SME WEEKLY NEWS

(25 June 2018 – 29 June 2018)

Countries	Highlights
MALAYSIA **Hong Leong Bank allocates RM2.5b for SMEs**	Hong Leong Bank Bhd has allocated RM2.5bil for the development of SMEs for its next financial year starting July 1. The Hong Leong Digital Business Solutions service offers five business tools, namely HL ConnectsLite, which connects the SMEs via a single platform, Biztory (e-accounting and invoice solutions), Kakitangan (human resources platform), SimpleTax (online tax tool) and Digital Advert (outdoor digital screening at over 3,500 screens nationwide). These services will enable them to be more competitive, agile and efficient in the market. Hong Leong Group SME banking general manager, Terrance Teoh said that a total of RM1 billion was allocated for SMElite, a programme which support SME expansions in property financing and working capital requirements. This scheme is guaranteed by Credit Guarantee Corporation Malaysia Bhd through the Portfolio Guarantee Scheme. The programme enables qualified SMEs to secure a loan up to RM5 million for property purchases and refinancing together with working capital requirements by up to 150% margin financing. Customers will not only be able to acquire the relevant property for expansion purposes, but they will also have access to working capital to kickstart their expansion expenses such as relocation, renovation and other related costs. *(Source: The Star, 27 June 2018)*
THAILAND **SME funds to be merged into B1.8bn for lending**	The Industry Ministry aims to merge two SME funds with 1.8 billion baht budget into a single fund, expecting to ease lending criteria approvals for SMEs. The reason to merge the two funds is to help SMEs access the government's funds easily. The government has received complaints from SMEs that loan approvals were very slow and the criteria too restrictive for them to qualify. The ministry and OSMEP found the two funds have many processes for loan applications, which is a major hurdle for SMEs. Some firms cannot run their businesses because they lack the capital budget. They will revise lending conditions to make the new fund more accessible to SMEs. The first step is to increase minimum loans from 50,000 baht to 100,000 baht per company. OSMEP expects the new lending conditions to cover micro SMEs, which also face obstacles in accessing loans from financial institutions. The government estimates the new SME measures will help Thailand's economy and increase money circulation to 1 trillion baht, up by 5%. OSMEP wants to team up with partners such as provincial schools to set up startups and SME centres. *(Source: Bangkok Post, 29 June 2018)*
LAOS **Lao govt to enable SMEs to access more finance**	The Lao government cabinet has announced improved policies to enable SMEs to access more finance to grow their businesses and boost production. The cabinet agreed to amend the Prime Ministerial Decree on the SME Promotion and Development Fund in order to improve policies, mechanisms and tools for the effective development of SMEs. To increase small businesses' access to finance, the government announced the expansion of the SME Promotion and Development Fund. Meanwhile, the state-run commercial banks are also encouraged to mobilise deposits for lending to potential SMEs. The move came after reports emerged that bank loans released for SMEs were very limited, leaving smaller producers struggling to secure finance to grow their businesses and expand production. The cabinet meeting also agreed to work out and extend more bank credit to farmers to fund their activities and boost agricultural production. The credit is expected to be released by banks at appropriate interest rates. The cabinet pledged to take immediate action to inspect and remove barriers, which hinder SME operations and farming production. *(Source: Xinhua Net, 28 June 2018)*

CAMBODIA **Worldbridge to open first SME industrial park**	The first industrial park for SMEs in Cambodia will open this October in Kandal province. The SME Eco Park, referred to also as SME Cluster Zone by the developer, will focus on food and beverage processing, according to Worldbridge Group, the company behind the project. Companies in the industrial park will have access to packaging and logistics services, with greater access to funds, markets and labour. Training courses will also be provided to young entrepreneurs who are starting their own businesses. The SME cluster is smaller than a special economic zone, but that there is the possibility of expanding it in the future if necessary. The SME park will serve as the pilot for a programme announced by the Ministry of Industry and Handicraft in 2016 that seeks to build similar SME-focused industrial parks in every province to enhance domestic manufacturing and boost production standards. The Minister of Industry, Cham Prasidh said that the park will help Cambodian products reach global markets. It would largely come from adding value to the country's rich agricultural materials, but it must be done by complying with international food standards. *(Source: Khmer Times, 27 June 2018)*

SPICED WITH TRIAL AND ERROR

WHEN Calvin Koh decided to carry on with his late father's business, he found that the only way to make it through the unknown was to "trial-and-error" his way through. Koh's father was a spice producer; he was a banker. After his father passed on in 2009, Koh had one leg in the business. Until 2015, that is, when he concluded that corporate life just wasn't for him.

When he took over, GT Spice Manufacturers Sdn Bhd was operated in Ipoh and produced spice powders and mixes for other spice products company. Koh decided to move the company's operations to its new factory in Klang But he did not know how to go about setting up the factory and he did not have much funds to get the factory going. So, Koh and his wife scrapped together about RM30,000 to pay for the building rental as they couldn't secure any funding from the banks.

GT Spice continued to rely on contract manufacturers until its factory was completed in 2016. By then, Koh had started looking into manufacturing other products apart from raw spices to boost its export potential and to diversify its earnings. "We had the intention to export. But most of the spices are actually not produced in Malaysia so it is not viable for us to export spices. So to export, we decided to go downstream into snack products," he explains.

While not many would have identified the murukku as a product with potential, Koh gave it a second look. "Murukku is considered a cheap snack,but there is potential to market this as a Malaysian snack in the international market. The company sells its murukku under its Kacang Macha brand. Koh tries to make the snack more appealing with better packaging and with innovative flavours.

Kacang Macha has been surprisingly well received in Sabah and Sarawak. Things looked up a little for its snack segment after it started bulk supply of its products. It also started exporting Kacang Macha products to Vietnam early this year and Koh is hopeful of securing another two countries by year end. It is eyeing markets such as China, Australia, the Philippines and Korea.

"We did exhibitions in Thailand and China. And surprisingly, what connects with them is the taste. In Thailand, we sampled the curry muruku and to them, it tasted similar to one of their local snacks. And when we went to China, they have a snack that is similar to our onion chips, but a little more sourish. "In that way, although the murukku is a Malaysian snack, it can connect with consumers from other countries," he says. They studied its target markets carefully and are looking into producing more seasonings for its murukku to cater to different taste palates in different markets.

One of the challenges for the company is the fluctuating prices of its raw materials like pepper. When harvests are poor, prices can sky-rocket and it can't pass on that cost to its customers. Fortunately, it has a relatively healthy margin to buffer prices. He is eyeing at least 100% revenue growth year-on-year over the next five years.

GT Spice currently pulls in revenue of about RM1.3mil, with its spices business making up 90% of sales. However, Koh expects its snacks business to be its main driver in the future, contributing 70% of revenue within 7 to 8 years. Koh hopes Kacang Macha will be a recognisable brand in the market. And if it can obtain more funds and the right assistance from government, he intends to have a bigger marketing campaign for its products.

(Source: The Star, 25 June 2018)

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2 July 2018