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SME NEWSLETTER



Volume IX

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2019 CACCI Conference

**33rd CACCI Conference
to be held in
Kitakyushu, Japan**

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Message from the Chairman

My dear colleagues:

It is my pleasure to present to you the latest “SME Newsletter”, Volume IX for 2019. This publication is a compendium of relevant reports, analyses and educational news, many of them abbreviated, concerning the SME sector in the region. It also contains a feature article about Roman Bobylev, a success story that deserves to be read by all CACCI members.

The early part of 2019 shows that SME programs in terms of financing are picking up speed. In Azerbaijan, the government is facilitating loans, in Bangladesh there are demands for SME bank, while in Cambodia an SME bank will be launched this year. In Malaysia, private banks are already implementing financing programs.

In the Philippines, many positives developments for SMEs are being crystalized such as major banks expanding their financing for SMEs, government bills boosting the growth of SMEs and increasing exporting opportunities for SMEs. In Vietnam, taxation is being adjusted for SMEs and new markets are explored in Russia. Many news reports on SMEs in other countries are positive, too.



We expect the year 2019 to bring more success for SMEs. Enjoy your reading!

George Abraham
*Chairman of SME Development Council
CACCI*

Roman Bobylev
2018 CACCI Special Winner
A successful socially responsible entrepreneur

Early Challenges & Education

This is the story of Roman Bobylev, a successful social entrepreneur, who despite suffering from cerebral palsy, has achieved great success.

Roman started suffering health problems at the early age of 2 after being vaccinated. The problem became very serious, paralyzing his body and making him lethargic.

Despite this fundamental setback early in his life, Roman's life of perseverance and success started at a young age. His first walking steps were not easy. He needed his parents' holding hands to remain standing because of his shaking and wavering. The constant collapse taught him early in life to always stand up after every failure.



Seeing his friends run freely and being taunted because of his condition made him more determined to succeed, despite the psychological pressure that special kids like Roman endured.

Roman's disability also affected his speech, causing him further isolation.

Fortunately, his mother did not shelter him from the outside world. Instead, his parents exposed him to real life experiences and let him face challenges on his own terms. Roman's condition forced him to spend a long time hospitalized to rehabilitate his health, thus home schooling became advantageous. Eventually, Roman earned a degree in Jurisprudence at the Moscow Humanitarian Technical (College).

One year after graduation, Roman decided to enter the regional Financial and Economic Institute Aksenov and graduated from the Faculty of Management.

Entrepreneur's spark

Then Roman launched his business career in 1999 when he registered as an individual entrepreneur and became a sales manager providing computer services for different

products. His job was to find retail and wholesale buyers for metalworking machines, vegetables, and even for pure-breed horse stables.

In those years, access to the Internet was limited and expensive, thus Roman was able to surf the net late at night to get information that he would convert into business projects. He failed many times because he was young, inexperienced, gullible and his disability was a further drag. Interestingly, his advanced degree in Jurisprudence was of no help at all.

Since Roman also suffered from speech disability, his negotiation skills over the phone were terrible. In order to hold a phone conversation, he started to create scripts in advance. His halting conversation did not send the proper message because normally people assumed that a person who could not move normally and speak with difficulty might suffer a mental problem.

The obstacle to develop his business was compounded by the Soviet era bias against business people and persons with disabilities.

As Roman was developing his role as middleman and manager, he started losing interest in his then current job. It became boring because soon he realized the difference between being a businessman and being an entrepreneur.

Roman realized that a businessman's goal is to find a product and sell it efficiently. But an entrepreneur is quite different because he creates value. An entrepreneur creates something and sells it initially out of nothing. In fact, that nothing is a spark of creativity, and in the process of helping himself, he also helps others and his surroundings.

His own company

So in 2007 Roman founded the company "Lozaholding", which manufactures products for people with disabilities. The company also provides jobs for people with disabilities, thus allowing them to be self-sufficient and become productive members of society.

Roman knows from first-hand experience that people with disabilities consider work more than just doing something for money. For people with disabilities, work fulfills them spiritually, too.

In fact, Roman's decision to become an entrepreneur rested on two guiding principles:

- * First, he wanted to establish an enterprise where workers could realize their potential in society;
- * Second, after surveying the market, he found the need to create products made of natural materials.

ENTERPRISE «LOZAHOLDING» RUSSIA – LIPETSK REGION

- ✘ The idea of organizing Lozakholding enterprises arose in 2004 after visiting the Lipetsk regional center for the rehabilitation of people with disabilities and elderly people, called “ Sosnovy Bor”



- ✘ The main responsibility was the employment of people with disabilities.



By 2011, he was in business and found a new business idea that was emerging in Russia at the time. He wanted to create an enterprise that hired preferably the unemployed, the disabled, young people, single mothers with many children, and guardians of children with disabilities.

Like most start-ups, his plan faced many obstacles but he never gave up. He visited many forums and events for entrepreneurs where he learned where to apply for grants provided by the city and regional authorities for socially responsible business, as well as joined initiatives supported by the Lipetsk Chamber of Commerce and Industry (CCI).

The biggest challenge was to create a working place in which employees would participate in the production. During the initial stage, he let employees work at home. Eventually, and with the support of authorities, he acquired a production room which currently has 10 workers.

Another recurrent problem he encountered was expensive commercial space to sell his products. He found the solution in the internet. He used social networks to promote sales. In 2017, he continued promoting the company's online store, and he started to receive orders not only from other cities of Russia, but also from abroad.

Business expansion

Then, he expanded production by the end of 2018 when he opened a framing workshop making embroideries and paintings in frames.

Despite suffering from cerebral palsy which limits his mobility, he has been participating regularly in business missions, to look for new business ideas and business partners.

For example, he participated in the “Golden Autumn” international exhibition held in October 2017 in Moscow. He also successfully established contacts with large agricultural enterprises that began ordering willow baskets, allowing his company to establish itself as a reliable and reputable supplier of quality products. Nowadays, the company cooperates with authorities, educational institutions, public associations and foundations of the Lipetsk CCI.

On November 23-24, 2018 Roman, his enterprise “Lozaholding” and the non-commercial partnership “Development of Social Entrepreneurship of the Lipetsk Region” that Roman had created in association with the Lipetsk Chamber of Commerce and Industry, participated in the 32nd Conference of the Confederation of Asia-Pacific Chambers of Commerce and Industry held in Istanbul.

Roman was nominated by The Chamber of Commerce and Industry of the Russian Federation (CCIRF) in the CACCI’s Asia-Pacific Young Entrepreneur Award Competition. He was one of the finalists of the award and was given a Special Recognition for his achievements despite his physical disabilities.

At the Istanbul Conference, Roman met Mr. George Abraham, Chairman of the Small and Medium Enterprise Development Council (SMEDC) who encouraged Roman to share his success story with CACCI members.

Roman continues to improve the quality of the production system, which has strengthened the company's financial position. “Lozaholding” has become a dynamically developing company. For instance, at the beginning of 2019 it introduced a new product line: a wheelchair repair workshop, which in turn will serve as the basis for an electric scooters assembly for the disabled.

The production line will include handrails and ramps production. In fact, at this moment the company is looking for additional investments in the production.

The social side of business

Besides his focus on production, Roman also pays equal attention to the comfort, health and safety of the company’s employees. Roman describes how the production of handmade goods also develops the employees’ motor skills and consequently improves their adaptability to everyday life.

Roman also explains that the company is developing individual rehabilitation programs for newly hired employees. He said that the company provides massage equipment purchased for the express purpose of improving the employees' working and medical conditions.

With respect to social support, there are many foundations and public organizations in the Russian Federation that support existing social enterprises, new social enterprises and socially vulnerable people. In Roman's case, he would like to highlight Our Future fund, the Ribyakov fund, and other federal and regional support and assistance centers.

THE MAIN ACTIVITIES OF THE ENTERPRISE

- ✘ Making art products from the willow



- ✘ Framing Workshop (production of photo frames, picture frames)



- ✘ Production and retail trade in handicraft goods



Taking them as an example, Roman decided to create new regional organization himself that would fully reflect the ideas of social responsibility. Thus he founded Optimist, a regional public organization for persons with disabilities in Piletsk which provides participants with employment and financial assistance, vouchers to be used in rehabilitation and recreation centers, as well as organizes leisure activities.

He is also the founder of "Lipetsk Center for Assistance to Migrants and the Poor", a regional public organization that provides different kinds of assistance and support to socially unprotected people.

OUR CLIENTS

- Supermarkets «Europa»
- LLC. «Spar»
- LLC «Lukomorye»
- Retail network «Pravilnaya Korzinka»
- Restaurant «La Meree»
- Union "Lipetsk Chamber of Commerce and Industry and many others...



FINANCIAL RESOURCES

- Product range expansion
 - Provide minimal cost
- Increase production
 - Enterprise profit
- Salary
 - 10-30% of profit goes to socially significant projects.

Moreover, after the launching of "Lozaholding" he managed to organize a non-profit legal center partnership "Development of a socially responsible business in the Lipetsk region" which helps entrepreneurs of socially responsible enterprises and non-profit organizations create jobs for socially vulnerable categories of citizens.

The partnership under his chairmanship helps people with disabilities to develop social entrepreneurship, provides consulting services in management, marketing, law, finance, and participates in the implementation of innovative projects of small and medium-sized enterprises.

The reality among many disabled people is that too often they feel depressed and give up their goals. Therefore, it is very important to lend them psychological and moral support.

Roman is convinced that people with disabilities are capable of providing for themselves; thus it is essential and worthy to treat them as equals and integrate them into our business plans from the very beginning.

Roman also pays special attention to projects' sustainability so as Chairman of the Lipetsk Commission of the Chamber of Commerce and Industry for Socially

Responsible Business Development and member of the Coordinating Council for the Development of Small Social Entrepreneurship in the Lipetsk Region, he actively promotes the interests of socially vulnerable categories of citizens at the regional level as well.

Roman's active work has not only been rewarded by his staff's gratitude. In 2011, he joined a Business Success regional contest and was recognized as the most socially responsible entrepreneur in the Lipetsk region.

Awards and success

In 2012, Roman won the All-Russian Competition of the Russian Chamber of Commerce and Industry "Golden Mercury" in the category "Socially Responsible Business".

Then, in 2017, the Partnership for the Development of Socially Responsible Business in the Lipetsk Region, operating on the basis of the enterprise Lozaholding, implemented two significant projects: The Alphabet of Socially Responsible Businessmen and Creativity by Own Hands.

As part of the project, 69 people attended courses on socially responsible business, and 9 people with disabilities attended courses on the production of frame images. Both projects were implemented with state support.

Roman would like to conclude this article by encouraging people to be inclusive and treat people with disabilities as full members of society. "Each of them has the potential to benefit all of us," he said. "They only need a little bit of push, a little support" Roman added.

The establishment of socially responsible enterprises creates an environment of equal opportunities for all. Let's help people with disabilities to get those opportunities that they did not benefit from at the beginning of their lives.

By launching socially significant organizations, events, funds and enterprises, Roman added, "we let every disabled person know that he is a valuable member of our society. We must always support and help them in achieving that goal.

