December 2020

SME NEWSLETTER

Volume XI

Table of Contents

Table of Contents

Message from the Chairman

My dear colleagues:

It is my pleasure to present to you the latest “SME Newsletter”, Volume XI for 2020. This publication is a compendium of relevant news, reports, analyses and institutional views, many of them abbreviated, concerning the SME sector in the Asia Pacific region.

The year 2020 has been dominated by the Covid pandemic’s negative impact on the region. Whole economies have suffered high hospital occupancies, deaths, slowdowns, lockdown and even business paralysis. In some countries, such as Taiwan, the economic damage was negligible, while in others, such as India and Pakistan have experienced lockdowns affecting the businesses’ financial conditions and individual citizens’ daily life.

Central Banks have taken active role in financing or encouraging banks to finance SME and issuing grants and in many cases asked banks to be lenient with debtors on their payment schedules.

This newsletter is extensive and covers almost all the major Asia Pacific countries, so readers might be able to have a clearer regional view of the current economic situation.

We hope that government policies will help SME overcome this tragic year. Now, more than ever, the importance of SME becomes relevant as an engine of growth and employment during this challenging times. So please grab a seat, and immerse yourself on a very comprehensive view of the SME environment in Asia.

George Abraham
Chairman of SME Development Council
CACCI

Asia: SMEs suffered losses as high as US$70,000 due to increased FX Fluctuations

East & Partners, September 2020

The research results of Oriental Partners, a financial institution research company, pointed out that 64% of the interviewed companies admitted that they suffered at least one foreign exchange loss from mid-February to mid-August this year, indicating that this is a common problem. The amount of loss ranges from US$1,000 to US$71,400, which means that the average amount of each loss is about US$11,500.

Powers of SME Development Agency of Azerbaijan enhanced

Azernews, Trend, 23 November 2020

KOB

Azərbaycan Respublikasının
Kiçik və Orta Biznesin
İnkişafı Agentliyi

President of Azerbaijan Ilham Aliyev signed a decree amending the order 'On ensuring the activities of the Agency for the Development of Small and Medium Business of Azerbaijan', Trend reports.

This amendment enhanced the powers of the Small and Medium Business Development Agency of Azerbaijan.

According to the decree, the issuance of normative documents in cases and in the procedure provided for by regulatory legal acts is also included in the list of the agency's responsibilities.

Azerbaijan: Cabinet of Ministers approves procedure for financing MSMEs development projects

Azernews, Trend, 7 October 2020

The ‘Procedure for financing educational, scientific, and research projects related to the development of micro, small and medium-sized enterprises (MSMEs) dated September 30, 2020, was approved by the decree of the Azerbaijani Cabinet of Ministers, the Small and Medium Business Development Agency of Azerbaijan told Trend.

The agency said that this document determines the procedure for financing educational, scientific, and research projects related to the development of SMEs in the country.

“Financing of projects on the development of SMEs will be carried out by the agency following Azerbaijan’s Law on grants. Funding for projects will be determined through competitions held by the agency. Competitions will be held on educational, scientific, and research projects,” said the message.

According to the agency, any legal entity or individual engaged in entrepreneurial activity is entitled to participate in the competition. The announcement of the competition and information on its results will be regularly published in the media, as well as on the agency's official website - www.smb.gov.az.

“The implementation period for projects submitted for the competition must not be less than 3 months and no more than 12 months. The cost of financing for each project is set at up to 20,000 manat ($11,764). Competitive selection of projects will be carried out by the agency in compliance with the principles of transparency, equality, efficiency, and priority of performance criteria,” noted the message.

“Following the decree, financing educational, scientific and research projects on development of SMEs will have a positive impact on the development of SMEs in

Azerbaijan, including the implementation of new mechanisms and innovative projects in this area, support for start-up projects, participation of SMEs in training programs, seminars, consultations, information exchange, increasing knowledge and skills, introducing scientific knowledge on SMEs. Inventions, utility models that affect the activities of entrepreneurs, business processes, scientific study, and research of technological innovations and industrial designs will be important in terms of expanding ties with educational institutions in this direction," the message said.

Bangladeshi SME sector in dire need of support

Daily Star, Star Business Report, 25 September 2020

Analysts call for better policy and access to finance

About one-third of the human resources engaged in the SME sector are women who barely enjoy any policy incentives. Photo: Star/file

Increased policy support and smooth accesses to finance are needed on an emergency basis to help small and medium enterprises (SMEs) cope with the ongoing coronavirus pandemic, various experts suggest.

"A lack of access to formal financing has been identified as a major obstacle to the survival and expansion of SMEs in Bangladesh," said Atiur Rahman, a former governor of Bangladesh Bank.

Besides, many SMEs have suffered tremendous setbacks in terms of production, marketing and sales amid the Covid-19 crisis.

Rahman made these remarks while presenting a keynote paper at an international webinar styled "The Pandemic and SMEs: Shock-absorbing policy measures and future debates, impacts in Bangladesh and lessons from responses around the World".

The event, jointly organised by the Small and Medium Enterprise Foundation (SMEF) and Friedrich-Ebert-Stiftung (FES) Bangladesh, was held on September 24, 2020.

Shibli Rubayat Ul Islam, chairman of the Bangladesh Securities and Exchange Commission (BSEC), said SMEs account for 25 % of the country's GDP but only one-third of the total workforce engaged in the sector were females due to its lack of policy incentives for women.

Islam, who moderated the discussion, referred to the Bangladesh Bureau of Statistics when he went on to say that the country was currently home to about 7.8 million enterprises of all sizes, of which a staggering 6.8 million were cottage enterprises.

The second largest group were SMEs with over 8.66 lakh small and medium sized firms, making up just a little over 11 % of the total number of companies.

The SME sector generates 30 % of the total employment in the country as well. Small enterprises account for 27 % while medium enterprises add the remaining 3 %.

Almost 23,000 small enterprises and around 3,000 medium enterprises are involved in exports either directly or indirectly, Islam said.

Bangladesh Bank's positive attitude towards promoting the SME sector has been well reflected in the SME financing trend since the beginning of this decade, he added.

But while the country's SMEs have witnessed commendable growth over the past 10 years, new barriers to the sector's expansion have risen, said former central bank governor Rahman.

Industries Minister Nurul Majid Mahmud Humayun said during these difficult times, it was important to ensure that jobs stayed secure and businesses sustainable.

This includes protecting the livelihoods of workers who are most vulnerable to the adversities of the coronavirus fallout and those performing silently in the informal economy.

"The SMES are in serious trouble due to the Covid-19 crisis," Humayun added.

The industries minister also informed that the government has already taken some policy measures to help SMEs cope with the "new normal" and declared that it would provide some incentives to SME entrepreneurs as well.

This initiative will certainly widen up the opportunities to address the sufferings of SME entrepreneurs around the world and Bangladesh in particular, Islam said.

M Abu Eusuf, professor of economics at the University of Dhaka, said various SMEs suffered drops in both demand and supply due to the pandemic.

To address this issue, he suggested that the government implement policy changes that encourage SMEs to shift their operations online.

