



SME Development in Malaysia

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SME Corporation Malaysia

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Contents

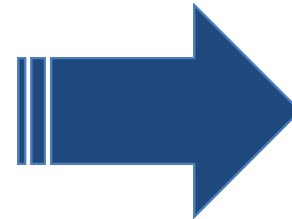
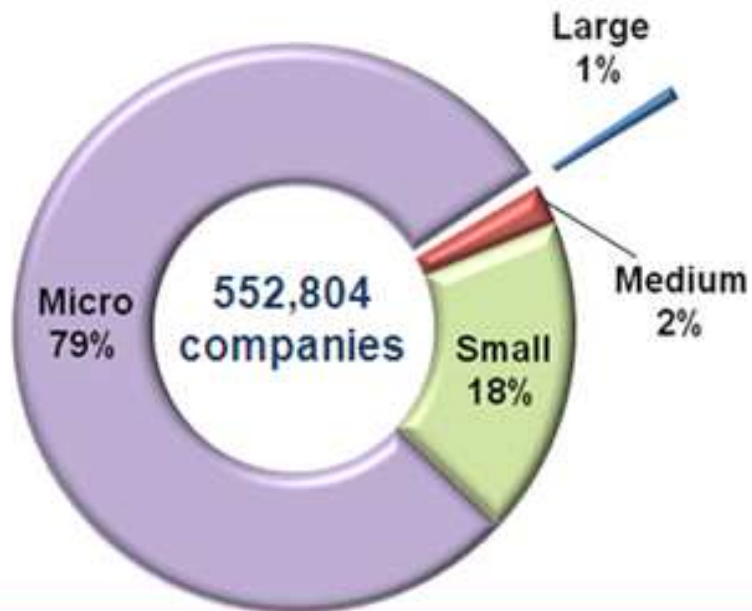
- 1 Profile of SMEs in Malaysia
- 2 SME Development
- 3 Merger & Affiliation
- 4 Way Forward

Contents

- 1 Profile of SMEs in Malaysia**
- 2 SME Development
- 3 Merger & Affiliation
- 4 Way Forward

Definition of SMEs:

	Manufacturing & MRSs	Services, Agri. & ICT
Annual Sales	< RM25 mil	< RM5 mil
OR		
Full-time employees	<150	< 50



Total Establishments



GDP



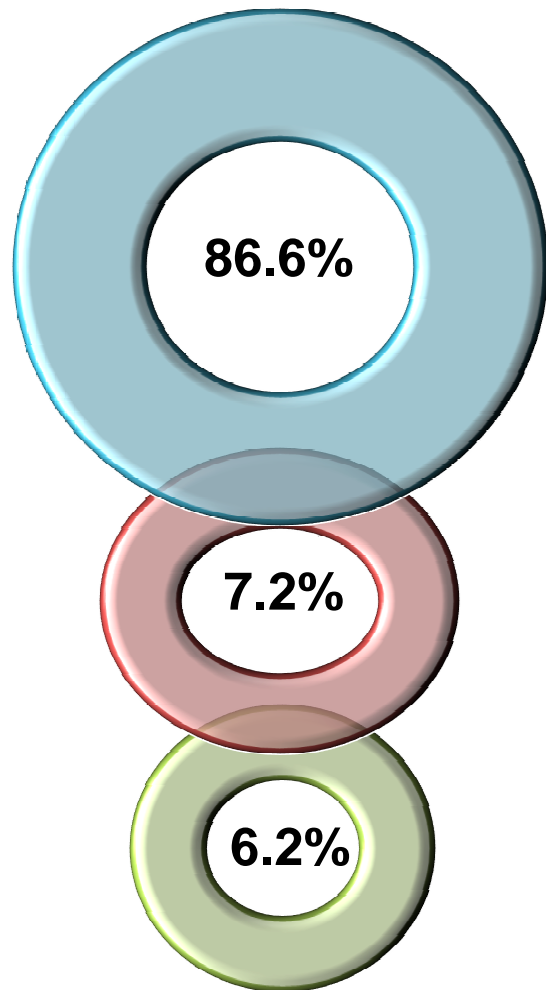
Employment



Exports

Currently, SMEs in Malaysia are mainly in the services sector

- **Services: 87% share, largest subsector is distributive trade**
- **Manufacturing: 7% share, mainly in textiles/apparels and F&B industries**
- **Agriculture: 6% share, plantation/horticulture and fishing**



Services

- Wholesale & retail (55.5%)
- Restaurant & hotel (15.2%)
- Transport & communications (6.5%)

Manufacturing

- Textiles & apparels (23.4%)
- Food & beverages (15%)
- Metal & metal products (13%)

Agriculture

- Plantation and horticulture (65.6%)
- Fishery & its services activities (20.8%)
- Poultry farming (7%)

Through interaction with stakeholders, **6** focus areas were identified where constraints need to be addressed

