SME WEEKLY NEWS

(22 May 2017 – 26 May 2017)

Countries	Highlights
MALAYSIA **Mustapa: Apec's MSME needs specific initiatives to grow**	APEC member countries should identify specific initiatives to promote growth and development of MSMEs. Minister of MITI, Datuk Seri Mustapa Mohamed said concrete measures needed to be put in place to internationalise the MSMEs in the region and to enable them to be linked with the regional and global value chain activities. Mustapa stressed that the future is digital economy and MSMEs should be an integral part of it. In Malaysia, more opportunities for SMEs to enter the global e-commerce market are expected to be created through the investment by AliBaba in Malaysia's Digital Free Trade Zone. "Malaysia will continue to uphold the centrality of the multilateral trading system while pursuing bilateral and regional preferential arrangements with strategic trading partners to stay competitive," he said. He also pointed out that APEC economies continued to remain resilient. Its 21 member countries currently account for half of global trade and 60% of the world's GDP. The APEC Regional Trends Analysis report forecast an average 3.8% growth for APEC economies in 2017 and 2018, and 3.7% growth in 2019 from 3.5% growth in 2016. *(Source: The Star, 22 May 2017)*
MALAYSIA **CGC aims to approve 25% more guarantees this year**	Credit Guarantee Corp Malaysia Bhd (CGC) is targeting to approve 9,500 guarantees and financing valued at RM4.7 billion in 2017, said its CEO, Datuk Mohd Zamree Mohd Ishak. In 2016, CGC approved 7,568 guarantees and financing valued at RM4.2 billion. Mohd Zamree said CGC would explore new avenues and financing options to further enhance its financial and advisory services in powering Malaysian SMEs. "We have comprehensive strategies in our five-year plan, with it being comprehensive and holistic, we are very confident of achieving the target," he said. In line with the prominent guarantees target, CGC hoped to secure a 12% growth in revenue in its current financial year ending Dec 31, 2017, from RM132.12mil in 2016. Since inception, CGC has availed over RM63.6 billion worth of guarantess, financing over 320,000 SMEs, especially those with remarkable potential to propel the economic growth to greater heights. The corporation aims to help SMEs, particularly enterprises without collateral or with inadequate collateral and track record to obtain financing from financial institutions. *(Source: The Star, 22 May 2017)*
MALAYSIA **Malaysia an exemplary model**	The World Bank said that Malaysia's financial inclusion has achieved one of the highest levels in Southeast Asia and should be an example for other countries to follow. The Global Findex Database of the World Bank, which collects data on financial inclusion worldwide every three years, revealed that 81% of Malaysia's adults had an account in 2014, way above the global level at 61%. Second Finance Minister, Datuk Seri Johari Abdul Ghani said Malaysia was honoured with the findings of the report, which stated that the percentage of banking customers with active deposit accounts had risen to 92% from 87% six years ago. "This achievement is due to strategic initiatives that we have engineered over the years. Among others, we have in place infrastructure readiness, targeted micro-financing initiatives, facilitative SMEs' financing ecosystem, highly developed Islamic financial architecture and establishment of agent banks," he said. Johari added that the financial inclusion agenda was also supported by a facilitative financing ecosystem for SMEs, where various funding and schemes were offered by several entities, including DFIs, CGC, Bank Negara Malaysia and non-financial institution lenders. As at 2015, SME financing approval rate exceeded 80% and had grown by 14% over the last three years. *(Source: New Straits Times, 23 May 2017)*

