

# SME and Entrepreneurship Development Programmes in 2015

**T**he significance of SMEs as the main pillar of economic growth of the nation continues to be the focus in 2015. Efforts were undertaken by various Ministries through their agencies to create a conducive entrepreneurial environment for SMEs to flourish by increasing the access and ease of doing business, strengthening human capital and by implementing programmes that focuses on enhancing productivity, innovation and export readiness. These wide variety of programmes were aimed to support SME development by creating resilient and sustainable SMEs. The programmes are offered under five out of the six key focus areas outlined in the SME Masterplan which aims towards optimising the performance and creating opportunities for SMEs to grow and develop their businesses through market expansion, innovation and increasing productivity. Programmes for start-ups and on entrepreneurship have also been enhanced in 2015.

In **2015**, a total of **150 Government programmes** were carried out amounting to about RM5 billion which had benefited more than 580,100 SMEs. These programmes were monitored and reported in the SME Integrated Plan of Action (SMEIPA). In addition, SMEIPA also reported another 20 programmes implemented in collaboration with the private sector, amounting RM3.1 billion which had benefited some 12,900 SMEs. Overall, there were 170 SME development programmes implemented last year with funds amounting to RM8.1 billion which had benefited 593,000 SMEs.

**Table 4.1** : SME Development Programmes in 2015 by Focus Area

Focus Area	No. of Programmes	Financial Expenditure (RM mil)	Beneficiaries
Human Capital Development	39	79.4	97,095
Market Access	37	99.0	14,553
Access to Financing	36	4,393.8	456,328
Innovation & Technology Adoption	22	258.1	11,819
Infrastructure	16	194.4	306
<b>TOTAL</b>	<b>150</b>	<b>5,024.7</b>	<b>580,101</b>

Source: SME Integrated Plan of Action (SMEIPA) 2016, SME Corp. Malaysia

Similar to previous years, bulk of the expenditure in 2015 was directed towards enhancing access to financing (87.4%), followed by programmes for innovation and technology adoption (5.1%) and infrastructure (3.9%). In terms of number of programmes, majority were in the area of human capital development, market access and access to financing. Programmes under access to financing will be deliberated in Chapter 6.

In 2015, a total of 150 Government programmes were carried out amounting to about RM5 billion which had benefited more than 580,100 SMEs



**Chart 4.1 :**

No. of Programmes by Focus Area, %



- 26.0 ■ Human Capital Development
- 24.7 ■ Market Access
- 24.0 ■ Access to Financing
- 14.7 ■ Innovation & Technology Adoption
- 10.6 ■ Infrastructure

**Chart 4.2 :**

Financial Expenditure by Focus Area, %



- 87.4 ■ Access to Financing
- 5.1 ■ Innovation & Technology Adoption
- 3.9 ■ Infrastructure
- 2.0 ■ Market Access
- 1.6 ■ Human Capital Development

**Chart 4.3 :**

SMEs Benefited by Focus Area, %



- 78.7 ■ Access to Financing
- 16.7 ■ Human Capital Development
- 2.5 ■ Market Access
- 2.0 ■ Innovation & Technology Adoption
- 0.1 ■ Infrastructure

## HUMAN CAPITAL DEVELOPMENT

The lifeblood of any business is its human capital. This includes entrepreneurship development as well as enhancing the skills and competencies of employees. The lack of **skilled and capable employees** can be detrimental to the growth of a company. This is a problem that many SMEs encounter as they have to compete with larger and well established companies that can offer better incentives and perks to potential employees. Many SMEs have resorted to hiring foreign labour to deal with the shortage of employees and inability to offer higher wages. In the long term, this would undermine the company's productivity and ability to move up the value chain to higher value added activities. The country's aspiration to becoming a high-income nation will depend on highly skilled and creative workforce. To address these concerns, a total of RM79.4 million was spent to assist 97,095 SMEs through 39 programmes. Among the programmes include the following:

- **HR Capabilities Building Programme** for SMEs implemented by the Ministry of Human Resources (MOHR) through Pembangunan Sumber Manusia Berhad (PSMB) aims at providing up-skilling and HR related programmes to HRDF registered SMEs. A total of RM7.1 million was spent to conduct 1,601 upskilling training courses and 29,571 human resource related sessions, benefiting 31,172 SMEs;
- **National Dual Training System (NDTS)** by Jabatan Pembangunan Kemahiran (JPK) of MOHR aims to train and educate school dropouts and workers for the SME workforce besides providing skills upgrading for new and existing employees in SMEs. A total of RM19.5 million was channelled to certify 1,741 apprentices and 726 employees under the programme in 2015;
- **GroomBig Programme** by the Malaysia Digital Economy Corporation (MDEC) under the Ministry of Communications & Multimedia Malaysia (KKMM) conducts ICT-enablement programmes to spur the development of Bumiputera micro and small entrepreneurs with the adoption of digital technologies. A total of RM5 million was channelled to this programme, resulting in 1,044 micro and small entrepreneurs trained with online presence and internet marketing skills; and
- **Human Capital Development Programme** under the Malaysia Automotive Institute (MAI) of Ministry of International Trade and Industry (MITI) resulted in the certification of some 4,000 skilled workers under the Industrial Lead Professional Certificate (IPC) and 750 engineers under the Automotive Industry Certification Engineering (AICE) in 2015, utilising RM8.5 million during the year.

Another important aspect of human capital development in SMEs is **entrepreneurship**. Hence, besides building the capacity and capability of the SME firms, the Government has placed a great emphasis on nurturing SME entrepreneurs, particularly among youth and graduates. Various initiatives were implemented to promote acculturation of entrepreneurship in these groups which include:

- **Youth Entrepreneurship Programme** (Business and Agriculture Business) by the Department of Youth and Sports (DYS) under the Ministry of Youth and Sports (KBS) that provided labelling and packaging technology as well as entrepreneurship courses to SMEs. A total of RM3.1 million was spent for the programme which benefited 2,089 participants; and
- **Entrepreneurship Training Programme** by Majlis Amanah Rakyat (MARA) under the Ministry of Rural & Regional Development (KKLW) which utilised RM10.7 million benefiting a total of 43,972 entrepreneurs, of which 34% were youth and graduate participants who ventured into business after three years.

## MARKET ACCESS

Broader market access allows SMEs to take advantage of untapped business opportunities and unearth new possibilities for increasing their revenue and growing their business. This includes both the local and export markets. The failure of SMEs to expand their market overseas can be attributed to various factors including lack of knowledge, market intelligence and international networking. It has been recognised that given Malaysia's relatively small domestic market, more local companies, particularly SMEs need to expand internationally to achieve the aspiration of becoming a high income nation by 2020.

In light of the challenging global environment, in 2015 the Government accorded greater focus on boosting exports with the establishment of the 'National Council for Exports'. Many initiatives were taken including implementing programmes to help SMEs widen their market access. Aside from promotional and developmental initiatives, there were also programmes to improve operational and production standards as well as attain certification for compliance and quality. In 2015, a total of RM99 million was channelled for 37 programmes under this focus area, of which some of the key programmes were as follows:

- The Malaysia External Trade Development Corporation (MATRADE) received RM7 million in 2014 from SME Corp. Malaysia to conduct **Going Export (GoEx) Programme**, which aims to assist SMEs to become more competitive in the international arena. This programme assisted SMEs in getting information and

access to international networks, increase their exports and expand their business opportunities. As of December 2015, there were 102 companies under this programme;

- In addition, MATRADE provided a financial assistance namely **Market Development Grant (MDG)** for SMEs, Trade and Industry Associations, Chambers of Commerce and Professional Bodies in undertaking eligible export promotional activities. This programme has spent RM30.7 million and approved a total of 3,386 claims throughout 2015;



- **Women Exporters Development Programme (WEDP)** by MATRADE assisted 32 women entrepreneurs penetrate the international market by developing the necessary skills and knowledge to enable the women SMEs venture into export market and expand their business. This programme utilised RM0.7 million to secure export sales amounting RM96 million in 2015;
- **Promotion & Marketing Programme** implemented by the Ministry of Tourism & Culture Malaysia (MOTAC) through Malaysian Handicraft Development Corporation (HANDICRAFT) aimed to increase craft sales in the domestic and international markets. Utilising a budget of RM16 million, the programme generated a total sales value of RM505.4 million and benefited over 4,000 SMEs;
- The programme **Showcase Satu Daerah Satu Industri (SDSI) 2015** implemented by the Ministry of International Trade and Industry (MITI) utilised the allocation of RM2.5 million. The main objective of the Showcase was to promote and market goods and services produced by local entrepreneurs based on the SDSI guidelines. In the year 2015, a total of RM6.3 million in contract sales and RM1.7 million in cash sales were recorded. The Showcase was participated by 471 entrepreneurs and attracted a total of 184,224 visitors;