Constraints to Growth



Innovation & Technology

- Limited participation in national innovation system
- Low product commercialisation and R&D spending
- Poor technology uptake



Market Access

- Low bargaining power
- Information barrier for exports
- Limited focus on marketing & branding



Human Capital Development

- Workforce lacks job readiness
- Low utilisation of existing training
- Non-competitive rewards & benefits



Legal & Regulatory Framework

- Ease of obtaining licenses
- Bankruptcy law limits entrepreneurs
- SME taxation



Access to Financing

- Early stage financing
- Poor creditworthiness
- Lack of know-how and resources



Infrastructure & Security

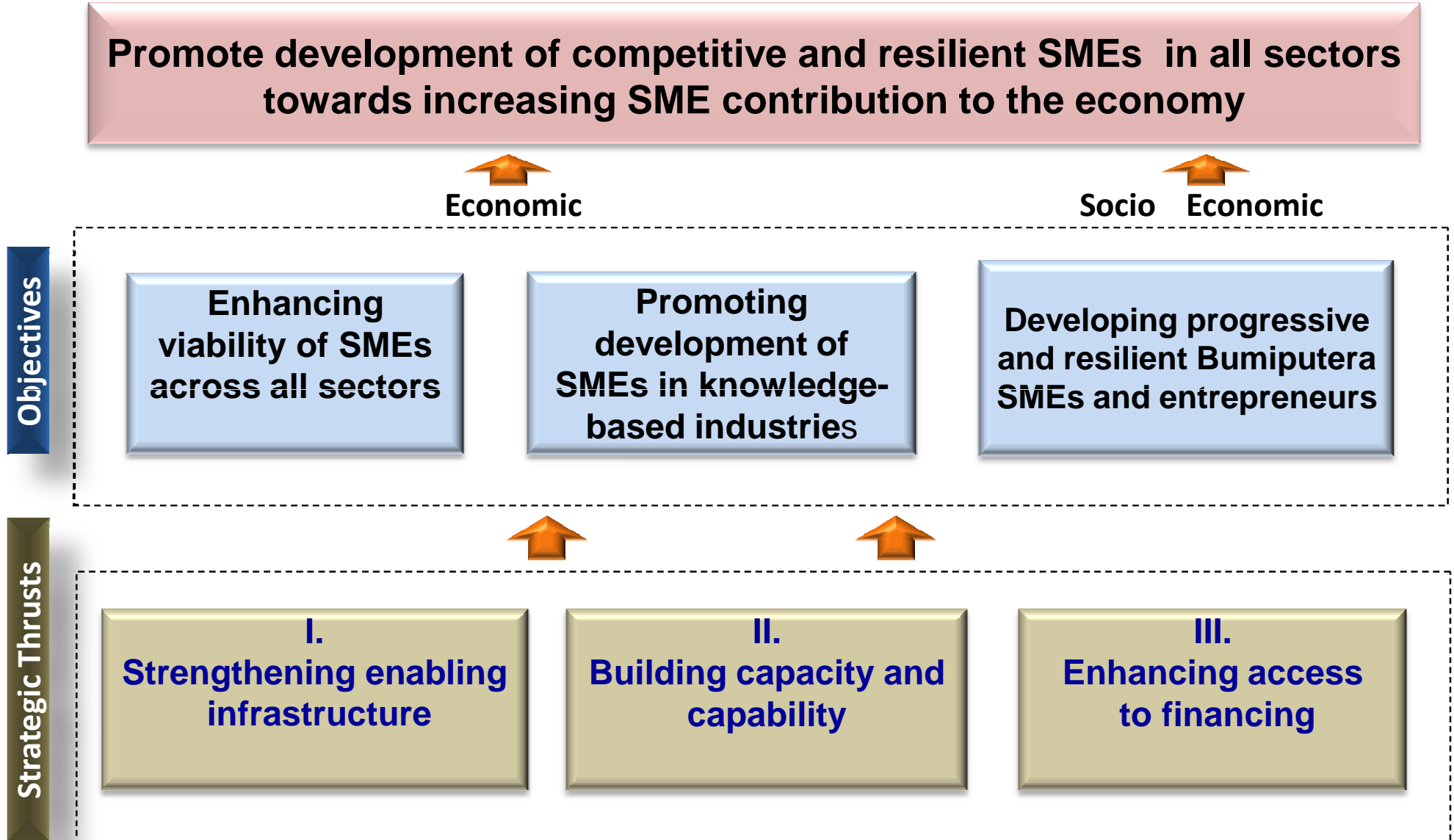
- Low and infrequent trade volume
- Inefficient trade facilitation system

Contents



- 1 Profile of SMEs in Malaysia
- 2 SME Development**
- 3 Merger & Affiliation
- 4 Way Forward

A structured approach in SME Development since 2005



National SME Development Council ... high level body to chart SME policy direction