Note: *"At the breakout session of the SME Development Council during the 32nd CACCI Conference in Istanbul on November 23rd 2018, I was touched after hearing the presentation of Roman Bobylev and felt that it should be shared with CACCI members. He exemplifies the true entrepreneur's spirit and I am confident reading his story will inspire and motivate others to push for greater achievements against all odds. I wish to thank Roman and his associates for the translation of the article to English and for making it available to CACCI members."* **George Abraham**

CGC launches imSME, Malaysia's first SME loan/financing referral platform

ADFIAP, 13 February 2018



Credit Guarantee Corporation Malaysia Berhad (CGC) has launched Malaysia's first SME Loan/Financing referral platform for the benefit of the country's vibrant micro, small and medium enterprises (MSME), commonly known as SMEs. The "imSME" platform would serve as an online one-stop-center for SME loan/financing by providing an array of financing products and services offered by the participating banks and agencies.

CGC targets over 2000 SMEs to benefit from the newly launched imSME by end of this year.

The imSME, represents "I am mSME" which covers micro, small and medium-sized entrepreneurs. It is the first online SME loan/financing referral platform in the country, mooted by Bank Negara Malaysia (BNM) and powered by CGC.

"What we are going to witness is another quantum leap in the SME ecosystem, where SMEs can explore various financing options offered by the banks and benefit from the financial products that suits them best, all in one single platform", said Minister of Finance II Datuk Seri Johari Abdul Ghani at the launch of imSME at Sasana Kijang.

The imSME is targeted at all SMEs, currently facing difficulties in securing financing from the financial institutions (FIs), for various factors. It is a unique online platform that enable SMEs to search and find loan/financing product that best fits their needs, faster and at their convenience. The effort is to further strengthen the SMEs' self-service capabilities while enhancing their total online experience in line with the central bank's call for the SME sector to embrace financial technology (FinTech) to remain competitive.

Currently, there are fourteen (14) financial institutions (FIs) and development financial institutions (DFIs) participating in the imSME namely; Affin Bank Berhad (Affin Bank), AmBank (M) Berhad (AmBank), Bank Pertanian Malaysia Berhad (AgroBank), Bank Simpanan Nasional (BSN), Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat), CIMB Bank Berhad (CIMB), Hong Leong Bank, Malayan Banking Berhad (Maybank), Oversea-Chinese Banking Corporation Limited (OCBC), OCBC Al-Amin Bank Berhad, Public Bank Berhad, Public Islamic Bank Berhad, RHB Bank Berhad (RHB), and SME Bank.

AUSTRALIA

Does the budget stack up against what SMEs asked for?

East & Partners, 5 April 2019

Australia - Outlined below are the main Federal Budget initiatives targeted at small to medium sized enterprises (SMEs), along with whether small to medium business owners really wanted the Government to prioritise that initiative.

The data comes from a survey released early in April of 1257 Australian SMEs, as part of Scottish Pacific's March 2019 SME Growth Index. The SME Growth Index research is conducted independently by East & Partners, on behalf of national working capital funder Scottish Pacific. Business owners, CEOs or senior financial staff of SMEs with annual revenues of A\$1-20 million across all states and key industries were directly interviewed.

Company tax cuts top SME wishlist

Scottish Pacific CEO Peter Langham said SME company tax cuts being brought forward would be welcomed by the sector, given this was the top initiative SMEs wanted to see (nominated as top priority by 27% of business owners). One in five SMEs want the newly elected government to prioritise cutting red tape by reducing their administrative and regulatory burden.

Asset write-off welcome

Almost 24% said continuing the asset write-off should be the Federal Government's top focus for SMEs. Mr Langham said they will be delighted with the Budget's flagged increase of the instant asset write-off up to A\$30,000 (from A\$25,000) and opening this initiative up to SMEs with up to A\$50m turnover (an increase from A\$10m turnover).

\$2b securitisation fund for SME access to finance

This government announcement will not have much of an impact at the coalface for business owners. Mr Langham said SME Growth Index results showed that not quite 3% of business owners believed this should be the government's SME priority. Mr Langham said SMEs wanted government action on things they see affecting their business on a day-to-day basis, rather than big picture projects such as the NBN or small business funding initiatives.

"Simplifying the complex tax system and cutting red tape, and on a state basis getting rid of payroll tax, would have the biggest daily impact for Australia's small to medium business sector. "These are the everyday impact items that will energise SMEs, encourage business investment and drive growth and innovation," he said.

International Bank of Azerbaijan & Agency for Development of SMEs ink protocol of intent

Azernews, Trend, 5 April 2019



The Agency for the Development of Small and Medium-sized Enterprises of Azerbaijan (KOBIA) and the International Bank of Azerbaijan (IBA) signed a protocol of intent on April 4, Trend reported with reference to the bank.

The document provides for the implementation of various activities to support SMEs. The IBA has become the first bank to sign a similar cooperation document with KOBIA.

In accordance with the protocol, KOBIA and the IBA will implement joint activities and projects aimed at further expanding relations between the public and private sectors, the implementation of innovative initiatives, support and development of startups, micro, small and medium businesses, as well as education of entrepreneurs.

This cooperation includes the participation of SMEs in exhibitions and exchange programs, support for women's, youth and family entrepreneurship, the organization of appropriate incentive campaigns for entrepreneurs, congresses and other similar events, informing SMEs.

In addition, it is planned to implement various information and educational projects of regional importance for startups and business entities, as well as support innovative projects in the field of entrepreneurship. This will promote the application of information technologies, innovative solutions in the activities of SMEs.

“Supporting SMEs, along with our big corporate clients, and expanding their access to financial services is a priority

for us,” Chairman of the IBA Board o Abbas Ibrahimov said.

“We believe that the protocol of intent, signed with the KOBIA will make a great contribution to the implementation of projects that we intend to implement in this direction,” he noted.

This is while Orhan Mammadov, chairman of the KOBIA Board, noted that the agency is interested in developing such partnership relations to support SMEs.

“Joint projects and measures that will be implemented as part of cooperation with

the IBA will be aimed at expanding access of SMEs to financial resources, as well as training entrepreneurs,” he said. “In the end, all of this will serve to strengthen the role of SMEs in the country’s economy.

The letter of intent includes such initiatives as the creation of SME development centers in various districts of Azerbaijan, the creation of opportunities for entrepreneurs to take advantage of the training and innovation infrastructure of the IBA, and improving the financial literacy of entrepreneurs.

Azerbaijan prepares draft law on development of SMEs

[Azernews, Trend, 9 March 2019](#)



The structure of the Friends of Small and Medium-sized Enterprises (SMEs) launched in Azerbaijan will be consistently expanded this year, Chairman of the Board of the Agency for the Development of SMEs Orkhan Mammadov said at a joint business forum with Caspian European Club in Baku, Trend reports.

According to the chairman, there are at present 12 "Friends of SMEs" operating in the country, and the opening of the first House of SMEs, which will operate in Baku, is expected this year.

"This year, the Agency for the Development of SMEs plans to significantly expand this area in order to provide substantial support for the development of small and medium-sized enterprises in Azerbaijan. The "Friends of SMEs" network is an essential tool aimed at supporting micro, small and medium-sized enterprises, and one of its tasks is the expansion of the network and its coverage of the country's districts and cities. This is also very important because the mechanism is aimed at protecting the rights of entrepreneurs," Mammadov said.

Mammadov noted that one of the key areas of the agency's activities is the improvement of the legislative framework, as well as the development of mechanisms aimed at stimulating small and medium-sized enterprises in Azerbaijan.

"At present, on the basis of the proposals put forward by the agency, a draft law On the Development of Small and Medium-sized Enterprises has been prepared, and a number of changes aimed at providing benefits have been made to the Tax Code. Moreover, procedures in the area of public services have been simplified, and major changes have been made to public procurement legislation," Mammadov said.

He noted that the agency organizes its activities within the framework of the "Strategic roadmap for the production of consumer goods in Azerbaijan at the level of small and medium enterprises" until 2020, in order to significantly improve the business environment by this deadline and ensure that local products enter foreign markets.

During the event, Orkhan Mammadov was awarded a diploma of the Caspian-European Club.

As part of the event, the "SME Friendly" service was created and applications, proposals of entrepreneurs participating in the business forum were heard through the Friends of SMEs.

The business forum was attended by heads of state and private companies, diplomatic corps and representatives of international organizations.

Orkhan Mammadov: SMEs to form most of Azerbaijan's GDP

[Azernews, Trend, 6 March 2019](#)

It is planned to increase the share of small and medium-sized businesses in Azerbaijan's GDP to 60% by 2025, Orkhan Mammadov, chairman of the board of the Agency for the Development of Small and Medium-

sized Enterprises (SMEs) of Azerbaijan, said at the high-level forum titled "Diversification of economy – role of private sector" in Baku, Trend reports.

Orkhan Mammadov said that the agency was formed in December 2017 based on the decree signed by President Ilham Aliyev on improving governance in the field of small and medium business in Azerbaijan.



According to him, the agency was created to ensure consistency of reforms, as well as improving the business regulation system and applying effective coordination, enhancing the role and competitiveness of small and medium-sized businesses in the country's economy, ensuring small and medium-sized businesses access to financial sources. The goals of the agency also include the creation of favorable conditions for the development of small and medium-sized businesses in the regions and the attraction of local and foreign investments to this area.

The chairman noted the creation of support mechanisms and ensuring easy access to these mechanisms among the main tasks of the agency.

Orkhan Mammadov noted that the main principles of the Agency are meeting the needs of entrepreneurs, as well as efficiency, transparency, and taking into account the opinions of entrepreneurs.

According to him, the Agency builds its activities within the framework of the "Strategic roadmap for the production of consumer goods in Azerbaijan at the level of small and medium enterprises" until 2020. Thus, it is planned to improve the environment for the development of small and medium-sized businesses in Azerbaijan by 2020 and ensure access to foreign markets.

He noted that the Agency has achieved great success over a short period of time, and a bill was prepared on small and medium-sized businesses. Also, the agency will, as a united structure with special authority, work on organizing, coordinating, evaluating and regulating the services provided by government bodies and organizations in this area through the "SME Houses", as noted by Mammadov.

The forum "Economy Diversification – Role of Private Sector" is being held in Baku on March 6, 2019, attended by representatives of the WB, the CBA, Azerbaijan's Economy Ministry, the Ministry of Taxes and other government representatives.

Forum participants discuss the fight against informal employment and the shadow economy, ongoing sustainable reforms in the country, expansion of digital payments, the development of small and medium-sized businesses and other issues.

The SME loan conundrum in Bangladesh

The Daily Star, Ahsan Habib, 15 March 2019

Where are SME loans going?



Small- and medium-sized enterprises continue to complain about not getting access to bank credit but the banks' loan disbursement data paints a different picture.

At the end of 2016, banks' total outstanding loans stood at Tk 6.73 trillion and the amount went up to Tk 7.98 trillion the following year, meaning that that Tk 1.24 trillion were added to the outstanding amount in the course of 12 months.

In 2016, loan disbursement to SMEs was Tk 1.41 trillion, which shot up to Tk 1.61 trillion the following year, according to data from the Bangladesh Bank.

