SME WEEKLY NEWS

(8 January 2018 – 12 January 2018)

Countries	Highlights
MALAYSIA **SME association looking to mitigate food price hikes**	While cost of food and beverages has gone up in the new year, the SME Association of Malaysia is hoping to mitigate the price hikes by helping those in the food and beverage industry for them to remain competitive and able to cope with increasing operation cost. Its president, Datuk Michael Kang, said that the association is working on measures to help its members, particularly those operating coffee shops, to remain competitive instead of increasing prices or passing the operating cost to consumers. He pointed out that one of the ways they hope to help these operators is by looking at various government policies, cost of doing business and ways to remove market monopoly. At the same time, the association has also approached all relevant ministries to work something out but so far it has not been easy or smooth journey. *(Source: The Sun Daily, 8 January 2018)*
SINGAPORE **Challenges new and old confronting SMEs**	Even if 2018 is a better year, smaller companies and SMEs still face a considerable number of challenges. The perennial gripes about cost and manpower have not disappeared. Another major sticking point is cashflow management, with an increasing number of firms struggling with delays in client payments. The SME Development Survey by DP Info in November 2017 found about 35% of SMEs saying they had finance-related issues - 13 percentage points more than a year earlier and the highest since the survey began tracking the issue in 2011. Of these 35%, the proportion experiencing delays in payments from customers skyrocketed, from 14% in 2016 to 81% in 2017. A separate Spring Singapore poll out last month showed that 64% of SMEs faced some form of delay in receiving payments from customers. The other major SME bugbear is the obstacles faced when trying to expand abroad. Internationalisation has been widely encouraged by the government, trade associations and business chambers, but not all firms have managed to make the leap. The SME Development Survey 2017 found that almost half SMEs had some form of overseas engagement, but success has been patchy. Some sectors, such as infocommunications and retail, have made inroads overseas, but others, like construction, continue to face difficulty in securing contracts. Currency fluctuations, keen competition and difficulty in finding partners are often cited as the biggest challenges venturing overseas. *(Source: The Straits Times, 10 January 2018)*
MYANMAR **JICA SME loans K60b in 2015-17**	Japan International Cooperation Agency (JICA)'s two-step loans for Myanmar SMEs amounted to over K60 billion in 2015-2017, at an interest rate of 8.5%. The loan amount was K4.9 billion for the 2015-16 fiscal year; K36.8 billion in 2016-17 and K19.3 billion between April and November 2017. The manufacturing sector enjoyed the highest amount of loans, with K39.7 billion received. This was followed by the services sector which received K14.5 billion. Other sectors such as wholesale and retail business as well as labour-intensive business were also supported. The JICA SME loan is popular among SMEs because it only demands an 8.5% interest rate, whereas commercial loans offered by domestic banks come with a 13% interest rate. If SMEs can provide immovable property as collateral, it can secure the loan at 8.5% interest rate. Otherwise, it must secure further collateral under the Credit Guarantee Insurance. In such situations, the SME will need to pay a CGI premium of 2.5% on top of the 8.5% interest rate. *(Source: The Myanmar Times, 10 January 2018)*

INDONESIA **Modalku Group hits US$74mil in total crowdfunded MSME loans**	MODALKU Group, pioneer of P2P lending in Indonesia, reached the 1 trillion rupiah (US$74.39 million) mark in total crowdfunded MSME loans across Indonesia, Singapore, and Malaysia since its inception. Indonesia is Modalku's largest market, where more than 50% of total loans, or around 520 billion rupiah has been crowdfunded to local MSMEs. Modalku Group's total crowdfunded loans is the highest amount reached by any P2P lending platform in Indonesia and Southeast Asia. Modalku connects potential MSMEs and those searching for alternative investments through a digital market. By financing MSME loans, Modalku lenders get an alternative investment with attractive return rates, up to 35% per year. Meanwhile, MSME borrowers receive up to 2 billion rupiah in business loans with no collateral requirements through a fast and simple online process. Modalku's P2P lending business model widens MSME access to working capital loans for business growth. P2P lending also supports financial inclusion efforts by providing financial services to those previously underserved. *(Source: Digital News Asia, 11 January 2018)*

FUELLING UP A BUSINESS

Long before FatHopes Energy Sdn Bhd was minting money by converting waste oil into biodiesel, Vinesh Sinha was mixing his own concoction of biodiesel in his kitchen: used cooking oil strained through old t-shirts and blended with diesel. The concoction worked well enough to power his car and reduce his fuel bill. But most people thought Vinesh was mad.

When he went to the UK for his tertiary education, he saw that they had petrol pumps for biodiesel. "And I thought, I wasn't mad after all! There are a lot of people in the UK who are actually producing their own waste-oil biodiesel at home!" he says. So instead of spending his days in classes, Vinesh started volunteering with companies that were involved with waste-oil biodiesel production to learn more about their processes and operations.

At about the same time, in 2009, he was given an opportunity to produce waste-oil biodiesel for a UK-based logistics provider that was looking for a local supplier. So Vinesh returned to Malaysia and used the RM80,000 refunded to him by his university to buy equipment to set up his little operation. Vinesh set up FatHopes Energy in 2010 to scale up the business on his own and continued supplying his biodiesel to various companies as well as to his feedstock suppliers.

One of the challenges in the industry, he says, is the difficulty in obtaining feedstock for biodiesel as well as in maintaining the consistency of waste oil collection. He notes that a lot of used cooking oil from eateries are sold off on the side to refineries that will convert it back to new cooking oil. Consequently, FatHopes Energy built its own proprietary smart tank technology which would enable eateries to dispose off used cooking oil directly into the tank, which are then collected once full. This prevents theft of the used cooking oil. Additionally, the tanks are also able to transmit data back to FatHopes Energy so that they would know when a tank is filled and ready for collection.

Today, FatHopes Energy dominates the used cooking oil collection market, making up about 70% of the available points in the local market and provides the company with some 18,000-19,000 tonnes of waste oil a month. Although business grew well in the local market, local demand for their production started shrinking after oil prices plummet post-2013. Biodiesel did not seem as attractive a value proposition compared to regular fuel and the company had to explore the export market.

However, this turned out to be a good thing as Europe started looking at capping the use of food-based biofuels and boosting the market for non-food based biofuels. This was certainly opportunity for FatHopes Energy to grow its market. Demand has been growing steadily over the years, but Vinesh admits that its facility is already running over its capacity and the company would need to look at other sources to boost capacity.

He is also looking at expanding its reach into other countries to tap into the huge availability of waste oil supply in the region. FatHopes Energy is looking at growing into the Indonesian market in the third quarter of this year and to cover the ASEAN region by 2020. Vinesh says it will do this through strategic alliances with its current suppliers.

(Source: The Star, 8 December 2017)

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