According to the professor of economics, start-ups in the SME sector should get easier access to finance while a special bank for SME and women entrepreneurs is required.

Arijit Chowdhury, the additional secretary to Financial Institutions Division (FID), said his organisation was at the final stages of preparing a strategy to resolve the access to finance issue for SMEs.

Besides, the sector will get focus in the national financial inclusion strategy which is being formulated.

The FID is trying to support the SME sector and take its development to the next level, he added.

Momtaz Uddin Ahmed, another professor of economics at the University of Dhaka, suggested that a survey on SMEs be immediately conducted to identify challenges to their businesses and find solutions.

As per the findings, necessary support could be provided to help the sector survive, he added.

Md Masudur Rahman, chairperson of the SME foundation, Md Safiqul Islam, managing director of SME Foundation, and Tina Blohm, resident representative of FES Bangladesh, were among others to speak at the webinar.

Bangladesh: SME sector needs policy support to create more employment: experts

The Daily Star, Chattogram, 16 September 2020

BBF SME Digital Summit 2020 held

The country's small and medium enterprises (SMEs) sector needs policy support from the government to create more employment and thus boost its contribution to the economy, said experts at a webinar on September 16, 2020.

The webinar titled BBF SME Digital Summit 2020 was held on Zoom, organised by Better Bangladesh Foundation in association with BBF-Global with the aim to focus on promoting SMEs for sustainable economic growth in Bangladesh.

SME Foundation Managing Director Shafiqul Islam said at the programme that enhanced employment would be ensured if SME sector is developed properly.

He underscored the need for adopting strategies based on the development of the SME sector so that more employment could be created, which would play a vital role in revamping the country's economy in the post-pandemic era.

Planning Minister MA Mannan, who was the chief guest at the programme, ensured all-out policy support from the government in this regard.

Palli Karma Sahayak Foundation (PKSF) Chairman Dr Qazi Kholiquzzaman Ahmad was among the special guests.

Brac Bank Limited Managing Director Selim RF Hussain delivered the key-note speech at the programme moderated by Masud A Khan, chairman and CEO of Better Bangladesh Foundation.

BASIS Senior Vice President Farhana A Rahman, SBK Tech Ventures Founder Sonia Bashir Kabir, Ayat Foundation CEO Nusrat Feroz Aman, BBF Global CEO Rafiq Khan, BBF Global MD Sazzad Rashid and Channel-I Programme Manager Raju Alim were among the panel discussants.

Other speakers at the webinar included Mantasha Ahmed, president of the Association of Fashion Designers of Bangladesh; Barrister Niti Sanjana, an advocate of Bangladesh Supreme Court and Sk Md Tarikul Islam, a representative of UK-based Hoda Vasi Chowdhury and Co.

Brac Bank Ltd. joined the virtual summit as gold partner, Daraz Group as second gold partner and SME Foundation as strategic partner of the event.

The Daily Star and Channel-I were media partners while BNO Lubricant joined as corporate partner.

Practical ideas for MSMEs on how to recover from the COVID-19 pandemic in Cambodia

Modern Diplomacy, 12 October 2020

The Ministry of Industry Science Technology and Innovation (MISTI) and the United Nations Industrial Development Organization (UNIDO) have jointly published guidance for micro, small and medium enterprises (MSMEs) on recovery from the COVID-19 crisis in the Khmer language. The materials are based on the guidance notes, factsheets and checklists in UNIDO's Responding to the COVID-19 Crisis.

Photo: UNIDO

The launch event, presided over by Cham Prasidh, Senior Minister and Minister of MISTI, brought together more than 100 representatives from UNIDO and the Ministry. Prasidh applauded UNIDO for developing and sharing the materials and specifically to the UNIDO Cambodia Country Office for working closely with his team to translate materials into the national language. He said, “The guidelines and technical notes are very useful and valuable materials for MSMEs to use in adjusting business operations in response to COVID-19 pandemic in order to ensure business continuity in the new normal. I strongly admire UNIDO for making these public goods.”

The COVID-19 pandemic has already caused significant economic losses to the world including Cambodia and major economic sectors such as garment, tourism and investment have been infected. In response to this situation, UNIDO developed and launched ‘Build Back Better’ materials in June 2020.

Narin Sok, UNIDO’s Country Representative, said that materials provide practical ideas for enterprises on where to begin and how to continue on a path of recovery, while also strengthening business continuity planning processes. He expressed UNIDO’s continued support for the Royal Government of Cambodia and MSMEs through UNIDO’s current and upcoming projects and programmes to develop and implement the economic recovery plan during the COVID-19 crisis.

Cambodia: WorldBridge's SME cluster zone breaks ground in Takhmao town

The Phnom Penh Post, Hin Pisei, 30 November 2020

WorldBridge i4.0 SME Cluster zone is located on 6 hectares in southeastern Takhmao town. Photo supplied

WorldBridge Industrial Developments Co Ltd on November 27 broke ground on its long-awaited WorldBridge i4.0 SME Cluster zone in Kandal province.

Speaking at the ceremony, WorldBridge Group's founding chairman Sear Rithy said the project was designed to bring together the Kingdom's small and medium-sized enterprises (SMEs) by optimising management of and providing assistance in interrelated and complementary competitive business processes.

"We are undertaking the project to serve existing SMEs at a suitable location and accelerate their production and productivity. We also want to attract SMEs from abroad to connect with local ones," he said.

The project is located along National Road 21 on 6 hectares in Rokar Khpos commune's Koh Kor village in southeastern Takhmao town, the provincial capital.

This is across from the "Satellite Serei Mongkul City" affordable housing project, which is under development by WorldBridge Homes Co Ltd, another of WorldBridge Group's subsidiaries.

Rithy said the project will require investment in the order of $28-30 million and will be expanded if the demand for SME clustering dictates.

Slated to be completed in eight months, he said the SME cluster park is divided into seven sections that include a general service centre, an industrial equipment support centre that is flexible and easy to engage with, infrastructure installations and a logistics service centre.

“By formally investing in standardised services and reliable infrastructure for SMEs, the production line can really boost value-added, create human resources, save time, promote a mindset conducive to innovative production, perk up quality and enhance cost-effective management,” Rithy said.

At the event, Minister of Industry, Science, Technology and Innovation Cham Prasidh said SMEs must embrace the technologies associated with the fourth industrial revolution and integrate them into their production in the cluster park.

He said: “We’ve set up the industrial cluster park to support and orient SMEs toward exporting goods to the world market.

“The industrial park is essential for them to churn out more exports and match market demand, and if they lack capital, the government has the capacity to lend via the state-owned financial institution Small and Medium Enterprise Bank of Cambodia Plc [SME Bank].

“We are pulling out all the stops to motivate them to bring the latest technology into the industrial cluster park for production and exports to satisfy market demand.”

Federation of Associations for Small and Medium Enterprises of Cambodia (Fasmec) president Te Taingpor said SMEs are vital engines of economic development and that SME cluster zones will provide them with the technology they need at each step of production chain.