In the first nine months of 2018, SME loan disbursement was Tk 1.14 trillion.

The statistics have left many, including bankers, scratching their heads: how can total loan disbursement be lower than SME loan disbursement when SMEs claim they do not get any bank loans?

“Banks have disbursed thousands of crores of taka as SME loans every year, but the SME entrepreneurs say only a few of them got loans from the banks,” said KM Habib Ullah, chairman of SME Foundation.

Most of the bona-fide SME entrepreneurs do not get loans, he said, adding that many of the borrowers who are getting loans are not real SMEs.

Banks show their other loans as SMEs to meet the target set by the Bangladesh Bank and also enjoy

benefits that come with lending to SMEs, according to Habib Ullah.

As per BB's instructions, 20% of all bank loans must go to SMEs.

And one of the benefits extended to banks for lending to SMEs is lower provisioning requirement against SME loans: 0.25% as opposed to 1% for other sectors and 2% for credit cards.

So, if a bank disburses Tk 1 billion in the name of SMEs it has to keep provisioning of Tk 2.5 million only. The amount would have been Tk 10 million for other loans.

The puzzling scenario about SME loans came to the fore at a discussion at the premises of SME Foundation, a government institute for the sector's development, to announce the seven-

day SME fair at the Bangabandhu International Conference Centre.

Mirza Nurul Ghani Shovon, president of the National Association of Small and Cottage Industries Bangladesh, echoed the same.

“Cash credit, car loan and home loan have all been included in the SME loans and traders are also getting SME loans.” The central bank and the government should take initiatives so that the targeted amount actually goes to the SME entrepreneurs.

Bankers also admitted that given the wide definition of SME many can lump in their other loans to the SME category as well.

Some 280 SME entrepreneurs will show their products at the fair.

Dhaka CCI for separate SME bank

The Independent, Dhaka, 2 April 2019

Dhaka Chamber of Commerce and Industry (DCCI) made a demand to set up separate bank for the flourishing of country's Small and Medium Enterprises (SME).

The trade body also requested the government to cut electricity bill and duty for local SME factories as well as impose additional duty on the imported small industry items to protect the growth of homemade products.

DCCI newly elected leaders placed the demands to the Industries Minister Nurul

Majid Mahmud Humayun during a meeting at his secretariat office.

DCCI President Osama Taseer advocated for allowing back to back LC for industries which are getting priority like RMG sector.

He said in fiscal 2017-18, foreign direct investment in Bangladesh increased 5.12% and reached to \$ 2.58 billion though the investment worldwide reduced at 23 per cent.

Taseer proposed to form “FDI Development Task Force” in order to attract FDI especially in agro-

processing, pharmaceuticals, leather, light engineering, and jute and jute goods sectors.



ঢাকা চেম্বার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি

Mentioning that in 2018 credit flow to SME sector decreased by 1.42% than the previous year, He demanded easy financing to SME making it a single digit interest rate to cope up with competition in international market.

The industries minister said SMEs are contributing a lot to the economic

development as well as creation of employment opportunities. That is why government is committed to facilitate businesses, he added.

Nurul Majid Mahmud Humayun urged the business community to come up confidently to invest more in various potential sectors.

He laid emphasis on skill development of SME, product diversification and new market exploration, protection for SMEs and single digit interest rate for SMEs. “Government is committed to solving any problem of the business community on a priority basis.”

DCCI Senior Vice President Waqar Ahmad Choudhury, Vice President Imran Ahmed, Directors Andaleeb Hasan, Ashraf Ahmed, Alhaj Deen Mohammed, Enamul Haque Patwary, Hossain A Sikder, Md. Rashedul Karim Munna, Nuher L. Khan and S.M. Zillur Rahman also spoke on the occasion.

Cambodian SMEs bemoan tax exemption requirements

Phnom Penh Post, 14 February 2019

Small and medium enterprises (SMEs) are finding it difficult to meet the requirements to apply for tax exemption from the General Department of Taxation’s (GDT) said Federation of Association for Small and Medium Enterprises of Cambodia (Fasmec) president Te Taingpor.

Speaking to The Post he said most SMEs could not meet the requirements as they were still too high.

“I don’t think our SME members will apply for it. It is difficult and complicated, and the capacity of our SMEs is too limited to meet the required criteria,” he said.

The GDT announced in December that all SMEs must have legal certification demonstrating their business statuses and must submit business, financial and employee plans as well as commercial and labour agreements and their business locations to apply for tax exemption.



A worker prepares snacks at the Ly Ly Food Industry Company factory in Phnom Penh. Fasmec president Te Taingpor says most SMEs cannot meet the government's requirements for tax exemptions. Vireak Mai

Taingpor said even submitting business and financial plans are difficult for SMEs, and hence, Fasmec is now working on a project to ask the government to facilitate the procedures for the SMEs.

"We are trying to find a better way for all our SME members and will submit our proposal to the government to encourage them to apply for tax exemption," he said.

A sub-decree on SME signed by Prime Minister Hun Sen in October offers income tax exemption from three to five year to six priority sectors, including agro-industries and food production and processing.

The new sub-decree said SMEs intending to receive a five-year tax exemption must use at least 60% domestic raw materials, increase the number of employees by at least 20% or be located in SME districts.

Cambodia Women Entrepreneurs Association president Eng Lykuong said the requirements would be beneficial in the long term despite how strenuous they may currently be for SMEs.

"It is hard and puts a lot of pressure on SMEs to meet the criteria, but if we overcome this, it would be fruitful in the long run for both SMEs and the government," she said.

"We need time to educate SMEs to understand the benefits. The government should provide short courses to promote awareness of the procedures."

Cambodian SME Bank set to launch later in 2019

Hor Kimsay, 16 January 2019

SME Bank, the Kingdom's new bank with an initial capital of \$100 million that's set to provide financing for small and medium enterprises (SMEs), is expected to launch later this year as

funds are already in place for activation, a senior finance ministry official said.

Ministry of Economy and Finance permanent secretary of state Vongsey Vissoth told reporters that the

government has decided to allocate a \$100 million budget to launch the bank.

He said the new bank will prioritise the development of Cambodian agro-businesses and SMEs that are linked to foreign direct investments, the tourism sector and tech start-ups.

“Any sector that can be a new engine for our economic growth will be supported by SME bank,” he said.

An initiative for setting up SME bank was introduced by Prime Minister Hun Sen in December 2017 in the hopes that it would boost local processing plants and strengthen export capacity.

The move comes after SMEs complained of a lack of financing and repeatedly called on the government to facilitate low-interest loans.

Capital markets union: SMEs will access to financial markets easier

The Financial, 20 March 2019



As part of the capital markets union, the EU will soon have in place a new framework to help small and medium businesses access new sources of funding.

EU ambassadors confirmed an agreement reached between the Romanian presidency and the European Parliament on 6 March, aimed at providing cheaper and easier access to public markets for SMEs. The initiative concerns specifically access to "SME growth markets", a recently introduced category of trading venue dedicated to small issuers.

"Thanks to the deal reached with the European Parliament, we will make it easier for our small and medium businesses to get the finance they need to grow and create jobs in the EU. By agreeing this reform we are putting in place yet another building block of the Capital Markets Union." - said Eugen Teodorovici, Minister of Public Finance of Romania, which currently holds the Council presidency.

Of the 20 million SMEs in Europe, only 3,000 are currently listed on stock-exchanges. This is partially due to high compliance costs on the one hand and insufficient liquidity on the other. The proposed rules therefore aim at reducing the administrative burden and cut red-tape faced by smaller companies.

The proposal contains amendments to the market abuse and the prospectus regulations which make the obligations placed on SME growth market issuers

more proportionate while preserving market integrity and investor protection.

The new rules adapt and reduce reporting obligations, in particular as regards persons that have access to price-sensitive information ("insiders' lists"). They also extended the possibility to use a lighter "prospectus" more suited

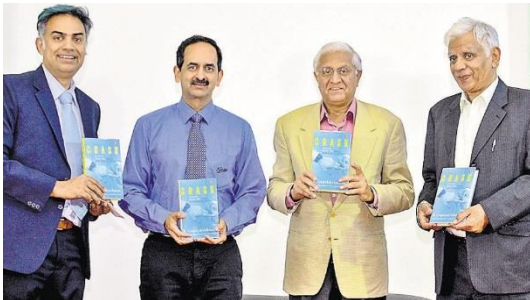
to SMEs that have already been listed on an SME growth market.

The Parliament will vote on the agreement during the April plenary. The text will then undergo a legal linguistic revision. Parliament and Council will be called on to adopt the proposed regulation at first reading.

Indian SME founders conclave in Pune: You cannot grow without taking risks, say business leaders

Hindustan Times, Pune, Namita Shibad, 17 January 2019

Centred around the theme ‘World-class in Pune’, the event saw business leaders share their experiences on what makes a company successful and long lasting



(From left) Aditya Jhunjhunwala, Sanjay Kirloskar, R. Gopalakrishnan and Pradip Bhargava were present at SME Founders Conclave at MCCIA Trade Tower in Pune, India, on January 16, 2019. (Photo by Milind Saurkar/Hindustan Times)(Milind Saurkar/HT Photo)

PUNE Rich learnings in what it takes to grow and expand a business were shared at the SME ‘Founders Conclave’ organised jointly by the Mahratta Chamber of Commerce Industry and Agriculture (MCCIA) and the Indian

Institute of Management (IIM), Ahmedabad.

Centred around the theme ‘#worldclassinPune’, the event saw Sanjay Kirloskar, chairman and managing director, Kirloskar Brothers Ltd (KBL); R Gopalakrishnan, a former director of Tata Sons, and advisor MindWorks; professor Chitra Singla of IIM-A and Samit Vartak of SageOne, share their experiences and learnings on what makes a company successful and long lasting.

In its centenary year, Kirloskar spoke of what it took for founders to create a company that has lasted this long and will continue for the years to come.

“There are two lessons that I have learnt- one is that without taking risks you cannot grow, and two, without making mistakes you cannot learn. My great grandfather Laxmanrao wanted to be an artist and so joined the JJ School of Art in Mumbai. But there he realised that he was colour blind. So he did the next best thing, he learnt technical

drawing. Since there were no jobs for people who knew mechanical drawing, he did the next best thing, he started teaching,” said Kirloskar.

The fourth generation businessman from the Kirloskar family pointed out that Laxmanrao’s interest in all things mechanical was deep and he would subscribe to Scientific American and Foundry magazines. In 1888, he set up a bicycle repair shop and to boost his business he even taught people how to ride a bike. “But he saw the opportunity in making spare parts for agricultural instruments. In 1901, he sold this under the brand name Kirloskar Brothers. Probably, the first Indian brand. He went bankrupt twice, but still had people who had faith in him and invested in his business. Hard work and good luck go hand-in-hand to make a good company,” Kirloskar said.

He recalled that he joined the family business in the eighties and learnt that to be successful, one has to think long term. “You have to communicate your vision very clearly to all your people. SMEs need to be successful, the country needs you,” he stressed.

Professor Singla, however, spoke of the pitfalls in running a family business. “As in a family business or any other, it is important for founders to have a giving attitude. This means that they should not think only about the ‘self’. They should celebrate differences and settle conflict in the team through logical arguments. If an argument convinces you, you accept the other point of view,” she said.