Council established in 2004

Chaired by Prime Minister

15 Ministers and 3 key agencies

Secretariat: SME Corp. Malaysia (w.e.f. 1 Aug 2008 - previously the Central Bank)

Roles and Responsibility

Provides direction for comprehensive development of SMEs across all sectors

Formulates broad policies and strategies

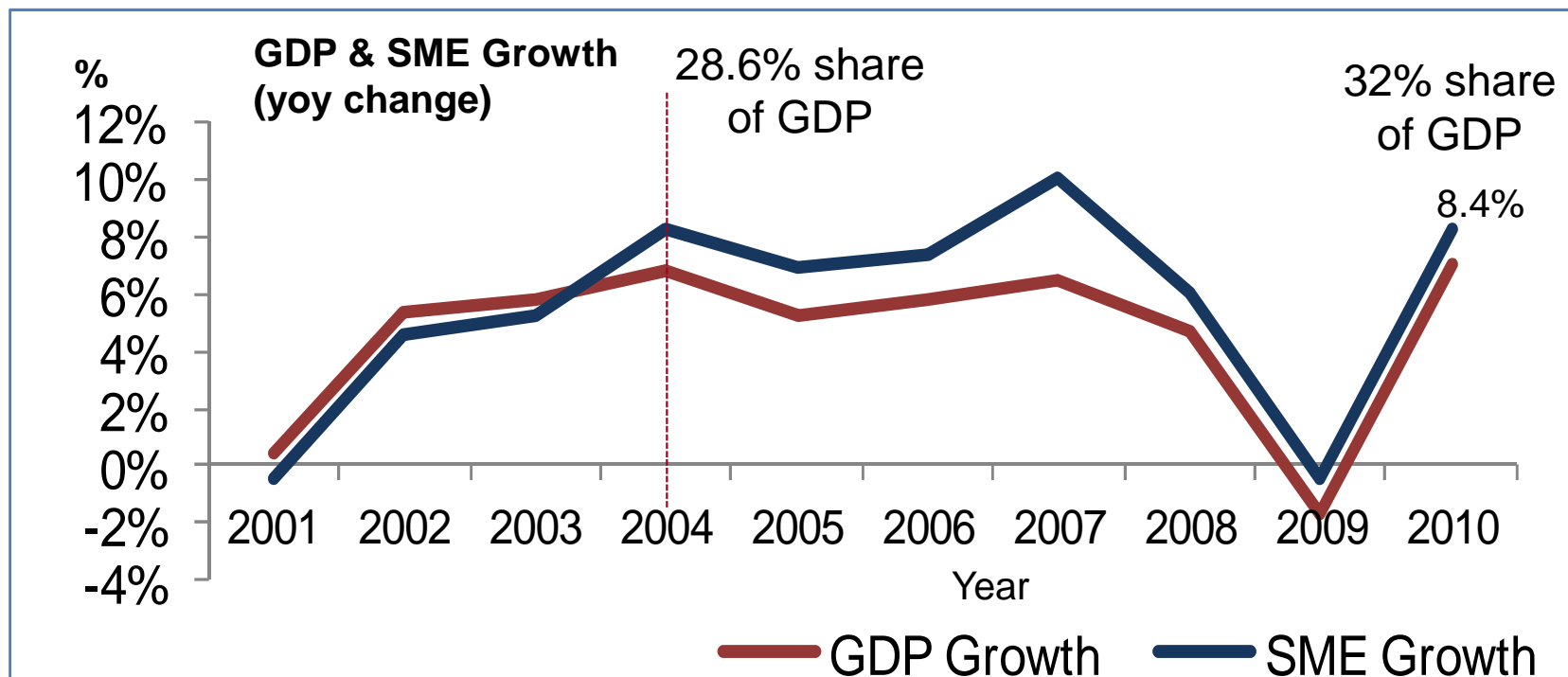
Oversees coordination of and ensures effectiveness in policy implementation

Holistic approach to SME development brought positive results...

SME growth outperformed overall GDP growth during 2004 – 2010:

- NSDC was set up and SME development accorded national agenda
- Other supportive policies (improvement in government delivery, higher domestic demand and tourism, focus on farmers and small contractors)

GDP & SME Growth



Source: DOSM and SME Corp. Malaysia

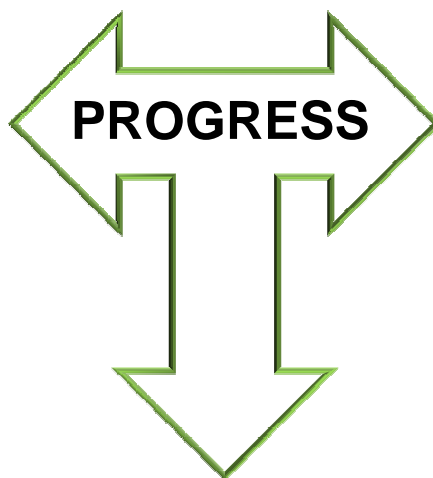
In the last 7 years, SME development achieved progress in many areas...

