

## BUSINESS SOLUTIONS MADE FOR YOU



# Funding is still an issue for SMEs around the world

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of all enterprises, 88.4% of all employment opportunities. They also contribute 50.8% of value added in manufacturing and 48.7% in output produced in manufacturing.

The smallest SMEs, those with between one and four employees, account for more than half of the total number of SMEs in South Korea and employ almost 20% of the SME workforce.

The big success story out of South Korea is in how its economy is structured. Its government practices a 'shared growth' policy in which it seeks to balance out the needs of its massive multinationals with its SMEs, pursuing co-prosperity between its national *chaebols* and SMEs as a means of addressing economic polarity.

As a response to concerns that big companies were thriving while small ones were being driven out of business, a "Presidential Commission on Shared Growth for Large and Small Companies" was launched in 2010. Since its formation, the commission has announced many policy instruments to promote shared or mutual growth of large companies and SMEs through what it calls "cooperation profit distribution."

Representatives from both SMEs and large companies agreed to introduce the system and a number of proposals were then announced, including a list of business areas restricted only to SMEs.

The commission recently announced a list of 79 products that it believes should be produced by SMEs rather than big ones, an attempt to prevent big companies from driving smaller ones out of promising markets.

Nine Samsung group affiliates, including Samsung Electronics, made cooperative agreements for shared growth with 5,200 subcontractors. The package of financial assistance amounted to US\$5.7 billion, among which R&D support comprised US\$1.7 billion.

Similarly, six Hyundai group affiliates,

including Hyundai Motors, made cooperative agreements for shared growth with roughly 1,600 subcontractors. The package of financial assistance amounted to US\$3.9 billion, with R&D and capacity investments making up US\$2.3 billion.

This idea has the potential to be a game-changer, and many countries the world over are in the process of studying its specifics and ramifications in the hopes that it could be translated.

### Ties that bind

Although SMEs the world over have varying definitions, vastly different markets and very different circumstances, they have many things in common. Many SMEs still struggle to find proper funding channels for their enterprise, and could benefit much from more relaxed lending policies by banks. SMEs frequently have difficulties in obtaining capital or credit, particularly in the early start-up phase. Their restricted resources may also reduce access to new technologies or innovation.

One key reason this sector is neglected is because it is seen as mostly informal, chaotic, and risky. Bankers and financiers, whose financing models are more geared towards corporate clients, also find it expensive to service businesses within this sector. Most financing models used by banks currently simply do not have the right tools to adequately access the SME sector.

In recent times though, changes are beginning to occur. The banking and financial sector leaders are beginning to recognise the latent potential of SMEs, and are asking questions and seeking ways to do business with SMEs and harness the vast potential within this sector.

This is important, as the promotion of SMEs has always been one of the key factors used by governments to kick-start a faltering economy. SMEs are seen as major engines for domestic growth as they keep money flowing into domestic economies and helps people keep their

jobs as they are the primary employers in most countries.

Spain's economic woes can be traced to a slowing world economy, and its faltering steps to get out of its depression can be attributed to it not supporting its small enterprises, which have been hit the hardest. Since the beginning of the crisis, 450,000 companies have gone bankrupt in Spain - 250,000 SMEs and 185,000 self-employed professionals.

These numbers mean that a significant

amount of its working population is not contributing to its economy, which means lower tax numbers, lower sales returns, lower stamp duty collected. Its government is working with little money in its coffers because its people are not contributing to it.

And that is the key; SMEs are the key component of any country's economy, and the ecosystem surrounding its SMEs are crucial in keeping a country afloat and economically active.

It is a fantastic occasion to recognize entrepreneurs as the brains behind SMEs for their tremendous passion, spirit of 'dare to dream' and the powerful courage to take risks as being an entrepreneur demands tireless commitment and dedication to create and make things happen.

Malaysian SMEs create employment and contribute significantly to GDP and nation building. SMEs are also a significant social safety net where they help keep Malaysians on productive activities, and generate wealth for fellow Malaysians.

Our SMEs are brave to step out from comfort zone, and set foot in the uncharted global markets. Our SMEs make Malaysia flag visible, and have stamped a mark for Malaysia as a prominent source for supply for global brands and products with world class standards.

On SME Day, I would keep myself focused, and carry on with day to day execution in pursuit of my dreams to make an impact to my country, my family, customers, and consumers.

I hope my fellow SMEs will continue creating business models that would reshape the landscape of our nation, creating constant and sustainable wealth for our employees and fellow Malaysians. Together let's cultivate the entrepreneurial spirit among



**Liow Ren Jan**  
Sri Kulai Ready To Eat (RTE)  
Founder

fellow Malaysians, and create accessible opportunities to make Malaysia a higher income country.

The sky is the limit, and SMEs are one of the key ingredients to generate greater wealth for Malaysia.