“The SME cluster park will enable the sector to keep pace with those of neighbouring countries, as well as businesses shaped by Industry 4.0,” he said.

Through integration into the project, he said SMEs will find it easier to formulate their technical standards in compliance with domestic and international markets.

Hong Kong tycoon and International Chamber of Commerce adviser calls on G20 to cooperate to save SMEs amid pandemic

South China Morning Post, Denise Tsang, 14 November 2020

Businessman and International Chamber of Commerce adviser Victor Fung says governments should do more to help SMEs survive the pandemic. Photo: Edward Wong

Businessman Victor Fung says boosting trade-related finance would be a low-risk means of providing stimulus to small and medium-sized enterprises

G20 leaders met for an online summit later in November.

The International Chamber of Commerce, to which prominent Hong Kong businessman Victor Fung Kwok-king is a top adviser, has urged the Group of 20 to take urgent action to avert the risk of small and medium-sized enterprises (SMEs) worldwide going under amid the economic fallout of the Covid-19 pandemic.

The chairman of the family-owned Fung Group, who also co-chairs a high-level advisory group to the world's biggest business chamber, said in an interview that coordinated efforts among governments were needed to boost trade-related finance, a proven low-risk means of providing fresh stimulus to cash-strapped SMEs.

The International Chamber of Commerce, a global network of more than 6 million companies and business groups in more than 130 countries, was pressing the Group of 20 nations to act ahead of a meeting of state leaders for an online summit on November 21 and 22.

US President Donald Trump (left) and Chinese President Xi Jinping were among those attending a virtual G20 summit in November. Photo: AP

"During the 2008 global financial crisis, we made a call to G20 leaders to make trade finance available before they met in London in 2009 … [and] the world averted a major crisis," Fung said. "Fast forward to today, it is hard to get liquidity for SMEs. The situation is slightly different in that banks have liquidity, however, they are reluctant to lend, primarily because of credit issues. It is an effort to galvanise the world to recognise the crisis before the world can restart the global economy."

He added that governments should come together in a coordinated effort by providing export credit through banks.

State leaders of the G20, such as outgoing US President Donald Trump and Chinese President Xi Jinping, met virtually at the G20 meeting hosted by Saudi Arabia as the world battles the pandemic.

At present, the world has recorded at least 52 million Covid-19 infections and around 1.2 million related deaths, with the US and Europe among the worst hit. Hong Kong has logged more than 5,400 infections, and 108 related fatalities.

Covid-19's toll on the world's economy has been so severe that it prompted the International Monetary Fund to forecast a deep recession, with a 4.4 %

contraction projected for the world's gross domestic product in 2020 following the 2.8 % growth posted in 2019.

The fund said in its blog that there had been nearly US$12 trillion in global fiscal support, plus interest rate cuts, liquidity injections and asset purchases by central banks in an effort to save lives and livelihoods, but more should be done for a sustained recovery.

Fung said Hong Kong fared relatively well under the government's measures to release liquidity into the market through banks and a statutory body helping export finance, the Hong Kong Export Credit Insurance Corporation.

According to the city's de facto central bank, the Hong Kong Monetary Authority, the total loans from banks jumped by 6.2 %, or HK$650 billion, from the end of December last year to HK$11 trillion at the end of September. These loans were partly used for financing imports, exports and re-exports from Hong Kong.

It also showed the overall credit line granted by banks to SMEs jumped by HK$8 billion during the same nine-month period.

"We are doing a lot better than other countries," Fung said.

Loans extended by banks have jumped in the first nine months of the year, according to the Hong Kong Monetary Authority. Photo: Shutterstock

To ride out the recession, he added, Hong Kong needed to tap the emerging economies of its Greater Bay Area cohort – including Macau, Shenzhen and eight other cities in Guangdong – as well as the 10-member Association of Southeast Asian Nations (ASEAN).

The Asian focus reflected the uncertainty in pandemic-hit Europe and the ongoing tensions between Washington and Beijing, he said.

"What we need to do is think of the Greater Bay Area and Asean; when we put the two together, Hong Kong is at the centre of that region and has the ability to thrive," he said.

China: Ant Group launches blockchain based platform to help SMEs with cross-border trade

South China Morning Post, Jane Zhang and Celia Chen, 25 September 2020

Banks have long-touted blockchain as a means of improving the efficiency and security of cross-border trade and finance.

Ant Group, China's largest digital payments provider by volume, has launched a blockchain-backed smart contract platform for cross-border trade by small and medium enterprises (SMEs), helping them and banks to speed up the secure processing and settlement of orders.

Ant, the operator of mobile payments app Alipay, launched Trusple at the INCLUSION Fintech Conference in Shanghai.

"Just like when Alipay was introduced in 2004 as the online escrow payment solution to build trust between buyers and sellers, with the launch of AntChain-powered Trusple, we look forward to making cross-border trading safer, more reliable, and more efficient for buyers and sellers, as well as for the financial institutions that serve them," said Jiang Guofei, president of the advanced technology business group of Ant.

Blockchain is a distributed database where every participant shares and synchronises information. The data, maintained in chained records called "blocks", is not owned by any single authority. The decentralised design enables it to be transparent and tamper-resistant. Modifications by one party need to be verified by all others.

Banks have long-touted blockchain as a means of improving the efficiency and security of cross-border trade and finance, by reducing the expense and time around processing and settlement, expediting customs procedures, improving supply chain management and helping with the detection of illicit trade flows.

An employee works at a reception counter in the lobby of the Ant Financial headquarters in Hangzhou, China, October 17, 2019. Photo: Bloomberg

Trusple leverages technologies including AI, the Internet of Things (IoT), and secure computation to help with some of these problems. It is an open platform, and companies can sign up for it on the official website.

Buyers and sellers can generate a smart contract on Trusple via uploading a trading order. As the order is executed, the smart contract is automatically updated with key information, such as order placements, logistics, and tax refund options. And banks can automatically process the payment settlement through the smart contract.

Trusple has partnered with BNP Paribas, Citibank, DBS Bank, Deutsche Bank and Standard Chartered Bank. Ant has been investing in blockchain research and development since 2015, and this is the latest exploration of the technology's commercial potential by its blockchain unit AntChain.

Successful transactions on Trusple will also enable SMEs to build their creditworthiness, making it easier for them to obtain financing services from financial institutions, according to Ant.

The first transaction on Trusple was completed this month during its pre-launch testing period. Glass crystal ornaments seller Jing Yuan sold products to Mexico and was able to receive payment the next day via Trusple. The same process previously required at least a week, Ant said in the statement.

As of mid-May, China held 19 % of the world's total of 3,924 blockchain patents, ranking No. 3 after the US and South Korea. Ant's payment app Alipay held the most of any individual company, with 212 patents, according to a report compiled by the China Patent Protection Association.

At the end of 2019, China's President Xi Jinping publicly endorsed blockchain technology and highlighted dozens of use cases – credit, health care, anti-counterfeiting, food security and charities – many of which have suffered in China due to security lapses.

He also said that developing blockchain would "help China gain an edge in the theoretical, innovative and industrial aspects of this emerging field."

