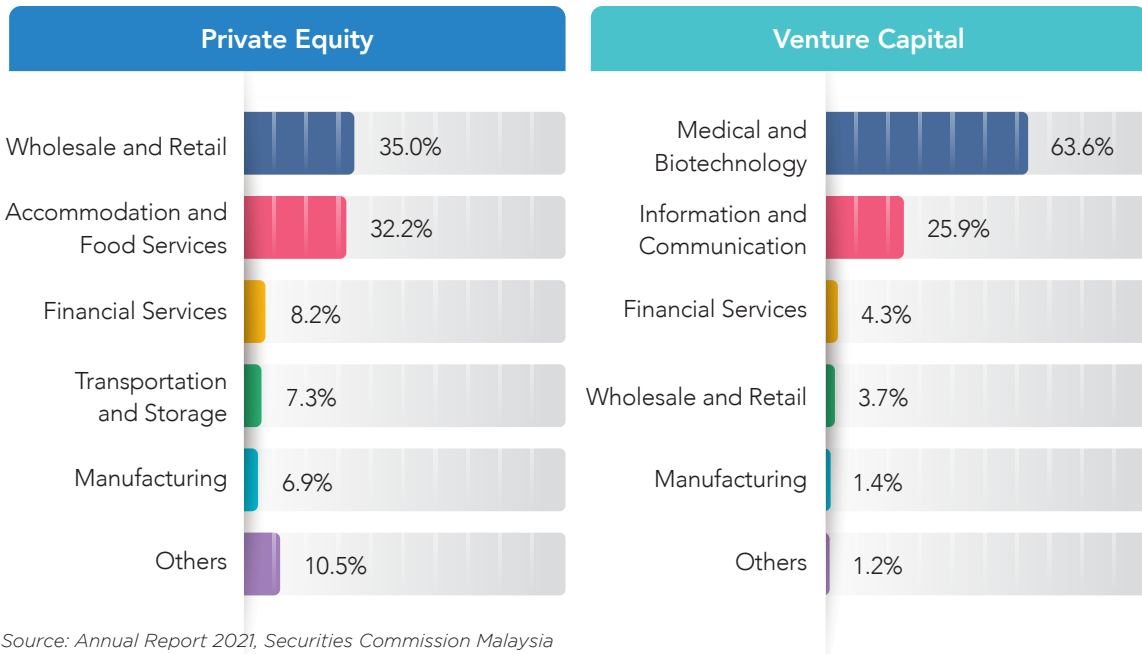


Note: Government agencies and investment companies: Includes ministerial investment companies (e.g. Minister of Finance (Incorporated)), Government agencies, statutory bodies, and Government-linked investment companies established for the purpose of managing investments of public funds (e.g. PNB, Ekuinas).

Source: Annual Report 2021, Securities Commission Malaysia

In terms of target industries, medical and biotechnology (63.6%) has the highest share of VC investment in 2021, followed by information and communication (25.9%), and financial services (4.3%). As for PE, investments were largely channelled to wholesale and retail trade (35.0%) in 2021, followed by accommodation and food services (32.2%), and financial services (8.2%) (refer to Chart 3.4).

Chart 3.4: Investments in Top Five Target Industries



Source: Annual Report 2021, Securities Commission Malaysia

Equity Crowdfunding (ECF)

The total funds raised via ECF since its inception stood at RM420.9 million. In 2021, the total funds raised increased to RM221.6 million from RM127.7 million in 2020. 104 issuers have successfully fundraised via 104 campaigns in 2021 (refer to Table 3.3). The total number of issuers increased by 33.0% in 2021 from 2020.

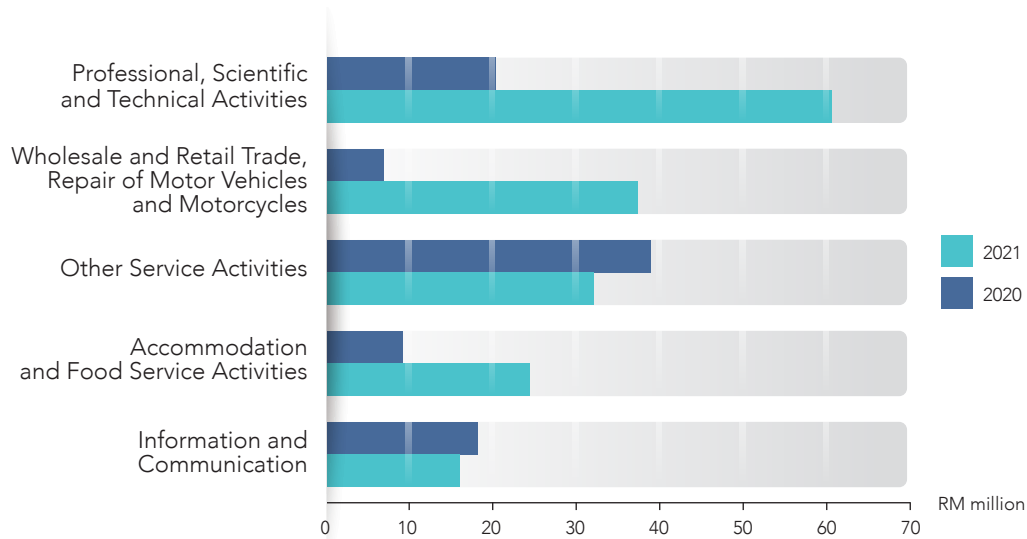
Table 3.3: Issuers and Campaigns

Detail	2020	2021
Number of issuers	78	104
Number of campaigns	80	104

Source: Annual Report 2021, Securities Commission Malaysia

Campaign sizes in 2021 continued to be of larger fundraising amounts, with 86.0% of the campaigns raising beyond the RM500,000 mark. The Professional, Scientific, and Technical activities sub-sector received the most funds in 2021 with RM60.3 million (refer to Chart 3.5).

Chart 3.5: Top Five Economic Activities by Total Fund Raised



Source: Annual Report 2021, Securities Commission Malaysia

As part of a continual evolution of the ECF market, several initiatives were introduced in 2021 to serve the needs of a wider range of businesses and spur market growth:

- Single lifetime fundraising limit on the ECF platform was raised to RM20 million from RM10 million previously to facilitate start-ups and MSMEs in raising early-stage financing in a flexible and competitive manner;
- List of ECF eligible issuers expanded to include unlisted public companies; and
- Approval of the first Microfund was granted to an ECF operator to widen product offerings on the ECF platform. A microfund is a common vehicle set up by venture capitalists / angel investors to invest in start-ups or growth-stage companies.



Peer-to-Peer (P2P) Financing

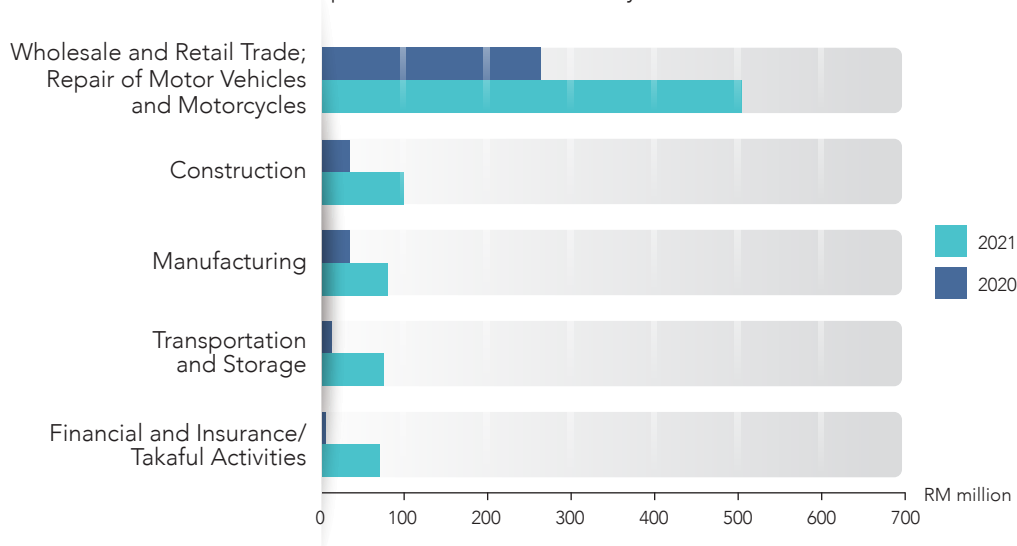
Since its inception, the total funds raised via P2P financing stood at RM2.3 billion. In 2021, the total funds raised reached RM1.1 billion, more than twice the amount of funds raised in 2020 through 14,301 successful campaigns. A total of 1,988 issuers have benefitted from these campaigns (refer to Table 3.4). Campaign sizes in 2021 continued to be of smaller fundraising amounts, with 70.0% of campaigns raising RM50,000 and below. In terms of economic activities, the Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles sub-sectors remained the largest sector served in 2021 with RM514.4 million.

Table 3.4: Issuers and Campaigns

Detail	2020	2021
Number of issuers	1,338	1,988
Number of campaigns	7,932	14,301

Source: Annual Report 2021, Securities Commission Malaysia

Chart 3.6: Top Five Economic Activities by Total Fund Raised



Source: Annual Report 2021, Securities Commission Malaysia

Notably, alternative financing platforms such as ECF and P2P financing have benefitted more than 4,000 MSMEs, with total funds raised at RM2.7 billion since their inception. While still relatively small in size, these alternative financing avenues had grown to become a viable source of financing for MSMEs, increasing their reach to small and emergent companies. ECF and P2P financing had helped to address the financing needs of MSMEs during the pandemic, as both markets had raised more than RM1.8 billion since the start of the Movement Control Order (MCO) in 2020.

While still relatively small in size, these alternative financing avenues had grown to become a viable source of financing for MSMEs, increasing their reach to small and emergent companies

Malaysia Co-Investment Fund (MyCIF)

Since its establishment in 2019, the MyCIF has received RM180 million in allocation from the Government for co-investment with private investors through ECF and P2P financing platforms. To date, MyCIF has successfully co-invested over RM357 million in more than 16,000 ECF and P2P financing campaigns, benefitting 2,280 MSMEs. The fund had co-invested alongside more than RM1.4 billion from private investors.



Capital Market Green Financing Series

In February 2021, SC has launched NaviGate: Capital Market Green Financing Series, a programme to create greater awareness and connectivity between green companies and the capital market. The first edition of NaviGate was held virtually in February 2021 with a total of 100 participants and 40 MSMEs from the green technology and sustainable energy sectors in Malaysia participated in the programme which connected them to the ECF and P2P financing platforms. NaviGate demonstrates the SC's continued emphasis in fostering capital market inclusivity and in facilitating the acceleration of the Sustainable and Responsible Investment (SRI) agenda for the Malaysian capital market, complementing the initiatives undertaken by Capital Markets Malaysia (CMM). The inaugural session was supported by the Malaysian Green Technology and Climate Change Centre (MGTC) and Sustainable Energy Development Authority (SEDA) Malaysia.

The second NaviGate session was held in May 2021, organised by CMM and supported by Bank Pembangunan Malaysian Bhd and Danajamin Nasional Bhd. The session was attended by more than 200 participants which focused on companies with larger financing needs to finance their green and sustainable projects through the issuance of SRI Sukuk and ASEAN-labelled Bonds. It aimed to create greater awareness on SRI through the various capital market funding avenues as well as encourage greater connectivity between green and sustainability-focused companies and the capital market.

Box Article

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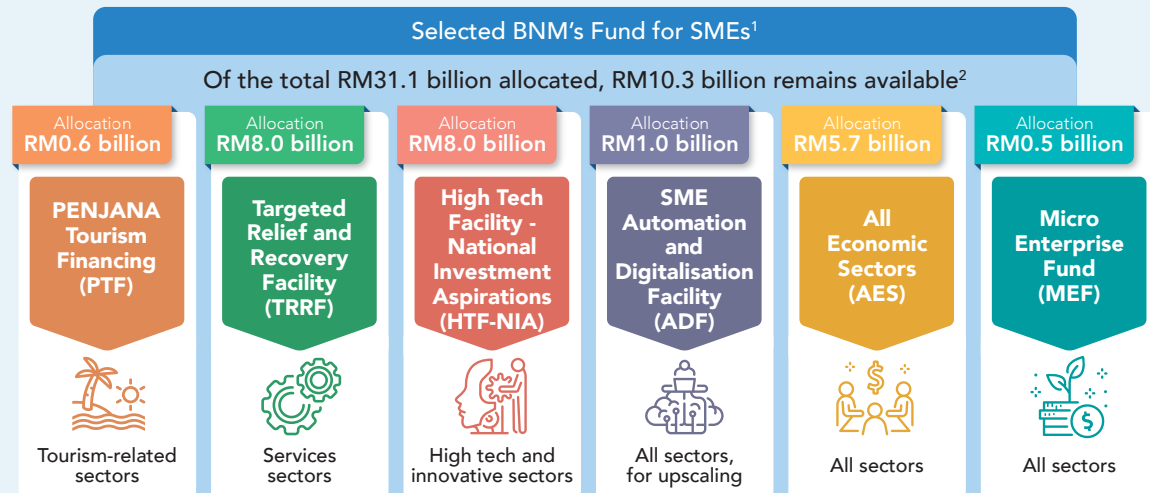
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Financing Facilities for MSMEs Affected by COVID-19 Pandemic



There has been a significant rise in the allocation for financing assistance under the BNM's Fund for MSMEs (BNM Fund) since the onset of the COVID-19 pandemic in March 2020, with the pre-pandemic allocation of RM9.1 billion increased to RM31.1 billion as at December 2021. With the bigger allocation, facilities under BNM Fund have been enhanced and upsized while new facilities were also introduced to ensure that the fund remains responsive to the needs of MSMEs. As at 29 December 2021, the fund had RM10.3 billion available for new applications from MSMEs across all sectors.

Though the BNM Fund acts only as a complementary measure to a much larger provision of MSME financing by financial institutions, it has nonetheless been pivotal in mitigating the financial challenges of MSMEs and had benefitted more than 52,000 MSMEs with a total workforce of over one million workers. More than 80.0% of the fund recipients comprised micro and small enterprises, the more vulnerable and hardest hit segments amid the pandemic.



Enhancements

- Two new facilities under Budget 2022: Business Recapitalisation Facility (RM1 billion) & Low Carbon Transition Facility (RM1 billion)
- Allowed PTF and the TRRF to be used for refinancing to reduce overall borrowing costs³

¹ Other facilities include the Agrofood (AF) Facility and the Disaster Relief Facility (DRF). Excludes the RM10 billion Special Relief Facility (SRF) which has been fully utilised

² As at 31 December 2021, including additional allocation announced during the Budget 2022

³ Up to 30.0% for the TRRF and 50.0% for the PTF

PENJANA Tourism Financing (PTF)

PENJANA Tourism Financing (PTF) facility was introduced as part of the Government's efforts to aid the tourism sector. The purpose of this facility is to support Malaysian MSMEs in the tourism sector, by preserving their capacity and assisting them to adjust and remain viable post COVID-19. Eligible SMEs and micro enterprises may apply for financing up to RM75,000 and RM500,000 respectively, with a financing rate of up to 3.5% per annum for a financing tenure of up to seven years.

