

# SME WEEKLY NEWS

(20 January 2020 - 24 January 2020)

Countries	Highlights
<p><b>MALAYSIA</b></p> <p><b>Bank Islam partners Global Psytech to offer credit risk assessment solution</b></p>	<p>Bank Islam Malaysia and Global Psytech Sdn Bhd are collaborating to offer an innovative credit risk assessment solution called General Financial Insights (GFI) which would estimate the risk of providing financing to an applicant, even in the absence of a traditional credit history. GFI allows a financial institution to finance with confidence to aspiring entrepreneurs who might otherwise be sidelined from the financial system, particularly those in the MSMEs sector. The partnership was aimed at addressing the credit gap for MSMEs, while improving the existing underwriting and credit-scoring models, as well as capitalising on advancement of digital technologies in finance. Also, the partnership would also make Bank Islam a leader in utilising advanced risk assessment technologies that will benefit MSMEs. CEO of Global Psytech, Dr Haniza Yon said the assessment solutions will allow financiers to provide appropriately-priced credit efficiently and securely to foster the growth of the entrepreneurship ecosystem in Malaysia.</p> <p><i>(Source: News Straits Times, 20 January 2020)</i></p>
<p><b>SINGAPORE</b></p> <p><b>More liquidity, support for digital solutions needed for SMEs: SBF</b></p>	<p>The National Business Survey 2019/2020 by the Singapore Business Federation (SBF) SME Committee found that SMEs know they need to adopt digital solutions to tackle their top challenges of manpower costs and finding new or better ways to generate revenue, but costs remain the biggest roadblock. This is further compounded by financing difficulties, with one-third of the businesses reporting a credit crunch. Noting that business sentiment remains weak for 2020, the committee called for increased liquidity through new schemes and greater access to digital solutions to help businesses better position themselves for the global economy's next upswing. Among others, one recommendation was to set up a one-stop digital trade platform where firms can trade among themselves. The greater sales opportunities afforded by the platform would encourage companies to adopt digital solutions like e-invoicing. Also, with SMEs struggling to obtain credit due to lack of collateral and risky borrower profile, SBF requested more support from Loan Insurance Scheme, which the government's share of the insurance cost be raised to 70% (currently 50%) for short-term financing like invoice financing.</p> <p><i>(Source: The Business Times, 21 January 2020)</i></p>
<p><b>PHILIPPINES</b></p> <p><b>SMEs not well connected to global value chains</b></p>	<p>A research titled "Obstacles of Philippine SMEs: Participation in Global Value Chains (GVCs)" indicating that Philippine SMEs are not well connected to GVCs. In terms of GVC connectivity per sector, most indicators suggest that industry SMEs are more linked to GVCs than services SMEs. The findings suggested that SMEs are having difficulty competing with firms from ASEAN and East Asian countries. The lower cost of labor and the bigger government support that SMEs enjoy in competitor countries compared to the Philippines are making it harder for Philippine SMEs to compete in international markets. The research also underscored the difficulties of many SMEs in reaching international markets due to their lack of access to information about foreign markets, coupled with their inability to mass-produce that would make exporting profitable. The research suggests that to help SMEs overcome the challenges in connecting to GVCs, policymakers must provide more incentives to exporters of higher-value products, implement programs that promote linkages between SMEs and foreign or large firms, improve credit terms of SME loans and enhance the efficiency of port and customs operations.</p> <p><i>(Source: Philippines News, 20 January 2020)</i></p>

## BUILDING ON SOLID GROUND

BACK in early 2000s, the thought of running his family's prefabricated container business did not really cross James Yeoh Chor Guan's mind. The UK-educated mechanical engineer was working with one of the world's largest consultancy firms in Singapore. But like many of his second-generation peers, Yeoh eventually ended up at the family business.

Yeoh, now the managing director of Solid Horizon Sdn Bhd, saw the opportunity to make something of the declining prefab container business. Solid Horizon specialises in fabricating shipping containers and converting them into permanent or temporary structures such as living spaces, showrooms and cabins. The company, founded more than 30 years ago by Yeoh's father Yeoh Eng Lee, was one of the pioneers in the industry, supplying containers to construction sites and other businesses that require temporary structures.



The company grew over the years, riding on demand from the booming construction sector. But like most of his contemporaries in the industry then, was not well equipped to deal with matters such as finances or how to organise an efficient corporate structure. "The main draw for me was to be able to take on a new challenge and to see if I can succeed in business. Besides, the challenges faced by the company at that time required someone who could offer a fresh perspective on the business model and on how to respond to the changing market demand," says Yeoh. He was also keen to apply the knowledge he had gained

through various stints overseas and from his consultancy works for other businesses to help restructure the company and bring in necessary tools and skills for it to succeed.

One of the first things Yeoh did when he joined the firm was to carve a niche for Solid Horizon. He saw an opportunity in the oil and gas sector, where demand for prefab structures was growing and margins were higher. "However, the safety and standard requirements in the sector were also much higher, and not many competitors have the ability to meet those standards then. This was an opportunity for us to prove its mettle before other players can catch up. Once we completed the projects for the likes of Petronas, we were able to establish ourselves," he shares.

Solid Horizon is now targeting the affordable housing market. The company is waiting for approval from relevant authorities for its prefab structures to be allowed for use in permanent residential structures. The company has the capacity to assist the federal & state governments with affordable housing projects by using a standard template that can be applied across up to 30,000 units.

Going forward, Solid Horizon is moving towards producing higher value products by leveraging on its established base in the containers and prefab structure engineering segment. The company is also looking at plans to acquire or form joint ventures with other prefab building companies or production facilities to further expand into the housing and permanent structures construction space. Among options for consideration include acquiring stakes in an associate company that would be able to provide it with additional production capacity, or in one which has specialised skills to help Solid Horizon with its diversification goals.

Although Yeoh has managed to diversify into more lucrative and complicated sectors such as the oil and gas industry, he notes that there is still potential to be tapped in the construction site space, which is still the mainstay for the company. In the longer run, Yeoh hopes that the wider construction industry will come to embrace its values of holding long term views and having a constant hunger for innovation.

*(Source: The Star, 20 January 2020)*