The IIM-A senior faculty also emphasised on clear communication. “I have often seen founders learn about

what their children want to do from a consultant they hire. The other quality is empathy. This is the most valued leadership skill. Leaders should also be able to nurture talent and be transparent and fair about everything. These skills imbibed in the leader can help an organisation live long,” she said.

‘Startups, SMEs must ponder on what makes great companies go on and on’

In the current scenario where startups and companies are eager to sell out to the highest bidder, R Gopalakrishnan author and corporate advisor urged startups and small and medium enterprises (SMEs) to reflect on what it was that shaped long-lasting companies like the Tatas, Hindustan Lever or Kirloskar.

Gopalakrishnan, a former executive director of Tata Sons and director, Hindustan Lever Ltd delivered the keynote address and his book ‘Crash’ was launched at the event.

“When I got a job, it was natural to think that you would retire from that company. But now the minute youngsters get a job their first thought is a startup. And a startup too thinks of selling out to the highest bidder. It is rare to find a company that has lasted long like the Tatas or Hindustan Lever or Kirloskar. Which makes me think what is it that makes a company last that long? It is important for startups and SMEs to understand this,” he said.

Gopalakrishnan drew parallels with the human body to illustrate his points. “If you see the human body it has lasted for millions of years. What did it take? This body that we take for granted survived so many millennia because of

its immune system. Our body is made up of 97 or so%moisture, x%human genome and maybe 10x%bacteria. Our bodies have a back up for the immune system in the form of white blood cells (WBCs). These are kept in store. There is redundancy followed by diversity. Besides WBCs there are leucocytes, B cells (bone marrow- or bursa-derived cells), T cells ((thymus cells) etc. Despite the diversity, there is harmony; each one does what it is supposed to do and that has been the Brahma-mantra for survival. Like a parent does not look at the value of a child say 5 or 10 years from its birth, the same way you invest in a company to nurture it," he said.

The other lesson Gopalakrishnan illustrated was through a Japanese story. "Hiro Onada served in the World War II. He was dropped into the jungles of Philippines in 1942. Since then he learnt to survive off the jungle and protect himself from the enemy. He lived like this till 1974 when he was found by his people. When his commanding officer who had since retired told him the war was over, Onada asked 'when?'. Many companies become like Onada- they get so embroiled in their day to day tasks, they get up oil their guns, get ready with the goods and services tax

(GST), funding, operations whatever that they fail to see the world outside. They fail to read the signs that technology, changing times throw and so get lost."

He advised, "Do not be like Onada."

He said that long-lasting companies are consistent with their purpose. Jamshedji Tata wanted his company to be built for the good of people and this is what they do even today. Lever Brothers wanted clean the teeming millions and their Surf and Lifebuoy still do that. Be consistent, he advised.

He urged SMEs to learn to organise themselves to deliver their long term vision. He cited the example of the GT road from Peshawar to Calcutta which, he said, was built not for just pedestrians or horse carts, but built to last. "Like nature learns to be adaptive and tolerant. In the nature animals, birds different species all learn to adjust to each other's needs and live peaceably. Startups need to learn to adjust with each other's and large corporations," he said.

He stressed that SMEs should be conservative with finances.

INDIA

Standard Chartered to launch digital SME platform

The Hindu Business Line, 14 March 2019

Standard Chartered on announced that it will be launching an open platform for Small and Medium Enterprises (SMEs) in the country, to help them grow by providing access to a range of financial and business solutions.

The solutions will include access to business loans, invoice and supply chain financing, logistics, commercial insurance and skilled resources among others.

“The platform will provide a data-driven ‘digital only’ experience to SMEs, supported by artificial intelligence and machine learning,” the lender said in a statement, adding that it will facilitate its first transactions in the second quarter of 2019.

The initiative is being launched under SC Ventures — the innovation, investment and ventures unit of Standard Chartered. The technology company has been established in Bengaluru and Nitin Mittal has been appointed as its Chief Executive Officer. It will partner with Standard Chartered Investments and Loans Ltd, a non-banking financial company for financing requirements.



“This platform addresses a wide range of SME needs through a completely different model which simplifies the SME growth experience, while putting control at their fingertips,” said Zarin Daruwala, Chief Executive Officer, Standard Chartered Bank, India.

INDONESIA

Fintech can improve SME tax compliance: Experts

The Jakarta Post, 14 January 2019

Given that financial technology (fintech) helps ease the tax-payment process, experts agree it can improve tax compliance among the country's 60 million small and medium enterprises (SMEs), which often complain about complex paperwork and ever-changing tax regulations.

"The easier the administrative work, the higher the willingness to pay," said Center for Indonesia Taxation Analysis (CITA) executive director Yustinus Prastowo during a discussion on finance and tax in Jakarta recently.

Even tax authorities, he said, would benefit from fintech because it would automate their side of data processing as well as providing a platform to inform taxpayers about changing regulations.

Fintech offers a new solution to the age-old problem of tax collection from SMEs, which contribute a fraction to the national tax collection despite contributing up to 60% of the gross domestic product.

Recently, the Finance Ministry's taxation directorate general reported SMEs contributed less than 1% (Rp 5.4 trillion) of the government tax collection target of Rp1.42 quadrillion for 2018. Furthermore, the directorate reported only 1.69 million (3%) out of 60 million SMEs were registered taxpayers as of December last year.

Fintech companies like Harmoni, an accounting software start-up based in Jakarta, may help alleviate the problem by simplifying tax paperwork for individual businesses.

"The tax process has three phases: calculate, pay and report. Fintech helps by handling either one or all three of these phases," said Harmoni chief executive officer Andoko Chandra.

Harmoni's product, for example, specializes in the calculating phase by automatically generating financial reports such as income statements and balance sheets based on input from either the client or the client's bank.

He said companies like his could improve SME tax compliance by building a habit of financial reporting, which would then be the basis for tax reporting. "If you have financial reports, you basically have your tax reports," he said.

Indonesian Fintech Association (AFTEK) public policy director Ajsatria Suleiman agreed on the merits of fintech but pointed out that "there still isn't a single platform that fully integrates the tax process."

For example, accounting software Moka specializes in point of sales transactions, payment gateway Midtrans in payment and OnlinePajak in tax filing.

“If all these services were to be integrated, that would greatly help tax compliance,” he said.

Homegrown unicorns Go-Jek, Bukalapak and Tokopedia also recently opened up their e-payment services for land and building tax (PBB) and vehicle tax, although their main purpose was to promote cashless transactions rather than improve tax compliance.

Tax office spokesman Hestu Yoga Saksama concurred with Yustinus on the regulatory benefits of fintech in tax collection saying fintech could provide, for example, better regulation of investors and debtor SMEs.



SME representatives pose for a photo at an event in Jakarta. (JP/Riza Roidila Mufti)

“Fintech could ensure investors and debtors have a valid tax number [NPWP] and report transaction values to the tax office,” he said, noting that his office was still working on the exact terms for such a regulation.

Hestu also mentioned the ongoing government dilemma on how to tax fintech companies, which often blur the line between a technology company and a financial service. “As a financial service, they are obligated by law to register themselves and report investor information,” he said.

Similarly, Yustinus reiterated that even though fintech could help improve tax compliance, the government also needed to further incentivize SMEs to become taxpayers, such as when it slashed SME income tax from 1% to 0.5% last year.

“The tax office, Bank Indonesia, Financial Services Authority and ministries also need to create policies that incentivize SMEs to become taxpayers, such as by helping them access bank credit and local markets,” he said. (nor)

Iran to allocate over \$9.5b to boost SMEs

Iran Daily, 6 April 2019

In a bid to protect the Iranian economy and develop industrial parks, a sum of \$9.52 billion will be allocated to small- and medium-sized enterprises (SMEs) during the current Iranian year (started March 21), announced Deputy Industry Minister Mohsen Salehi-Nia.

Salehi-Nia, who is also the head of Iran Small Industries and Industrial Parks Organization (ISIPO), added that his organization plans to expand the infrastructure of these production units, concentrate on increasing employment and job creation, shatanews.ir reported.

The official said in March that Iranian SMEs exported products valued at \$3 billion in the 11 months from March 21, 2018-February 21, 2019.

He expressed that a total of 60 exports consortia and 58 exports management companies have so far registered their licenses in the ISIPO.

Salehi-Nia added that the majority of the SMEs, which are involved in the fields of food, dried fruits, nuts, and garment industries, exported products worth \$3 billion in the 11-month period.



He put the current number of industrial areas in the country at 983, of which 561 and 412 are related to the industrial towns and industrial parks, respectively.

Salehi-Nia further said that some 147,000 hectares were provided for the SMEs, adding, "59,000 hectares has so far been registered and allocated to the enterprises."

This comes, while about 22% of industrial and production units in the country have faced recession, he noted.

Attracting financial resources and liquidity is one of the major requirements of these economic enterprises, he said, adding, "This can ensure the optimal use of internal resources of banks and the National Development Fund of Iran (NDFI)."

114 foreign SMEs ready to cooperate in Iran's oil projects

Tehran Times, 25 January 2019

Tehran - A member of the energy committee of Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA), Reza Padidar, said 114 foreign small and medium

enterprises (SMEs) have expressed willingness to cooperate in Iran's oil projects, Tasnim reported.



“We are planning to invite these companies to Iran in [Iranian month] Ordibehesht (April 21 – May 21, 2019) to make them acquainted with our projects and our capacities and to prepare the ground for joint development plans.” he was quoted as saying on the sidelines of the 15th Kish International Energy Exhibition (known as Kish ENEX 2019).

He further noted that ICCIMA has received information from European SME representatives that visited Iran and identified those which were interested in participation and investment in the country's energy projects.

Elsewhere in his remarks Padidar mentioned next year's budget plan saying, “Realizing the 1.5 million barrels per day of exports at a price of \$54 which has been anticipated in the next year's budget plan is quite achievable.”

“The next year's budget has been planned based on \$54 oil and I see the oil prices at least at \$60-\$65 per barrel throughout 2019.” he added.

Korean FSC vows to ease listing rules for 3rd bourse, rejuvenate SME investment

The Korea Herald, Jung Min-kyung, 30 January 2019

South Korea's chief regulator said that it plans to ease listing rules for the nation's tertiary bourse, focused on startups and small and medium-sized firms, to reform the capital market and support the growth of the Korean economy.

The Financial Services Commission will lower the bar for the size of the deposit that regular investors need to participate in the Konex market, FSC Chairman Choi Jong-ku said at an event in central Seoul.

The required deposit will be 30 million won (\$26,641) instead of the current 100 million won.



Financial Services Commission Chairman Choi Jong-ku watches a debate on vitalizing the Konex market at an event held in central Seoul. (Yonhap)

This is the second time the government has decided to lower the bar, as it was initially 300 million won when the bourse first opened in 2013. The deposit exists

to protect investors from the volatile nature of the Konex market, which comprises high-risk startups and SMEs.

Institutional investors, meanwhile, are not required to submit deposits.

The FSC added that it had decided to allow venture capitals and SMEs to raise funds more easily by facilitating crowdfunding and by waiving the obligation to file registration statements in order to conduct public offerings.