Information dissemination

- SME Annual Report 2005 - 2010/11
- Financial Guide for SMEs
- Govt. Funds & Schemes
- SMEinfo Portal
- HRD Training Portal

Human capital, marketing & advisory services

- Centralised training for SME
- BNM's LINK, SME Bank, Banks' SME Unit
- "One Referral Centre"



Policy

- Standard SME Definition
- 5 - year policy targets (2006 - 2010)
- SME Integrated Plan of Action
- SME Central Coordinating Agency
- SME Masterplan (2012 - 2020)
- Outcome-based approach initiatives at macro, programme and firm levels
- SME special unit at Ministries & Agencies

Statistics

- Census of Establishment and Enterprise 2005 / SME Census 2011
- Time series value add data
- National SME Database

New products for SMEs

- Trade Finance Products
- Overseas Project Fund
- Venture Capital Funds for Agriculture
- Guarantee funds

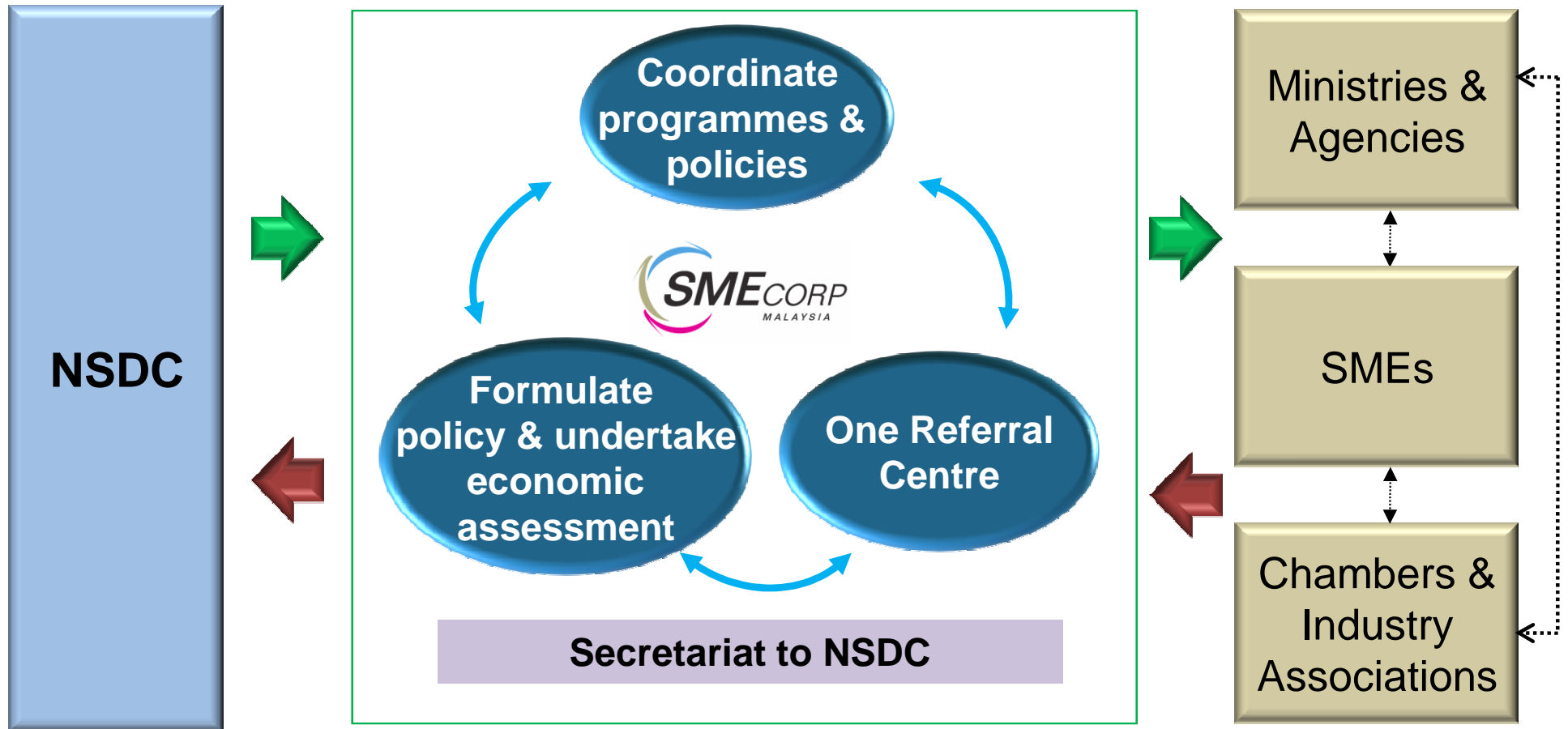
Strengthening financial service providers

- Sustainable Microfinance.
- Transformation of SME Bank, CGC & Bank Pertanian Malaysia

Strengthening financial infrastructure

- SME Credit Bureau
- Small Debt Resolution Scheme

SME Corp: A dedicated Agency for SME development



In 2012, 144 SME development programmes worth USD4.9bil are being implemented...