Targeted Relief and Recovery Facility (TRRF)

The Targeted Relief and Recovery Facility (TRRF) introduced in November 2020, targets to provide relief to and support recovery of MSMEs in the non-tourism services sub-sector. The sub-sectors include personal services (such as computer repairs and laundry & personal grooming services), food & beverage, healthcare, social work, wholesale & retail trade and business services. The facility, which is accessible through 18 participating financial institutions, provides working capital financing at affordable financing rates of up to 3.5% inclusive of the guarantee fee, tenures of up to seven years and including a moratorium period of at least six months. To better cater to MSME needs, the scope of the facility has been expanded to enable MSMEs to utilise up to 30.0% of the loan to refinance their existing business financing. Guarantee coverage is provided by *Syarikat Jaminan Pembiayaan Perniagaan* (SJPP) and CGC. TRRF has proved to be of immense benefit to MSMEs, with 90.0% of the beneficiaries being micro or small enterprises, young MSMEs with less than three years of operation and first-time borrowers who, due to a lack of track record, would typically encounter challenges in securing financing. More than 20,000 MSMEs, with a total workforce of about 300,000 and largely from the wholesale & retail, restaurant and hotel sub-sectors, have benefitted from the RM8 billion allocated to the TRRF.

More than 20,000 MSMEs, with a total workforce of about 300,000 and largely from the wholesale & retail, restaurant and hotel sub-sectors, have benefitted from the RM8 billion allocated to the TRRF

High Tech Facility - National Investment Aspirations (HTF-NIA)

High Tech Facility - National Investment Aspirations (HTF-NIA) with allocation of RM800 million was introduced to support high-tech and innovation-driven MSMEs affected by COVID-19 to recover and revitalise the nation's innovation capacity. Financing rate of up to 3.5% per annum is offered for financing without guarantee or up to 5.0% per annum inclusive of guarantee fee (with guarantee coverage by CGC).

SME Automation and Digitalisation Facility (ADF)

SME Automation and Digitalisation Facility (ADF) is a RM1 billion facility that aims at incentivising MSMEs to automate processes and digitalise operations to improve productivity and efficiency with a financing rate of up to 4.0% per annum, inclusive of guarantee fee. Guarantee coverage is provided by SJPP.

All Economic Sectors (AES) Facility

All Economic Sectors (AES) facility aims to enhance access to financing for MSMEs and to support growth. The financing covers working capital and capital expenditures (e.g. purchase of machinery and equipment or renovation cost for owner-occupied business premises) with a maximum financing of RM500,000 per MSME at financing rate up to 7.0% per annum.

Micro Enterprises Facility (MEF)

The Micro Enterprises Facility (MEF) has an allocation of RM500 million which aimed at supporting microenterprises including gig workers on digital platforms and the self-employed. The Facility is for working capital and capital expenditure.

Disaster Relief Facility (DRF) 2021

Disaster Relief Facility (DRF) 2021 is a financing facility established by BNM to alleviate the financial burden of MSMEs affected by floods and enable them to resume their business operations.

Business Recapitalisation Facility (BRF)

Participating financial institutions and alternative financing partners involved in this facility offer a blend of equity-based financing combined with debt to help MSMEs finance their businesses without increasing their debt burden excessively. An allocation of RM1 billion has been provided for this facility.



Financial institutions continued to aid businesses that require assistance upon the expiry of the six-month blanket loan moratorium on 30 September 2020. Towards this end, banks and DFIs had introduced various targeted packages for affected MSME borrowers in the form of extended moratoriums, temporary reduction in loan repayments and other repayment flexibilities tailored to ease the financial burden of borrowers according to their financial situation. To further assist applicants, the application process was simplified, online applications were introduced while the operating hours of branches of banks were extended, including opening on weekends.

The transition to more targeted relief measures ensures that more resources were available to assist the most vulnerable and financially distressed borrowers while enabling banks to better support the broader economy through continued lending. The cash flow relief measures from deferred loan payment combined with the positive impact of cost-cutting measures and accelerated digital adoption due to the pandemic, was crucial in helping MSMEs to better cope with business challenges under the MCO.

Between October 2020 and May 2021, more than 49,000 MSMEs successfully restructured their financing commitments under the targeted repayment assistance programmes, with the majority being granted moratoriums or extensions of loan tenures. Between 1 June to 24 December 2021, 95,000 MSME borrowers obtained repayment assistance under the PEMULIH Package.

Box Article

Sustainability Related Financing



The COVID-19 pandemic has been a wake-up call prompting Governments, businesses and investors to pay greater attention to Environmental, Social and Governance (ESG) issues and stimulating all stakeholders to chart a sustainable recovery. Hence, the Government and financial institutions are also stepping up their efforts to assist the MSMEs to adopt sustainable practices.

Among the assistance being offered are:

Low Carbon Transition Facility (LCTF)

The Low Carbon Transition Facility (LCTF) is designed to encourage and support MSMEs to adopt sustainable practices to ensure business resilience. The facility is provided by BNM together with the participation of financial institutions on a matching basis by offering financing to MSMEs to transition to sustainable and low carbon practices in their business operations, for example, in increasing the use of sustainable raw materials and renewable energy as well as to improve energy efficiency of buildings or machinery to help businesses meet global requirements such as the EU Carbon Border Adjustment Mechanism 2023. A total of RM2 billion has been allocated for the facility, with RM1 billion from BNM and RM1 billion from the participating financial institutions.

The LCTF, which is available from 3 February 2022 until full utilisation, is open to MSMEs in all sectors for the purpose of funding capital expenditure or working capital to initiate or facilitate the transition to low carbon and sustainable operations. The projects and activities for which the LCTF can be used include, but are not limited to, obtaining sustainability certification; increasing the use of sustainable materials for production; improving energy efficiency of buildings & appliances and installing on-site generation equipment for renewable energy. MSMEs are eligible for financing of up to a maximum of RM10 million with a tenure of up to 10 years and a financing rate of 5.0% per annum inclusive of the guarantee fee, if applicable. Guarantee coverage is provided by CGC and SJPP.

Sustainable Development Financing Scheme (SDFS)

Bank Pembangunan Malaysia initiated the Sustainable Development Financing Scheme (SDFS) to support the Government's efforts to implement the 17 Sustainable Development Goals (SDGs) under the United Nation's Development Programme (UNDP) 2030 Agenda for sustainable development. The RM2 billion fund provides partial financing for clients' acquisition of assets or development of infrastructure that will contribute positively to any one of the 17 UNDP sustainable development goals. The targeted primary sectors are within the four mandated sectors, namely, infrastructure, maritime, oil and gas and technology. The fund, which is available from January 2021 until 31 December 2023, is open to companies which are at least 51.0% Malaysian-owned and locally registered. The margin of financing is up to 80.0%, with a tenure of up to 15 years for capital expenditure and five years for operating expenditure.

Green Technology Financing Scheme (GTFS)

The Green Technology Financing Scheme (GTFS) was initiated by the Government in 2010 to accelerate the growth of the green technology sector by facilitating greater access to financing through participating financial institutions for entrepreneurs and companies venturing into the green business sector. Malaysian Green Technology and Climate Change Centre (MGTC) (formerly known as GreenTech Malaysia) is tasked with facilitating the scheme, assessing applications to ensure that projects meet the green technology criteria, assisting in coordination between applicants and financial institutions as well as monitoring and auditing the progress of projects. The GTFS has, since its inception, funded 319 green venture projects. The initial scheme which ended in December 2017, was fully subscribed by participating financial institutions (PFIs) by up to RM3.5 billion. Due to the overwhelming response from the financial industry, the Ministry of Finance extended the scheme from 2019 to 2020 with a fresh injection of RM2 billion from PFIs.

GTFS 2.0 was officially announced during the 2019 Budget Speech with an allocation of RM2 billion. The scheme provided incentives in the form of a 2.0% rebate in interest rate for the first seven years and with a Government guarantee coverage of 60.0%. Borrowers fall under three categories for financing, namely producer of green technology, user of green technology and Energy Service Companies (ESCOs).

Table 1: GTFS 2.0 Performance as in December 2020

Sector	Green Projects Approved	Projects with Secured Financing	Financing Amount Offered (RM million)	Green Investment (RM million)	GHG Emission Reduction (thousand tCO ₂ eq/yr)	Green Jobs
Energy Efficiency	2	1	28	32	38	6
Renewable Energy	125	109	1,884	2,340	1,274	470
Waste	5	2	6	8	3	15
Water	-	-	-	-	-	-
Transport	-	-	-	-	-	-
Building	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
TOTAL	132	112	1,918	2,380	1,315	491

Meanwhile, GTFS 3.0 which will be managed and guaranteed by Danajamin has been launched on 6 November 2020 as part of the Government's agenda to support SRI as well as to drive green and sustainable standards in Malaysia. The RM2 billion scheme now includes supporting the issuance of SRI and green bonds and is open for application until 31 December 2022.





Technology, Innovation and Digitalisation

Chapter

4



Chapter 4

Technology, Innovation and Digitalisation

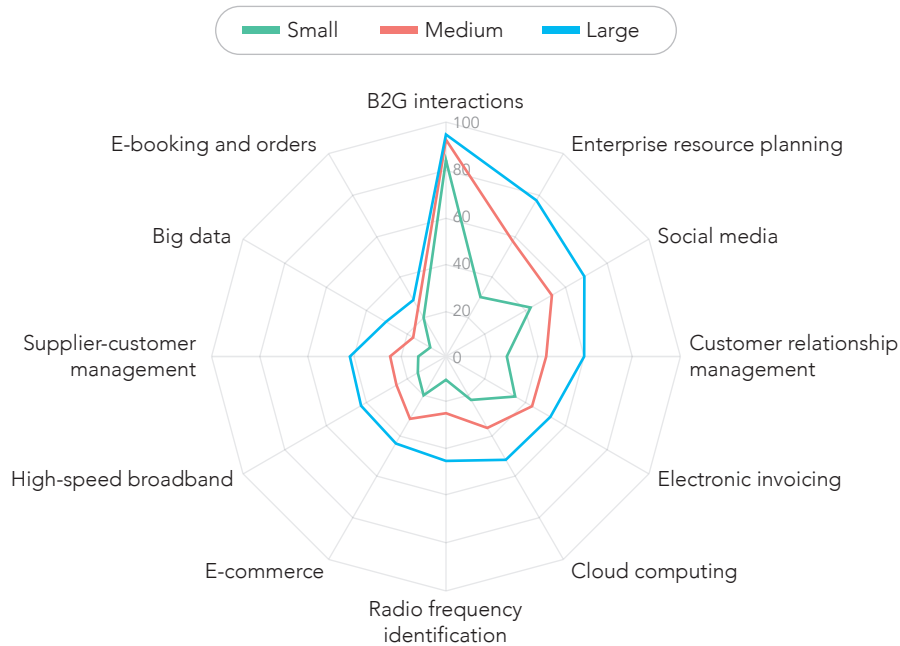
DIGITALISATION THE GAME CHANGER

Digital tools bring many significant benefits for firms. Digitalisation reduces transaction costs by providing better and quicker access to information and communication between workers, suppliers and networks. It can help micro, small and medium-sized enterprises (MSMEs) integrate into global markets, through reductions in costs associated with transport and border operations and it significantly enhances the scope to trade services. It facilitates access to resources, including finance (e.g. peer-to-peer lending), training, and recruitment channels, including Government services, which are increasingly being made available online. It also supports innovation, and greater access to innovation assets, as well as the potential for firms to generate data and analyse their own operations in new ways to drive improved performance.

The biggest challenge is the first step for many firms. Once an initial transition is made to digital technologies, there are strong complementarities in technologies that can drive further adoption. For example, digital platforms such as social media and e-commerce marketplaces provide significant scope to optimise certain operations at very low cost through business intelligence and data analytics services.

SME gaps in adoption of technology are large in many areas

Diffusion rate, median OECD, based on country average percentages of enterprises using the technology over 2015 - 2018



Source: *SME Digitalisation to Build Back Better*, OECD

Closing this productivity divide between large and other firms therefore holds a key to permanently boosting wider economic growth, prosperity and reducing income inequalities globally. One of the best and most often cited ways to boost the overall labour productivity potential in MSMEs could be through digital transformation.

Digitalisation can be a game changer for MSMEs, introducing smart contracts and automating many back-office functions. It can for example, reduce late payments and improve business cash flow. Going online and trading across borders can also allow MSMEs to reach a similar number of customers as larger rivals. MSMEs that have digitalised are more likely to have found new business opportunities during the pandemic, double the rate of the least digitalised according to Vodafone. Other reports have shown how digitalisation has built long term business resilience, increasing earnings before interest and taxes (EBIT) by 12.0 - 20.0% in the first year and increasing speed to market by 40.0 - 50.0% on average.

Digitalisation can be a game changer for MSMEs, introducing smart contracts and automating many back-office functions. It can for example, reduce late payments and improve business cash flow

MALAYSIA'S DIGITAL ECONOMY LANDSCAPE

There has been a significant growth in the Malaysia's digital economy landscape following the COVID-19 pandemic which has paved the way for new digital businesses, at the same time, encouraged traditional businesses to shift online to survive.

Based on the e-Economy SEA 2021 Report released by Google, Temasek and Bain & Company, Malaysia is taking a step towards a new normal after the pandemic by leading a permanent shift in digital consumption. The country's digital market growth which sharply increased by 47.0% from RM59 billion (USD14 billion) in 2020 to RM88 billion (USD21 billion) in 2021 was driven by the significant jump of 68.0% in e-commerce and is expected to reach RM147 billion (USD35 billion) by 2025.

The pandemic has led to a permanent shift in digital adoption in Malaysia where 94.0% of consumers are found to still use digital services and 98.0% intend to continue post-pandemic. In addition, businesses are also becoming more competent in technology where 43.0% of digital entrepreneurs in Malaysia believe that they will not be able to survive a pandemic without a digital platform. This has accelerated digital acceptance by merchants, with 98.0% now accepting digital payments and 72.0% using digital lending solutions.

Based on Information and Communication Technology Satellite Account 2020 published by Department of Statistics, Malaysia, contribution of information and communication technology (ICT) to GDP increased to 22.6% (2020: 19.2%), recorded a double-digit growth of 10.4% in 2020 compared to 7.3% in the previous year. Meanwhile, the contribution of e-commerce to GDP in 2020 was at 11.5% (2019: 8.5%), amounting to RM163.3 billion from RM129.2 billion in 2019. Manufacturing sector remained as the major contributor to gross value added of e-commerce with a share of 54.5% followed by services sector at 41.7%. The closing of physical stores due to lockdown and restricted movement nationwide has driven consumers to speed up online shopping, which in turn accelerated the e-commerce market growth in Malaysia.