In recognizing SMEs, we are actually celebrating entrepreneurship, innovation and passion. SMEs arise when someone is motivated enough by an idea to put time, money and their lives into making that idea successful. SMEs cannot thrive if they are "me too" companies so they have to continuously innovate. Its greatest ability is its flexibility, being able to anticipate and react to the needs of its customers. But the successful SME's greatest strength will always lie in its passion, its belief in what it does and what it represents, passed down from owner to team to customer and finally to the public. That passion drives us. That passion lifts us. That passion makes life worth living. Happy SME Day!!!



**Chuah Jern Ern**  
Advanz Fidelis Sdn Bhd  
Chief Executive Officer

With SMEs representing around 90% of businesses in the world, this makes them a crucial driving force not only in pushing the country forward, but on the global front as well. SME Day is a great initiative to show recognition, appreciation and encouragement to SMEs. Wishing a wonderful SME Day to all SMEs out there!

**Geetha K.**  
KASS International  
Director of Trademarks & Industrial  
Designs Division



# BUSINESS SOLUTIONS MADE FOR YOU



I think the importance of having a SME Day is to give due recognition to the SMEs' contributions towards the nation and the economy. The contributions of the SMEs are many, eg accounting for an employment of 59% of the country's workforce, contribution of 32% to the nation's GDP and 19% to exports, etc.

SME is also an incubator for innovators of new products, technology, processes and systems, among others. Moving forward, SMEs should continue developing their human capital and technology and work closely with the Government to open foreign markets and be part of the team that enacts pro-growth policies for SMEs.

As a significant contributor to our economy and continues to be positioned well in playing an increasing-

**Wong Chee Seng**  
OCBC Bank (Malaysia) Berhad,  
Head of Emerging Business

ly important role in the New Economic Model as the country speeds towards achieving a high income economy. Government investments and financial assistance programmes have had sufficient time to perform their roles in enabling the building up of incremental business activities for SMEs. Based on our interaction with various SME trade associations there appears to be an evident improvement in business undertakings among their members.

SMEs could use the opportunity to streamline their production, look for ways to differentiate their products and undertake steps that could help them consolidate their operations for longer-term benefits.



NetApp applauds MALAYSIA SME's inaugural SME Day to recognize the contribution of SMEs in our country. SMEs are contributing to a major part of the Malaysian economy with the potential to be the future enterprises in time to come.

In the process of having accelerated growth, SMEs have IT growth pains that resonate around limited resources. In light of the current US and Europe economic uncertainty that impacts the global economy, SMEs are looking at ways to get even more out of their IT for the business - e.g. looking at virtualization and cloud offerings to turn IT from a CAPEX into an OPEX, while increasing efficiency and flexibility of the business.

Technology will be a key enabler to drive innovation, competitive advantage and transformation and we see NetApp as an integral partner to SMEs to embrace and accelerate this adoption process.

NetApp Malaysia sees tremendous

opportunity in the local SME market segment by offering enterprise-class products to meet the needs of simplified management, scalability and budgets of most SMEs.



**Andy Khoo**  
NetApp Malaysia and Brunei  
Country Manager

SME Day gives important reminder and recognition to SME's great contribution in the national and economic development - from offering products and services that improve quality of living, offering jobs and income to employees, to paying taxes for the government to develop our country.

With globalisation, even local SMEs have to start competing 'globally', be it by way of business expansion to outside Malaysia or the foreign companies entering the local market; and for our SMEs to outcompete 'globally', all the SMEs, banks and the government must come together and work closely to execute a sustainable and a winnable strategy.

I hope that the Malaysian government will continue to support SME's development and growth, by understanding and assisting in tackling the challenges faced by SMEs.



**Kho Han Yao**  
Trans Niaga  
Co-Founder

Congratulations on the inaugural SME Day. While SMEs around the world have made huge strides in the development of businesses and economies, there is still room for improvement.

SMEs in the developing world are currently lacking the hands-on management and technical support from big companies, unlike SMEs in the developed world that experience growth in tandem with these major role models with whom they work, usually as suppliers of goods and services.

In order for our SMEs to achieve their growth potential and get a leg-up in their industries, the big companies should play more of a supportive role in providing the SMEs that helping hand in technological upgrades and management know-how.



**P. Kandiah**  
KASS International  
Founder & Director



**Academician Tan Sri Professor Emeritus Dr Augustine Ong**  
MINDS President

SMEs in our country should be recognised for their role in the economic development of the nation.

Thus SME Day is appropriate and must be given prominence in the media.

Interaction as well as collaboration with knowledge workers such as research scientists and inventors should therefore be actively promoted and supported.

The Malaysian Invention and Design Society (MINDS) would like to propose that Chapters be formed in SMEs to generate useful and novel ideas to enhance the value of SME investment.