Strengthening Enabling Infrastructure 11 programmes

- Automotive Centre Development Project
- Cottage Retail Shop
- Permanent Food Production Park
- Products Collection and Marketing Centre
- Incubation & Technopreneur Development
- Integrated Aquaculture Zone

- Entrepreneur Development
- Retraining and Skills Upgrading
- National Dual Training System
- Content Industry Development
- Franchise Development
- Taste of Malaysia
- Training for Furniture Design & Making
- Craft Entrepreneur Development
- Business Quality & Enhancement
- SME-Brand Development
- SME-University Internship
- Market Development Grant
- Exporters Training
- SME Expert Advisory Panel
- Biopreneur Clinic



Building Capacity and Capability 91 programmes



Enhancing Access to Financing 42 programmes

- Franchise Financing Scheme
- Micro Enterprise Fund
- Soft Loan Scheme for Service Sector
- Soft Loan Scheme for Automation and Modernisation
- Soft Loan for SMEs
- Business Accelerator Programme
- Tourism Infrastructure Fund
- Maritime Fund
- ICT, Biotechnology and Technology Development Project Financing
- Green Technology Financing Scheme

...in addition to the existing tax incentives and new funds for SME development

New Financing Schemes for SMEs during the Budget 2012 Announcement

SME Financing Fund (USD0.6bil)

SME Revitalisation Fund (USD31mil)

SME Emergency Fund (USD3mil)

Commercialisation Innovation Fund (USD156mil)

Market Validation Fund (USD94mil)

MyCreative Venture Capital (USD62mil)

Professional Services Fund (USD31mil)

Strategies & Initiatives under SMECorp Malaysia



Ratings, Certifications & Awards

(SCORE, MSCORE, Enterprise 50, National Mark of Malaysian Brand, 1-InnoCERT)



Industrial Linkages & Showcases

(Annual SMIDEX Showcase, Annual SME Week, B2B)



Building capacity & capability

(SME Expert Advisory Panel (SEAP), Skills Upgrading Programme, BAP & E², SME @ University)



Access to financing

(SME Emergency Fund, Shari'ah Compliant SME Financing Scheme, Commercialisation of Innovation Fund)



Access to Information

(Sembang Petang, Pocket Talks, Seminars, Forums, Mobile Gallery, Publications, Facebook & Twitter)



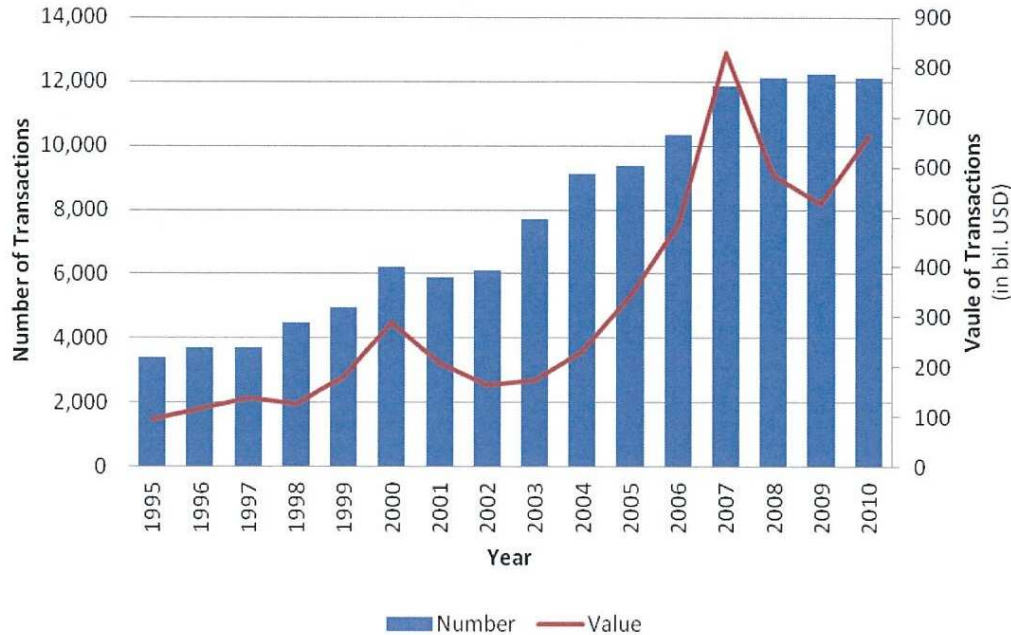
International Cooperation

Contents

- 1 Profile of SMEs in Malaysia
- 2 SME Development
- 3 Merger & Affiliation**
- 4 Way Forward