- MITI also spearheaded **Vendor Development Programme (VDP)**, which facilitated Bumiputera SMEs' vendors through partnerships with Government-linked Companies (GLCs), Multinational Corporations (MNCs) and private companies in various industries in the manufacturing and services sectors. A total of RM3.7 million was spent to implement the programme that benefited 54 vendor companies;
- In the year 2015, **Product and Quality Enhancement (GroomBig) Programme** was allocated with RM3.5 million to nurture, groom and elevate Bumiputera SMEs to a higher level towards export readiness. GroomBig Programme succeeded in assisting 500 companies to be ready for Halal Certification and 450 companies to improve their quality of products and services. Furthermore, a total of 296 companies participated in GroomBig's promotion and business matching programmes in 2015; and
- **Entrepreneur Development Programme** implemented by the Federal Land Development Authority (FELDA) to increase the competitiveness of FELDA settlers and their involvement in non-farm activities. The programme utilised RM6.3 million benefiting 22,380 entrepreneurs who generated sales of RM1.7 billion.

## INNOVATION AND TECHNOLOGY ADOPTION

The ability to innovate and adopt technological changes is a crucial factor determining the growth of a business. Studies under the SME Masterplan had demonstrated that innovation and technology adoption is closely linked to the performance of SMEs. Technically, SMEs have the advantage to respond and adapt more quickly to latest business and technological changes due to small scale of their operations. The main factor constraining SMEs from innovating and adopting new technology is the high cost involved. In many advanced countries, new innovations and ideas come from small businesses. In 2015, the Government implemented 22 programmes assisting 11,819 local entrepreneurs and technopreneurs in the area of innovation and technology adoption with the fund amounting to RM258.1 million. Among the programmes are:

- **Cradle Investment Programme 500 (CIP 500)** by Cradle Fund Sdn Bhd under the Ministry of Finance (MOF) offers conditional grants of up to RM500,000 (maximum of two consecutive approvals per company) to local start-up companies with innovative and technology-based products or services to attain commercialisation. During the year, a total of RM20.3 million was channelled to the programme which approved 41 applications out of 375 applications received;

- **Pre-Commercialisation Fund** administered by the Ministry of Science, Technology and Innovation (MOSTI) is to help SMEs develop and improve products, technologies and processes with the aim of commercialising them. The Fund also aims to create an environment that fosters technopreneurship and innovation. In 2015, a total of RM175.2 million was channelled for the fund, which received 369 applications and 174 projects were approved;
- **Biotechnology Commercialisation Fund (BCF)** by MOSTI through Malaysia Bioeconomy Corporation Sdn. Bhd. (Bioeconomy Corporation) provides funding for biotechnology focussed areas and complements existing public and private sector funding by providing easy access to financing facilities. With utilisation of RM12 million, four companies with the potential of commercialisation had their loans approved under the programme;
- Through **#MYCYBERSALE 2015**, SMEs are encouraged to be part of the local e-commerce ecosystem and to increase domestic e-commerce revenue. A total of RM2.5 million was utilised by MDEC to oversee the programme, which attracted participation of 6,000 SME companies. SMEs also doubled their revenue during #MYCYBERSALE 2015 that brought in a total revenue of RM61 million;
- **Change Upgrade Product (CUP)** Programme by the Minister of Agriculture and Agro-based Industry (MOA) is for product development and to enhance product quality. A total of RM4.3 million was spent for the programme assisting 270 entrepreneurs develop a total of 540 new products;
- **Bumiputera Vendor Development Programme** implemented by the Ministry of Plantation Industries and Commodities (MPIC) through the Malaysian Timber Industry Board (MTIB) aims to increase the productivity and efficiency of Bumiputera SMEs in manufacturing of timber based products. With a total of RM15 million utilised fund, 25 SMEs participated in the programme, improving their SME Competitiveness Rating for Enhancement (SCORE) rating and annual sales; and
- **Entrepreneur Development Programme for Homemade Chocolate** by the Malaysian Cocoa Board (MCB) under MPIC encourages hand-made local cocoa and chocolate products. A total of RM1.5 million was spent for the programme, which registered and produced 25 new entrepreneurs in the chocolate business. Eight of the entrepreneurs achieved 301kg to 800kg monthly production, while seven of them produced more than 800kg of chocolates monthly. A total of 21 courses were conducted in 2015 (five courses conducted in Sarawak, three courses in Sabah and 13 courses conducted throughout Peninsular Malaysia) with a total of 410 participants.

