SME WEEKLY NEWS

(29 October 2018 – 2 November 2018)

Countries	Highlights
MALAYSIA **Malaysia launches Industry 4.0 policy**	The Malaysia's National Policy on Industry 4.0 or Industry4WRD launched on Wednesday focuses on digitally transforming Malaysia's manufacturing sector and its related services to embrace Industry 4.0. The policy envisions Malaysia as a strategic partner for smart manufacturing, a primary destination for high-technology industries and a total solutions provider for the manufacturing sector in the region. The manufacturing sector has been a critical growth driver of the Malaysian economy having contributed approximately 23% to the GDP in the last five years. The overarching philosophy of Industry4WRD can be surmised by the acronym A.C.T. (Attract, Create, Transform), that is to Attract key stakeholders to Industry 4.0 technologies and processes, Create a proper ecosystem to nurture innovation and to Transform the capabilities of industries within the manufacturing sector to be Industry 4.0 ready. Industry4WRD will also place specific emphasis on SMEs. SMEs would be empowered to embrace Industry 4.0 via five key strategic enablers. These enablers include the provision of funding and outcome-based initiatives, the creation of digital ecosystems undergirded by efficient infrastructure, adequate regulatory frameworks, the upskilling and futureproofing of the labour force as well as access to smart technologies. *(Source: The ASEAN Post, 31 October 2018)*
VIETNAM **Supply chain finance helps SMEs in emerging markets**	FinTech helps SMEs in emerging markets like Vietnam participate in supply chain finance, thus spurring company growth. Most SMEs still used cash transactions instead of banking services, and to avoid taxes, lowered the figures in their financial reports. A World Bank Enterprises Survey conducted in 2015 found that about 57% of SMEs did not have access to loans from formal FIs. In reality, the ratio could be between 65 and 72%. SMEs in most emerging markets lack access to credit and liquidity because the credit risk of such businesses is difficult to assess and their working capital needs are unpredictable. Hence, supply chain finance structures offer an alternative solution to finance the trade flows of these enterprises, with benefits for all stakeholders, including large enterprises, their SME trading counterparts and financial institutions. Supply chain finance is a partnership solution between the buyer (mostly multinationals) and a commercial bank, which allows suppliers (mostly SMEs) to join a programme to sell their receivables to the bank which is delivered to and accepted by the buyer. This financial structure is an ideal solution that leads to twin advantages: it reduces the average day sales outstanding (DSO) of the supplier, and increases the day pay outstanding (DPO) of the buyer. *(Source: Vietnam News, 3 November 2018)*
CAMBODIA **SMEs set to boost the Kingdom's economy**	More than 100 local SMEs were registered during the first three quarters of this year and officials expect the government's tax incentive policy for SMEs to boost growth, said a Ministry of Industry and Handicraft report. 105 of SMEs were registered in the first nine months, bringing the total to 155,745 and creating more than one million jobs, said the report. The ministry's director-general of the SME department Laim Kim Leng said the increase in registered SMEs was due to the government's policy to decentralise SME registrations. He added that SME registration will profit the owner with tax exemptions, technical training and financial access. The sub-decree on SME tax incentives, signed by Prime Minister Hun Sen on October 2, identifies priority sectors i.e. agro-industry and food production & processing. They will receive an income tax exemption for 3 to 5 years from the date of tax registration for new enterprises, or from the date of tax registration update for enterprises that have been registered. The President of Federation of Associations for SMEs in Cambodia, Te Taingpor, said SME tax exemptions are important and will push all SMEs to register. *(Source: Phnom Penh Post, 2 November 2018)*