MALAYSIA **BID-IT assists young entrepreneurs to use digital platform**	SME Bank has launched the Business in Digital Programme (BID-IT) funding programme to assist young entrepreneurs aged between 20 and 35 to expand their small businesses and ventures into the digital and e-commerce platform. About 19 companies have been selected to be a part of the initial stage of the overall development programme before receiving funding from SME Bank. Group Managing Director of SME Bank, Datuk Mohd Razif Mohd Yunus said the main selection criteria included the use of technology for business development, financing needs and a strong business model. Under the programme, SME Bank worked with nine organisations i.e. Cradle Fund Sdn Bhd, MaGIC, MDEC, Microsoft Corporation, New Entrepreneurs Foundation, Payoneer Inc, Dewan Perniagaan Usahawan Siber Malaysia, Rave Technologies, and Universiti Malaysia Kelantan, with these organisations act as selection committee and determine the kind of assistance to be given to the 19 selected companies. *(Source: Bernama, 24 May 2017)*
SINGAPORE **Managing cash flow a top challenge for SMEs: Survey**	Based on a study conducted by SPRING Singapore with 1,645 SME respondents, delays in receiving payments from customers is the top financing challenge faced by a quarter of SMEs being surveyed. “The customers are delaying payments to them and this affects cash flow”, said Assistant Chief Executive of SPRING Singapore, Chew Mok Lee. “You may have sales, but if you can’t collect, it’s a big issue.” Companies that are engaged in project-based work that stretches over a longer period of time are also more likely to face such issues. This finding is in line with report from the Institute of Singapore Chartered Accountants (ISCA) and SAP which revealed that Singapore SMEs take 9.2 more days on average to collect revenue as compared to their global peers. Putting aside cash flow issues, findings also showed that access to capital is not a problem for the majority of SMEs. The survey showed that some 95 per cent of SMEs said they were able to get access to capital, including bank loans. *(Source: Channel News Asia, 26 May 2017)*
MYANMAR **Planning and finance minister hints at favouring import substitution**	The administration will focus on supporting the developments of local SMEs through measures such as tackling illegal trade, boosting export-oriented businesses and improving industrial zones. The Planning and Finance Minister also hints at supporting import-substitution industrialisation, advocating replacing foreign imports with domestic production. At the local level, illegal trade accounts for 65% for some industries, and those businesses who pay taxes find it difficult to compete. “If we don’t act, SME entrepreneurs who pay local taxes will struggle or even disappear due to the competition from those undertaking illegal trading,” he said. Also, as Yangon is the commercial hub of the country, industrial zones will be upgraded so that SMEs can survive, according to Chief Minister of Yangon Region, U Phyo Min Thein. Moreover, applications to transform farmlands into sites for other purposes, such as industrial zones, will be considered while illegal settlements will also be dealt with. *(Source: Myanmar Times, 26 May 2017)*

KEEPING THE WHEELS TURNING

Group Managing Director of Kit Loong Commercial Tyre Kenneth Teh Jit Chyn, knows the importance of having a sustainable business model. As a tyre management solutions provider, which provides tyre distribution, tyre retreading services and tyre leasing services, the company has continued to reinvent itself through tough times so that it will emerge from the storm on a better footing.

Teh remembers an occasion in 2007, a French tyre manufacturer had pulled back Kit Loong's distribution rights for its tyres. Losing the distribution rights certainly put a dent in Kit Loong's business. Teh took a step back and reviewed the company's business to forge another way forward. Kit Loong was still doing the wholesale business for tyres of other brands and its tyre retreading business was still a going concern. However, Teh notes that both segments of the business were very competitive and sensitive to pricing. Nonetheless, Teh acknowledges that the company, founded by his grandfather Teh Kim Hye in the 1930s, has had a strong history in tyre retreading. The technical know-how gathered throughout the years could serve as a differentiator for the company to be ahead of the competition.

Teh says the tyre retreading business is a sunset industry as cheaper tyres are now available, hence, making retreading not viable. Interestingly, though, Teh says retreaded tyres are mostly used in developed countries. The usage of retreaded tyres are lower in less developed countries because the maintenance culture is lacking. Noting that there was still potential in strengthening its retreading business, Teh decided to focus on retreading tyres for commercial vehicles. Backed with over 80 years of expertise that the company has in the tyre retreading business, Teh looked into modernising the company's operations and invested in the infrastructure required for proper tyre retreading activities in 2011. Teh put in about RM15 million to rebuild the facility in Kota Kemuning, Shah Alam. Apart from stopping its retreading activities for passenger cars, Kit Loong also stopped its hot cure method, which do more damage to the tyre casing.

Due to restructuring, the group's revenue fell from about RM70 mil in 2011 to RM40 mil in the subsequent years. However, revenue started climbing back up in 2016. Kit Loong turned in sales of RM45 million last year and Teh believes it will continue to pick up as the systems are in place for its operations to grow. The upgrade at Kit Loong over the years involved both hardware and software, which allowed the company to expand its services beyond just providing retreading works.

Kit Loong also provides tyre management services on a contractual basis which could start from RM10 million, depending on the usage of tyres. Teh adds that providing a solution to the customers is not always about using the cheapest tyre but rather about putting safety and efficiency before cost when presenting the options to clients. Serving major logistical companies including city buses, container haulage, city disposal truck, ready mix concrete fleet and others, Teh says Kit Loong has managed more than 100,000 pieces of tyres from various contracts and at any one time, there are 50,000 pieces of tyres that they are responsible for.

Today, the company has 230 workers and is moving towards the digital age. Teh has successfully positioned the company as a resource centre for almost everything that keeps the tyre going, for both commercial and passenger vehicles, including retreading tyres, distribution, wholesaling, retailing, tyre management contract outsourcing and after-sales services. Now that the infrastructure is mature, he is banking on the business to grow about 30% annually.

(Source: The Star, 22 May 2017)

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