



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:

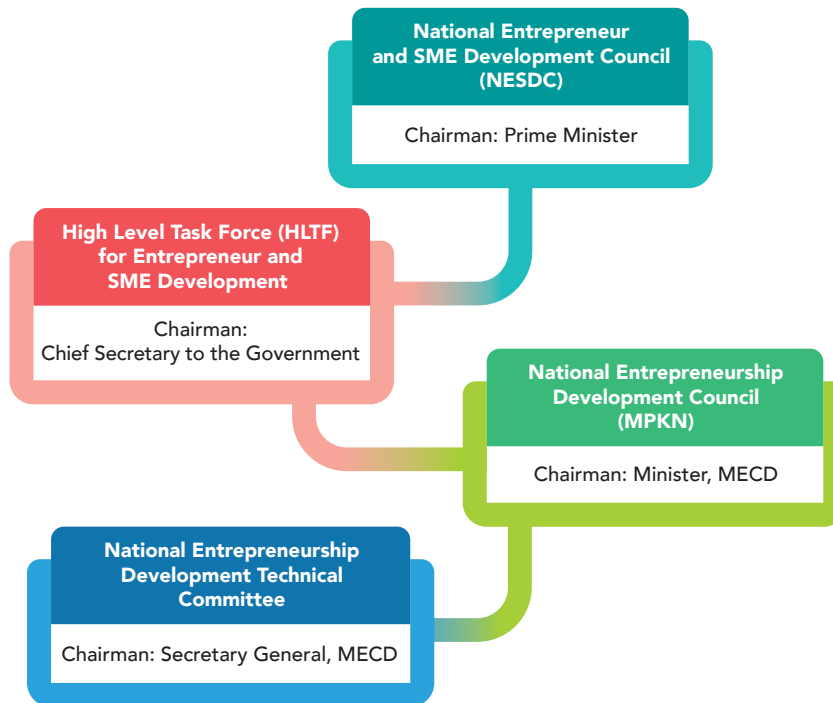
Review the Small and Medium Industries Development Corporation Act 1995 (Act 539).

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.

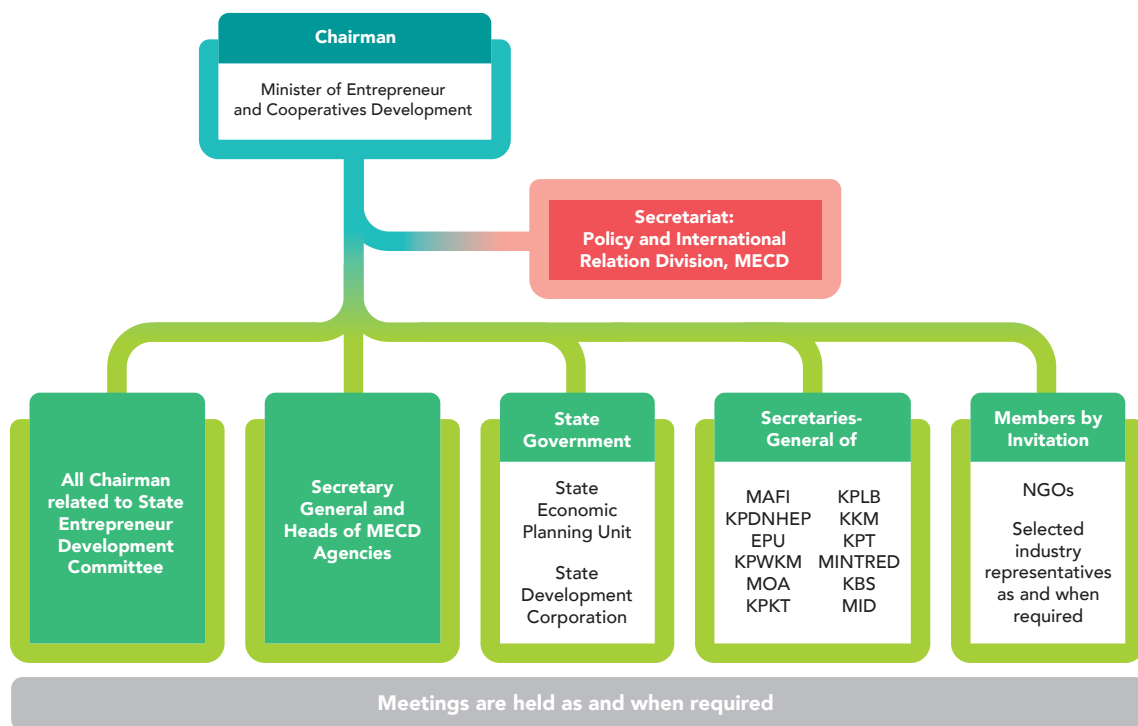
MECD also proposed to study methods and initiatives which could help entrepreneurs in Sabah and Sarawak, especially those in the interior, to diversify their products and services. Initiatives to provide infrastructure, boost productivity and expand the market reach of MSME products in collaboration 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.