## INFRASTRUCTURE

Proper and well-developed infrastructure is necessary to create an enabling environment that supports the growth of SMEs and entrepreneurs. Programmes under this focus area are aimed at encouraging entrepreneurship by providing access to business premises, facilities and other SME related infrastructure. A total of RM194.4 million was channelled to assist 306 SMEs through 16 programmes. Among these are the programmes implemented by MOF namely:

- **Redevelopment of Pekan Melayu, Mukim Sena, Perlis**, a project by Perbadanan Kemajuan Ekonomi Negeri Perlis (PKENPs) to build business premises for Bumiputera entrepreneurs in the city of Kangar. RM10.2 million was spent for this project to build 21 business premises; and
- **Development of Business Premises** in Melaka Halal Hub Phase II and IKS Duyong Phase III were managed by Perbadanan Kemajuan Ekonomi Negeri Melaka (PKNM). The former aims to provide premises for the production of halal products equipped with infrastructures that comply with Good Manufacturing Practice (GMP), Hazard Analysis and Critical Control Point (HACCP), and HALAL specifications, while the latter provides workshop premises for automotive services entrepreneurs. A total of RM45.6 million was spent for both projects, with the Melaka Halal Hub project fully completed, while IKS Duyong is almost complete (99%).



Meanwhile, the Sabah State Government implemented the following programmes:

- **Building shophouses in Sindumin**, managed by the Sabah Economic Development Corporation (SEDCO) with a total sum of RM1 million to enable entrepreneurs to operate and start businesses in Sindumin; and
- **Pembangunan Usahawan Desa** implemented by the Ministry of Rural Development District Office (KPLB) to build and upgrade buildings in Rural Entrepreneur Centres (RECs) and provide necessary equipment for entrepreneurs to operate and start or expand their businesses. The project used RM1 million to implement seven projects operated by seven SMEs.



In addition, the Ministry of Industrial and Entrepreneur Development, Trade and Investment Sarawak (MIETI Sarawak) managed the following programmes:

- **Industrial Estate Development Programme** for Demak Laut Industrial Park, Phase 2B and Samajaya Free Industrial Zone, Phase 5 has been developed to provide better amenities and infrastructure through proper industrial estate development. Demak Laut Industrial Park, Phase 2B has been fully completed, while Samajaya Free Industrial Zone, Phase 5 is 97% completed. As of December 2015, a total of RM129.6 million has been spent for both projects; and
- **Incubator Development** for Biovalley Park has been established to support the development of new products and processes of bio-based products as a pilot project. The plant is to provide facilities to assist industries in producing phytochemical extracts and inoculum at pilot scale, and provide infrastructure and facilities at the incubator. A total of RM13.7 million has been spent for the project, which is at 59% completion.

Finally, Perbadanan Usahawan Nasional Berhad (PUNB) had spent RM59.3 million for **PROSPER Property Programme**. The programme aims to increase Bumiputera ownership in commercial property and purchase retail premises at strategic locations. PROSPER Property also purchased 38 premises of which 93% of these were rented out.

## Feature Programme

# Developing and Promoting Malaysian Handicraft

From the textile arts of songket and batik to wood carved sculptures, pottery, and pewter, Malaysia's exciting and diverse range of handicrafts reflect the country's melting pot of ethnic groups and cultures. These unique and beautiful artwork are produced by artisans throughout the country. While universally popular handicrafts like batik are produced all over Malaysia, other more specialised crafts like the Mah Meri wood sculptures and Labu Sayong pottery are typically created and crafted in their areas of origin and its vicinity. The Malaysian Handicraft Development Corporation (Kraftangan Malaysia) was established in 1979 to promote local handicrafts and support the growth of the local craft industry. This is achieved by creating awareness on local handicrafts and facilitating market access so that craft entrepreneurs can reach out to potential customers to promote and sell their crafts.

Kraftangan Malaysia implements a Craft Marketing Programme that aims to increase the value and sale of local crafts through promotional and marketing activities in both local and global markets. The programme was initially implemented as a Trade Incentive Programme under the Ninth Malaysia Plan but has since evolved into the Craft Marketing Programme under the Tenth Malaysia Plan. It provides a platform for craft entrepreneurs to promote and market their products directly to buyers. The programme is open to entrepreneurs that market all forms of crafts including textile, metal, wood-based, and various other crafts throughout the country. In 2015, implementation of the Craft Marketing Programme was divided into two levels:

**a) Promotional activities at the local level, which include:**

- Themed promotions such as National Craft Day, Colourful Aidilfitri Promotion, Interior Design and Landscaping Promotion;
- Craft promotions throughout the country via state craft festivals, which were held in Perlis, Sabah, Sarawak, Perak, Kedah, Terengganu, Kelantan, Malacca and Johor;
- Promotion in shopping complexes such as AEON Bukit Raja, Klang Selangor, Great Eastern Mall Kuala Lumpur, Straits Quay Pulau Pinang, KB Mall Kelantan, Mesra Mall Kemaman Terengganu, AEON Kulai Jaya Johor, Suria Sabah and East Coast Mall Kuantan Pahang; and
- Promotion at the State departments of Kraftangan Malaysia.