The launch of Trusple comes as Ant prepares for a simultaneous mega initial public offering (IPO) in Hong Kong and Shanghai. While the exact amount of funds raised has not been finalised, the IPO - at an estimated US$30 billion - is likely to break the record held by Saudi Aramco's US$29.4 billion IPO in December 2019 as the world's largest stock market debut.

Alibaba, which owns South China Morning Post, has a one-third share in Ant Group but does not control it.

IFC invests $35 mln in Prime Bank to help Bangladeshi SMEs continue their operations

The Financial, 2 November 2020

The International Finance Corporation (IFC) is helping to preserve thousands of jobs in Bangladesh through an investment in Prime Bank Limited to support small and medium enterprises (SMEs) and companies affected by the COVID-19 pandemic. A $35 million loan from IFC to Prime Bank will provide critical working capital to help SMEs continue their operations.

SMEs comprise over 90 % of businesses in Bangladesh and employ over 20 % of the adult population.

The financing package is part of IFC's $8 billion global COVID-19 fast-track financing facility, aimed at helping companies stay afloat during the ongoing public health crisis. This investment comes under the Working Capital Solutions (WCS) program of the COVID-19 response envelope, which provides $2 billion globally to emerging-market banks, enabling them to support struggling firms. The International Development Association's Private Sector Window (IDA PSW) Blended Finance Facility is also supporting IFC's WCS program with a first-loss guarantee of up to $215 million in eligible countries, including Bangladesh.

"This new investment from IFC will allow us to extend critical working capital, trade finance and forex liquidity to affected businesses," said Rahel Ahmed, Managing Director and CEO of Prime Bank. "This fresh fund injection will enable us to lend a helping hand, particularly to export and import-based SMEs and other corporate clients, and thousands of suppliers and employees who depend on these businesses."

Prime Bank has been an IFC client since 2014. Prime Bank is one of the leading private-sector commercial banks in Bangladesh.

"This is an unprecedented crisis that the world is facing and we need all hands on deck to navigate the public health crisis and the resulting economic challenges," said Rosy Khanna, IFC Regional Industry Director, Financial Institutions Group – Asia and Pacific. "Small and medium enterprises are key not just in terms of overall contribution to GDP but also in terms of job creation—and the impact of the pandemic on them has to be addressed."

Hong Kong government raises loan cap for SMEs, extends repayment period to alleviate Covid crisis

South China Morning Post, Iris Ouyang, 15 September 2020

The maximum loan for SMEs has been doubled to 12 months of employee wages and rents

The maximum repayment period of loans has been extended by two years

The Hong Kong government has made changes to its SME loan guarantee programme to help struggling firms. Photo: Bloomberg

The Hong Kong government has once again come to the aid of the city's small and medium-sized enterprises as the city struggles with its worst recession on record amid the coronavirus pandemic.

As part of enhancements to its financing guarantee programme for SMEs, the maximum amount of loans has been doubled for eligible firms and the repayment period extended by two years starting from September 18, 2020.

Under the SME Financing Guarantee Scheme, small businesses can now avail of loans amounting to employee salaries and rents for 12 months from the previous six months, or HK$5 million (US$645,160), whichever is lower, HKMC Insurance, a wholly owned subsidiary of the Hong Kong Mortgage Corporation said.

The scheme allows the Hong Kong government to provide financing guarantees for SMEs to get loans from banks.

The maximum repayment period for loans under the scheme has been increased to five years from three, while the size of loan the guarantee commitment has been increased to HK$70 billion from HK$50 billion.

"Borrowers with existing loans under the Special 100% Loan Guarantee can apply to their lending banks for increasing the loan amount and/or extending the repayment period if they deem appropriate, and in general no additional supporting documents will be required," HKMC Insurance said.

The new aid to small businesses comes after the city's economy shrank 9 % in the second quarter, extending a recession for four straight quarters.

Banks have voiced their support for the programme. Bank of China (Hong Kong) said it fully supports HKMC Insurance's new measures, which will help to relieve the cash flow pressure on SMEs. The bank said it has approved more than 4,700 loans worth HK$7 billion under the scheme so far.

Standard Chartered also said it will actively support the new measures and continue to provide aid to its SME clients.

The government is going all out to help SMEs, which are among the biggest job creators in the city, to relieve financial pressure on these companies and minimise bankruptcies and lay-offs. Earlier this month, the Hong Kong Monetary Authority, the de facto central bank, had instructed banks to extend their loan repayment holidays for small businesses for another six months until April 2021.

Any manufacturing business with fewer than 100 employees, or any non-manufacturing business with fewer than 50 people, can be defined as an SME.

Uttar Pradesh among top 5 in MSME employment generators amid Covid-19 in India

Business Standard, 4 November 2020

Uttar Pradesh has found a place among top five states of the country for providing employment to Micro, Small and Medium Enterprises (MSMEs) during Corona pandemic.

In a recent report of Reserve Bank of India (RBI), Uttar Pradesh has secured a place ahead of Karnataka, Rajasthan, Delhi, Haryana and Telangana in the list of top 10 states.

The states ahead of Uttar Pradesh are Madhya Pradesh, Gujarat, Tamil Nadu and Maharashtra.

"The Uttar Pradesh government not only managed the return of about 40 lakh migrants from all over the country but also took up the onerous task of providing them employment," the government spokesman said.

"In a first, the state government did skill mapping of about 20 lakh migrant labourers/ workers to enable them get job as per their skill set," he added.

The state government also signed MoUs with various industries for creation of 11 Lakh jobs within a year. While FICCI and IIA will account for three lakh jobs each, realtors' body NARDCO and the Laghu Udyog Bharti have agreed to provide jobs to 2.5 each to migrant labourers.

The state government set up new MSME units and is facilitating the distribution of loans to entrepreneurs for this. A new portal 'Sathi' was also launched to help entrepreneurs set up new units.

The government also plans to set up 1,000 new units across the state in its efforts to generate more employment and also help people learn entrepreneurial skills, the spokesman said.

As many as 90 lakh MSMs are functional in the state and the sector has been projected as the new growth engine for economic development of the state.

The ambitious scheme of One District One Product (ODOP) under MSME in UP has emerged as a game changer in the times of the pandemic.

Under ODOP, the products of 75 districts are being promoted and sold nationally and internationally on online platforms like Amazon and Flipkart.

As a result, the small districts like Jaunpur, Etah, Pilibhit, Mirzapur and Pratapgarh have become centres for employment due to successful implementation of ODOP.

Government forms five task forces to make Indian MSMEs future-ready: Secy

Zee Business , Sep 26, 2020

The government has constituted five task forces to make India's micro, small and medium enterprises future-ready and formulate a concrete strategy towards making the country a leading exporter, a top government official. MSME Secretary AK Sharma expressed confidence that it would be on the path of implementing the futuristic initiatives by the start of 2021.

"We have formed five ministerial task forces which will be headed by our key officers. These five task forces would work for a month in five key areas where we feel that the industry of the country and particularly the MSME sector should head towards," Sharma said at a virtual session organised by FICCI.