For the education sector, digital assistance has facilitated learning sessions that have been disrupted by the pandemic. The use of an alternative system, namely Pengajaran dan Pembelajaran di Rumah (PdPR), is the best example of how digital adoption contributes to a higher standard of living.

Rancangan Malaysia Kedua Belas (RMKe-12) has outlined several key focuses that emphasise the important contribution of the digital economy to Malaysia's economic growth. For example, national digitisation initiatives are expected to help achieve the target of 25.5% contribution of the digital economy to the country's GDP by 2025.

The Government has also identified sub-sectors such as gig economy that will be an important source of economic growth in the country. This sub-sector is expected to open wider opportunities to the people as it offers digital-based services and platforms.

ACCELERATING THE DIGITAL ECONOMY: INTRODUCTION ON THE MALAYSIA DIGITAL ECONOMY BLUEPRINT (MyDIGITAL)

Malaysia's digital economy is driven by the Malaysia Digital Economy Blueprint (MyDIGITAL), the country's digital economy roadmap until 2030. MyDIGITAL sets out the country's vision to be a regional leader in the digital economy as well as to develop an inclusive and sustainable socio-economy based on three main policies driven by six thrust and 22 strategies.

The three objectives are:



In line with these objectives, the Government has introduced various initiatives on digital talent development, with emphasis on ICT innovation in schools, strengthening the delivery of science, technology, engineering and mathematics (STEM) subjects across the education system (Malaysia Education Blueprint) and upskilling and reskilling of the existing workforce.

Other national initiatives include the National eCommerce Strategic Roadmap (NESR) launched in 2014 and the Malaysian Productivity Blueprint in 2017 to boost uptake of digitalisation by MSMEs through participation in e-commerce and the adoption of innovative technologies.

INNOVATION IN MANUFACTURING AND SERVICES SECTORS

Innovation is one of the key determinants of productivity and long-term growth. Supporting innovation in established MSMEs can foster inclusive growth by reducing productivity gaps and wage gaps between MSMEs and large companies. Malaysian Science and Technology Information Centre (MASTIC) conducted National Survey of Innovation (NSI) 2018 which covers innovation activities over the period 2015 - 2017. The NSI-2018 examined a total of 2,020 firms whereby 717 firms (35.5%) were in manufacturing sector and 1,303 firms (64.5%) in services sector. In terms of size, small and medium-sized firms represented almost 73.0% of the firms in the manufacturing sector and 78.0% in services sector.

Table 4.1: Firms Size by Sector

Size of Firms	2018	
	Manufacturing (%)	Services (%)
Small	35.2	43.8
Medium	37.5	34.5
Large	27.3	21.7
Total	100	100

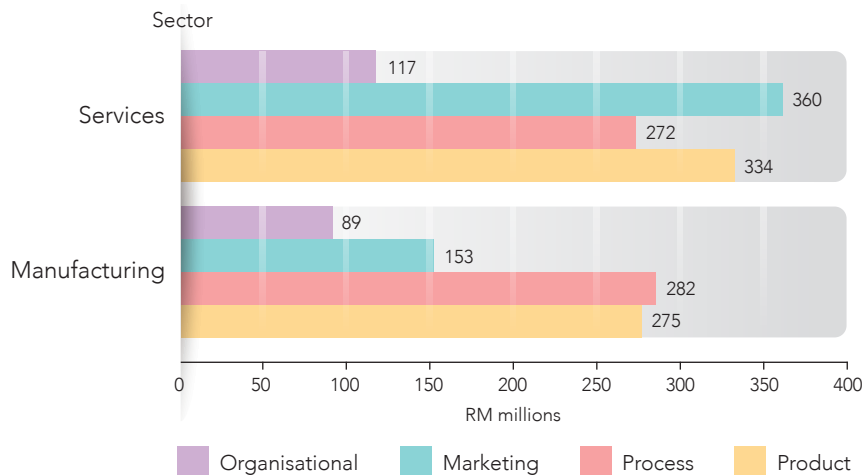
Source: National Survey of Innovation 2018 cited in Malaysian Science, Technology & Innovation Indicators Report 2020, MASTIC

The NSI-2018 survey revealed that 65.0% of the respondents can be categorised as innovative firms while 35.0% are non-innovative firms. The survey found that the most important objectives of innovation activities for both manufacturing and services sectors firms were to:



The NSI-2018 also examined four types of innovation activities namely product, process, marketing and organisational innovation. Marketing innovations is the most prominent in the services sector followed by product, process and organisational innovation. In contrast, the manufacturing sectors focus is on process, product, marketing and organisational innovation respectively (refer to Chart 4.1).

Chart 4.1: Categorisation of Innovation Activities Based on Type and Business Sector



Source: National Survey of Innovation 2018 cited in Malaysian Science, Technology & Innovation Indicators Report 2020, MASTIC

Despite the increasing participation of firms in innovation-related activities, majority of the respondents continued to report on lack of awareness on Government incentives and support available for innovation activities. They also cited that the process and procedures involved in getting the incentives are complicated and time consuming. Hence, it is important to develop an effective and inclusive national innovation system. This involves Triple Helix collaboration which focuses on the joint-effort between the Government, private sector and higher education institutions (HEIs).

Box Article

SME Digital Guidebook

The SME Digital Guidebook was launched by MDEC in August 2021 which serves as the first point of reference for SMEs interested to embark on digital adoption. Beyond providing a guide for SMEs to kickstart their journey, the Guidebook also lists down the latest trends that will impact SMEs, lay down the importance of digitalisation and direct SMEs to available initiatives within Malaysia that they could leverage on. The Guidebook was co-developed with International Data Corporation (IDC) who provided analysis of the market and technology insights.

The Guidebook are targeted towards small and medium size firms, especially traditional businesses looking to embark on their digital journey. Businesses looking to enhance or improve their businesses via digital means will also find the Guidebook as a useful repository of ideas and suggestions. Currently, the SME Digital Guidebook are focused on the retail and F&B industry, and comes in two reference guides for each sector.



The Guidebook are targeted towards small and medium size firms, especially traditional businesses looking to embark on their digital journey



SME Digital Quick Guide

Easy-to-read document for quick reference, providing a high-level view for businesses.

SME Digital Guidebook

A full document that will take a more structured approach in mapping digital needs, technologies, business goals and best practices to guide SMEs in elevating their digital capabilities.

Box Article

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MSME Insights 2021

MyAssist MSME



The MyAssist MSME programme is a Government initiative through SME Corp. Malaysia under the Pelan Jana Semula Ekonomi Negara (PENJANA) that is designed to help MSMEs navigate through the economic uncertainties amid the COVID-19 pandemic. The programme was launched virtually on 30 June 2020.

MyAssist MSME offers advisory services and business information, guidance and digital marketing opportunities, technology support and innovation facilities, business matching and online multi-channel initiatives. As at December 2021, the platform has 1,073 registered users and, to date, has received 50,467 visitors.

The four main components of MyAssist MSME are an information centre, advisory service, three platforms comprising MeetMe, MatchMe and e-Pameran, and an interactive feedback medium. The services provided by these components are as follows.

The Information Centre on incentives under PENJANA and other stimulus packages as well as MSME development programmes.

MeetMe provides online and offline business advisory services with the support of certified business counsellors, Government agencies and financial institutions. Users of the platform can seek advice and consultation on business, financial facilities, trade facilitation as well as matters related to human resource, branding and technology. Through MeetMe, a total of 143 business advisory sessions were held throughout the year 2021.

MatchME is an online business-matching service with participation by various anchor companies from multinational, Government-linked and overseas firms, hypermarkets and e-commerce platform providers. In 2021, 22 anchor companies and 228 MSMEs participated in the platform. The platform held 52 business-matching sessions which had the potential to generate RM9.7 million in sales.

e-Pameran is an interactive 3D platform which showcases MSME products and services via virtual exhibitions. The platform also features a shopping cart facility to encourage online purchasing. In 2021, SME Corp. Malaysia in collaboration with 45 Ministries & agencies & financial institutions, provided 520 booths for virtual exhibitions which drew the participation of 506 MSMEs. The platform received 29,022 visitors during the year. For e-commerce purposes, MyAssist MSME is integrated with the WarongKu platform to enable MSMEs to market their products digitally.

A total of 73 webinar sessions were organised at the platform which has attracted a total of 54,469 viewers.





**Special
Highlights**



Special Highlights

Building Back Better for Malaysian MSMEs

The rapid worldwide spread of the COVID-19 pandemic has had a severe, unparalleled impact on the global economy. Unprecedented lockdowns in most countries such as the United States, United Kingdom, China and Japan, aimed at containing the virus has resulted in profound global supply chain disruption, wide-scale retrenchment, abrupt fall in incomes and collapse in global demand.

It was indeed a wake-up call for Malaysia. Being an open economy, Malaysia was adversely affected by the health crisis which gravely impacted its key domestic sectors namely manufacturing, services, agriculture and construction. The impact from containment measures imposed by the Government had precipitated supply chain disruption, lower demand, high unemployment, weak consumer sentiment and low business confidence throughout the country. It inevitably caused a sharp drop in output that resulted in excess capacity.

The prolonged pandemic continued to adversely affect the domestic economy with majority of local businesses struggling to survive and corporate earnings in many industries deteriorating. Malaysia's economy contracted by 5.6% in 2020, which was the country's worst performance in terms of economic growth since the 1997 Asian Financial Crisis. Amidst growing signs of economic recovery as a direct result of strategic measures undertaken by the Government in managing the economic crisis since 2020, the country's overall Gross Domestic Product (GDP) recorded an encouraging growth of 3.1% in 2021 ⁽¹⁾.

Recognising the fact that adopting a 'business-as-usual' approach in dealing with the post-COVID-19 pandemic challenges was never an option, the Malaysia Government has been intensifying its efforts to help, particularly the MSMEs, by implementing income raising initiatives and capacity building programmes in urban and rural areas, as well as by encouraging entrepreneurship and facilitating access to financing facilities. As some of the vulnerabilities and weaknesses exposed by the pandemic are not new, but rather aggravated by the crisis, the Government is taking this adversity as an opportunity to reform the economy and 'build back better' ^[2].

In building back better, guided by the Wawasan Kemakmuran Bersama 2030 (WKB 2030), the Rancangan Malaysia Kedua Belas (RMKe-12) plays a pivotal role in driving the national economic transformation in the new post-COVID-19 crisis landscape. RMKe-12 envisions that 90.0% of MSMEs will digitalise their business operations by 2025 ^[3]. Prioritising MSME digitalisation as a national agenda is a powerful game changer for the economy. It enables MSMEs to transform, compete and penetrate global markets. MSMEs will be equipped with the skills to enable digitalisation of their business processes by the year 2025. They will also be assisted to produce products and services on par with international standards to enhance competitiveness ^[4].

Apart from supporting more inclusive growth strategies and addressing MSME wellbeing following the pandemic, accelerating MSME adoption and adaptation to digital innovation, are key to building back a stronger economy. Budget 2022 has focused on providing incentives to encourage more MSMEs to adopt digital technology, where by RM400 million has been set aside for enhancing digitalisation, technology and innovation.

The Government has undertaken a series of strategic measures in the forms of policies, strategies and facilities in managing the crisis since the start of the pandemic. The year 2021 saw the introduction of several more stimulus packages and a myriad of new initiatives to cushion the impact of the pandemic on MSMEs. A total of 16 financial aid initiatives were launched for MSMEs in 2021, which were announced under Budget 2021, PERMAI, PENJANA and PEMERKASA economic stimulus packages.

The strategic measures have proven to be effective in mitigating the impact on MSMEs and further reinforced by the country's strong economic fundamentals, MSMEs rebounded to a positive growth in 2021, contributing 37.4% to GDP, 47.8% to employment and 11.7% to exports. Despite a lower contribution to the Malaysian economy, it was undoubtedly a noteworthy accomplishment amidst the prevalent domestic and global challenges brought about by the pandemic ^[2].

Malaysia's economy is now on a stronger recovery path following a successful vaccination drive and the full withdrawal of movement restrictions. Economic activities have picked up since all 13 states and three federal territories transitioned into Phase Four of the National Recovery Plan as of 3 January 2022. With less restrictive measures in business operations and further expedited by the reopening of the country's borders on 1 April 2022 as part of the national move to transition into the endemic phase, all economic sectors in Malaysia have gradually returned to normal ^[5].

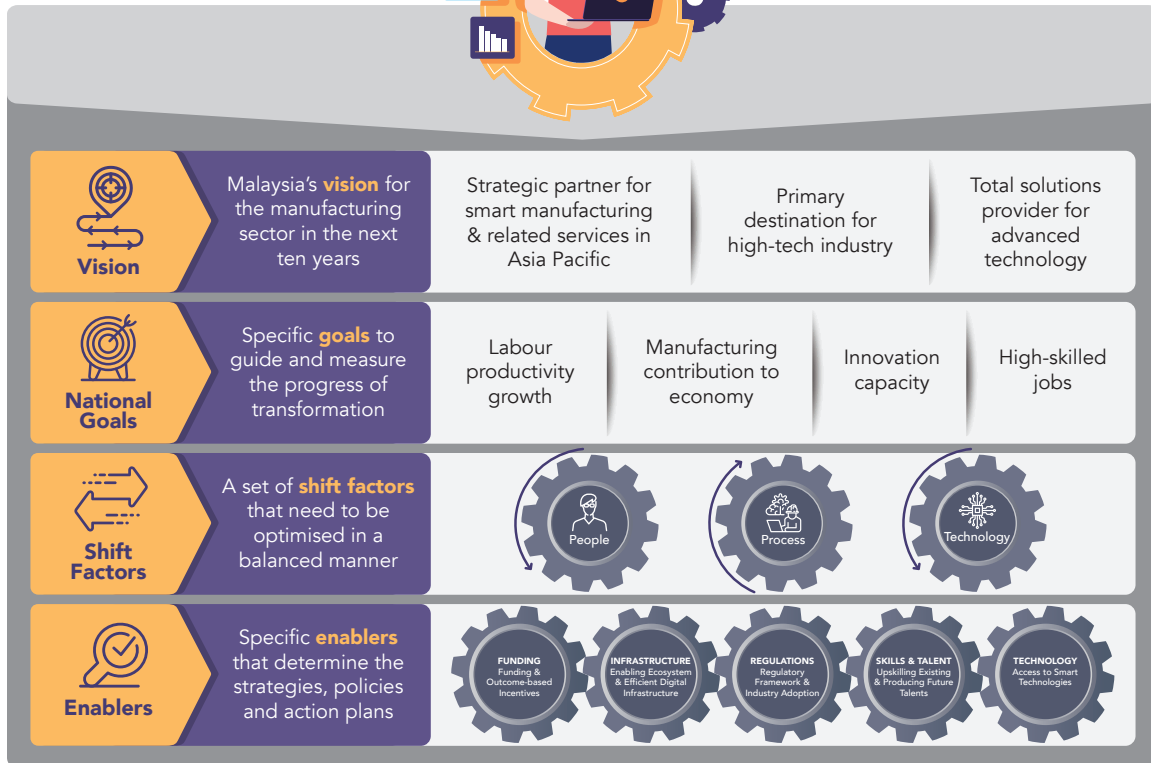
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The Government is steadfast in its aim of establishing a conducive and holistic MSME ecosystem by enhancing the entrepreneurial capabilities of MSMEs and strengthening the business landscape, in order to ensure that MSMEs remain on the path of gradual recovery and further beyond to ultimately become sustainable and globally competitive players. In building back the economy to last in the digital age post-pandemic, a whole-of-nation approach involving the Government, regulators, private sector, civil society organisations and financial institutions is essential to steer oncoming challenges and opportunities ahead. The Government is geared to ensure that programmes and initiatives that address the diverse needs of MSMEs are made accessible to all MSMEs nationwide. Most importantly, MSMEs must seize the opportunity to utilise the resources available to help accelerate their economic recovery and spur forward into the future.