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

Chart 1.2: MPKN Membership Structure



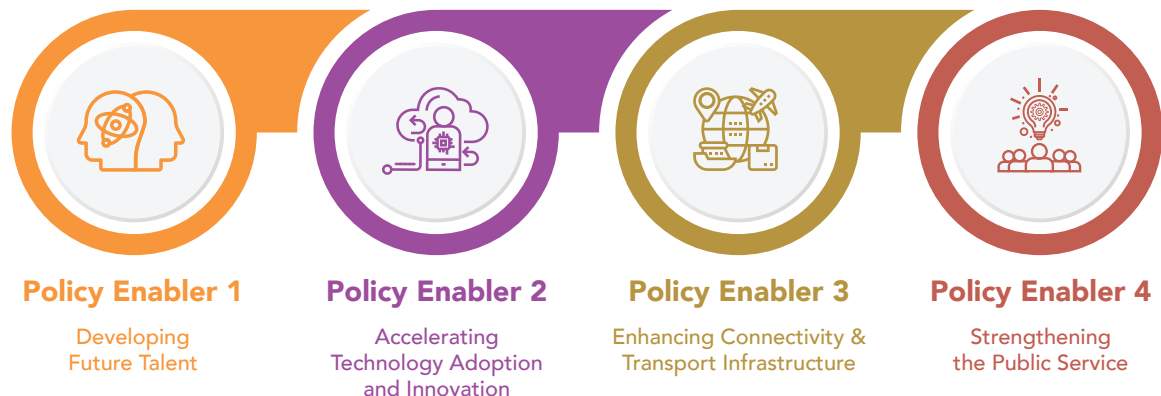
Rancangan Malaysia Kedua Belas (RMKe-12)

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	<p>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.</p>
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

138

MSME Insights 2021

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

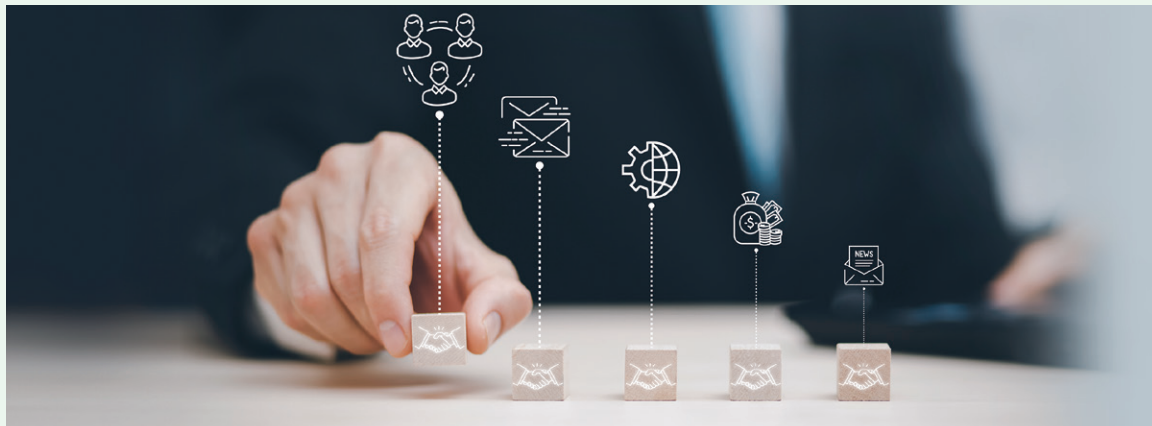
In ensuring the recovery and sustainable growth of MSMEs, the Government will continue its efforts to spur greater MSME growth by providing support through five key focus areas namely, access to financing, human capital development, market access, innovation & technology adoption as well as infrastructure. 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

140

MSME Insights 2021

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

144

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.