He added that one of the five areas identified is Industry 4.0, including elements like artificial intelligence, 3D and virtual reality, and this task force has been formed with the objective of making India a global leader in Industry 4.0.

"With this mission and objective, the task force would work for a month, get the best practices of the world, get the inputs of experts and come back to the ministry with concrete strategy and action points within a month," the secretary said.

Sharing details on the other task forces, he said the second area is export promotion and import reduction, including how to focus in the key manufacturing areas, how to improve our quality standards, designs and technology, packaging.

The final objective is to see that India becomes a global manufacturing hub and a leading exporter in the world.

The third is how to re-engineer vertically and horizontally our existing cluster schemes so that they are able to assist the grass-root and the micro-level enterprises as well as the high-end enterprises, Sharma said.

The Secretary said the fourth task force will focus on how to integrate our technology centres.

The fifth task force will explore interventions to align various modernisation schemes like ZED (zero defect and zero effect) and LEAN (for manufacturing competitiveness), as well as other schemes related to design, intellectual property rights and marketing scheme.

By the beginning of 2021, we would be on the path of implementing these futuristic initiatives, the secretary said.

TDS relief expected for MSMEs transacting through e-commerce platforms in India

[The Hindustan Times](), Rajeev Jayaswal, 20 September 2020

The tax exemption limit could be increased from the existing Rs 5 lakh for small businesses

The government is considering providing relief to micro, small and medium enterprises (MSMEs) hit by the coronavirus pandemic, sparing them from a 1% tax on gross sales through e-commerce platforms, which took effect on October 1, officials said.

Besides raising the current limit of Rs 5 lakh, other relief under consideration for small units include extending the October 1 deadline, and computation of TDS after deducting GST and commission to the e-commerce platform instead of gross sales value.(Representational Photo)

The tax exemption limit could be increased from the existing Rs 5 lakh for small businesses. The tax deducted at source (TDS) mechanism would continue to check tax evasion by entities using e-commerce platforms to sell goods and services, two officials working in different ministries said, requesting anonymity.

"The provision has been introduced in the Budget 2020-21 to make e-commerce transactions tax-compliant. Hence it has a clause related to PAN [permanent account number] or Aadhaar number," one of the officials said.

Finance minister Nirmala Sitharaman, in her budget speech on February 1, 2020 introduced a TDS mechanism for e-commerce transactions. "In order to widen and deepen the tax net, it is proposed to provide that e-commerce operators shall deduct TDS on all payments or credits to e-commerce participants at the rate of 1% in PAN/Aadhaar cases and 5% in non-PAN/Aadhaar cases," she said.

"In order to provide relief to small businessmen, it is proposed to provide exemption to an individual and HUF [Hindu Undivided Family] who receives less than Rs 5 lakh and furnishes PAN/Aadhaar," Sitharaman said. The budget provision was is effective from October 1.

The industry, particularly MSMEs, have submitted to the government that the TDS mechanism would be an additional burden on them as TDS will be deducted on gross sales amount that also include the commission to the e-commerce platform, the second official said.

"Besides, it will be tax on tax as the gross sale value would also include Goods and Services Tax (GST). Thus, their already wafer-thin profit margin would shrink further and they will be dissuaded to transact online," he said.

Besides raising the current limit of Rs 5 lakh, other relief under consideration for small units include extending the October 1 deadline, and computation of TDS after deducting GST and commission to the e-commerce platform instead of gross sales value, the officials said.

Vinod Kumar, president of the India SME Forum, said: "E-commerce platforms are emerging marketplaces for MSMEs. They provide another alternative to small units to sell their produce to a wider customer base. It should be encouraged. Therefore, the government may revisit the TDS policy."

Experts say that e-commerce platforms have the potential to revive MSMEs that contribute about 30% of country's gross domestic product (GDP). Nilaya Varma, co-founder and CEO of consulting firm Primus Partners, said: "Even amidst the

Covid-19 crisis, MSME segment is driving the hopes of the nation to bring it back on the path to recovery. Given financial strain and the already thin margins that the MSME segment works on, further exacerbated bythe pandemic, it is ideal for the government to defer any measures which can strain cash flows for such players, for at least a year," Varma said.

Divakar Vijayasarathy, founder and managing partner of consulting firm DVS Advisors LLP said the Rs 5 lakh limit is very low even for micro entities.

"The said provision would impact the small players dealing with products with lower margins such as FMCG [fast moving consumer goods] suppliers where the gross margins are 10% or lower, since it is on the gross sale value including GST. Both their working capital as well as the cash profit would be impacted," he said.

"The impact would be inversely proportional to the margins i.e. lower the margins, higher would be the impact. The limits should be increased substantially to give relief to the small traders," he added.

The MSME sector contributes 37% of manufacturing output in India and provides employment to more than 111 million people; it also accounts for about 50% of India's goods exports.

SIDBI launches portal to help Indian MSMEs

The Hindu Business Line, 30 November 2020

Small Industries Development Bank of India (SIDBI) said it has launched a web portal to help micro, small and medium enterprises (MSMEs) take benefit of the Reserve Bank of India's one-time debt restructuring.

In August, RBI had announced one-time restructuring for personal and corporate borrowers affected by Covid-19-related stress.

With the help of this Do-It-Yourself (DIY) asset restructuring web module, MSMEs will be able to prepare restructuring proposals by keying in only the most essential data of their past financials, future projections and restructuring requirement, SIDBI said in a release.

The proposal prepared can be submitted online to the banks, and reports can also be generated for submission to banks through e-mail or in hard copies.

“We have developed this module in collaboration with our associate, India SME Asset Reconstruction Company (ISARC), which is an asset reconstruction company (ARC),” SIDBI Deputy Managing Director Manoj Mittal said in the release.

To provide handholding support to MSME units seeking restructuring, credit counsellors have been placed in 20 MSME cluster locations in partnership with local MSME industry associations, he said.

The portal has been tested by some of the banks for use by their MSME clients.

Punjab National Bank and Indian Bank have already agreed to accept restructuring proposals generated by their MSME customers using this module, the release said.

The module is being offered free of cost as part of Sidbi’s developmental initiatives.

A memorandum of understanding (MoU) to this effect was signed between SIDBI and Indian Bank in the presence of Indian Bank MD & CEO Padmaja Chunduru, it said.

BSE signs MoU with ICCI to support Indian SMEs, start-ups in listing

The Hindu Business Line, 24 October 2020

Stock exchange BSE said it has signed an agreement with Inventivepreneur Chamber of Commerce and Industries (ICCI) to support small and medium enterprises (SMEs) and start-ups, and promote their listing on the exchange.

Through this association, ICCI will offer assistance in evaluating SMEs and start-ups for listing on BSE SME board, BSE said in a statement.

Besides, it will also sensitise the investor network about listed SMEs and start-ups.

ICCI will offer industry connections to respective BSE start-ups globally and support entrepreneurship nationwide through knowledge transmission on government announced programs, acceleration fund, international presence and global business relations, it said.