Among the major initiatives undertaken by the Government in 2021 that have been instrumental in facilitating the recovery of MSMEs and aimed to further stimulate MSME development for the medium to long term until 2030 are:



National Policy on Industry 4.0 (Industry4WRD)



Source: Industry4WRD report, Ministry of International Trade and Industry

Industry4WRD targets to transform the Malaysian manufacturing industry and its related services into one that is smarter, more systematic and resilient. The Industry4WRD Readiness Assessment (RA) evaluates SME capabilities and readiness to adopt IR 4.0 technologies and processes, identifies gaps and areas for improvement as well as developing feasible strategies and plans to close such gaps.

The Government provides full financing to qualified SMEs to undergo the RA while other firms can obtain a once-off tax cut of up to RM27,000 to implement it. Once the RA is implemented, the firm will receive a comprehensive report on their level of readiness with regard to human capital development, processes and technology as well as strategic intervention plans. A total of 1,056 SMEs have participated in the RA programme since 2019.

The Government has approved a ceiling allocation of RM100 million for the Industry4WRD-RA and Intervention Fund under the RMKE-12. An allocation of RM14 million has been provided for Industry4WRD-RA for the 2021 - 2025 period.

INTERVENTION FUND

The Industry4WRD Intervention Fund is a financial support facility designed to assist SMEs in the manufacturing and related services sectors to make the leap to IR 4.0. All SMEs that have completed the Industry4WRD-RA programme are eligible for the financing. Funding is provided through a 70:30 matching grant based on eligible expenditure up to a maximum of RM500,000.

The fund received 355 applications in 2021, of which 187 companies approved were awarded a total of RM66 million in grants. The fund will continue to be implemented throughout the RMKe-12 period with a ceiling of RM86 million in allocation and a key performance indicator (KPI) of a minimum approval rate of 172 SMEs.

The programme is designed to drive firms to achieve the following capabilities:

- faster delivery (shorter time from ideation to production);
- higher product quality with less defects (better quality control with a reduction in manual inspection);
- greater flexibility (adjusting to changes and greater capability for innovation);
- optimisation of processes through better system integration and greater efficiency; and
- greater competitiveness.

The fund received 355 applications in 2021, of which 187 companies that were approved were awarded a total of RM66 million in grants

PUBLIC-PRIVATE PARTNERSHIP COVID-19 INDUSTRY IMMUNISATION PROGRAMME (PIKAS)




The Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS) was part of Phase 4 of the National COVID-19 Immunisation Programme to accelerate vaccination for Malaysians. PIKAS targeted to increase the vaccination uptake of workers in critical manufacturing sub-sectors in the supply chain such as electrical & electronics, food processing, iron & steel, medical devices, personal protective equipment, oil & gas and rubber products including medical glove manufacturing, in order to reduce the number of COVID-19 workplace clusters and consequently help to accelerate Malaysia's economic recovery.

PIKAS operated under two models, namely vaccination at common-use vaccination centres and on-site in factory premises or approved locations initiated by a company. Workers of companies who registered for PIKAS were vaccinated for free, but employers were required to pay the vaccine administration costs of RM45 per dose per worker. Based on this cost, RM15 was to cover vaccine administration costs payable to



ProtectHealth, a non-profit entity under the Ministry of Health, services of medical practitioners & nurses and logistics arrangements for the vaccine. Meanwhile, RM30 was for management of the vaccination centres, disposal of medical wastes, ambulance, security and other related services. Companies that opted for the on-site model paid RM15 per dose per worker and were also required to set up vaccination centres within their factory premises or at an approved location.

In order to encourage employers to register their workers for PIKAS, the Government on 28 June 2021 has allocated RM150 million under Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH) to provide the following incentives:

-  Employers who are registered with the Human Resource Development Corporation (HRD Corp) can use up to 10.0% of the balance of their current levy to pay for the vaccine administration cost.
-  Tax deduction for the employer on expenses, including the cost of equipment and services for setting up a vaccination centre on-site. Additionally, tax deductions were also extended to contributions made through community or charitable projects to vaccination centres.
-  A company will be given consideration to operate at full capacity when all employees are fully vaccinated (received two doses of vaccine).

Throughout the programme, a total of 1,005,128 workers were vaccinated between its launching on 16 June 2021 and up to its conclusion on 31 October 2021. Of the total, 962,382 were fully vaccinated.

MALAYSIA PLASTICS SUSTAINABILITY ROADMAP (MPSR) 2021 - 2030

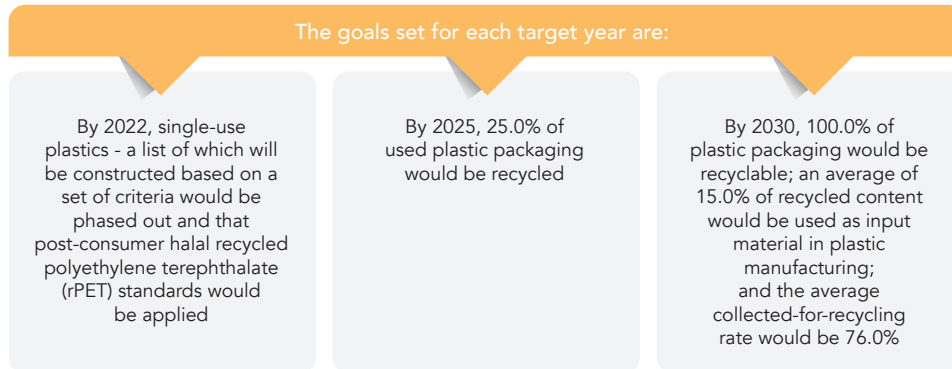
Since the onset of the pandemic, the Government has implemented a sizeable number of programmes aimed at addressing the needs of MSMEs. The overarching goal has been to provide business owners with the support and funds in the immediate term. The pandemic has also forced many businesses to re-think how they measure their success and performance. Before COVID-19, most businesses focused largely on managing profitability and growth. What this crisis has revealed is the importance of adaptability, resilience, and sustainability as these aspects are now truly critical in business. The prospects of recovery depend on it. In line with this, the MPSR 2021 - 2030 was developed by Ministry of Environment and Water (KASA) to assist them on their sustainability journey.

MPSR 2021 - 2030, which was launched on 10 December 2021, complements Malaysia's Roadmap towards Zero Single Use Plastics 2018 - 2030, the goal of which is to reduce the impact of single-use plastics on the environment. The roadmap takes a phased and holistic approach to drive the country's agenda for a sustainable plastic economy based on the principles of circularity.

A circular economy for plastics aims at designing out waste and pollution, whereby plastics at the end of lifecycles are to be re-used, recycled or disposed of in a clean and sanitary manner and safely returned to nature if there is a leakage from collection systems. Such an approach is not only beneficial to the environment and public health but also spurs innovation in materials and processes.

The roadmap outlines strategies and action plans, including policy, regulations, technology, research & development as well as financing for plastic from production to end-of-life treatment, with the goal of achieving a greater level of plastic circularity in Malaysia.

What is envisioned is a shift of the entire plastic value chain from the linear to a circular ecosystem, including design innovation, supply chain collaboration, a high-value recycling industry, resource efficiency as well as accountability of manufacturers and brand owners in managing the end-of-life impact of their products.



One of the strategies of the roadmap is Extended Producer Responsibility (EPR) scheme, whereby producers are held responsible to recover and manage their post-consumer waste. EPR will be implemented in phases from advocacy to adoption of voluntary EPR schemes among industry players beginning in 2022 until 2025. This will be followed by the introduction of a mandatory EPR scheme by 2026 that will be supplemented by a legal framework to ensure its workability and ease of monitoring.

Multinationals and MSMEs can contribute to realising the vision of the roadmap to balance economic growth with environmental protection by building sustainable and inclusive business models that fit in with the needs of the global supply chains as well as by:

- Adapting and adopting a sustainability agenda in their business model such as EPR and improving sustainability design as well as developing a dedicated MSME EPR implementation plan that is aligned to the MSME ecosystem and readiness;
- Empowering the informal sector within the MSME ecosystem; and
- Participating in the circular economy training programme to be rolled out in 2023, that is currently being developed by KASA.

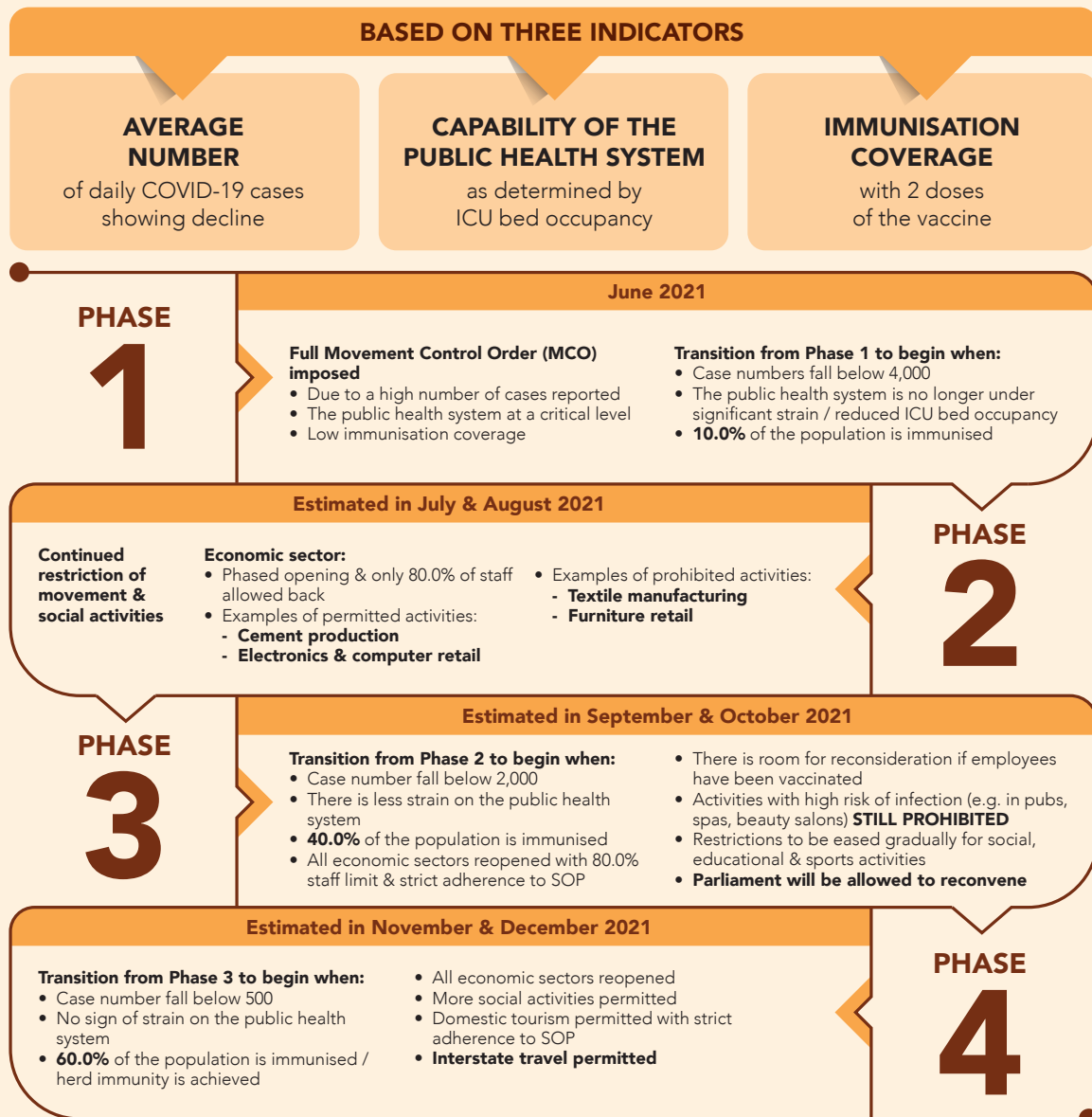
Recycling and the wider circular economy innovations are often misunderstood and not perceived as investable by financial institutions. Government intervention would help to facilitate financing and enable innovative MSMEs to grow and contribute towards plastic circularity and sustainable businesses.

Box Article

Recovery Initiatives in 2021 and 2022



THE NATIONAL RECOVERY PLAN



Source: Prime Ministers Office

The National Recovery Plan (NRP) is a four-phase plan to ease restrictions cautiously and safely, anchored on vaccinating the population. Through the NRP, the Government aims to ease restrictions in a manner that achieves five objectives to protect lives and livelihoods to:

- i. protect public health by managing transmissions, minimising hospitalisations and deaths;
- ii. ensure that the healthcare system can cope in a sustainable manner;
- iii. deploy vaccinations as quickly as possible to protect the Rakyat;
- iv. reopen society and the economy as fairly and as quickly as possible; and
- v. be responsive and flexible in adapting to the evolving environment.

The NRP lays out guidelines for each phase, as well as three thresholds that indicate a shift in phase could be considered. It consist of four areas of focus which are:

- Strengthening the Healthcare Response to the Pandemic
- Immunising the Rakyat
- Supporting the Rakyat and Businesses
- Moving towards the Next Normal

Businesses have been severely impacted due to the COVID-19 pandemic. Starting from the first Movement Control Order (MCO) in March 2020, many businesses were forced to close their doors. These closures led to major losses in revenue, which in turn impacted the ability of the businesses to pay their employees, service their loans, pay rent and other bills. To address these challenges, the Government is providing various assistance programmes to businesses and employees.