Crowdfunding opportunities have been limited to unlisted SMEs, but under the new standards, Konex-listed firms that did not raise funds through public offerings will be able to crowdfund for as long as three years.

Exempting firms from filing registration statements when conducting “small-scale public offerings” will also allow SMEs and startups to raise capital more smoothly. Documents are still required, but the process is expected to be much simpler, the FSC said.

A “small-scale public offering” is one where the firm’s annual offering cap stands at 1 billion won, but the government now plans to raise the cap to the 10 billion won range.

It also plans to ease the general financial audit for Konex-listed firms, to help the relocation of the companies from the nation’s third-tier bourse to its second-tier and tech-heavy Kosdaq.

“Following its establishment in 2015, the Konex market has grown as a financing platform for SMEs and venture companies, but longstanding criticism exists about its limited role as a market for financing innovative firms and aiding investor recovery,” Choi said at the event held to open up discussion and debate on the Konex.

“Thus, we have prepared measures to recover the bourse’s identity as a steppingstone to foster ventures and SMEs, and to create a virtuous cycle of return on investment for ventures,” he added.

94% of Malaysian SMEs able to secure financing

New Straits Times, Zarina Zakariah, 27 March 2019

Kuala Lumpur - There is virtually no problem for small and medium enterprises (SMEs) to obtain loans from financial institutions.

A survey by Bank Negara Malaysia indicated that most SMEs were able to secure financing with a 94% success rate.

On average, the majority of the applications (89 per cent) was approved within one month and the funds were disbursed within the subsequent month (87 per cent).

About 13% of SMEs applied to financial institutions with 91% of their total financing applications approved while the remaining 9% applied to other sources with 99% approval rate.



“Women-owned firms reported higher demand for financing but experience lower approval rate of 83% mainly due to lack of track record and insufficient documentation.

“Most of these firms obtained unsecured financing from microfinance institutions, banking institutions and development financial institutions,” Bank Negara said in its 2018 Annual Report.

The main purposes of the financing applications were for the purchase of assets (building, property, machinery and equipment: 23 per cent), working capital (22 per cent) and starting a new business (19 per cent).

About 44% of these respondents were first-time respondents from the survey carried out by Bank Negara.

SMEs play a critical role in generating income, employment, innovation, and facilitating social cohesion.

With about one million establishments in the country, SMEs contribute 37.1% of the country’s gross domestic product, 66% of employment and 17.3% of exports.

“The positive linkage between entrepreneurship and growth is well established, but a growing body of research focusing on the importance of finance in supporting SME development shows that firms with access to loans grow at a faster rate than those without such access,” Bank Negara said.

As part of the central bank’s functions to promote a sound, progressive and inclusive financial sector, efforts had been directed towards developing a holistic SME financing ecosystem. This included addressing information asymmetry and market imperfections, which are key barriers to finance.

Bank Negara said the majority of Malaysian SMEs were microenterprises (77 per cent) with the bulk of the businesses being concentrated in the services sector (89 per cent). In terms of legal set-up, SMEs mostly operate as sole proprietors (61 per cent).

On financing, respondents reported utilising funds from a variety of sources, both internal and external, with own cash contributions being the main source.

Among other funding sources, about 27% of the respondents had facilities with financial institutions, followed by family and friends, internally-generated funds and microfinance institutions.

Understanding SME financing in Malaysia

[The Star Online, 1 April 2019](#)

AS part of ongoing efforts to promote continued access to financing for small and medium enterprises (SMEs), Bank Negara conducted a survey in 2018 to obtain a better understanding of the financing needs and behaviour of SMEs.

According to Bank Negara's annual report 2018, a total of 1,529 formal SME businesses participated in the survey, which covered firm and entrepreneur characteristics, business performance and challenges, as well as access to finance and usage of financial services.

"The survey showed that more than 90% of the SMEs served the domestic market, with 7% exporting their products and services. About 83% of SMEs reported utilising information and communications technology (ICT) in their business operations, with 22% that have their own website and 14% that operate online stores.

"More than half of the respondents (53%) used professional services including auditors, accountants or financial advisors to manage their financial accounts," says the central bank.

Despite the challenging business environment in the first quarter of 2018, the majority of SMEs (71%) recorded profit margins of above 10% and were able to maintain positive cash flows, says Bank Negara.

"Manufacturing firms reported higher levels of productivity and paid higher wages for new graduate hires compared to other sectors."

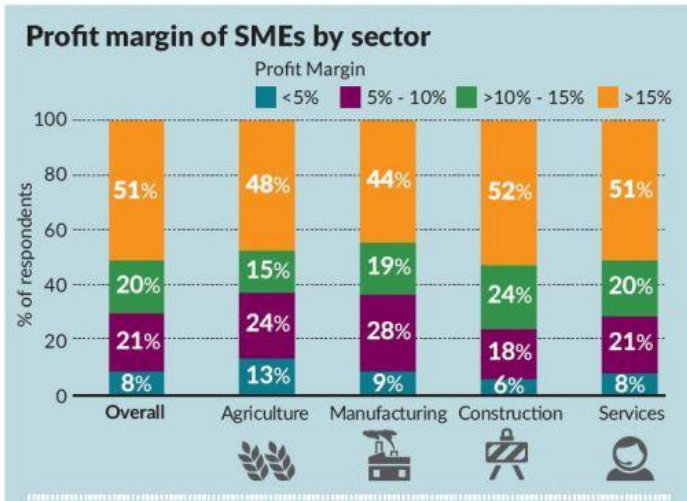
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"Among other funding sources, about 27% of the respondents had facilities with financial institutions, followed by family and friends, internally-generated funds and micro-finance institutions.

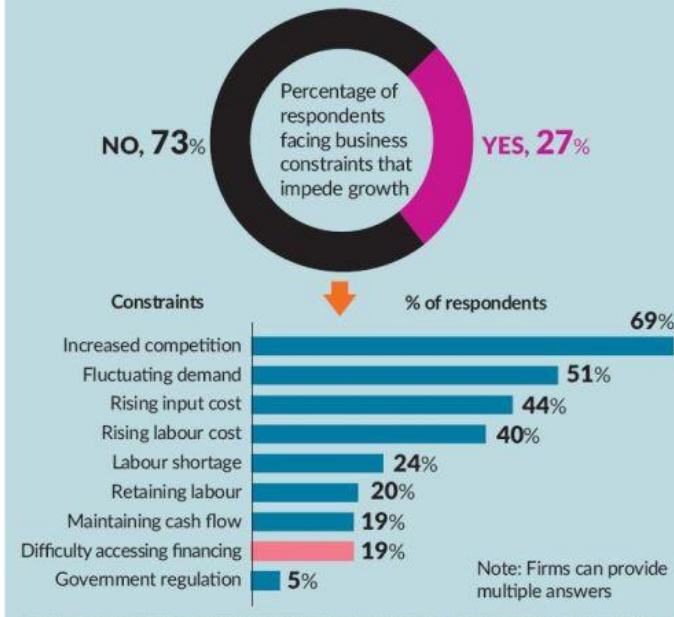
"In the micro-enterprise segment, 22% had financing facilities with financial institutions, including 9% of respondents who secured financing under the Pembiayaan Mikro facility."

Bank Negara says sources of financing also vary through the business life cycle.

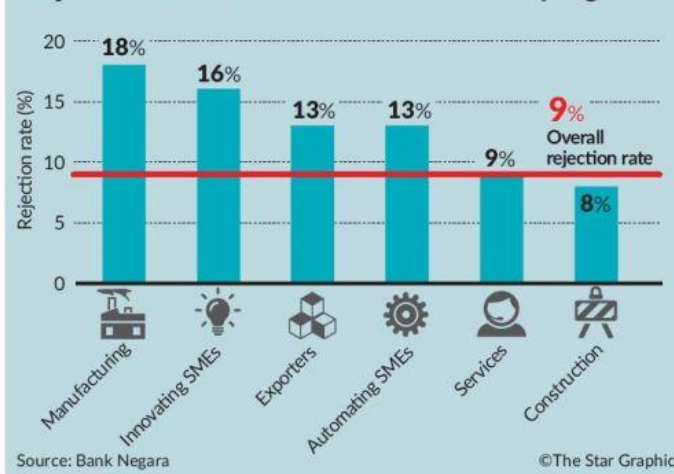
"At the initial stage, young firms tend to rely on their own cash and informal sources such as family and friends. This is consistent with most research findings, which attribute such behaviour typical of young firms to information opacity; lack of collateral, track record and financial skills; as well as high transactional costs.



Business constraints faced by SMEs



Rejection rate of financial institutions for key segments



Source: Bank Negara

©The Star Graphics

“As businesses mature (typically after five years in operation), they tend to rely more on external financing in the form of both debt and equity, including bank financing.”

Among the SMEs that had applied for financing, most indicated that they were able to secure financing, says the central bank.

“About 22% of the respondents had applied for financing in the six months prior to the survey, with the majority (94%) of their applications being approved.”

About 13% applied to financial institutions with 91% of their total financing applications approved, while the remaining 9% applied to other sources, with a 99% approval rate.

Women-owned firms reported higher demand for financing (33% of women-owned firms applied versus 22% for all respondents), but experienced a lower approval rate of 83% (overall: 94%) mainly due to the lack of track record and insufficient documentation.

“Most of these firms obtained unsecured financing from micro-finance institutions, banking institutions and development financial institutions,” Bank Negara says, adding that about 44% of the respondents were first-time borrowers.

“The main purposes of the financing applications were for the purchase of assets (building, property,

machinery and equipment: 23%), working capital (22%) and starting a new business (19%).”

On average, the majority of the applications (89%) was approved within one month and the funds were disbursed within the subsequent month, says the central bank.

The survey also provided insights on SMEs’ usage of other financial services, such as insurance, takaful and e-payments.

“More than half of the respondents have insurance or takaful products, although this was less prevalent among micro-enterprises.

“While the current take-up has been low, potential future demand for insurance and takaful by SMEs is significant for all products across the board, with emerging interest particularly in securing protection for risks associated with cyber security, professional indemnity, payment default and damages in crops.”

The survey noted that SMEs mainly made electronic payments, but preferred cash in receiving payments from customers.

“It was also observed that cheques remained popular for payments to suppliers and other business to business transactions.”

Underlying challenges in financing

With regards to challenges, the survey reveals that financing barriers mainly relate to documentation, costs and business viability.

“Among the key constraints to business growth, difficulty in accessing sufficient financing was ranked low, second to last out of the nine constraints identified by SMEs,” says the central bank.

It says SMEs that experienced rejections of their financing applications cited insufficient documentation, insufficient cash flow to meet repayments and non-viable business plans as the main reasons for rejection.

“SMEs involved in automation, innovation, manufactures of goods, and exports experienced higher rejection rates compared to the overall SMEs. Firms that automated stated insufficient collateral and projects perceived to be of higher risk as key reasons for rejection.

“The rejected applications were mainly for the purchase of machinery and equipment and ICT tools, as well as undertaking research and development.”

Bank Negara says these projects could be deemed to be higher risk as they may involve moveable and intangible assets with low salvage value in the event of commercial failure and involve the use of new and untested processes with high uncertainty on returns.