CAMBODIA **ADB invests in SME financing**	The Asian Development Bank (ADB) has approved a $40-million loan to Prasac Microfinance Institution Limited to expand lending to local SMEs. With the move, the bank hopes to contribute to the development of the financial industry by supporting the SME sector through enhanced access to long-term finance. Prasac has identified a large unbanked and underserved market in rural areas that can contribute to greater inclusion in productive economic activity if given access to their lending products. Under Prasac, SMEs will be receiving a loan with maturity up to four years. According to the National Bank of Cambodia's (NBC) semi-annual report, up to 1.8 million Cambodians took out loans with microfinance institution (MFI) at some point during the first semester of the year. Most loans were taken out by small entrepreneurs in the agriculture sector (23.8%), trade (18.2%), service (10.3%), logistics (4.7%) and construction (4.3%). In the banking sector, meanwhile, most loans went to retail (17.4%), wholesale (11.7%), construction (9.9%), and agriculture, forestry & fisheries (9.8%). *(Source: Khmer Times, 2 November 2018)*
THAILAND **New Krungsri SME Empowerment services to support entrepreneur clients**	Krungsri announced the introduction of value-added services for SMEs, called Krungsri SME Empowerment. The aim is to enhance business opportunities for entrepreneurs by providing knowledge and business networks with the synergy between the bank's local strength and the global network of Mitsubishi UFJ Financial Group (MUFG). As part of its goal to be a main operating bank for SME customers, Krungsri is determined to develop digital technology and innovations to increase the quality of services, and in response to a recent survey of Krungsri SME Index, which showed rising confidence among SME entrepreneurs. The latest survey among SME entrepreneurs nationwide in the third quarter showed that the Krungsri SME Index had increased, supported by an inmproved in Thailand's exports and the progress of Eastern Economic Corridor, reflecting the positive point of view from the manufacturing sector and the upbeat sentiment of entrepreneurs in the eastern provinces of Rayong, Chon Buri and Chachoengsao. As to the performance of Krungsri SME Banking, the improvement in the economic environment was a major catalyst for the strong growth of medium-sized SME (SME-M) and small-sized enterprises (SME-S) portfolio. In the first nine months of 2018, SME-M and SME-S loans increased by 13%, driven by lending demand from medium-sized enterprises and supply-chain business. *(Source: The Nation, 30 October 2018)*

GLOWING WITH THE TIMES

NEW life has been breathed into the fortunes of Srichand facial powder, a product that had been trading on little more than nostalgia for a storied past until Rawit Hanutsaha came along. Rawit, now managing director of Srichand United Dispensary, became the third generation of his family to enter the business. And he lost no time in setting about the task of reviving the brand, with the help of a fresh outlook and an engineering degree.

The Hanutsaha family established the business in 1948. Srichand aims to become a customer-centric company within three years by developing products that fit with customers' demand. Rawit says he embarked on his chapter in the family business in 2006, when he joined Srichand United Dispensary, producer of the Srichand facial powder brand.

Previously, his grandfather and the second generation had produced only facial powder. He brought about big changes in 2015, announcing new products, along with a rebranding and company reorganisation, while tapping online channels to ramp up the marketing of the traditional facial powder. "We utilised online channels such as social media and digital marketing to support our existing and new products. Beforehand, I did not know a lot about such things. I just wanted to help my grandfather and that became the turning point," he adds.

He says that among the big changes he brought in for the facial powder product was a formulation designed for use with other make-up under a new design. The resulting product was priced at 280 baht. With the product changes and the new approach, the business transformation resulted in revenue increasing by 10 times.

He says that all the products under the Srichand brand have undergone design changes and benefited from R&D to fit the needs of the customers. The brand is focused on customers aged between 22 and 40. Its most popular product is the facial powder. The firm last year developed a new brand called Sasi, which covers eye liners, lipstick and powder designed for younger consumers aged from 13 to 25, along with consumers who are in their first jobs and are looking for premium products at affordable prices.

"We utilise both online and offline channels such as advertising in the theatres, on Line, Facebook and with influencers who promote our products to the market, depending on our target customers," Rawit says. To help ensure the company meets its goals, Rawit says that artificial intelligence (AI) and Big Data technologies will be put to work to collect the data of its customers. The data can help the company better shape new products to the needs of its customers. Rawit says the company aims to have such capabilities in place within three years.

Rawit says the company will devote more attention to its Chinese customers. By the end of this year, he expects that Chinese customers will account for around 1% of its total revenue of around 500 million baht. The firm expects this level to rise to 5% within three years. The firm also expects the proportion of the revenue from the Srichand brand to account for 75% of the total, with the rest from the Sasi brand.

The firm distributes its products to six countries, including Vietnam, Singapore, Taiwan and Malaysia. It also sells products online in order to collect customer data and insights into their behaviour and help with the customisation of products. Rawit also says he hopes to be able to list the company on the stock exchange by 2020.

(Source: The Star, 29 October 2018)

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