ECONOMIC STIMULUS PACKAGES IN 2021 AND BUDGET 2022

The Government has allocated a total of RM75.8 billion specifically to assist the MSMEs directly and indirectly through various economic stimulus packages in 2021 and Budget 2022. The implementation of these initiatives and programmes will be able to assist MSMEs in easing cash flow constraints, enhance business resiliency and enable them to recover gradually, in line with the economic growth forecast.

The Economic Stimulus Packages in 2021 consist of Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Program Strategik Memperkasa Rakyat dan Ekonomi (PEMERKASA), PEMERKASA+ and Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH).

PERMAI - RM4.5 BILLION

Key initiatives include:

Access to Financing (RM1.7 billion)

- RM1 billion for guarantee facility through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) to introduce Bus and Taxi Hire Purchase Rehabilitation Scheme
- RM650 million for PERMAI Prihatin Special Grant
- RM66 million allocated for tourist guides, drivers of taxis, school buses, tour buses, rental cars and e-hailing vehicle with RM500 one-off financial assistance
- Expand financing amount and scope of Danajamin PRIHATIN Guarantee Scheme
- Continuation of MARA PRIHATIN: Peace of Mind 2.0

Human Capital Development (RM1 billion)

- RM1 billion for enhanced Wage Subsidy Program 3.0 under SOCSO whereby all employers operating in the MCO states will be eligible to apply, irrespective of sectors
- RM24 million allocated to fund the full contribution under SOCSO's Self-Employment Social Security Scheme
- Relax the conditions for the Employment Insurance System or SIP PRIHATIN

Enhancing Digitalisation, Technology and Innovation (RM500 million)

- RM500 million facility for free 1GB data initiative will be extended until 30 April 2021
- Tax exemptions for computers, handphones and tablets worth below RM2,500 to be extended until 31 December 2021

Development of Microenterprises (RM1 billion)

- RM1 billion microcredit facilities including soft loans amounting to RM390 million by Bank Simpanan Nasional, RM350 million by Agrobank and RM295 million by TEKUN

Access to Market (RM300 million)

- RM300 million to accelerate the implementation of the SME and Micro SME e-Commerce Campaign and Shop Malaysia Online Campaign

PEMERKASA - RM8.6 BILLION

Key initiatives include:

Access to Financing (RM2.1 billion)

- RM2 billion for Targeted Relief and Rehabilitation Facility by Bank Negara Malaysia (BNM)
- RM50 million under SME Corp. Malaysia for financing worth up to RM250,000 at an interest rate of 3.0%
- RM50 million matching grant to develop the aerospace and medical device industries
- RM26 million for increase in Disabled Workers Allowance from RM1,200 to RM1,500 per month
- RM10 million allocation in the form of 70.0% grant under SOCSO for women entrepreneurs and self-employed women
- Limit of fundraising for alternative financing to increase from RM10 million to RM20 million and equity crowdfunding will be extended to unlisted limited companies
- Establishment of MySDG Trust Fund as a platform that allows funding from various sources to finance projects that meet the SDG criteria
- The launch of Sustainable Sukuk amounting to no less than USD1 billion
- Increase the indebtedness threshold from RM10,000 to RM50,000 to avoid companies from facing winding up action by Suruhanjaya Syarikat Malaysia (SSM)

Development of Microenterprises (RM1.5 billion)

- RM1 billion for one-off assistance of RM1,000 to benefit approximately one million microenterprises and SMEs under the Geran Khas Prihatin or GKP 3.0
- RM450 million additional fund for micro credit financing facilities through programmes under BSN, TEKUN and MARA
- RM50 million for Skim Pembiayaan Mikro PEMERKASA-NITA under BSN to encourage women entrepreneurs to venture into business

- RM25 million for Skim Mikrokredit ISTIMEWA under BSN for the disabled to venture into business with a financing limit of up to RM50,000 with an interest rate as low as 3.0%
- Skim Pembiayaan Mikro PEMERKASA-BELIA under BSN for youth to venture into business with financing of up to RM50,000 with an interest rate as low as 3.0%.
- RM15 million for one-off Special Assistance Grant of RM3,000 for more than 5,000 travel agencies registered with MOTAC
- One-off cash assistance of RM600 for homestay operators registered with MOTAC

Enhancing Digitalisation, Technology and Innovation (RM1.2 billion)

- RM700 million for Automation and Digitalisation Facility by BNM
- RM200 million financing for the development of automation, digitalisation and utilisation of green technology under MIDF, with reduction of loan interest rate from 5.0% to 3.0% for a period of 12 months starting 1 April 2021
- RM200 million soft loans will be provided to finance the purchase of machines with a grant incentive of up to 20.0% on the machine value under SME Bank
- RM50 million will be provided for the Smart Automation Grant under MIDA for SMEs and mid-tier companies to improve operational and manufacturing efficiencies
- RM50 million will be provided for Industry4WRD programme to support IR 4.0 under MITI

Human Capital Development (RM1 billion)

- RM700 million for extension of Wage Subsidy Program 3.0 under SOCSO for another three months to targeted sectors mainly tourism, wholesale & retail and other sectors closed during MCO e.g. gym & spa, sport centres
- RM300 million will be allocated under SOCSO for Penjana Kerjaya 2.0 by expanding the scope of recruitment incentives to include temporary employment and gig employment
- RM10 million is allocated for Program Pemerkasaan Ekonomi Komuniti Bandar under KPKT to encourage participation of urban youths in entrepreneurial projects

Access to Market (RM50 million)

- RM30 million is allocated for women entrepreneurs through Micro and SMEs e-Commerce Campaign as well as Shop Malaysia Online Campaign
- RM20 million is allocated to KPWKM to assist entrepreneurship among disabled and senior citizens to market their bakery products and handicrafts

Development of Bumiputera SMEs (RM60 million)

- RM50 million for PRIHATIN Micro Business Financing Scheme under MARA to assist Bumiputera microenterprises, with maximum financing amount of RM50,000 with an interest rate as low as 3.0%
- RM10 million for Tunas Usahawan Belia Bumiputera (TUBE) programme to produce a total of 250 new Bumiputera youth entrepreneurs

Other Measures (RM2.6 billion)

- RM2.5 billion additional allocation for small-scale projects in 2021 (from RM2.5 billion)
- RM135 million allocation for a three-month extension until 30 June 2021 of 10.0% special discount on electricity bills to reduce the business costs

PEMERKASA+ - RM4.1 BILLION

Key initiatives include:

Access to Financing (RM2 billion)

- RM2 billion for Targeted Relief and Recovery Facility (TRRF) with an interest rate of 3.5% for affected SMEs by BNM

Human Capital Development (RM1.5 billion)

- RM1.5 billion for one-month extension of the Wage Subsidy Programme under SOCSO for all affected economic sectors, with a limit of 500 employees per application
- Employees may improve their knowledge and skills for free through e-Latih portal, which offers 400 modules and skills courses

Development of Microenterprises (RM0.6 billion)

- RM500 million for an extra RM500 to almost one million SMEs and microenterprises under Prihatin Special Grant (GKP), thus bringing the total amount to RM1,500 per business
- RM68 million for one-off assistance of RM500 to tourist drivers, taxi drivers, bus drivers and charter & e-hailing drivers to be channelled through Land Public Transport Agency (APAD) in July 2021

PEMULIH - RM8.7 BILLION

Key initiatives include:

Human Capital Development (RM3.9 billion)

- RM3.8 billion for Wage Subsidy Programme 4.0 under SOCSO whereby eligible employers will receive a wage subsidy of RM600 for a period of four months for each employee (up to 500 employees) with no salary limit conditions are set and employers can apply for employees who earn more than RM4,000 / month
- Extension of PenjanaKerjaya 3.0 programme
- RM125 million for Place and Train initiative particularly for graduates and youth

Development of Microenterprises (RM2.2 billion)

- RM1.1 billion additional fund for micro credit financing facilities through programmes under BSN, Agrobank and TEKUN
- RM1 billion for Prihatin Special Grant 4.0 (GKP 4.0)
- RM37.2 million for Bantuan Khas Taska
- RM30 million for disabled persons who have lost their jobs or unemployed and not a recipient of Disabled Workers Allowance at RM500 per pax for three months
- RM20 million for Program Jaringan Inisiatif Umum

Access to Financing (RM2.1 billion)

- RM2 billion additional financial assistance under BNM's fund for SMEs
- RM100 million financing facilitation and financial assistance to support artist
- RM20 million for Cooperative Economic Recovery Intervention Funding programme of which entrepreneurs collectively through cooperatives may conduct economic activities

- RM15.9 million for one-off cash assistance of RM3,000 to more than 5,300 registered travel agencies once transitioned to third phase of Pelan Pemulihan Negara
- Three-month loan moratorium or financing rescheduling programme by extending the financing period up until 36 months for MARA entrepreneurs
- Six-month loan moratorium for B40, M40, T20 and microenterprises automatically upon application while affected SMEs are subject to bank's review and approval
- Increase Government guarantee scheme limit by RM20 billion under SJPP from RM36.5 billion to RM56.5 billion

Enhancing Digitalisation, Technology and Innovation (RM300 million)

- RM300 million for Program Pemerkasaan Pendigitalan Usahawan Kecil (PUPUK) of which RM200 million for microenterprises and RM100 million SMEs

Other Measures (RM150 million)

- RM150 million allocated for the implementation of PIKAS and to alleviate companies' costs

BUDGET 2022 - RM49.9 BILLION

With the theme '*Keluarga Malaysia, Makmur Sejahtera*', Budget 2022 focuses on three key pillars namely Strengthening Recovery, Building Resilience and Driving Reforms to drive socio-economy recovery activities and the national development agenda. In 2022, a total of RM49.9 billion has been earmarked to either exclusively benefit the MSMEs or can be accessed by MSMEs along with other businesses. Among the key initiatives include:

- Access to Financing - RM20.4 billion
- Human Capital Development - RM10.1 billion
- Development of Bumiputera MSMEs - RM7.2 billion
- Development of Agriculture Sector - RM2.7 billion
- Development of Microenterprises - RM1.8 billion
- Development of Tourism Industry - RM1.5 billion
- Enhancing Digitalisation, Technology and Innovation - RM0.4 billion
- Access to Market - RM0.3 billion
- Development of Women Entrepreneurs - RM0.2 billion
- Other measures amounting to RM5.3 billion consist of *Jalinan GLC: Memperkasa PMKS*, incentives for artists, Interim Stage Bus Support Fund, Investment Loan Matching Scheme for the National Animation Platform and etc.

Among the key tax incentives that MSMEs can benefit:

- Deferral of income tax instalment payments for MSMEs for six months until 30 June 2022
- All businesses are allowed to amend the estimated income tax payable on the 11th month before 31 October 2022
- Special tax deduction to the owners of buildings or business premises who provide rental reduction to tenants of at least 30.0% from the original rate be extended until June 2022
- Review the accumulated unabsorbed business losses tax treatment that can be carried forward from seven consecutive years of assessment to a maximum of ten consecutive years of assessment
- Individual tax relief and tax deduction to employers on costs associated with the adoption of self-funded booster vaccines

- Extend the double tax deduction to companies that provide scholarships to students in institutions of higher learning
- Expand the tax relief of up to RM4,000 for EPF contributors to also include voluntary contributions such as those who are self-employed in the gig economy
- Tax relief of up to RM7,000 for those who undertake courses with any professional bodies e.g. professional courses in accounting, finance and ESG-related
- Extend the tax deduction of up to RM300,000 on the cost of for renovating and refurbishing business premises until 31 December 2022
- Extend tax deduction of up to RM50,000 on rental expenses of employees' accommodation premises for companies registered under Safe@Work until 31 December 2022
- Tax exemptions on all social enterprise income for a period of up to three years of assessment subject to the validity period of Social Enterprise Accreditation from the Joint Committee on Accreditation of the Yayasan Hasanah and Ministry of Entrepreneur Development and Cooperatives
- Impose sales tax on goods not exceeding RM500 from abroad sold online by seller and sent to consumers in Malaysia via air courier service
- Exemption of service tax to F&B delivery services and logistic services
- Stamp duty exemption for the Perlindungan Tenang product as well as other insurance or takaful products with a premium or contribution value not exceeding RM250 for MSMEs
- Extend the tax incentive for the Structured Internship Programme until the year of assessment 2025 and this incentive is also extended for students in the Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2





Inspiring
Stories

The Milky Way to Success

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MSME Insights 2021

Izuwan bin Rabie, the Managing Director and co-founder of Thirst Asia Sdn. Bhd. was a 29-year-old aspiring entrepreneur in 2016. He had an idea to sell milkshakes and smoothies amid the Taiwanese bubble tea craze that was in full swing then. However, his version of a milkshake, which he would brand as Thirst Milkshake, would be different from the American concoction. His would be customised with local flavours to suit local palates.



The Bachelor of Business Administration (International Business) graduate from Universiti Teknologi MARA had worked for a bank for a year after his graduation before his father requested him to help manage the family's restaurant business. He worked at the restaurant for three years and had tried to change the culture and direction of the business but was unsuccessful as the business was run very much the traditional way.

Izuwan said, "I had always wanted to do my own business, be my own boss. I also have a passion for branding. It was then that I decided to open my own business even if it's only on a small scale to start with".

He started a milkshake business with RM3,000 as capital, customised his own food cart and opened his Thirst Milkshake and Smoothies Bar in front of his house at Jalan Astana, Petra Jaya. In 2017, Izuwan received a RM15,000 grant after participating in the SME Corp. Malaysia's TUBE (Tunas Usahawan Belia Bumiputera) programme and with that, he moved to the city centre and opened a kiosk near the Kuching Water Front area. The first Thirst Milkshake and Smoothies Bar had arrived in Kuching.

The move to the city proved to be a fateful one as sales picked up considerably with his brand of milkshakes and smoothies - with catchy names such as Smashing Strawberry, Wonder Cendol, Vanilla Abdul, Syed

Caramel, Horlick Freak and Vanilla Apong – becoming increasingly popular. In that same year, Izuwan and Dyg Amira Fitriyaani, a co-founder (now wife) formalised the business and Thirst Asia Sdn. Bhd. was born.

But as all entrepreneurs would soon discover, the early stage of a business is never an easy one. Izuwan said of those early days of the business, "It was very tough trying to grow the business in the first three years. Many sacrifices had to be made just to keep going. I did not give myself a salary from 2017 to 2019 as I ploughed back 100.0% of the profit into the business".

In 2019, he received an offer he could not resist. "The Hills Shopping Mall approached me to open an outlet there. It has always been my dream to have an outlet in a shopping mall and when the opportunity came, I, of course, grabbed it. Sales increased considerably at the mall and, for the first time, I could afford to give myself a salary".

