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MEDIA RELEASE

SMEs to Shift from Input-driven to Productivity-driven Growth in the 11th Malaysia Plan

Putrajaya, 25 June 2015 - The recently released 11th Malaysia Plan will be the last mile to accelerate SME growth towards achieving a high income nation by 2020. Malaysia already has a comprehensive Masterplan for SMEs to build up their capacity and competitiveness. The focus in the next six (6) years would be to expedite implementation of the Plan, specifically the high impact initiatives to facilitate the shift in the growth drivers dependent on labour to productivity. The statement was made today after the 18th National SME Development Council (NSDC) Meeting, chaired by YAB Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak, whose members comprised of Ministers and Heads of Agencies including from Sabah and Sarawak who are involved in SME development in the country.

The Meeting took note of the recent developments and deliberated on the strategy forward on SME development. Despite growing challenges arising from increasing cost pressures and competition amidst the on-going reforms and liberalisation, SME growth continued to outpace the overall economy. The underlying average annual growth of SMEs in the period 2011-2014 was 6.9% per annum versus the overall GDP growth of 5.4%. This shows that SMEs have been able to adjust to the changing business environment. A point to note is that in 2014, SME GDP grew at a significant rate of 13.6% resulting in its share to total GDP to rise to 35.9% (2013: 33.5%). The double-digit growth was largely on account of the one-off effect of the new SME definition which came into force in January 2014 where about 8,000 firms previously considered as

large were now categorised as SMEs. In addition to that, the underlying growth during the year remained strong supported by consumption and domestic activity.

This year, SMEs are expected to continue on a sustainable growth path, expanding by 6 - 7% in line with trends in the global and Malaysian economy. This is also corroborated by the findings in the most recent first quarter SME Survey undertaken by SME Corp. Malaysia. In the second and third quarters of 2015, SMEs are likely to experience cost and other challenges as they implement the Goods and Services Tax (GST) but activities should pick up thereafter. Some respondents also admitted that GST has brought benefits to their business operations such as better business management and enhanced ICT usage.

Moving forward in the 11th Malaysia Plan period, the SME Masterplan will be the basis in implementing the SME development programmes focusing on four (4) key areas, namely productivity, innovation, entrepreneurship and inclusiveness. In this context, the Meeting was briefed on the progress, thus far, in the implementation of the six (6) High Impact Programmes (HIPs) under the SME Masterplan. Notably on innovation, since HIP 2 or the Technology Commercialisation Platform began in May 2014 by PlatCOM Ventures Sdn. Bhd., a wholly-owned subsidiary of Agensi Inovasi Malaysia, 36 SMEs have been admitted into the programme out of the 381 SMEs screened, and two (2) of the companies have since commercialised their products. For the B40 (bottom 40% of the pyramid), innovation is facilitated through HIP 6 or the Inclusive Innovation programme undertaken by Yayasan Inovasi Malaysia, an agency under the Ministry of Science, Technology and Innovation (MOSTI). Since its inception five (5) months ago, the programme has also shown positive progress with 250 communities being touched and three (3) innovators currently being assisted.

Meanwhile, the Going-Export Programme (HIP 4) to internationalise export-ready SMEs undertaken by MATRADE, an agency under the Ministry of International Trade and Industry has benefited 71 companies with two (2) companies securing sales contract amounting to more than RM1.8 million. HIP 5, the Catalyst programme undertaken by SME Corp. Malaysia has begun with 30 SMEs in the BioNext segment being

considered, while the project on HIP1 led by MAMPU on ease of doing business towards creating a single gateway for business registration and licensing is beginning to gather momentum. The Business Registration and Licensing InfoPortal is expected to be ready by end-2015, while the integration of registration and licenses will be done in stages as it involves three (3) levels of Government, namely federal, state and local councils.

Taking into consideration the recent developments in the economy and statistics, the NSDC has agreed to review the macro targets set under the SME Masterplan. The SME GDP target for 2020 of 41% remained unchanged, but SMEs will be on a new growth trajectory of an average annual rate of 8%, lower than the 8.7% set earlier. Meanwhile, SME share to employment was revised upward slightly to 65% in 2020 from 62% previously, while the share of SME exports was revised to 23% from 25% previously.

The Council had deliberated on the role of the NSDC as the highest body to oversee the overall coordination of entrepreneurship and SME development programmes in ensuring effectiveness of policy implementation, whereas SME Corp. Malaysia is the focal point in coordinating entrepreneurship and SME development programmes across all Ministries and Agencies in reporting. New coordinating agencies must update and report to NSDC to ensure there will be no overlapping of roles.

The Council was also apprised on the achievements of SME development programmes which SME Corp. Malaysia as the Central Coordinating Agency has been progressively coordinating, monitoring and evaluating through the SME Integrated Plan of Action (SMEIPA). SMEIPA provides a compilation of information and assessment on the effectiveness of the programmes implemented to support the development of SMEs.

The meeting was informed that in 2014, the Government together with the private sector implemented a total of 162 SME development programmes with a financial commitment of RM9.94 billion. These programmes which have been classified under 5 (five) focus areas as outlined in the SME Masterplan, namely Human Capital Development; Access

to Financing; Innovation and Technology Adoption; Market Access; and Infrastructure, had benefited SMEs via 569,816 approved projects.

In 2015, a total of 163 programmes have been planned and are being implemented with a financial commitment of RM11.34 billion which are expected to drive the success of 478,509 projects.

Apart from that, the Council was informed on the establishment of the ASEAN Market Place e-Commerce Portal (aMP) which was launched on 26 May 2015 in conjunction with the ASEAN SME Showcase & Conference 2015, organised by SME Corp. Malaysia. aMP aims to be a one stop portal to assist ASEAN SMEs in general to access information on market, technology and finance. It would enable Malaysian SMEs to expand regionally and globally, and promote the adoption of ICT for business efficiencies and effectiveness. Its future plans include access to finance, as well as, talents. ACASIA plans to launch five (5) ASEAN initiatives in 2015, leveraging on Malaysia's chairmanship of ASEAN - ASEAN Market Place (aMP) (May 2015); ASEAN Regional Connectivity (aRC) (July 2015); ASEAN Broadcast Hub (aBH) (August 2015); ASEAN Internet Exchange (aIX) (November 2015); and ASEAN Command Center (aCC) (December 2015).

The integrated service provider for the portal is ACASIA Communications Sdn. Bhd., a Malaysian entity with seven (7) major ASEAN telcos as shareholders, namely CAT (Thailand); Indosat (Indonesia); PLDT (Philippines); Telbru (Brunei); TM (Malaysia); Singtel (Singapore); and VNPT (Vietnam).

Secretariat

National SME Development Council (NSDC)

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About SME Corp. Malaysia

SME Corp. Malaysia is a Central Coordinating Agency that formulates overall policies and strategies for SMEs and coordinates the implementation of SME Development Programmes across all related Ministries and Agencies. It acts as the central point of reference for research and data dissemination on SMEs, as well as, provides advisory services for SMEs in Malaysia. SME Corp. Malaysia also assumes the role of the Secretariat to the National SME Development Council (NSDC) which is chaired by YAB Prime Minister of Malaysia.