“Innovative firms cited insufficient documentation as a key factor for rejection. Exporting and manufacturing firms that faced greater difficulty obtaining financing were mainly firms that were newly established with limited repayment track records.

“Businesses that needed financing but did not apply (41%) were either cautious in taking on debt, unsure of their repayment capacity, or found the application process too difficult.”

The survey revealed that about 46% of the respondents stated that the financing products offered by financial institutions did not meet their business needs due to high financing costs (50%), insufficient financing amount (42%) and onerous documentation requirements (29%).

“The average financing rate that respondents were willing to pay was 3.88%, well below the average lending rates to SMEs of 6.18% at the time of the survey (second quarter 2018).”

The survey also indicated that the main constraints to SME growth were factors associated with operating and business conditions, namely increasing competition (69% of respondents), fluctuating demand (51%), rising input costs (44%) and rising labour costs (40%).

Malaysian OCBC Bank facilitates cross-border B2B electronic trade settlement platform

[The Star Online, 25 March 2019](#)

Kuala Lumpur - B2B Commerce (M) Sdn Bhd, which partnered OCBC Bank (M) Bhd, has become Malaysia’s first home-grown company to facilitate cross-border business-to-business (B2B) electronic trade settlements for SMEs.

In a statement, OCBC said the move, featuring B2B Commerce’s new online platform B2B DaiGor, was expected to help SMEs contain cost whilst minimising the hassles related to cross-border transactions. It will benefit existing SMEs in the import-export market and those who are ready to take on the global market.

While B2B DaiGor enables SMEs to expand their market reach globally and manage their transactions digitally, OCBC Bank facilitates the settlement dimensions so the global financial transactions run smoothly and seamlessly.

B2B Commerce Director and CEO Dr. Lee Thean Seong said the company’s studies have shown that without the financial muscle it is hard for smaller brands to compete on a level playing field against branded products in existing B2B e-marketplaces.

“We are thankful for the partnership with OCBC Bank which will ensure the financial transactions are carried out smoothly and seamlessly,” he said.



With 19 years of business operations under its belt, B2B Commerce has a regional presence in Malaysia, Indonesia, Cambodia and Vietnam as well as joint-ventures in

China and Thailand.

Its existing services include efficient electronic trade documents exchange, data analytics to help customers achieve supply chain efficiency, peer-to-peer financing services through its subsidiary B2B FinPal Sdn Bhd as well as domestic logistics distribution services through Asia Commerce Logistics Sdn Bhd (ACL), its joint venture company with Hercules Logistics ShenZhen, China.

OCBC Bank head of global transaction banking Chong Lee Ying said being the exclusive transaction enabler for the home-grown first-of-its-kind online platform was a privilege and, as a long-standing supporter of SMEs, the bank is looking forward to helping them tap into the opportunities out there and meet their ongoing digital banking needs.

“We have in recent times explored several digital initiatives including rolling out the country’s first mobile business banking app. The strategic partnership with B2B Commerce is a significant one for helping SMEs meet their needs at a global level. This will help boost the SME segment and assist local SMEs in their bid to reach out more significantly through the online export business,” she said.

PAKISTAN

Banks should take SME financing seriously

Dawn, Mohiuddin Aazim, 25 February 2019



Unlike corporate entities that believe in frequent credit shopping, SMEs do business with banks of their choice for a long time.— AP/File

Banks in Pakistan lend to small and medium enterprises (SMEs) selectively and, at times, reluctantly. They have a reason to do so: about 95% of SMEs work in the informal sector i.e. they are not documented. Lending to them is far riskier than lending to a tax-paying individual.

That explains why banks offer personal loans generously, but keep SME lending under tight controls. This helps grey banking or informal lending-borrowing thrive. Since grey banking largely remains unchecked, tax-evading SMEs don't mind being ignored by banks.

But as the government makes tax evasion more difficult — and as gradual digitisation of the economy makes it easier to trace movement of untaxed funds — things are bound to change. Banks will have to realise that instead of ignoring SMEs that don't fulfil borrowing prerequisites, it's better to sensitise them to the need for documentation. It is in the interest of banks to boost SME financing because that is where they can earn fatter profits and that is where interest-earning streams run longer.

Unlike corporate entities that believe in frequent credit shopping, SMEs do business with banks of their choice for a long time.

Fresh lending to the private sector was Rs923bn in 2018. In that credit pie, the share of fresh lending to SMEs was just Rs63bn, or 6.8%

SMEs, too, should realise that getting registered and coming under the tax net is key to their survival and growth. The more they try to delay this, the higher the cost of regularisation. Besides, as the need for promoting SMEs becomes more pressing with a new phase of industrialisation taking place in the backdrop of the China-Pakistan Economic Corridor (CPEC) and associated foreign investment, undocumented SMEs would miss future tax and non-tax incentives.

Keeping this official line in mind is important before analysing the latest rise in SME financing. According to the State Bank of Pakistan (SBP), banks' stock of lending to the SME sector swelled to Rs513 billion in 2018 from Rs450bn in 2017. This means banks made fresh lending of Rs63bn to SMEs last year. Banks and even the central bank tend to look at such numbers through the prism of percentage. If you, too, are fond of using that prism, say bravo to banks and the SBP for this 14% increase in SME lending in 2018.

But now look at the issue a bit differently. In 2018, banks' fresh lending to the private sector stood at Rs923bn. In that credit pie, the share of fresh lending to SMEs was Rs63bn, or just 6.8% of the total.

According to the SBP, the SME sector is contributing 30% towards Pakistan's GDP, employs more than 80% of non-agriculture workforce and generates 25% of export earnings. Are banks doing justice to SMEs by offering them less than 7% of their total fresh lending to the private sector? Official estimates put the total number of SMEs at around 3.2m, but only a fraction of them qualifies for bank loans.

The oft-quoted reason is that many of them operate in the informal sector. Why doesn't the government tell us how many of them are documented? Do all of those registered and documented SMEs get formal bank finance? Even if we suppose that 10% of the 3.2m SMEs are in the formal sector — and this is a guarded estimate given the pace of regularisation of SMEs in the past 10 years — the number comes to 320,000 to be exact. But banks cater to a little more than half of them. Why?

Till the end of 2017, the total number of SME borrowers stood around 164,000, according to SBP data. Bankers say they did not reach out to a large number of new SMEs in 2018 whose figures are yet to come out.

The disbursement of Rs63bn loans to 164,000 SMEs in 2018 means the average per-party lending was less than Rs385,000 even if we suppose the number of SME borrowers remained at the 2017 level. Bankers admit privately that over the years they have become addicted to parking funds in zero-risk government treasury bills and bonds. When it comes to private-sector lending, they seldom look beyond corporate and personal finance.

When we hear stories of agriculture loans growing, we forget that net fresh lending to the agriculture sector grows slowly. But most of us tend to look at gross agricultural

lending. SME lending, like agricultural finance, requires specialised banking skills. That, combined with a larger number of loan applicants, increases both the cost of credit and the workload on bank branches. Though higher interest rates compensate the additional cost of credit, most banks lack both the expertise and the will to exploit the full potential of SME financing.

It is not clear if they actually reached out to new SME borrowers in 2018. But in 2017, we saw a decline in the number of SME borrowers to about 164,000 from more than 177,000 in 2016. Giving banks a pat on the back for achieving a 14% growth in SME financing is good. But does the SBP also question them on why they cater to only a fraction of the total number of SMEs in Pakistan? By the way, the central bank actually issued a press release to celebrate this achievement.

The CPEC is gathering pace. New foreign investment is expected to come in a big way in a couple of years from some countries, most notably Saudi Arabia. That means more scope for the establishment of new, and expansion of existing, SMEs in up- and downstream industries in mining, petroleum production, infrastructure development, gas and electricity production, alternative energy, food and agriculture etc. So the demand for formal finance by the SMEs of the manufacturing sector will likely grow manifold.

Similarly, if Pakistan overcomes its present economic crisis and starts growing at 5%-plus rate in coming years, SMEs in trading and services sectors will also be doing well. That will create additional demand for bank financing.

Banks will have to come out of their comfort zones, reach out to new SMEs and service the existing ones with more dedication. Islamic banks and Islamic banking divisions of conventional banks need more to do in this regard as their combined share in SME finance is very low — 10% as of 2017. A lot depends on whether the government lives up to its promise of revitalising the SME sector through the introduction of a culture of research and innovation.



SME finance by banking industry achieves historic high of over half-a-trillion Pakistani rupees

The Daily Times, 20 February 2019



SME financing by banks in Pakistan has first time crossed the milestone of Rs 500 billion. SME financing was recorded at Rs 513 billion at the end of 2018 compared to Rs 450 billion in the corresponding period last year, exhibiting growth of 14%.

According to the State Bank of Pakistan (SBP) the growth in SME financing was even more prominent in the last six months of 2018 (July-December, 2018) wherein it registered an increase of 25%.

This increase in SME financing attracts greater significance keeping in view the fact that SBP policy rate during 2018 witnessed a rising trend. Due to continued focus of State Bank for facilitating SMEs access to formal sources of finance, SME financing increased significantly during CY 2018. The substantial increase in SME financing is mainly attributable to implementation of the policy for promotion of SME finance issued by the State Bank of Pakistan in December 2017.

The SME policy ensured provision of enabling regulatory environment for SME finance, prescribing SME financing targets for banks/DFIs, sensitizing

banks to adopt SME financing as a viable business proposition, advising banks to provide non-financial advisory services for making SMEs bankable, simplifying procedures for SME financing and introduction of new SBP refinance schemes for SMEs through banks/DFIs. Under the policy so far more than 2,500 bankers have been trained through focused trainings by the training institute of the central bank. Similarly, awareness has also been created among more than 20,000 stakeholders including SMEs through special programs held by SBP and SBP BSC all across the country.

The impact of SBP interventions resulted into significant rise in outstanding SME finance by banks/DFIs coupled with 2.3% decrease in non-performing SME portfolio of banks over last year. It is pertinent to mention that Government of Pakistan is also providing all out support to promote SME sector. The substantial tax incentives to the banks on their incremental financing to SMEs announced in recent economic reforms bill is in line with measures identified in government's 100-day agenda for development of SME sector.

It is worth mentioning that SME sector is contributing 30% towards country's GDP, employ more than 80% of non-agricultural workforce and generate 25% in export earnings. Thus, SME sector has huge potential for employment generation and poverty alleviation.

PHILIPPINES

BPI eyes franchise ventures for growth of SME business

Manila Times, 4 April 2019



The Bank of the Philippine Islands (BPI) sees opportunities in growing its small and medium enterprise (SME) business through enterprises that have adopted franchising as a business model. Junie Veloso, head of BPI's Business Banking Segment, said this is one reason why BPI supported the 27th Franchise Asia Philippines from March 27 to 31, 2019, at the SMX Convention Center in Pasay City.

"Franchises already have a tried and tested and ready business model," he said. "What business owners can do is adapt and tweak it a bit to suit their specific market or geographic location. We aim to make a positive business impact on these SMEs by providing relevant solutions that will help them achieve their business goals."