Two years later, Izuwan was approached by a bigger shopping mall, Vivacity Megamall, to open an outlet there. He opened his second outlet at the mall only to be hit one month later by the second lockdown.



As he recalled, “I never thought there would be another MCO after the first one was lifted. It was a nightmare for me because we had to close both of our kiosks and could only do online sales”.

Izuwan, however, was not one to give up easily. He pushed sales online as well as getting free publicity for his business on social media and in the mainstream media. He also encouraged his workers to promote his beverages to families and friends by offering commissions on sales.



He is thankful for the aid provided by the Federal Government through its Geran Khas Prihatin 1.0 and 2.0 package, State Government aid through its Bantuan Khas Sarawakku Sayang programme and SME Corp. Malaysia's TUBE Scale-up programme, all of which were crucial in helping to keep his business afloat.

The pandemic has also put a damper on the company's plans. Izuwan explained, “It has been a most difficult time for us during the pandemic. We suffered a huge drop in sales and big losses. Our company's plans were disrupted. Anyway, I take bad times such as this as a learning experience. As an entrepreneur, I've to learn to navigate through bad times and be always prepared for whatever challenges that might come along”.

Asked as to how he has so successfully promoted his products, he explained, “In this era of digitalisation, we cannot do without social media as it's the best platform to market our business. We leveraged on the various e-commerce platforms available, such as Grab Food and Food Panda, to move sales as well as conduct promotions digitally. The business has a constant presence on social media. We make sure our customers don't forget us. The current situation has made me realise how important it is for a business to have an online presence. I hope to have an online store soon so as not to be totally dependent on a physical store”.

As part of his business sustainability plans, he is planning to open a third outlet which will also serve as a central kitchen and warehouse. “Such a set-up,” he said, “will enable me to open more outlets around

Kuching. I am also thinking of franchising the business in order to expand it throughout Malaysia and even Southeast Asia.

Izuwan's advice to aspiring entrepreneurs is to think through their plans before venturing into business. “In starting a business, the first thing we need to do is to identify our potential customers. Who will buy our products? How do we adapt our products to our customers? How do we position our product? These are critical questions we need to ask ourselves before anything else”.

“Aspiring entrepreneurs should also be knowledgeable about digital marketing not just on Facebook or Instagram. They need to be familiar with as many platforms as possible, such as YouTube, LinkedIn, Twitter and Pinterest. The Government can help by sponsoring programmes on the use of these platforms for MSMEs to help them be more competitive”.



From IT Consultant to Urban Farmer

When CEO of Plant Cartridge Sdn. Bhd., Liang Chan Ning was working as an IT consultant for the Papua New Guinea Government some years back, sourcing for fresh and good quality produce was difficult and expensive. It was that experience that would eventually push him to switch careers from IT consultant to urban farmer.



He explained, "I had been an IT consultant and worked on e-government projects for over a decade. During an assignment in Papua New Guinea, I found it difficult and expensive to get fresh, quality produce. I realised then that the costly e-government projects I had worked on did not really benefit hungry people on the ground. That got me thinking about switching to a more meaningful career in agriculture".



Liang started off by joining an Australian farming system company which led to stints in managing industrial farms. When his employer had a business opportunity to build industrial farms in Malaysia, Liang decided to return home to work for him. However, the idea to develop a sustainable and hassle-free urban farming system continued to nag at him.

"Industrial farming," he said, "is not sustainable due to the massive resources needed. I kept thinking that there must be a better way to increase food production without having to clear massive tracts of land. There had to be a way for ordinary people to grow their own food. I wanted to help increase sustainable food production to enhance food security". Liang's eureka moment came from the plug-and-brew coffee machine. He explained, "With the coffee machine, you could make the kind of

coffee made by a barista. There is no need to bother with all the hassles of making good coffee. Why can't we do the same with planting?"

In 2015, Liang set up the business with like-minded friends from IT, agricultural science, biotechnology, finance and product design backgrounds and spent the next two years researching different techniques, 'failed many times, spent a lot of money prototyping and testing' before eventually coming up with the Plant Cartridge growing kit. He said that almost RM1 million was spent in developing what he described as a 'one-step, soil-less plug-and-grow kit which anyone can use by just following the instructions provided'. The invention won the company the Malaysia Commercialisation Award 2019, for which it received RM100,000 in prize money.

Today, Plant Cartridge, which received Multimedia Super Corridor status (pioneer status for technology and invention) in 2016, operates as a full-stack agritech company that is applying the knowledge gained from its inventions for the development of advanced technology industry-scale farms to enhance food safety and security by providing a wide range of services including solutions consisting of hardware, software and processes for farming. Its products have also been exported to Singapore, Thailand and the Philippines.

Liang said, "We want to provide the most cost-effective, easy-to-use and practical technologies and solutions for modern and sustainable farming. We got into this business because we believe in the importance of agriculture and in our technology to empower farmers to modernise their traditional agriculture practices and improve food security".

The company was self-funded by the co-founders initially while subsequent funding came from angel investors and venture capital. The MOSTI-Cradle Coach and Grow Programme and the MAGIC e@Stanford programme provided training.

In recalling the early stage of the business, Liang said, "It was tough, with long hours of work and under constant pressure. The development of hardware products requires a huge amount of capital, which is a big challenge for a start-up like ours. Furthermore, in agricultural processes, field testing of any solution requires a long testing period according to the crop cycle. Testing for a crop could take up to two years and there are always many failures before a solution could be considered feasible".

"It takes time to learn from failures, gain experience and be patient enough to see success. We succeeded through sheer grit, hard work, single-mindedness of purpose and because, at our core, we are farmers ourselves".

The company was hit hard by the pandemic, especially during the lockdown period. No physical development work could be conducted and the implementation of many of its projects was delayed while disruptions in the global supply chain pushed costs to 'unimaginable levels'. Liang is grateful for the Government's assistance packages such as the Wage Subsidy Programme which helped to avoid retrenchment and retain talent in the company.



As for the company's future plans, he said, "We are going to increase collaboration with more local farmers and to leverage on the re-opening of the economy and international borders to seize opportunities to expand locally and abroad. The Government's focus on IR 4.0 and smart farming will also encourage local farmers to adopt our solution and technology".

The company, however, still faces some hurdles such as the lack of a standardised process to lease land for agriculture as well as a lack of knowledge workers and awareness of the importance of sustainable agriculture.

Liang explained, "We need land to train a new generation of tech-savvy farmers or agricultural specialists. The Government can help in this matter by reducing the red tape on land applications. Government assistance is also needed to raise awareness of new farming technologies. From our experience with the graduates we work with, many lack technological know-how. We need Government assistance to help us create a pool of highly skilled and knowledgeable farmers".

The Government, he added, could also help by providing a more robust and flexible financing mechanism for companies to rebuild their working capital to enable them to keep going until the economy recovers.

Liang believes prospects for farming are bright as more people would be attracted to it with the availability of technology to address the menial and tedious tasks involved.

Homing in on Smart Home Automation



An Internet of Things (IoT)-enabled smart home allows its owner to control devices remotely via a smartphone or tablet. The domestic smart home automation market, though not widely accepted yet currently, is expected to grow in tandem with higher living standards and quality of life. BNetworks Sdn. Bhd., a prop-tech firm, has homed in on this market.

The company develops, manufactures and provides end-to-end IoT solutions, including automation, climate control, safety and security, entertainment, energy management and surveillance for private and commercial dwellings.

CEO and co-founder of BNetworks, Tharmaindran K. Gannasin (Tharma), 42, an entrepreneur and Professional Technologist with an MBA, was involved in the design, development and manufacturing of embedded electronics to provided integrated systems for real estate developers and projects in his previous employment.

He recalled, "About ten years ago, the smart home system market was totally different from what it is today. The systems then were all proprietary ones that worked only with their own platforms. They were also expensive. The systems were hardwired and cabled

devices, of the pre-cloud and pre-IoT era. A colleague and I anticipated that smart home systems would be different from the existing ones but the employer we were working for at the time didn't accept that".

Tharma said all he wanted was to solve the pain points in the market and to provide flexible, smarter solutions for clients with a universal platform rather than closed ecosystems.

He added, "As our idea evolved from concept to prototype and then eventually to a commercially viable solution, my co-founder and I saw its potential. That was when we decided to go into business with it. Our company, BNetworks, would be a smart home solution provider providing a system that is wireless, based on open technology and which could be easily scaled".

The company eventually came out with the bWave system, the first commercialised IoT solution in Malaysia which would win the developers multiple awards for creativity, innovation and excellence in Malaysian ICT.

Tharma explained, “bWave is a universal hub and IoT platform which acts as a gateway that connects and controls IoT devices via a single interface. It simplifies IoT adoption and last-mile implementations by providing interoperability-as-a-service. Instead of having ten different apps to control ten different devices, bWave, via a smartphone or tablet, combines all devices into an individually customised app that virtually brings every corner of your home to your fingertips”.

“The solution and services have naturally progressed from connected home segments to smart buildings and communities, smart hotels and smart patient wards. Our products and services are suited for property developers, telcos, healthcare and hospitality industry players that would like to leverage on IoT solutions with minimum time to market. We have built an IoT ecosystem that allows us to easily expand and which helps businesses in their reporting of ESG metrics as well as in achieving the sustainability mandate”.

The company has ongoing projects to deploy its solutions to about 5,000 premises in the Klang Valley, Seremban and Johor.

Looking back to the early stage of the business, Tharma said, “Early stage funding, market validation and product improvements are always a challenge, particularly in the hardware-based industry. When you are running your own business, there is always that nagging doubt about whether the right decisions have been made. Ultimately, what kept us going were instinct, grit and perseverance”.

The company’s initial funding came through a grant for product R&D provided by the Technology Development Fund under the Ministry of Science, Technology and Innovation while subsequent funding for commercialisation was sourced from Platcom Ventures. Since then, the company has been conducting business expansion, product diversification and innovation with business income as well as financing for working capital from SME Bank.

To ensure business sustainability, BNetworks is raising funding in 2022 to employ more talent, upsize its

budget for marketing and public relations as well as expand sales traction in all identified segments. The business has been also diversified with revenue streams expected from three different verticals instead of just one.

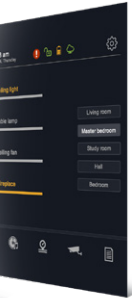
In the meantime, the company has identified new opportunities and established regional partnerships through virtual business collaboration. It recently entered into a Strategic and Technology Development Agreement with South Korea’s Yanolja, a global leisure platform, to expand its hotel solutions into the Southeast Asian market. Tharma added that BNetworks is expanding its footprints in three countries and expects to grow its presence further in Southeast Asia by 2023.

On the challenges amid the pandemic, Tharma said, “The pandemic has brought both good and bad. It has disrupted the global electronic supply chain, causing longer lead times and delays in completing manufacturing processes. On the other hand, it has accelerated the adoption of automation and digitalisation by many corporate and commercial businesses. These organisations are allocating bigger budgets for digitalisation and automation solutions. With much greater awareness and appetite for IoT solutions, we can expect the market to grow”.

BNetworks’ finance was another area that was affected but it managed to sustain operations with aid provided by the Government such as business loan moratoriums and the Wage Subsidy Programme.

As to how the Government can help in the growth of MSMEs such as BNetworks especially during the pandemic and post-pandemic, Tharma said, “In the IT hardware and electronics segment, the cost of doing business is high due to customs tariffs and shipment costs. The Government should consider reducing, or at least cushioning these costs as they add to the operational expenses of MSMEs and affect competitiveness”.

To those who are contemplating to venture into his line of business, Tharma advised, “Aspiring entrepreneurs should focus on two critical elements, product validation and the business plan. Product validation ensures that what we offer to the market will address the pain points of the end-user. A well-thought-out business model helps to ensure the sustainability of the business”.



Soaring High in Aerospace

Many Malaysian companies have established themselves as part of the global aerospace supply chain while others have made their presence felt as supporting companies in the local aerospace industry. Micron Concept Aerostructures, a recent arrival into the industry, is one of these companies that has made a mark for itself in the local aerospace industry.

The company, which was established in 2016, is part of the Micron Concept group of companies which first started business in one-half of a shop lot as its base in Klang, Selangor, in 1999.

CEO of Micron Concept Aerostructures, Lim Vee Hong said, "The first company under the group was established in 1999 as a precision machining and assembly company. Over the years, we have expanded into automation, oil & gas and then aerospace in 2005 when we started manufacturing components for an aerospace company. In 2011, we decided to venture into the industry ourselves with the setting up of an aerospace cell. We obtained AS9100 certification in



2013. Micron Concept Aerostructures was established in 2016 to focus on manufacturing actuation, interiors and aerostructure components for the aerospace industry".

Asked as to why he decided to venture into a niche industry with such exacting and uncompromising standards, he said, "I've always wanted to take on challenges as I enjoy bringing my visions to life. It's tough being an entrepreneur but it's very rewarding and satisfying to see the business grow and what was once just ideas becoming reality".

Lim added, "The barriers to entry into the aerospace industry are high and it's essential to do a thorough study of the industry before venturing into it. It's also crucial to have a business model that is sustainable as well as having a unique product or service that can be offered to the industry".

One of the challenges encountered by the company, especially in the early stage, was hiring talents. Lim explained, "Aerospace is one of the leading industries embracing IR 4.0 technology. I believe the industry has generated more than 25,000 skilled jobs, with locals comprising 95.0% of those employed. We do have difficulty in hiring talents as aerospace is a niche industry and talents are limited. Many new entrants into the job market are more interested in pursuing careers



in IT in line with the global shift towards technology and digitalisation. Fortunately, there are now many institutions providing aviation-related education and training so this helps to narrow the talent supply and demand gap”.

Another challenge the company faced in its early stage was building brand awareness. Lim explained, “Competition is tough when we are in a niche market with more than 240 aerospace-related companies comprising multinationals and home-grown firms. For a new entrant like us in our initial stage, building brand awareness was tough, especially with so many much more established companies. Promotion is done mainly through our website and participation in trade shows and exhibitions to create brand awareness. Word-of-mouth promotion by satisfied customers was and continues to be a great help for us”.

He added, “ultimately, the key factor that enabled the company to achieve a breakthrough in aerospace was the total commitment of our team to make a mark for ourselves in this business. We have built a good relationship with our customers and earned their trust by providing quality products. We work closely with our customers to identify and understand their gaps. From there, we develop a technology road map to help them bridge those gaps. And we are able to do this to the satisfaction of our customers thanks to our innovation-driven team”.

The COVID-19 pandemic has caused a drop in orders and slowed growth in the industry due to the halting

of air travel for most of the world and a decline in the building of new aircrafts. Lim said local industry players, like many others over the world, had made capital investments based on the pre-pandemic aircraft build rates. With the pandemic-induced downturn in business, companies are facing financial challenges such as operation cash flow. He is grateful for the Government’s financial relief packages such as the moratorium that temporarily eased the burden of loan repayments and enabled the business to reallocate funds for day-to-day operations given the impact to the business’s revenue at the time.