To make this a real success, ICCI will conduct various networking activities, awareness camps, interactive sessions and business events.

"As India's leading stock exchange, it's our responsibility to support the government's nation-building exercise," BSE SME and Startups Head Ajaykumar Thakur said.

"Through ICCI, we believe more start-ups and SMEs will get adequate exposure on the benefits of listing on an exchange and will be able to comprehend the functioning of the capital market in a better way," Thakur added.

Recently, BSE tied up with Telangana government and SME networking portal GlobalLinker to help MSMEs in raising equity funds.

Fundraising to increase as more Indonesian SMEs SOE subsidiaries go public in 2021: Deloitte

The Jakarta Post, Riska Rahman, 27 November 2020

Fundraising on the Indonesian stock market is expected to increase next year, Deloitte Indonesia has said, as more small and medium enterprises (SMEs) and state-owned enterprises (SOEs) are projected to go public in response to tax cuts and a relaxation of administrative requirements.

The Financial Services Authority (OJK) issued several regulations in 2017 that changed stock listing requirements for small businesses, making it easier for them to go public, Deloitte Indonesia disruptive events advisory leader Joe Lai said during a virtual briefing.

In addition, many SOE subsidiaries plan to float their shares on the market in 2021. "We can't really project how much next year's fundraising will be but we expect the number to rise, especially if state-owned enterprises go through with their IPO [Initial Public Offering] plans,” he said.

Workers maintain the Indonesia Stock Exchange (IDX) building in Jakarta

The Indonesia Stock Exchange (IDX) has recorded a total of US$325 million raised from 46 IPOs this year as of November, with offerings dominated by small and medium-sized companies. The figure was 59 % smaller than that of the same period the year before. Read also: Indonesian bourse sees fewer IPOs this year Several SOEs announced plans last year to take their subsidiaries public, including publicly listed construction companies PT Wijaya Karya (Wika) and PT Adhi Karya.

However, the plans remain on hold indefinitely as a result of the COVID-19 pandemic. Publicly listed toll road operator PT Jasa Marga announced that it was planning to take its subsidiary, property developer PT Jasa Marga Related Business (JMRB), public in the next few years, according to a filing with the IDX. JMRB, the filing stated, was in the early study and preparation phases for the IPO. Joe also expected that Indonesia’s IPO market would remain robust next year despite the continuing impact of the pandemic. The government’s strong push for SOEs to go public and the fiscal stimulus to support the nation’s economic recovery would keep the IPO outlook positive in 2021, Lai said.

The government has allocated Rp 695.2 trillion (US$49.4 billion) for a stimulus package to strengthen the country's response to the pandemic and support the national economic recovery program. It also plans to set aside Rp 365.5 trillion for the recovery program next year, which is expected to have a significant multiplier effect on the economy that could bode well for the market, said Lai. "Further corporate tax reductions for listed companies are also expected to create a favorable impact on the IPO market next year," he said.

The government has lowered the corporate tax rate to 22 % this year from the previous 25 % and will lower it to 20 % in 2021. Listed companies with at least 40 % of their total shares on the market can also enjoy an additional 3 % reduction. Big companies, however, still appear reluctant to seek funding on the stock market over fears that their value could not be absorbed by the local market.

To tackle this issue, Lai suggested that the country deepen its capital markets to absorb large IPOs. Read also: JCI to continue bullish trend until Q1 2021: Analysts "Once we have a deep capital market, big companies will no longer need to conduct dual listings and the IPOs can be fully absorbed by the domestic market," he said. Indonesia recorded more IPOs this year than any other stock exchange in Southeast Asia, its third consecutive year holding the title, according to Deloitte. Twenty more companies are in the bourse's IPO pipeline, IDX assessment director I Gede Nyoman Yetna said on Nov. 19.

The dramatic increase in retail investors throughout Southeast Asia will be a good opportunity for companies to go public, Deloitte Southeast Asia and Singapore disruptive events advisory leader Hwee Ling Tay said. "Given the amount of money floating in the market, an IPO could be an opportunity for companies that are looking for additional funds to expand their businesses," she said.

10 million Indonesian SMEs go digital amid pandemic

The Jakarta Post, 10 November 2020

The number of small and medium enterprises (SMEs) using online platforms for their business has risen to around 10.2 million as the COVID - 19 pandemic speeds up digitalization, a minister has said. The share of SMEs using online platforms relative to the overall number of small businesses thus rose to 16 %, up from 13 per- cent as recorded early this year, said Cooperative and SMEs Minister Teten Masduki.

“This is quite a big improvement,” Teten said in a virtual discussion. “SMEs that successfully adapt to the new con- sumer patterns and create product innovation are expected to get out of this crisis.” With the increase, the government has met its target of having 10 million small businesses uti- lizing online platforms this year.

The country’s small businesses, which account for more than 60 % of gross domestic product (GDP) and employ a majority of the labor force, have been hit hard by the COVID -19 outbreak, as the economy enters into recession following economic contractions recorded in the second and third quarter. At the same time, the rise in online commerce among small businesses has taken place as many consumers avoid visiting bricks-and-mortar stores and move to online shopping platforms to comply with the social-distancing orders during the coronavirus pandemic.

The volume of transactions on e-commerce platforms rose by around 39 % to 383 million in the first and second quarters, according to Tourism and Creative Economy Minister Wishnutama Kusubandio, quoting data from Bank Indonesia. The Tourism and Creative Economy Ministry has launched a movement to promote local cu- linary and fashion businesses as part of the government’s national campaign to promote local prod- ucts.

The movement has led to an increase of 170 % in revenue among participating businesses, according to the minister. “We don’t just move to a digital platform, we also need to learn how to optimize it, carrying out integrated marketing and mentoring on how to raise revenue,” said Wishnutama. Online ride-hailing company Grab Indonesia revealed that its customers were now buying more on GrabFood, its food-delivery service platform, according to managing director Neneng Goenadi.

The online shift has also taken place among sellers, leading to a growth of 153 % in the number of merchants on GrabFood in July and August. “We noticed that consumers have adapted faster to the online move than ever before, suggesting they are getting used to the ease of food delivery,” said Neneng.

“Food delivery will keep growing in the long run. When consumers move online, this gives an opening to the merchants to tap new customers.”

Like other start-ups, Grab In- donesia is partnering with the government to encourage small businesses to go online, aiming to involve over 400,000 SMEs by the end of this year. (dfr)

IBK provides online PR channel for coronavirus-hit local Korean SMEs

The Korea Herald, Bae Hyunjung, 13 October 2020

The Industrial Bank of Korea (IBK) said that it will help local small and medium-sized enterprises promote their products via online channels amid the prolonged market fallout of COVID-19.

The state-run lender, in partnership with the Seoul Business Agency, will hold an online promotion campaign for a selected list of quality SME products.

After receiving applications in May, the bank singled out 10 beneficiaries and created video advertisements that were posted on IBK and SBA's channels on social media platforms such as Facebook, YouTube and Weibo. The YouTube and Weibo versions will respectively feature English and Chinese subtitles, in a move to reach out to potential overseas purchasers.

