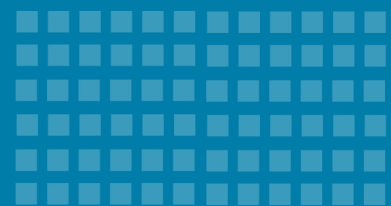


:: Strengthening Enabling Infrastructure for SME Development



The Government has, as one of its strategic priorities, focused on developing and strengthening infrastructure that is required to create an enabling environment to support the growth of SMEs and entrepreneurs.

A milestone achievement is the establishment of the National SME Development Council, chaired by the Prime Minister. The role of the Council is to provide the strategic direction for Government policies on SME development so as to ensure a more cohesive and coordinated approach in promoting development of competitive and resilient SMEs. Ultimately, this is to ensure that policies and programmes are properly formulated and effectively implemented for the benefit of the SMEs.

To achieve this, the Council has embarked on a number of key initiatives to institute infrastructure that is conducive for SME development.

Common Definitions of SMEs for Targeted Development¹

Before the formation of NSDC, there was no standard definition of SMEs. Different agencies defined SMEs based on their own criteria, usually benchmarking against annual sales turnover, number of full time employees and/or shareholders funds. For example, the Small and Medium Industries Development Corporation (SMIDEC) defined SMEs as enterprises with annual sales turnover not exceeding RM25 million and full-time employees not exceeding 150. For Bank Negara Malaysia, SMEs were defined as enterprises with shareholders funds of less than RM10 million.

The absence of a standard definition prevented the collection and compilation of SME data for assessment of development needs and business performance across the economic sectors.

To assist in better identification of SMEs across all sectors and for more effective targeting of SMEs with respect to the design of policies and programmes, the Council introduced the definitions for SMEs in the manufacturing, manufacturing related services, primary agriculture and services sector in 2005.

Having a common basis for defining SMEs will facilitate identification of SMEs in the various sectors and subsectors and will enable more effective targeting of SMEs with respect to the design of future development policies and support programmes and provision of technical and financial assistance. The criteria used in defining SMEs are based on annual sales turnover and number of employees of the SMEs. A broad definition of SMEs is provided, along with specific definitions for micro, small and medium enterprises.

For wider coverage, businesses are considered an SME as long as they meet either the threshold set for annual sales turnover or in terms of number of full-time employees.

¹ The Guideline on 'Definitions of SMEs in Malaysia' was issued by the Secretariat, Bank Negara Malaysia on 13 September 2005 for circulation to Ministries and Agencies, as well as financial institutions.

Approved SME Definitions in terms of Annual Sales Turnover

Size	Primary Agriculture	Manufacturing (including Agro- Based) & Manufacturing-Related Services	Services Sector (including ICT)
Micro	Less than RM200,000	Less than RM250,000	Less than RM200,000
Small	Between RM200,000 & less than RM1 million	Between RM250,000 & less than RM10 million	Between RM200,000 & less than RM1 million
Medium	Between RM1 million & RM5 million	Between RM10 million & RM25 million	Between RM1 million & RM5 million
SME	Not exceeding RM5 million	Not exceeding RM25 million	Not exceeding RM5 million

Approved SME Definitions in terms of Full-Time Employees

Size	Primary Agriculture	Manufacturing (including Agro-Based) & Manufacturing-Related Services	Services Sector (including ICT)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 & 19 employees	Between 5 & 50 employees	Between 5 & 19 employees
Medium	Between 20 & 50 employees	Between 51 & 150 employees	Between 20 & 50 employees
SME	Not exceeding 50 employees	Not exceeding 150 employees	Not exceeding 50 employees

The availability of relevant and timely information on SMEs, including their operational conditions, financial status and development requirements, is important to facilitate better policy formulation in promoting SME development.

Establishment of a Comprehensive National SME Database

Previously, there was no centralised national database that collected and disseminated comprehensive information on SMEs. Data on SMEs was limited to those in the manufacturing sector and those that voluntarily submit their information to the relevant agencies. It was, therefore, difficult to gauge the present stage of development of the SMEs as well as their financial condition and needs, which are critical inputs to facilitate formulation of effective policies to support SMEs.

It is recognised that the availability of relevant and timely information on SMEs, including their operational conditions, financial status and development requirements, is important to facilitate better policy formulation in promoting SME development. Therefore, the Council approved the establishment of comprehensive National SME Database by the Department of Statistics Malaysia (DOS). The database will provide policy makers with

relevant and timely information to monitor developments in the SME sector including their operational conditions, financial status and development requirements.

The first phase in the set-up of the database involved the conduct of a nationwide census across all establishments in the manufacturing, agriculture and services sector by DOS in March 2005. Information compiled from the census will serve as baseline data in the setting-up of the National SME Database. The census concluded in March 2006 and findings of the census are discussed in detail in Chapter 2 and Chapter 6 of the Report.

SME Policy Formulation and Evaluation Framework

In view of the extensive number of SME programmes undertaken by various Ministries and agencies, it is important to ensure that the programmes are comprehensive and implemented in a coordinated and effective manner. To achieve this, the SME Policy Formulation and Evaluation Framework has been adopted to enhance the effectiveness of all Government SME policies and programmes, as well as monitor the implementation and outcomes of these programmes.

The framework involves the identification of broad strategic priorities and targets for SME development, as well as the establishment of comprehensive key performance indicators to monitor and evaluate effectiveness of SME development programmes by all Ministries and Agencies involved in SME development.

This resulted in the formulation and endorsement of the National SME Development Blueprint 2006 (Blueprint 2006). The Blueprint 2006 provides a clear statement of the Government's strategic intent, focus and key programmes for SMEs, and it also lays out plans to assess and evaluate the effectiveness of Government programmes for SMEs on an annual basis.

Details on the National SME Development Blueprint 2006 are provided in Chapter 7.