“Our team is a key factor in helping us navigate through the challenges of the pandemic. The strong support of our team members who are constantly seeking solutions to reduce costs and make our operation leaner helped greatly in sustaining the company during these uncertain times”. The company was largely funded internally by its parent company, Micron Concept Engineering, together with Government assistance in the form of new technology grants from MIDA and SME Corp. Malaysia.

Lim suggested that one way the Government could help MSMEs is to establish a trade facility for firms who deal with international suppliers on cash-on-delivery payment terms. Such a facility would significantly ease the financial burden of MSMEs grappling with cash flow challenges. Furthermore, he added that MSMEs should look at more innovative ways to drive their manufacturing costs lower to remain competitive globally.





**Moving
Forward** |



Moving Forward

Malaysian MSMEs towards Sustainability

Rancangan Malaysia Kedua Belas (RMKe-12) has set the development strategic direction of country as we move forward as a nation. RMKe-12, with the objective of a Prosperous, Inclusive, Sustainable Malaysia drew advancing sustainability as one of the themes to spear continuous economic growth and to enhance the quality of life, while protecting the environment, conserving natural resources and ensuring planetary health.

Malaysia aims to transform herself from the conventional linear economy model to the sustainable circular economy model. This will enable the country to achieve a systemic shift towards long term resilience, eliminate unsustainable consumption and production practices as well as address the issues of climate change, environmental degradation and biodiversity loss. Correspondingly, the Ministry of Environment and Water (KASA) has launched the Malaysia Plastics Sustainability Roadmap 2021 - 2030 to shift the whole plastic value chain to a sustainable practice and adopt the circular economy principles. The sustainable circular ecosystem covers the whole range of elements from design innovation, supply chain collaboration, high value recycling industry, resource efficiency through manufacturers and brand owner's accountability in managing end-of-life impacts of their products to ensure the circularity of plastic value chain.

Firms are at an important crossroads as they support the Government in realising the nation's aspirations for sustainable economic growth with more equitable distribution of opportunities for all. MSMEs, that form the backbone of Malaysia's economy, need to adopt a proactive role towards supporting this agenda. Based on the Economic Census 2016, a total of 7,155 MSMEs (0.8% of total 907,065 MSMEs) have environmental compliance expenditure with highest representation in services sector (55.4%), followed by manufacturing (24.8%) and construction at 14.2%. Environmental, Social and Governance (ESG) has yet to become a central focus of MSMEs with legislation being the current driving factor for ESG adoption rather than profit.

Holistic action plan is required to bring MSMEs onboard the sustainability initiative, whereby better ecosystem including reliable infrastructure need to be developed that will further ease the process of ESG adoption by small players

Holistic action plan is required to bring MSMEs onboard the sustainability initiative, whereby better ecosystem including reliable infrastructure need to be developed that will further ease the process of ESG adoption by small players. Key actions that can be put in place to handhold and fast track MSMEs in the adoption include:

- a) Market insights in terms of MSMEs access to local or international data on sustainability, information on best practices by small players in the local market or around the region, benchmarking against small players in developing / developed countries.
- b) Demand-driven approach through three perspectives namely:
 - Large players to encourage their MSME suppliers to incorporate ESG elements in their supply chain management. Vendor Development and Linkage Programmes can be leveraged for quick wins.
 - Change of mindset to switch towards sustainable consumption need to happen at consumer level. Once consumers understand the value of sustainability, it will gradually translate into a green-driven purchasing pattern, attract more MSMEs towards adoption of ESG standards.
 - Promote financial products and services that stimulate economic viability, environmental protection and social equity.
- c) Technical advisory support through a dedicated or centralised platform to facilitate and build up the capacity of MSMEs in sustainability.
- d) Incentives in the form of tax and non-tax by introducing special financial assistance that are tailored towards sustainability without riding on the current non-green financing facilities. The new financial product should consider the sustainability element of the businesses such as production capacity, raw material, R&D, innovation and talent for MSMEs to change their business model towards sustainability.

Being mindful of the fact that a lack of resources and know-how often make it difficult for MSMEs to fully implement sustainability principles and actions across their business functions, SME Corp. Malaysia and the United Nations Global Compact Network Malaysia and Brunei (UNGCMYB) has established an Action Centre for Sustainable SMEs (ACCESS). This dedicated sustainability platform for SMEs provides sustainability-related assistances, such the SME ESG assessment, capacity building, e-learning modules and network expansion opportunities. ACCESS was announced by the Prime Minister, YAB Dato' Sri Ismail Sabri Yaakob at the launch of SMIDEX 2021 on 7 December 2021.

ACCESS

Action Centre for Sustainable SMEs

An online digital Environmental, Social and Governance (ESG) platform offering businesses with the ability to:



In this platform, the SMEs will be measured in terms of firm's ESG maturity level using the SME ESG Assessment, developed by UNGCMYB, Nottingham University Business School Malaysia and Sustainability Data Management Sdn. Bhd. SMEs that are keen to continue their sustainability journey can proceed to register for the SME Sustainability Programme which is a six-month sustainability training programme that consist of e-learning, workshops, personalised coaching sessions and assistance to develop individual firm's business sustainability plan. Upon completion the SMEs will be awarded a certificate from UNGCMYB and an ACCESS ready digital badge. As to date the first batch of 17 SMEs have kick started their sustainability journey.

Sustainability in business entails a long-term entrepreneurial journey that will take them through many evolutions of business ideas, innovations and creativity. This is a window of opportunity that should be taken by businesses to demonstrate leadership in transforming business models, operations and even influence value chains by sourcing responsibly and addressing ESG issues, which is essential to achieve sustainable development. Thus, this will enable the MSMEs to stay ahead of their competitors in an ever challenging and competitive business environment.





Appendices

Appendix 1

List of Selected MSME and Entrepreneurship Development Programmes in 2022

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ACCESS TO FINANCING

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
AMANAH IKHTIAR MALAYSIA (AIM)		
Amanah Ikhtiar Malaysia (AIM)	Ikhtiar Financing Scheme	Reduce poverty rate in Malaysia by providing financing to poor households to enable them to undertake viable economic activity to upgrade their household income includes i-Mesra, i-Srikandi and i-Wibawa
MINISTRY OF AGRICULTURE AND FOOD INDUSTRIES (MAFI)		
Farmers Organisation Authority (LPP)	Agripreneurice	<ul style="list-style-type: none"> • Improve farmer's net income to more than RM4,000 per month • Create new agropreneurs who are capable to undertake production agriculture, processing and large-scale service and quality products
MINISTRY OF COMMUNICATIONS AND MULTIMEDIA MALAYSIA (K-KOMM)		
Malaysia Digital Economy Corporation (MDEC)	Research Incentive Scheme for Enterprises (RISE)	Financial incentives to: <ul style="list-style-type: none"> • promote research in strategic areas • enhance the development of highly competitive research & innovation activities • improve supply of capable & scientifically knowledgeable talent

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
SME Corporation Malaysia (SME Corp. Malaysia)	Inclusive SME Ecosystem (I-SEE)	Empower the bottom 40% of the income group by leveraging on innovation. The programme will promote transformation of communities, including microenterprise in the rural areas through handholding as well as provision of technical, financial and management support
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	i-SMART / Skim Anjakan Usahawan	Provide financing for Bumiputera SMEs to expand their businesses
Bahagian Pembangunan Francais & Vendor (BPFV)	Halal Technology Transformation Program (HTTP)	Increase the production capacity by providing technical consultation, machine equipment or automation systems, where appropriate
MINISTRY OF HIGHER EDUCATION (MOHE)		
Ministry of Higher Education (MOHE)	Public-Private Research Network (PPRN)	<ul style="list-style-type: none"> • Strengthen public-private network relationships through providing solutions from Higher Education Institutions and Public Research Institutions to the industries • Increase productivity through appropriate innovation / technology • Encourage the participation of researchers to provide solutions based on the demands from the industries
MINISTRY OF INTERNATIONAL TRADE, INDUSTRY AND INVESTMENT (MINTRED) SARAWAK		
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak	Interest Subsidy for PENJANA Tourism Financing (PTF)	<ul style="list-style-type: none"> • Bank Negara: To support SMEs in the tourism sectors by preserving their capacity and assisting them to undertake the necessary investments to adjust and remain viable post COVID-19 • Sarawak: To assist Sarawak SMEs who have been approved Bank Negara Malaysia loans under PTF by subsidising the interest payment for 3.5 years during COVID-19 pandemic

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
Division of Rural Entrepreneurship Development	Rural Economy Funding Scheme (SPED)	Provision of financing for rural entrepreneurs in manufacturing, services, agriculture and countryside tourism
PERBADANAN USAHAWAN NASIONAL BERHAD (PUNB)		
Perbadanan Usahawan Nasional Berhad (PUNB)	JUMPER Programme	<ul style="list-style-type: none"> Equip young Bumiputera graduates and certificate holders with skills and knowledge to venture in retail and distributive sectors Assist young Bumiputera graduates and certificate holders to embark on retail and distribution business through structured and systematic development mechanism Increase graduates employability

HUMAN CAPITAL DEVELOPMENT

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)		
Federal Land Development Authority (FELDA)	<i>Latihan Memperkasa Usahawan Sedia Ada</i>	A course / workshop for targeted group based on their demand to improve their skills, gain knowledge and increase productivity as well as to develop competitiveness among entrepreneurs. Training will be implemented by Wilayah FELDA and also through collaboration with other agencies
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Creation of TITAN Companies	A comprehensive business accelerator platform for the creation of TITAN companies (akin to unicorn)

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
Institut Keusahawanan Negara (INSKEN)	INSKEN Bumiputera Business Coaching Programme (IBBC)	Provide a comprehensive entrepreneurial skills & knowledge in developing sustainable businesses through business coaching, training, consulting and facilitating
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Upward Migration	Assist SMEs in strengthening their business growth & sustainability and grow their business to the next level
MINISTRY OF HUMAN RESOURCES (MOHR)		
HRD Corp	SME Skills	<ul style="list-style-type: none"> • Enable SMEs to enhance their career development by increasing their skills • Encourage SME employers to continuously and systematically train their employees to increase their level of competency • Produce more skilled workers for the industries in order to remain competitive and sustainability in the global market • Support SMEs to increase productivity and reduce cost of business
MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)		
Malaysia External Trade Development Corporation (MATRADE)	Women Exporters Development Programme (WEDP)	Export assistance programmes designed for SME women companies. The programme helps SMEs to develop the necessary skills and knowledge to penetrate and further expand their export market
Malaysia Automotive Robotics and IoT Institute (MARii)	MARii Unlimited (CAE)	<p>MARii Unlimited initiative, allows domestic OEMs and component manufacturers access to Computer-Aided Engineering software and solvers through an unprecedented leasing scheme</p> <p>A multitude of services is available for design and tooling practitioners in Malaysia – which include the rental (daily / weekly / monthly) of CAE solver computing power, product & tooling analysis (for stamping), structural analysis and crash simulation solutions. Cost reduction of design validation is key to achieve competitiveness in automotive industry</p>

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
Ministry of Rural Development (KPLB)	Karnival Usahawan Desa (KUD@KPLB)	<ul style="list-style-type: none"> Promote and become one of the mediums for establishing market access of rural entrepreneurs' products / services to wholesalers, distributors and buyers Increase production volume of rural entrepreneurs with large capacity to meet high demand Promote and create awareness among entrepreneurs on the provided incentives by Government to expand their businesses
MINISTRY OF SCIENCE, TECHNOLOGY & INNOVATION (MOSTI)		
Malaysian Research Accelerator for Technology and Innovation (MRANTI)	National Technology & Innovation Sandbox (NTIS) - Capacity building and Partnership	Continuously build talents in the entrepreneurship space and in preparation for future economies
MINISTRY OF YOUTH AND SPORTS (KBS)		
Ministry of Youth and Sports (KBS)	Youth Agrotech	<ul style="list-style-type: none"> Change the perception on agriculture sector Provide insights into the current agricultural scenarios

INFRASTRUCTURE

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF COMMUNICATIONS AND MULTIMEDIA MALAYSIA (K-KOMM)		
MYNIC Berhad	MYDX.MY	Introduction of Malaysia Digital Directory that will list verified business entities (.MY-registered businesses) covering all sectors and act as a one-stop reference point for Malaysians and global users to find Malaysian businesses and attractions. This initiative will benefit existing 320,000 .MY users

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
Business Licensing Electronic Support System (BLESS)	Pembangunan dan Penyelenggaraan Business Licensing Electronic Support System (BLESS)	Provide services to process license applications online
MINISTRY OF INTERNATIONAL TRADE, INDUSTRY AND INVESTMENT (MINTRED) SARAWAK		
Ministry of International Trade, Industry and Investment (MINTRED) Sarawak	Demak Laut Industrial Park Phase 2C	<ul style="list-style-type: none"> • Provide industrial lots and better infrastructure through proper development • Create a more conducive environment for the gradual transformation of our local business communities • Promote the orderly growth of MSMEs as well as creating more economic activities
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
Lembaga Kemajuan Wilayah Kedah (KEDA)	Improvement on current infrastructures and facilities in Rural Community Centre (PKD Napoh)	Improve current infrastructure and facilities in PKD Napoh to attract more visitors into the area
South East Johor Development Authority (KEJORA)	<i>Pembangunan Premis Ekonomi Luar Bandar</i>	Construction of business premises to help rural entrepreneurs grow their business
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
Ministry of Rural Development (KPLB)	Rural Business Outlet (RBO@KPLB)	<ul style="list-style-type: none"> • Provide a permanent sales platform to selected entrepreneurs • Promote village entrepreneurs' products nationally • Assist entrepreneurs to develop the company and increase the sales revenue of village entrepreneurs' products • Provide employment opportunities to locals indirectly with increased production of products • Assist entrepreneurs in identifying the potential of their products with further guidance from the program • Help to increase the income of village entrepreneurs