Also, a special sale called "On Seoul Market" started October 25 on the open market platform Gmarket, offering direct access to customers, according to IBK officials.

"By exposing these selected quality products on these market platforms, we will not only help the public advertisement but also contribute to actual sales," said an official of IBK.

Samsung, LG cooperate in fostering local Korean suppliers

The Korea Times, Anna J. Park, 13 October 2020

Samsung and LG are entering into strategic cooperation to facilitate the growth of small- and medium-sized (SME) suppliers, particularly in the materials, components and equipment sectors. The partnership is aimed at enhancing the competitiveness of their local partners, which in turn will provide a secure technological edge for the Korea-based global firms amid growing trade protectionism around the world.

Earlier in October, Samsung Display and LG Display jointly launched a consultative body consisting of 30 display businesses targeting mutual growth for them and their local SME suppliers.

The Ministry of Trade, Industry and Energy as well as six components companies including SFA Engineering and Duksan Neolux attended the launch event held in Seoul. Such public-private partnerships for win-win growth among SMEs and conglomerates in the semiconductor and display sectors began in February 2018.

The consultative body aims to induce technological advances by local suppliers. For instance, local SMEs plan to domestically develop ion implantation equipment and stepper exposure systems, equipment that conglomerates have mostly imported from overseas countries — and the conglomerates will support the development process.

"Only close cooperation among conglomerates and SME suppliers will provide domestic display industries with the solid groundwork to maintain their global competitiveness, when the sector is faced with competing countries' companies catching up, as well as Japan's export restrictions," said Trade Minister Sung Yun-mo.

The cooperation between the display arms of Samsung and LG in fostering local suppliers' growth is nothing new — several of their affiliates have strengthened efforts in recent years to support competent local SME suppliers.

Samsung Electronics, for example, acquired equity in two of its important suppliers — S&S Tech and YIK Corporation — for its semiconductor business in late July. The two companies raised capitals from Samsung worth 65.9 billion won ($57.3 million) and 47.3 billion won, respectively.

LG Display also held its annual 2020 Tech Forum recently, inviting 20 local and overseas suppliers in the materials and components sectors. The online forum aims to strengthen strategic partnerships among the companies in a time of ever-changing digital transformation.

LG Chem has also long supported its key suppliers in the battery industry, such as Dongshin Motech and Shinsung FA, through various means. One such method was creating a 43.2 billion won fund, to be used for interest-free loans to key components companies. Consulting services as well as administrative support are also provided to some innovative suppliers to pursue medium- and long-term joint growth strategies.

Tax benefits to key Korean SME suppliers

Fostering local suppliers is key to ensuring technological advances by the country's exporting companies. That's why the government, aiming to strengthen the nation's global value chain (GVC) competitiveness, announced a set of measures in August 2019 to induce further growth of local materials, components and equipment businesses through tax benefits and other incentives.

The government announced a set of policies that included investing 5 trillion won by 2022 in over 338 key components companies, while 1.5 trillion won has been assigned in tax benefits and subsidies for local businesses. In addition, companies that "reshore" their overseas factories will also get various incentives.

"The ministry will foster companies that could lead future industries' value chain with global competitiveness," Minister Sung said.

Korean SME exports dip 13.4 % in Q2 on coronavirus

The Korea Times, Yonhap, 23 July 2020

Exports by South Korean small and medium enterprises (SMEs) sank at a double-digit rate in the second quarter of the year due to the coronavirus pandemic, government data showed.

Local SMEs' overseas shipments came to $22.5 billion in the April-June period, down 13.4 % from a year earlier, according to the data from the Ministry of SMEs and Startups, marking a sharp turnaround from the 2 % on-year increase in their exports in the first quarter, which were worth $24.2 billion.

Smaller firms' overseas shipments shrank 6.2 % from a year earlier to $46.7 billion in the first half of the year.

The ministry said the second-quarter fall came as exports of key items to major markets plunged due to the prolonged coronavirus crisis. Yet the pace of decline sharply slowed down to 1.9 % in June from a 23.2 % plunge in May and a 13.8 % dip in April.

"Exports of chip-making equipment and cosmetics improved drastically in June on the back of recoveries in manufacturing activity and consumer spending in major markets, such as the United States and China," the ministry said.

Meanwhile, SME exports of cleanroom garments, latex gloves, hand sanitizer and other quarantine goods skyrocketed 350 % on-year to $1.18 billion in the first half due to the coronavirus pandemic. Overseas shipments of coronavirus test kits stood at $520 million in the January-June period, up a whopping 1,130 % from a year earlier, according to the data.

Malaysia supports SME growth

New Straits Times. Farah Solhi, 2 December 2020

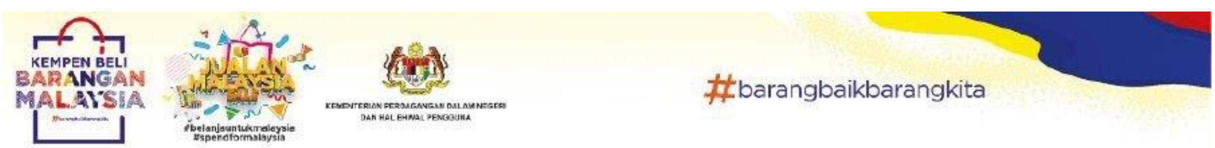
High standards and strict rules imposed by the Domestic Trade and Consumer Affairs Ministry have helped small-and-medium enterprises produce better products which can penetrate larger markets.

"It is not easy to get the ministry's stamp of approval. There are layers of authorisation, especially when you are producing skincare, health or beauty products," said Wonderland Primary Sdn Bhd managing director Leny Adam.

GT Bioscience Sdn Bhd founder Nur Latifah Kamaruddin said the ministry helped market her products at expos and exhibitions.

She said the ministry's high standards have helped her products win the trust of consumers.

"In 2010, we registered our company with the ministry as we wanted to apply for a license to produce a range of children's toiletries for two popular children's animated series.



"However, three years after, we decided to try something new and that was when we came up with our own in-house brand. In 2016, our in-house range of health and beauty products, Asianic, was born," she told New Straits Times.

The mother of four said the ministry has been actively helping their company in licensing, research and development (R&D) and packaging.

"They have strict rules when it comes to endorsing certain products, especially in packaging. I have had previous experience in marketing international brands and I can see that the ministry is making sure that the packaging of our local products are on a par with international brands."

Wonderland Primary Sdn Bhd managing director Leny Adam (right) receiving the Consumers' Recommendation Award at the Excellent Halal Products event in 2019.

"We took the challenge to come up with health and beauty products including skincare and toiletries that catered to all ages, which is slightly different from other SMEs".

Asianic products use natural-based ingredients and are safe for all ages.

Leny said the ministry has been very supportive, motivating many SMEs to push themselves to produce better products. This has enabled many of them to market their products in major hypermarkets.

"We took about a year to come up with Asianic. We only use natural-based ingredients, which are also SLS-free (Sodium Lauryl Sulphate-free) and parabens-free. Our formulas are safe for children and adults to use.