Mergers & Acquisitions in Asia-Pacific

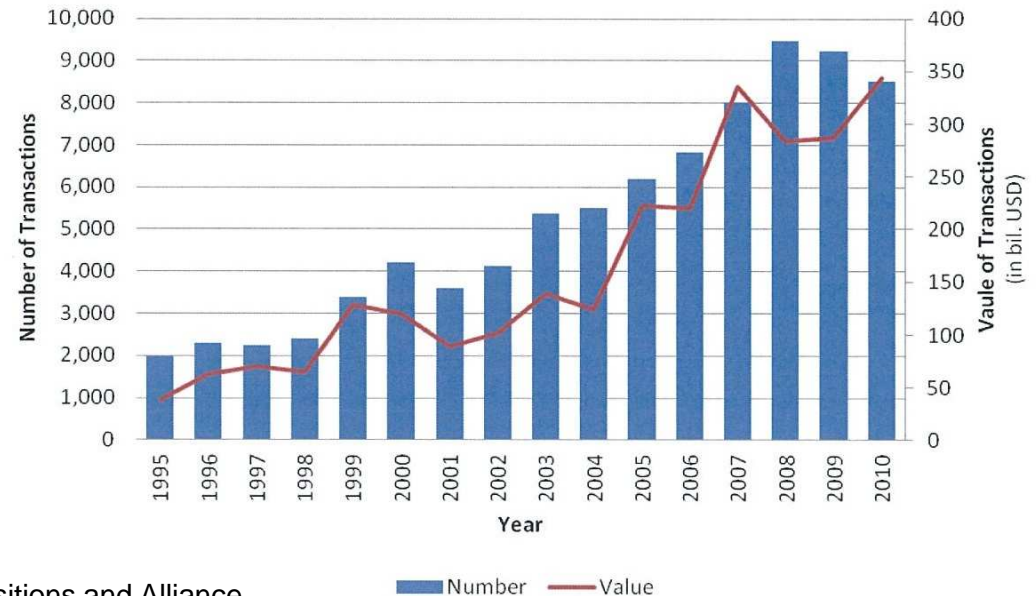
General



- Number and Value has grown since 1995
- more than 123,000 deals with known value of USD5,148b in the last 16 years
- growth shows the increasing importance of M&A

- 83,450 transactions with total value of USD2,627 was recorded
- represents significant share of M&A in the region
- high importance of SME M&A as an economic phenomenon

SME



WHY Mergers & Acquisitions for SMEs



**Economic
Climate &
Competition**

**Unable to sustain
profitable firm**

**No suitable
successor
from the family**

**Retirement of
Founder**



**Business
Growth**

**Capitalize on the
successful growth
of businesses**

Potential Strategies for SMEs on Merger & Acquisitions



Constraints to Mergers & Acquisitions for SMEs

1. Level of knowledge of M&A

2. Management capacity to execute

3. Access to information

4. Lack of training

5. Thinks only applicable to large companies



Benefits of Merger & Acquisition for SMEs

1. Growth and expansion of businesses

2. Attracts investors

3. Improve quality of products & services

4. Increase competitiveness

5. Availability of sustainable employment



New measures by Government on Merger & Acquisition for SMEs

Announced on 3rd July 2012



- A special tax rate to encourage small Malaysian service providers to merge into larger entities to build up the competitiveness of the smaller entities is being introduced in light of the government's efforts to further liberalise the services sector
- Re-introduction of tax incentives for acquiring foreign companies for high-technology to enable Malaysia-owned companies to acquire new state-of-the-art technologies through a leap frogging approach to move up the value chain or diversify into new areas.
- New exemption order under ITA 1967



Contents

- 1 Profile of SMEs in Malaysia
- 2 SME Development
- 3 Merger & Affiliation
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New SME Development Framework for innovation-led and productivity driven growth

Vision

Globally competitive SMEs across all sectors that enhance wealth creation and contribute to the social well-being