#### b) Promotions at the international level, which cover:

- Promotion at trade fairs overseas including at Ambiente 2015, Frankfurt, Jerman, INDEX 2015, Dubai, Tokyo International Gifts Show 2015, Who's Next Paris 2015, Bazaar Berlin 2015 and L'artigiano In Fiera 2015; and
- Promotions at domestic trade exhibitions including Kuala Lumpur International Gifts and Premium Fair 2015, Kuala Lumpur International Craft Festival (KLICF) 2015 and International Trade Malaysia (INTRADE) 2015.

## NATIONAL CRAFT DAY 2015

Although named as the National Craft Day, the annual festival is dedicated to creating awareness and appreciation of Malaysian traditional arts and crafts that takes place for more than a week at the Kuala Lumpur Craft Complex. Since its introduction in 2003, the National Craft Day has grown in popularity and is today considered an important platform for craft entrepreneurs to showcase their wares to both local consumers and foreign tourists.

In 2015, a total of 667 craft entrepreneurs participated in National Craft Day, themed 'Eco-Crafts as Prosperity Investment'. The theme reflected the economic opportunities available in the craft industry and how it has contributed to increasing the income of local entrepreneurs. National Craft Day was held from 26 March to 7 April 2015 featuring products with a futuristic concept that were developed through art and social movements emphasising speed, technology,

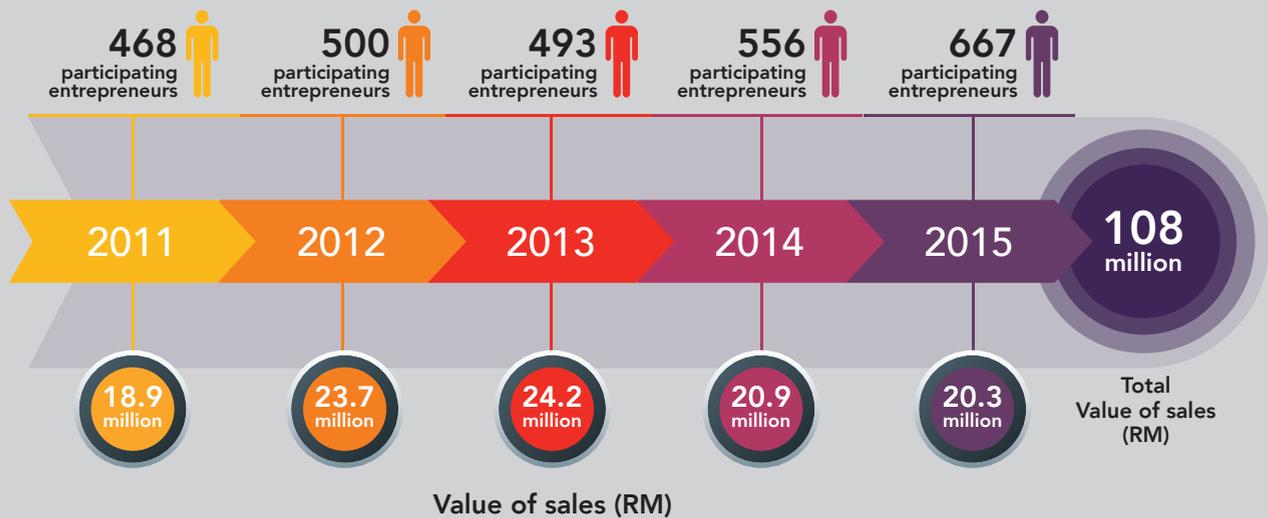
...aims to increase the value and sale of local crafts through promotional and marketing activities in both local and global markets





forward thinking, and other characteristics that reflect progress and achievement. Various activities were organised throughout the 13-day event including craft sales, exhibition of craft products featuring the latest designs, exhibition on craft technology, incoming buying mission, creative discussions, fashion shows, interactive craft programmes, craft and traditional cooking demonstrations as well as art performances.

During the period of the Tenth Malaysian Plan (2011-2015), the value of sales achieved from National Craft Day is as follows:





The growing number of entrepreneurs participating in National Craft Day and value of sales indicate the success of Kraftangan Malaysia's promotional programmes. Thirty-seven years after it was established, the Corporation continues to play an important role in developing the local craft industry. Aside from promotional activities, Kraftangan Malaysia also supports industry growth through programmes that focus on research and development, training and workshops, as well as provision of financial assistance to artisans and craft entrepreneurs. Kraftangan Malaysia ensures that Malaysia's traditional and cultural heritage continue to be preserved and appreciated as the country transforms to become a developed nation.