"We believe SMEs play a key role in nation building. The SME market has a huge growth potential and we want to be there when it happens. This is part of what it means for us in BPI to pursue financial inclusion," said Veloso.

Early this year, BPI engaged a risk management firm, Tongdun International, to implement artificial intelligence solutions that will result in faster automated lending processes and an optimized credit scoring model. Veloso said this is expected to help SMEs, including franchisors and franchisees, that wish to set up or expand their businesses through BPI's loans and other services.

PHILIPPINES

FedEx Express now serves SMEs in over 100 SM Business Centers

Manila Times, 18 March 2019



FedEx Express Managing Director John Peterson (left), together with 2GO Retail President and CEO Frederic Dybuncio (right) at the formal opening of the FedEx retail outlet in SM Makati Business Center.

FedEx Express, a subsidiary of FedEx Corp. (NYSE: FDX) and the world's largest express transportation company, has now made its international services available in 110 SM Business Centers nationwide. This is part of FedEx continued efforts to enhance flexibility and convenience for its growing

customers, particularly small and medium enterprises (SMEs).

John Peterson, FedEx Express Philippines managing director, said these new outlets will expand access to fast and reliable FedEx Express delivery to more than 220 countries and territories, creating possibilities for businesses to expand globally.

Apart from SM Business Centers, FedEx Express services are available at more than 400 FedEx Authorized Ship centers, including 2GO Express outlets, all over the Philippines.

MSMEs get boost from Philippine Senate bill

Business Mirror, Butch Fernandez, 20 February 2019



Image Credits: Alysa Salen

In this file photo, an exhibitor rests at his area during a break at the Manila FAME, a lifestyle and design event that aims to open doors for local and international trade buyers of the country's premium home, fashion, holiday, architectural and interior products.

Continued financial support has been assured for micro, small and medium-scale enterprises (MSMEs) producing locally made products all over the country under a bill filed in the Senate.

Filed by Sen. Grace Poe, Senate Bill (SB) 2049, to be known as "An Act Establishing the Suporta Para sa Produktong Pilipino Program," the bill provides a minimum P10,000 outright grant to MSMEs, which primarily operates within the city or municipality.

Citing the 1987 Constitution, Poe pointed out social justice could not be

achieved without the creation of new economic opportunities in the countryside, particularly in far-flung and isolated areas.

"The state recognizes that social justice cannot be achieved without the creation of economic opportunities and the development of businesses and enterprises in the countryside, particularly in far-flung and geographically isolated and disadvantaged areas," Poe's bill stated.

Once enacted into law, it mandates the government to put up a trust fund with a

P50-million seed capital, the disbursement of which will be administered by the Department of Trade and Industry (DTI).

Poe proposes to “institutionalize the stimulus program” of the government for MSMEs by tapping all cities and municipalities to promote a particular product or finished good which is an established, associated and well-known product of their jurisdiction.”

SB 2049 provides that, in order to be eligible for the said program, businesses and enterprises must first provide documentary evidence attesting they have been operating within the concerned city or municipality for at least three years and have been producing the identified finished good for the same period.

Moreover, Poe’s bill further provides that no business or enterprise shall avail

themselves of such benefit more than once a year.

The remedial legislation will also mandate the DTI to put up regular trade fairs and bazaars where the eligible businesses and enterprises covered by the proposed law can promote their finished goods to potential investors, as well as consumers.

“This bill aims to breathe life into the Constitutional provisions by establishing a Suporta Para sa Produktong Pilipino Program, Poe said, referring to the declared state policy to establish programs that will provide financial incentives for local enterprises in the country.

The senator pointed out that “the concept of social justice is imbued throughout the 1987 Constitution, noting that, “in fact, an entire article is dedicated to the elaboration of this concept.”

PIDS report: Philippine MSMEs fare better when exporting to non-ASEAN countries

Business Mirror, 5 January 2019

Philippine - Micro, small and medium enterprises (MSMEs) exhibit better survival rates when they export to non-ASEAN countries than to ASEAN member-nations, a recent study published by state think tank Philippine Institute for Development Studies (PIDS) said.

Authors and PIDS consultants Dr. George Manzano and Mark Edison Bautista, in their study titled “Duration of Export Relationships of Philippine MSMEs,” mapped the “survival rate or duration of continuous exports” of products from Philippine MSMEs to selected member-countries in the Asean, countries that have existing free-trade agreements with the Philippines (such as Australia, New Zealand and India), and East Asian nations like China, Japan and South Korea. The researchers used three periods (first year, fourth year and twelfth year) to analyze the results of their study.

Results showed the survival rate of export products traded to Australia is high at 86% after year one, followed by Japan with 78%. This is in contrast with Philippine exports to Lao PDR, which had the lowest survival rate at 38% after the initial year.

The study also found a large number of trade partnerships failed during the first four years of export relations. But beyond these periods, the incidence of failure became less prevalent. An example cited by the authors are the exports of Philippine MSMEs to Vietnam, which reached a survival rate of 58% after one year, but declined to only 38% after four years.

In terms of long-term survival rate, the authors noted, “Singapore achieved the highest with 47% after 15 years of trade relations, followed by Japan with 45%. Over time, export products to Cambodia and Laos had the lowest survival rate with 16% and 13%, respectively.”

For longtime trading partners of the Philippines like Japan, Thailand and Malaysia, the survival rate was observed to be higher, with rates reaching up to 60% or higher.

However, the study revealed that in new markets such as Cambodia, Laos and Myanmar, the export products of Philippine MSMEs had low survival rates, averaging 41% after year one. This implied that local firms are still struggling with looking for appropriate partners and adapting to the market of new partner-countries. The long-term survival rates of Philippine export products to these countries were likewise low at only 16%.

To create an enabling environment conducive to MSME development in the Philippines and enhance greater participation of MSMEs in the global market, the authors urged the government to focus on increasing the capability of firms in order to reach larger orders, either through financing or through consolidation with other similar firms that have successfully complied with the product standards required by foreign buyers.

They also said that improvement in export survivability of MSMEs is a good indicator of the effectiveness of government programs and policies, which are aimed at facilitating greater and sustainable participation of Philippine MSMEs in the global markets.

The development of MSMEs has been articulated in the Philippine Development Plan (PDP) 2017-2022, as these enterprises play a significant role in economic development. MSMEs comprise 99.5% of existing firms in the Philippines and employ 62% of the country’s work force.

In particular, the PDP supports linkages between MSMEs and large corporations to facilitate increased participation of the former in global value chains. It also aims to establish feasible domestic economic zones for MSMEs; streamline and simplify loan processes for MSMEs, cooperatives, and overseas Filipinos workers; provide financial literacy training for MSMEs, cooperatives, and OFWs and their families; implement the MSME Development Plan; and assess MSME-related laws, among others.

www.portcalls.com

New S\$3.7m grant to help Singapore SMEs in ship agency and harbour craft go digital

The Business Times, 10 April 2019

Firms in the ship agency and harbour craft sectors in the maritime industry can now tap a S\$3.7 million fund for digital solutions.

The fund is part of the Sea Transport Industry Digital Plan (IDP), which aims to help small and medium-sized enterprises (SMEs) in the sector digitalise, Senior Minister of State for Transport Lam Pin Min said.

The IDP was announced by Dr Lam during the Ministry of Transport's Committee of Supply debate last month.

Speaking at the Singapore Maritime Technology Conference at the Sands Expo and Convention Centre, Dr Lam said the plan will provide SMEs with a step-by-step guide to digitalisation, and a list of digital solutions in areas such as vessel management and robotic process automation.

SMEs can choose the most suitable solution and apply for a grant.

The three broad stages in the IDP road map are getting ready for a digital economy, growing in such an environment and leaping ahead.

More IDPs to help other maritime sectors will be rolled out in the coming years, Dr Lam said.

"Digitalisation can help businesses enhance service levels, create new value-add and, more importantly, attract and retain talent by appealing to younger and more tech-savvy job seekers," he added.

The plan was developed jointly by the Maritime and Port Authority of Singapore (MPA), the Infocomm Media Development Authority, Enterprise Singapore and SkillsFuture Singapore.

It is aligned to the Sea Transport Industry Transformation Map that was announced last year, and it is also part of the SMEs Go Digital Programme.

MPA chief executive Quah Ley Hoon said efforts such as the IDP can help firms to kick-start their digitalisation journey, and that the agency hopes that such efforts can take the maritime sector to a new level.

Two SMEs that are eligible to benefit from the plan told The Straits Times said that it would be helpful for them from an operational and financial point of view.

Ms Akanksha Batura Pai, head of strategic planning at Sinoda Shipping Agency, said: "This broadly at least gives you some sort of way to know that you are now on the journey to digitalisation, or you have graduated from a certain stage, so it gives you that empowerment."

Mr Kieu Kim Sen, managing director of York Launch Service, which provides water transport services for ships, said he hopes to apply for the grant to co-fund a system that will help digitise his company's order taking process.

"Costing and funding is definitely something that a company has to consider before embarking on a project, so by having the proper funding and help from government agencies, it helps us to start better on our digitalisation journeys," he said.

Dr Lam also announced the Singapore Maritime Research and Development Roadmap, which sets the direction for the maritime sector till 2030.

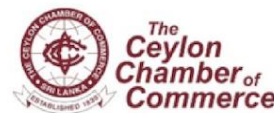
Five key areas of focus were outlined in the road map. This includes making Singapore the most efficient smart port in the world and making the country the centre of excellence for sea traffic management.

It also aims to develop Singapore as a leading hub for smart fleet operations and autonomous vessels, build up maritime security, and develop capabilities in energy and environmental solutions.

SRI LANKA

Expert coaching assistance for export SMEs

The Ceylon Chamber of Commerce



The International Trade Centre (ITC) headquartered in Geneva is currently implementing the EU – Sri Lanka Trade-Related Assistance Project, which aims to increase the trade competitiveness of Small and Medium Size Enterprises (SMEs) in regional and European Union (EU) markets. This 4-year EU-funded project supports improvement of SME

export competitiveness and value addition in sectors with high potential for economic growth and development.

As part of the EU-Sri Lanka Trade-Related Assistance project, ITC launched a new initiative in 2018 to enhance SMEs compliance with export formalities in Sri Lanka. Due to its

longstanding achievements, professionalism and commitment to support Sri Lankan enterprises, ITC is collaborating with the Ceylon Chamber of Commerce (CCC) to implement this initiative.

The objective of this new initiative is to provide on-the-job coaching services to SMEs to improve their export management practices. As the first step of this initiative, ITC and CCC has trained a team of 13 national Export Management Coaches (EMCs) responsible to provide on-the-job coaching services to SMEs.

These coaches will assist SMEs to identify the problems and give solutions pertaining to following areas related to exports and thereby enhance their export competitiveness; Packaging & Labelling, Mandatory Certifications, Registrations & Buyer Standards, Customs & Duties, International Shipping by Sea & Air Freight, Export Planning & Pro Forma Invoice.

Under this SME Coaching Initiative, an Export Management Coach (EMC) appointed by ITC & CCC will visit the selected SMEs and provide in-house consultancy (coaching) services to improve their export management practices. Depending on the level of assistance required by the SME, the EMC will be willing to spend up to 5 days of his time to resolve the export management related issues of selected SMEs. Export Management Coaching services will be provided free of charge and the EMC visits can be arranged on a mutually convenient manner to suit both the EMC and the SME.