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF TOURISM, ARTS AND CULTURE (MOTAC)		
Malaysian Handicraft Development Corporation (Malaysian Handicraft)	<i>Program Pengkomersialan kraf - Pemasaran kraf Secara Digital</i>	Promote and market local craft products via online and showing the information related to the ecosystems in the national craft industry with the concept of 'Global Reach Local Identity'
PERBADANAN USAHAWAN NASIONAL BERHAD (PUNB)		
Perbadanan Usahawan Nasional Berhad (PUNB)	PROSPER Premise	<ul style="list-style-type: none"> • Purchase retail premises at strategic locations • Increase Bumiputera ownership in commercial property
SABAH STATE GOVERNMENT (SABAH STATE)		
Perbadanan Pembangunan Ekonomi Sabah (SEDCO / EPU, JPM)	Development of Business Premises (SEDCO / EPU, JPM). <ul style="list-style-type: none"> • Taman Industri Kecil dan Sederhana SEDCO 	<ul style="list-style-type: none"> • SEDCO SME Industrial Park - provision of industrial premises for entrepreneurs • Muhibbah Town Business Arcade - Sg. Manila, Sandakan • Al-Kauthar Mosque Bazaar, Tawau • Business Premises Kg. Paris, Kinabatangan • Construction of 12 units of 2-storey (Block D & E) Phase 2 at Pelantang, Beluran, Sabah • Sook Shop Phase V (4 units of 2-storey & 4 units 3-storey) • 2 blocks of shop lots and hotels (2-storey hotel building & 1-storey shop lot) Pulau Bum Bum Semporna
Ministry of Rural Development Sabah (KPLBS)	Pembangunan Usahawan Desa (PUD)	Build and upgrade infrastructure for Rural Entrepreneurs Centre (Pusat Keusahawanan Desa, PKD) / Tamuniaga / Community Learning Centres and provide necessary equipments for entrepreneurs to operate, start and expand businesses and also upgrading their building

INNOVATION AND TECHNOLOGY ADOPTION

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF COMMUNICATIONS AND MULTIMEDIA MALAYSIA (K-KOMM)		
MYNIC Berhad	Program Realisasi Impian Ekonomi Digital (PRIME) - Digital Branding through BIZ.MY (free registration) & GO2 Brand Standard & other domain categories	<p>Allocation of 20,000 units of BIZ.MY domain name bundled with GO2 Brand Standard (digital marketing application) FREE for 1st year to all newly registered and existing MSME with main objective:</p> <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 per common practice globally • data acquisition for nation's strategic purposes
Malaysia Digital Economy Corporation (MDEC)	Program Transformasi Pendigitalan PKS	<ul style="list-style-type: none"> • Provide SMEs with a boost in the right direction of adopting digital solutions • Provide practical guidance on the step-by-step guidance on adopting digital solutions • Provide recommendation on the next steps for SMEs to scale up the business operation and move up the technologies value chain
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
Bahagian Dasar & Hubungan Antarabangsa (BDHA)	Pelan Pemulihan Usahawan dan Koperasi - I4.0 Accelerator Programme	Enhance the adoption of industrial 4.0 technologies by SMEs
MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)		
Malaysia Automotive Robotics and IoT Institute (MARII)	4R2S System	The new management system 4R2S (Repair, Reuse, Recycle, Remanufacturing, Services, Spare Parts) to be adopted by existing and new business in the after sales sector
Halal Development Corporation (HDC) Berhad	Halal Sourcing Partnership Program (HSPP)	Facilitate Malaysian halal SME towards capacity readiness to become players in halal supply chain and Halal Home Grown Champion

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
South East Johor Development Authority (KEJORA)	<i>Program Transformasi Kualiti Produk</i>	Encourage the product potential of entrepreneurs by enhancing the product image through transformation of product packaging and marketing materials
Majlis Amanah Rakyat (MARA)	Business Development Standard Programme	Provide business development standard assistance focusing on certification to 1,650 Bumiputera entrepreneurs during the period of 2021 - 2025
MINISTRY OF SCIENCE, TECHNOLOGY & INNOVATION (MOSTI)		
Malaysian Research Accelerator for Technology and Innovation (MRANTI)	National Technology & Innovation Sandbox (NTIS) - Operation	Encourage innovation and commercialisation of local innovative products / solutions to address local, sectoral and national problems
NanoMalaysia Berhad (NMB)	Program Scale Up Nanoteknologi - Nanotech Remote Energy System (NREGs)	Phase 1 - Scale Up of Technology Phase 2 - Development of Ecosystem Phase 3 - Commercialisation and Industrialisation
MINISTRY OF TOURISM, ARTS AND CULTURE (MOTAC)		
Malaysian Handicraft Development Corporation (Malaysian Handicraft)	<i>Program Reka Bentuk & Pembangunan kraf</i>	Focus on the development of quality and competitive new product designs to meet the needs of domestic and international markets

MARKET ACCESS

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)		
Federal Land Development Authority (FELDA)	SAWARI Programme	Promotion and marketing of FELDA entrepreneurs product to SAWARI outlet via Program Vendor SAWARI (PVS)
MINISTRY OF AGRICULTURE AND FOOD INDUSTRIES (MAFI)		
Fisheries Development Authority of Malaysia (LKIM)	Pusat Pengumpulan dan Pengedaran Akuakultur (CCDC)	<ul style="list-style-type: none"> Identify and develop infrastructure and provide marketing logistics Encourage the participation of the Fishermen's Association / entrepreneurs as aquaculture fishermen
MINISTRY OF COMMUNICATIONS AND MULTIMEDIA MALAYSIA (K-KOMM)		
Malaysia Digital Economy Corporation (MDEC)	Digital Empowered Business : Adoption - eCommerce	Encourage online spending to benefit local sellers in domestic and export markets
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
UDA Holdings Berhad (UDA)	<p>New Incentive Programme for Entrepreneurs UDA Holdings Berhad for year 2021</p> <ol style="list-style-type: none"> UDA One Stop Retail Centre (SME Hub) UDA Craft Corner 'One District, One Industry' Concept Store in Malaysia Grand Bazaar, Bukit Bintang City Centre Malaysian Entrepreneurs Hub <ul style="list-style-type: none"> Morten Walk Melaka KL Heritage Valley 	Diversify and strengthen the market access for Bumiputera, local and SME's products by providing business space in urban area

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF ENTREPRENEUR & COOPERATIVES DEVELOPMENT (MECD)		
Franchise Development and Vendor Division	PKPKS - Halal Outreach Program for Entrepreneurship (HOPE)	Increase the number of entrepreneurs in obtaining halal certificates through: <ul style="list-style-type: none"> • training of officers on halal certification process as Halal Development Officer (HDO) • guidance by HDO to entrepreneurs in obtaining halal certification
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 INTERNATIONAL TRADE AND INDUSTRY (MITI)		
Halal Development Corporation (HDC) Berhad	Malaysia Global Halal Show: Bridging Halal Markets	Facilitate Malaysian halal SME towards exporting halal product and services and penetrate a new halal market space
SIRIM Berhad	Product and Quality Enhancement Programme	Nurture, groom and elevate SMEs from micro to small and medium enterprises for market expansion
MINISTRY OF PLANTATION INDUSTRIES AND COMMODITIES (MPIC)		
Malaysian Timber Industry Board (MTIB)	<i>Program Promosi Pasaran Tempatan dan Antarabangsa</i>	Increase the industries' (SMEs) sales in domestic and international market

IMPLEMENTER / AGENCY	PROGRAMME NAME	PROGRAMME OBJECTIVE / ACTIVITY
MINISTRY OF RURAL DEVELOPMENT (KPLB)		
Ministry of Rural Development (KPLB)	DesaMall@KPLB	<ul style="list-style-type: none">• Expand the market for products and services of rural entrepreneurs through the e-commerce platform• Increase the sales revenue of rural entrepreneurs to 10.0% to 30.0% per annum through online business and marketing• Assist rural entrepreneurs to improve the quality of products for online business readiness

Appendix 2

Glossary of Abbreviations

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ORGANISATIONS / ASSOCIATIONS / INSTITUTIONS

NAME	ACRONYM
APEC Business Advisory Council	ABAC
ASEAN Coordinating Committee on Micro, Small and Medium Enterprises	ACCMSME
Credit Counselling and Debt Management Agency	AKPK
Land Public Transport Agency	APAD
Asia-Pacific Economic Cooperation	APEC
Asia-Pacific Foundation of Canada	APFC
Association of Southeast Asian Nations	ASEAN
Bank Negara Malaysia	BNM
Bank Simpanan Nasional	BSN
Centre for Entrepreneur Development and Research	CEDAR
Credit Guarantee Corporation Malaysia Berhad	CGC
Commerce International Merchant Bankers Berhad	CIMB
Capital Markets Malaysia	CMM
Employees Provident Fund	EPF
Federation of Malaysian Manufacturers	FMM
Human Resource Development Corporation	HRD Corp
International Data Corporation	IDC
Ministry of Environment and Water	KASA
Ministry of Housing and Local Government	KPKT
Ministry of Women, Family and Community Development	KPWKM
Majlis Amanah Rakyat	MARA
Malaysian Science and Technology Information Centre	MASTIC
Malaysia External Trade Development Corporation	MATRADE
Malaysia Venture Capital Management	MAVCAP

NAME	ACRONYM
Multimedia Development Corporation	MDEC
Ministry of Entrepreneur and Cooperatives Development	MECD
Malaysian Green Technology and Climate Change Corporation	MGTC
Malaysian Investment Development Authority	MIDA
Malaysian Industrial Development Finance Berhad	MIDF
Ministry of International Trade and Industry	MITI
Ministry of Tourism, Arts and Culture	MOTAC
National Entrepreneurship Development Council	NEDC
National Entrepreneur and SME Development Council	NESDC
Permodalan Nasional Berhad	PNB
Regional Comprehensive Economic Partnership	RCEP
Securities Commission Malaysia	SC
Sustainable Energy Development Authority	SEDA
Syarikat Jaminan Pembiayaan Perniagaan	SJPP
SME Corporation Malaysia	SME Corp. Malaysia
Social Security Organisation	SOCSO
Companies Commission of Malaysia	SSM
United Nations Development Programme	UNDP
United Nations Global Compact Network Malaysia and Brunei	UNGCMYB
United Overseas Bank Limited	UOB
World Bank	WB

FUNDS

NAME	ACRONYM
SME Automation and Digitalisation Facility	ADF
Agrofood Facility	AF
Disaster Relief Facility	DRF
Low Carbon Transition Facility	LCTF

NAME	ACRONYM
Malaysia Co-Investment Fund	MyCIF
Program Strategik Memperkasa Rakyat dan Ekonomi	PEMERKASA
Pakej Perlindungan Rakyat dan Pemulihan Ekonomi	PEMULIH
Pelan Jana Semula Ekonomi Negara	PENJANA
Perlindungan Ekonomi dan Rakyat Malaysia	PERMAI
PENJANA Tourism Financing	PTF
Sustainable Development Financing Scheme	SDFS
Special Relief Facility	SRF
Tabung Projek Usahawan Bumiputera	TPUB-i
Targeted Repayment Assistance	TRA
Targeted Relief and Recovery Facility	TRRF

GOVERNMENT PROGRAMMES

NAME	ACRONYM
Action Centre for Sustainable SMEs	ACCESS
Bumiputera, Women and Youth Exporters Development Programme	BWYEDP
Digital Marketing & Training	DMT
Prihatin Special Grant	GKP
Glocal Linkages SME Programme	GLOSMEP
Green Technology Financing Scheme	GTFS
Asnaf Entrepreneurship Programme	ISHRAF
Public-Private Partnership COVID-19 Industry Immunisation Programme	PIKAS
Pemeriksaan Pendigitalan Usahawan Kecil Program	PUPUK
Sustainability Action Values for Exporters	SAVE
Small Debt Resolution Scheme	SDRS
Tunas Usahawan Belia Bumiputera	TUBE
Wage Subsidy Programme	WSP

OTHER TERMS

NAME	ACRONYM
Three Dimensional	3D
All Economic Sectors	AES
Artificial Intelligence	AI
Business-to-Business	B2B
Business-to-Government (B2G)	B2G
Bottom 40%	B40
Chief Executive Officer	CEO
Coronavirus Disease	COVID-19
Comprehensive and Progressive Agreement for Trans-Pacific Partnership	CPTPP
Development Financial Institutions	DFIs
Earnings Before Interest and Taxes	EBIT
Economic & Technical Cooperation	ECOTECH
Equity Crowdfunding	ECF
Entrepreneurship Development Organisations	EDO
Electrical & Electronics	E&E
Economic, Environmental and Social	EES
Extended Producer Responsibility	EPR
Export Readiness Assessment Tools	ERAT
Energy Service Companies	ESCOs
Environmental, Social and Governance	ESG
Food and Beverage	F&B
Foreign Direct Investment	FDI
Free Trade Agreement	FTA
Gross Domestic Product	GDP
Government-linked Companies	GLC
Greenhouse Gas	GHG
Fourth Industrial Revolution	4IR
Individual Action Plan	IAP
Information and Communication Technology	ICT

NAME	ACRONYM
Intensive Care Unit	ICU
I am mSME	imSME
High Level Task Force	HLTF
Human Resources	HR
High Tech Facility - National Investment Aspirations	HTF-NIA
Information Technology	IT
National Policy on Industry 4.0	Industry4WRD
Internet of Things	IoT
Key Performance Indicator	KPI
Middle 40%	M40
Maybank To You	M2U
Master of Business Administration	MBA
Movement Control Order	MCO
Micro Enterprise Fund	MEF
Multinational Corporation	MNC
Memorandum of Understanding	MOU
Malaysia Plastics Sustainability Roadmap	MPSR
Micro, Small and Medium-sized Enterprises	MSMEs
Malaysia Digital Economy Blueprint	MyDigital
Financing Advisory Services	MyKNP
National eCommerce Strategic Roadmap	NESR
National Recovery Plan	NRP
National Survey of Innovation	NSI
Peer-to-Peer	P2P
Pengajaran dan Pembelajaran di Rumah	PdPR
Private Equity	PE
Private Equity Corporation	PEC
Pemeriksaan Ekonomi Komuniti Bandar	PEKB
Participating Financial Institutions	PFI
Programme Efficiency Review	PER

NAME	ACRONYM
Pusat Internet Desa	PID
Pusat Internet Komuniti	PIK
Program Perolehan Impak Sosial Kerajaan	PPISK
Readiness Assessment	RA
Regional Comprehensive Economic Partnership	RCEP
Research and Development	R&D
Rancangan Malaysia Kedua Belas	RMKe-12
Recycled Polyethylene Terephthalate	rPET
Rescheduling & Restructuring	R&R
Sustainable Development Goals	SDGs
South East Asia	SEA
Self-Employment Social Security Scheme	SESSS
Small & Medium Enterprises	SME
SME & Cooperatives Business Centre	SMEC
SME Integrated Plan of Action	SMEIPA
Small and Medium Enterprises Working Group	SMEWG
Standard Operating Procedure	SOP
Skim Perlindungan Sosial	SPS
Sustainable and Responsible Investment	SRI
Science, Technology, Engineering and Mathematics	STEM
Top 20%	T20
Tabung Ekonomi Kumpulan Usaha Niaga	TEKUN
Total Factor Productivity	TFP
Venture Capital	VC
Venture Capital Corporation	VCC
Venture Capital Management Corporation	VCMC
Vendor Development Programme	VDP

Appendix 3

MSME Definition

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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-SMEs:

- 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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