SME Development Framework

Goals

Increase Business Formation

Expand number of high growth and innovative firms

Raise Productivity

Intensify formalisation

Focus Areas

Innovation & Technology

Access to Financing

Human Capital

Market Access

Legal & Regulatory Environment

Infrastructure

Action Plan

Reliable database

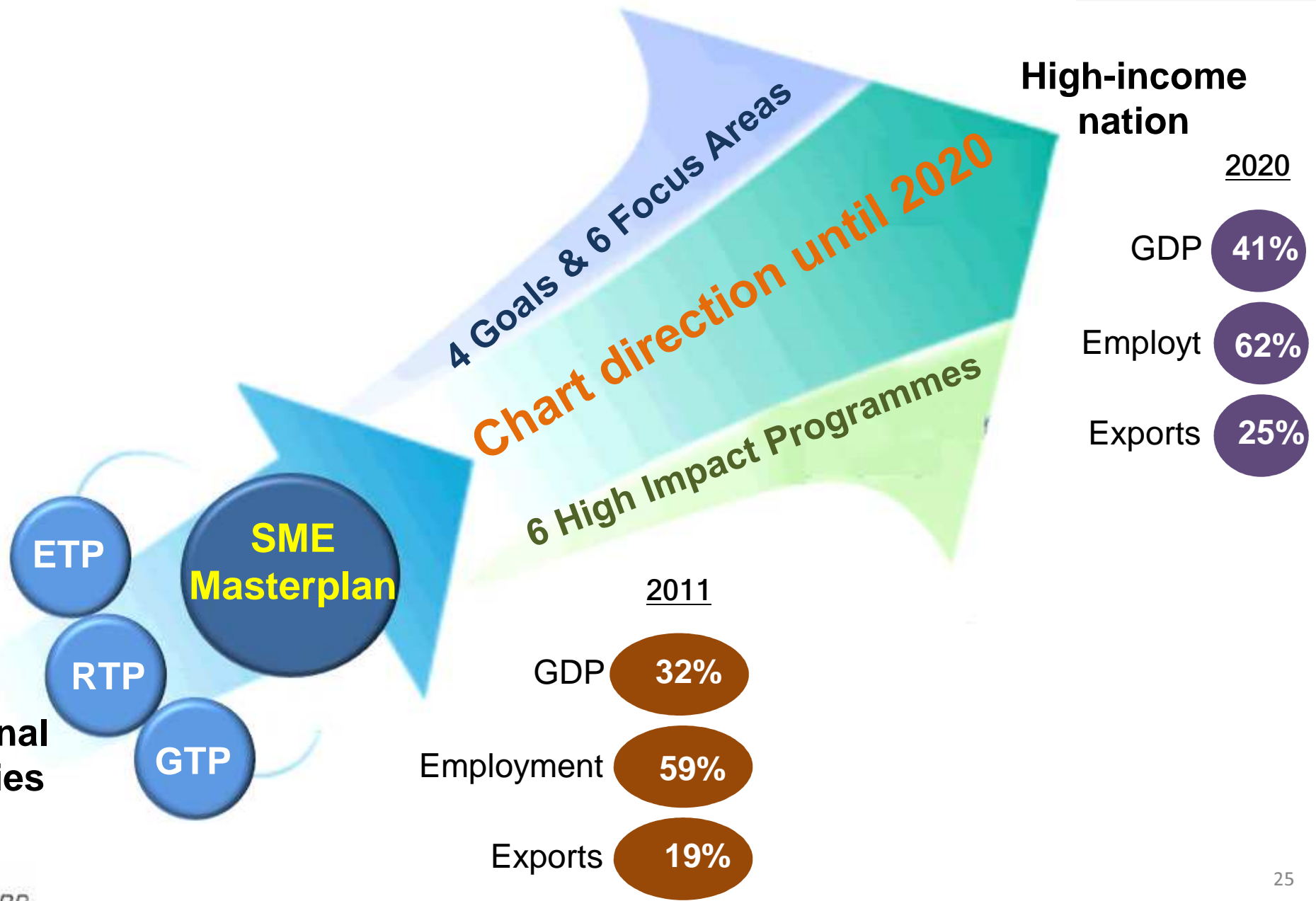
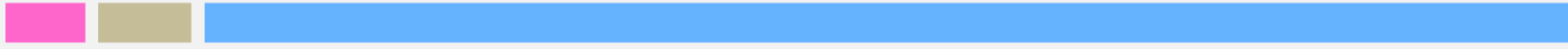
Monitoring & Evaluation

Effective Coordination

Effective Business Services

Institutional Support

The SME Masterplan charts direction for SME development till 2020



The Plan proposes 32 initiatives, of which **6** are High Impact Programmes

6 High Impact Programmes (HIPs) in the area of:

- Ease of doing business
- Innovation
- Early stage financing
- Internationalisation of SMEs
- Promoting more homegrown champions
- Empowering the bottom 40% of the income pyramid

Measures across 4 Themes

- Resource pooling & shared services
- Create demand for SME products
- Reduce information asymmetry
- Building capacity & knowledge

