



**Moving
Forward** |



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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.

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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.