Export SMEs facing various difficulties and challenges pertaining to successful handling of their exports are eligible to receive coaching assistance free of charge. Interested SME's contact Manori (manori@chamber.lk 011-5588871) or Chandra (chandra@chamber.lk 077-2200771)

Lower corporate income tax sought to stimulate Vietnamese SME development

Vietnam net, 2 April 2019

The Ministry of Finance says in a draft proposal that the corporate income tax (CIT) should be slashed to 15%-17% from the current 20% for small- and medium-sized enterprises (SMEs) to support business households wishing to convert themselves into companies.

Passers-by walk in front of shophouses. A tax reduction will give much-needed support to SMEs to grow their business and improve their competitiveness at home and abroad

The ministry recently released a draft proposal on the development of a National Assembly resolution on a number of CIT policies supporting SMEs.

The Government aims to raise the number of businesses to over one million by 2020, 1.5 million by 2025 and two million by 2030.

The ministry said that SMEs play a crucial role in Vietnam's socio-economic development and act as a catalyst for economic growth. It noted that the country has more than 600,000 companies, nearly 500,000 of them in the private sector, with 96% being small or micro sized.

Private firms have so far created some 1.2 million jobs and have contributed more than 40% to the country's gross domestic product.



According to the proposal, enterprises with annual revenue of less than VND3 billion (US\$130,000) and no more than 10 full-time employees covered by social insurance should pay a 15% tax.

Meanwhile, those with annual revenue ranging from VND3 billion to VND50 billion (US\$2.15 million) and fewer than 200 workers should be taxed 17%.

The ministry stressed that these CIT incentive rates would not apply to the subsidiaries of these enterprises to prevent tax evasion. Tax incentive policies are a commonly used tool for promoting SMEs in many countries, according to the ministry. China, for example, levies a CIT rate of 25%, but small businesses just pay 20%.

The ministry also suggested CIT exemptions for two years after first reporting taxable income for those companies that transform from business households. The ministry estimated that if the tax policy is applied, the State budget would fall by VND9.2 trillion (US\$396.5 million) in annual tax revenue.

The reduction would put pressure on the State budget in the short term. However, the ministry said that the policy is expected to create favorable conditions for these

businesses to make more investments and develop their business and manufacturing activities. As such, it will help increase CIT revenue over the long term.

Turkish banks to support SMEs with \$3.7 billion loan package

Hurriyet Daily News, 11 January 2019



Istanbul - Some 13 Turkish lenders have launched a 20 billion Turkish Lira (\$3.7-billion) finance package for small and medium-sized enterprises (SME), the treasury and finance minister has announced.

SMEs which have an annual turnover of less than 25 million liras (\$4.6 million) may benefit from the six-month-non-refundable loan package with a 1.54percent monthly interest rate, Berat Albayrak said on Jan. 10.

“Firms in the manufacturing and export sectors will receive 1 million liras, and in other sectors will receive 500,000 liras,” he noted in a press meeting at the Dolmabahçe Palace in Istanbul.

The SME credit package was created by lenders and it will not affect the country’s treasury, Albayrak underlined.

The lenders are state-run Halk, Vakıf, Vakıf Katılım (participation) Ziraat, and Ziraat Katılım (participation), and private Alternatif, Albaraka (participation),

Deniz, Garanti, Şeker, TEB, QNB Finans, and Yapı Kredi.

The minister also said around 20,000-40,000 SMEs will be benefited from this package.

Touching on the country's 2018 targets, he highlighted that Turkey reached all targets with recovery in inflation, foreign currency, interest, and CDS premiums.

"The period in the last 3-4 months of 2018 and its outputs show the rebalancing process is continuing step-by-step," he added.

Turkey aims to ensure a healthy, balanced and sustainable economic growth, Albayrak said on January 9th. "Turkey's economy is gearing up in its region day by day with its strong infrastructure," Albayrak stressed.

"Our priority is to fight against fragilities in our economy," he said at an event in

the capital Ankara. He underlined that the government will remain committed to budget discipline.

One of the world's top 20 economies

Turkey is currently the 13th largest economy based on purchasing power parity (PPP), President Recep Tayyip Erdoğan said on Jan. 9, speaking at an event organized by the Independent Industrialists' and Businessmen's Association (MÜSİAD) in Ankara.

"We hope that the country will rank as the 12th-largest economy based on PPP by the end of the year [2019]," he added.

Erdoğan also noted that international investment in Turkey amounted to over \$201 billion in the past 16 years.

"The country remains attractive to foreign investment," he said.

IFC helps boost lending to Vietnamese SMEs

Vietnam News, 27 March 2019

Hanoi - The World Bank's International Finance Corporation (IFC) and Orient Commercial Bank (OCB) signed a co-operation deal on a US\$100 million credit package and a consultancy programme to promote supply chain financing.

Under the agreement, IFC will provide a loan worth \$100 million to OCB with a term of three years, including \$57.16 million from IFC's own account and \$42.84 million from the multi-investor

Managed Co-Lending Portfolio Programme (MCLPP) managed by IFC.

The IFC-led financing package, combined with advisory services, will boost lending to small- and medium-sized enterprises (SMEs), especially women-owned or managed, and will promote supply chain finance in Vietnam.

Comprising 98% of Vietnam's total enterprises, SMEs are the primary engine of job creation in the country,

employing more than half of the labour force and contributing about 40% to gross domestic product. Yet, some 60% of SMEs have unmet financing needs, creating a \$21 billion financing gap. Access to finance is key to unlock the potential of SMEs, according to IFC.

Speaking at the signing ceremony, OCB General Director Nguyễn Đình Tùng said the bank sees SMEs as an important target segment to realise its strategy to become a leading retail and SME bank in Việt Nam.

“IFC’s financing package helps reinforce the bank’s continued commitment to expanding lending to this segment, enabling SMEs to further grow and improve their performance in the context of increased competition,” he added.

In addition to funding, in partnership with the Swiss State Secretariat for Economic Affairs, IFC will help OCB

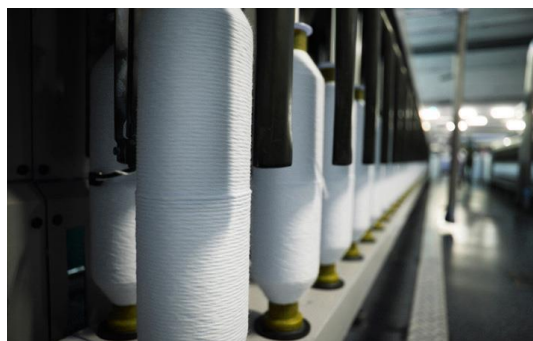
develop its supply chain finance business. While Vietnam is an export driven economy, few local banks offer a full range of supply-chain financial services to smaller businesses. With IFC’s support, OCB will develop a supply chain finance electronic platform to support the financing of commercial transactions.

“This financing package with its large mobilisation component is expected to have a catalytic impact for gender finance in the Vietnamese banking sector, which is at a critical juncture of mobilising long-term private funding to support the country’s crucial goals of developing SMEs and accelerating economic growth,” said Vivek Pathak, IFC Regional Director for East Asia and the Pacific.

IFC has provided to date more than \$400 million in financing for women entrepreneurs in Vietnam. — VNS

Indian MSMEs can create 10 million jobs in 5 years: NRI Consulting

Fibre2Fashion.com, 11 April 2019



India is an attractive consumption-oriented market with a growing middle

class and rising disposable income despite the recent sluggishness in demand, according to NRI Consulting, a Nomura Holdings affiliate. Micro, small and medium enterprises (MSMEs), if nurtured well, can bridge the employment gap and create a 10 million (1 crore) jobs in the next four to five years, it said.

Only 15% of what is consumed in India is, however, made by the domestic manufacturing industry, limiting the

country's ability to create employment opportunities, the Japan-based firm said in a note on Indian market.

The employment issue can be addressed by following a market-oriented approach for MSMEs, wherein the organised private sector participants invest in capacity building of the MSMEs against a valid for-profit business case with long term benefits, a top Indian business newspaper reported citing the company note.

The MSME sector remained the highest job creator with the sector contributing about 36 million jobs, which is about 70% in the manufacturing sector in 2017-18, according to official data.

To scale up, the MSME sector needs a market-oriented strategy through business development services which is inclusive and builds on a consensus on the challenges, goal and broad policy direction among the key stakeholders, the consulting firm added. (DS)

Moscow meeting connects Vietnamese & Russian SMEs

[Vietnam News, 14 March 2019](#)



Participants at the meeting in Moscow (Photo: VNA/VNS)

Moscow - A meeting was held in Moscow to enhance ties between the small- and medium-sized enterprises (SMEs) of Vietnam and Russia.

Opening the meeting, Vice President of the All Russia Business Association (Delovaya Rossiya) Nonna Kagramanian said the event was motivated by Russian entrepreneurs'

interest in partnerships with Vietnamese firms. It was part of the Vietnam Year in Russia 2019 – a time for both sides to intensify business links, launch projects and develop joint production.

She noted that an important goal of her organisation is to expand co-operation with businesspeople in Southeast Asia, with Vietnam a key target.

Vietnamese Ambassador to Russia Ngo Duc Manh expressed his belief that co-operation between the two SME communities will help achieve the bilateral trade target of US\$10 billion in 2020.

He welcomed partnerships between SMEs and efforts to create new development drivers this year, saying business-to-business meetings will be held more frequently in the two countries. At the event, Commercial Counsellor of the Vietnamese Embassy in Russia Duong Hoang Minh gave an overview of Vietnam's economy and bilateral economic connections.

Russia now ranks 24th among Vietnam's trade partners with bilateral trade reaching approximately \$6 billion.

Minh said that although boosting partnerships between Vietnamese and

Russian SMEs is a promising move, they still lack information about each other. Therefore, the bridging role of representative economic and commercial offices and the Vietnam Chamber of Commerce and Industry is more important than ever.

Representatives of about 40 Vietnamese and Russian firms introduced their strengths and demands to partners at the event. Some fields attracting great attention included technology transfer, workforce training, developing a digital economy and keeping up with the Fourth Industrial Revolution.

Founded in 2001, Delovaya Rossiya gathers more than 3,000 companies in various areas in Russia. Its members' total annual revenue is estimated at more than \$42.8 billion. - VNS

About CACCI:

Founded in 1966, the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) is a regional non-governmental association principally composed of the national chambers or associations of commerce and industry in Asia and the Western Pacific. Its current membership of 29 countries and independent economies cuts across national boundaries to link businessmen and promote economic growth throughout the Asia-Pacific region. CACCI holds Consultative Status in the Roster Category of United Nations' Economic and Social Council (ECOSOC)

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Ernest Lin - Director General; Amador Honrado Jr. - Editor; Mig Moreno - Assistant Editor

7F-2, No. 760, section 4, Bade road, Songshan district, Taipei 10567, Taiwan; Tel. (886 2) 2760-1139, Fax (886 2) 2760-7569

Email: cacci@cacci.biz

Website: www.cacci.biz