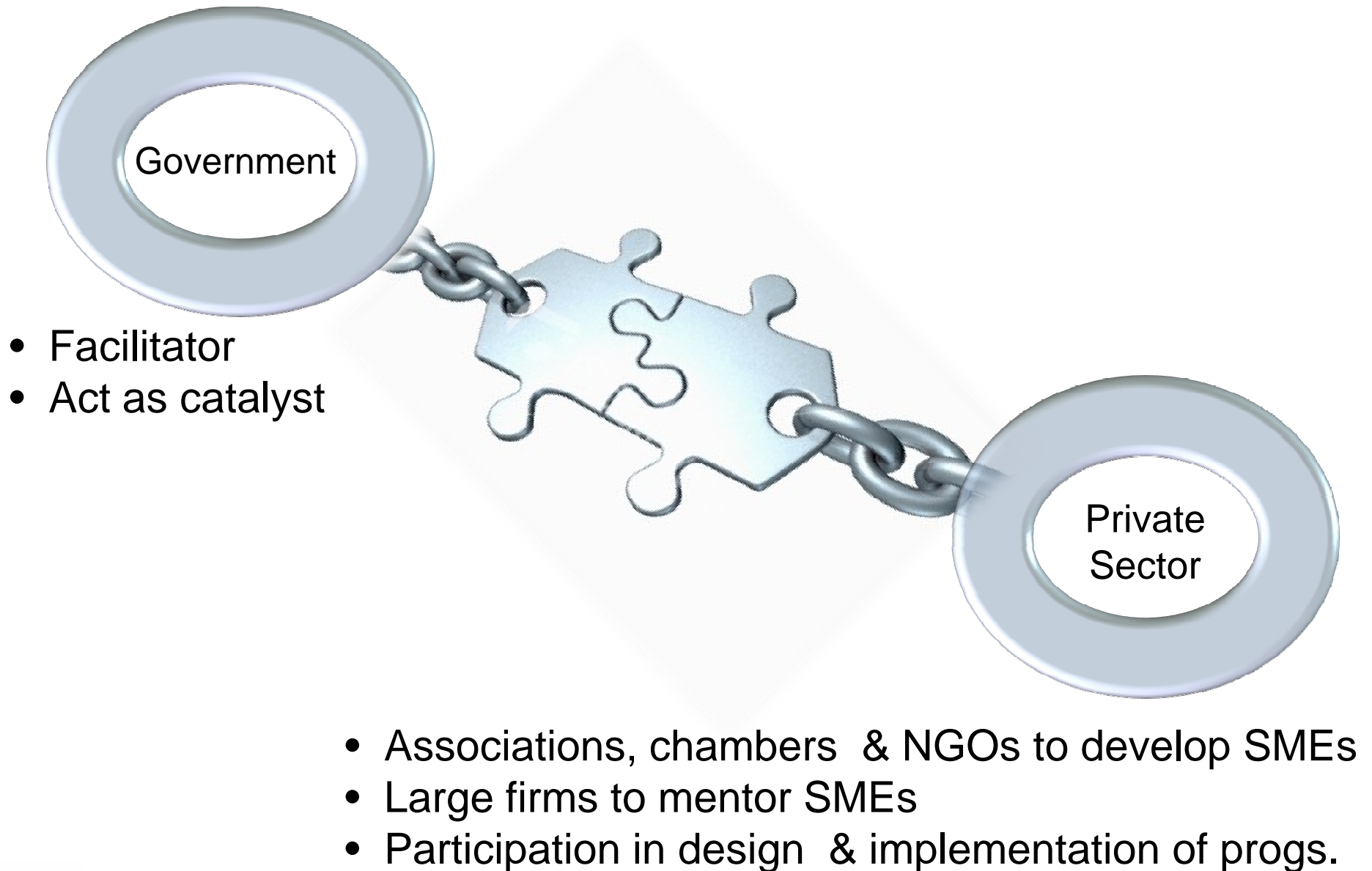
Measures for East Malaysia

Other Measures

- Completion of Integrated Trade Facilitation System (Single Window)
- Review of Bankruptcy Law
- Review of SME policies

Result-based approach with monitoring & evaluation

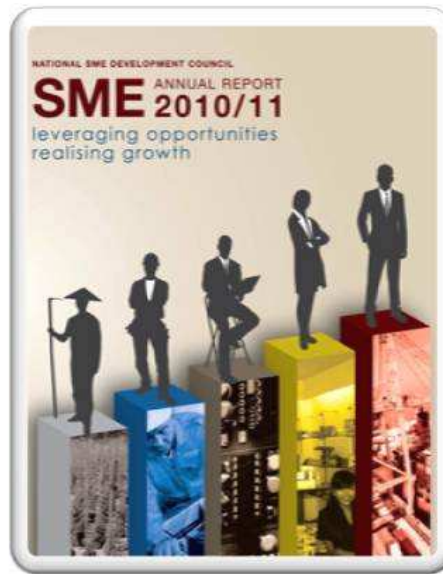
SME development a shared responsibility...



...with private sector assuming a greater role



Pusat Rujukan Setempat
(BAS)



Talian Info
1-300-30-6000



THANK YOU

SMS untuk info PKS &
Maklumat Lain
Hantar ke 15888



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