"Through the ministry's endorsement, we are showing to the public that we, too, have good local chemists who can produce products that are just as good as the international ones.

"The ministry's call to support local products through the "Buy Malaysian Products" campaign has also been very helpful in bringing our products to the community," added Leny.

Asianic health and beauty products can be bought on e-commerce platforms including Lazada and Shopee.

They are also available at major hypermarkets such as Tesco, Giant, convenience stores such as KK Mart, local pharmacies such as Tigas Pharmacy or Royale Pharma and from their website, www.wonderlandprimary.com.

Founder Nur Latifah Kamaruddin, who has a background in biotechnology, said the company first started producing essential oils as an OEM company.

"It all started when we saw an over-supply of vegetables or raw plant materials in the market in Kuching, Sarawak.

Another homegrown SME, GT Bioscience Sdn Bhd, formerly known as Fortuna Biotech Sdn Bhd, produces a range of essential oils highlighting medicinal and therapeutic products made locally.

"At the time, we were halfway through our own R&D process which mainly involved distillation of agarwood oil, and because agarwood is a protected species, we had limited raw material supply.

"We also noticed that there was an over-supply of raw plant materials in the market in Kuching, Sarawak. We decided to try using lemongrass and other local plants as part of our first R&D process for essential oils production.

This also led to community farming for planting local plants for essential oil production.

Borneo Essential Oils are made from locally-sourced plants.

Latifah said collaborating with the ministry has helped her with branding and marketing her products.

"The demand for locally-produced essential oils was huge! I was initially not exposed to how marketing works as we were only directly dealing with companies in the OEM market.

"It was an eye-opening moment for us when we decided to register our company and new in-house brands with the ministry in 2018".

Latifah said the ministry has helped them push their business forward through various training programmes.

"The ministry has a channel where consumers can directly give us feedback on our products and we worked our way around from there. It was a huge leap for me, in terms of learning the ropes of marketing strategies.

"We've had our packaging revamped into more exclusive looks through the ministry's packaging grants, and we're now a hot item in the market. The ministry even offered us pushcarts to sell our products at high-end major shopping malls in Malaysia," she said.

"They've brought us to expos and exhibitions to market our products, bringing us to where we are now.

"They have certainly helped to shorten the timeframe for us to get our brands recognised in the market as it would have taken us years to do it on our own," she added.

Borneo Essential Oils has won the Malaysian Innovation Award 2020 from Platcomm Ventures and SME Corp for innovative encapsulation of high performance plant compounds.

The company produces essential oils and natural handcrafted soaps made of lemongrass, citronella, Bentong ginger, Tambunan ginger and Sarawak black pepper which are mainly sold to the tourism market and are available at duty free shops located in airports and on e-commerce platforms.

Buy Malaysian Product campaign helps SMEs during Covid-19

New Strait Times, Farah Solhi, 26 November 2020

The Covid-19 pandemic has affected economies worldwide but initiatives to help boost the local economy have also brought about silver linings for some entrepreneurs.

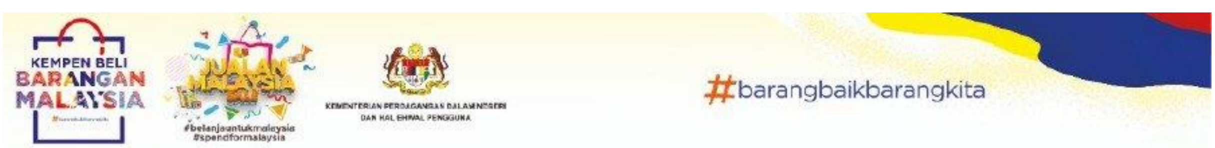
The 'Buy Malaysian Products' campaign launched by Prime Minister Tan Sri Muhyiddin Yassin on July 18 has helped numerous local small- and medium enterprises (SMEs) to stay afloat during these trying times.

Mohd Rozailmee came up with SWAG Pomades which offer more masculine scents and have ingredients which suit different types of hair.

For entrepreneur Mohd Rozailmee Zulkeply, the brains behind SWAG Pomade, his participation in the campaign has helped boost SWAG product sales.

Speaking to New Straits Times, he said his company had joined the entrepreneurial training programme offered by the Domestic Trade and Consumer Affairs Ministry (KPDNHEP) since the beginning of his entrepreneurial journey.

"I got the idea to start producing and selling pomade hair wax in 2016. At that time, I realised that we didn't see much locally-made pomades and most of those in the market were China-made, with strong fruity scents.



"So I took a leap of faith and came up with SWAG, which offers a more masculine scent and with better ingredients to suit different types of hair.

"When I first registered my company four years back, KPDNHEP was helpful enough to offer us to join numerous training programmes," he said.

The managing director of Sakura Industries from Kuala Perlis said the ministry has helped his company in conducting their own research and development process for SWAG.

"Other assistance includes training us on how to come up with our own business modules, marketing our brands on social media or television, brand packaging transformation and even inviting us to present our product at expo exhibitions.

"They even helped waive the hypermarket listing fees for us, which eventually helped us to set up a physical kiosk in Pavilion KL for three months," he said.

Rozailmee said the campaign has helped him to communicate with his customers directly.

"I was more than happy to find out that we can promote our product under the Buy Malaysia Product Programme, which we have been actively participating in since 2017.

"We have had great opportunities and plenty of experiences through this programme, and we are actively gathering feedback from our customers for our product betterment.

Rozailmee said the pandemic has contributed to an almost 65 % decline in sales at their physical kiosk located in shopping malls.

"However, our product sales on e-commerce recorded over 35 % growth since the Movement Control Order started.

"We have kick started our own website at www.swag4men.com while upgrading our online platforms such as Facebook, Shopee or Lazada to better serve our customers.

"Recently, we held a dialogue session with the ministry, together with other local entrepreneurs where we were given a platform to voice our worries over declining sales or having to give up our businesses due to Covid-19.

"It was good to be heard and we can see that they are listening and doing their part in helping us to stay afloat".

Currently, SWAG Pomades are sold at major hypermarkets including Tesco, Malakat Mall, Selangor and more.

Rozailmee had hoped for the government to continue with the programme which will help more entrepreneurs especially in facing post-Covid-19 times soon.

Another local entrepreneur popularly known for locally made Nourel Nougat candy, Asian Bites PLT shared the same views on the assistance offered by the ministry for local SMEs during these trying times.

Asian Bites PLT Managing Director, Nurazlina Abu Bakar with Naurel Nougats.

Its managing director, Nurazlina Abu Bakar, 34, said the ministry was among the local agencies that have helped provide programmes and training for local SMEs to kickstart their entrepreneurial expedition.

"My husband and I decided to try our luck in producing our own nougat candy, after we came back from visiting my husband's hometown in Hui Zhou, China in 2016.

"We tasted Taiwanese Milk Nougat candy, which I found so mouth-watering and it tasted different from Australian or Middle Eastern produced candies.

"When we came home, we decided to make these candies and sell them to our close relatives and friends.

"In 2018, my relatives in China and I decided to create a partnership company and register it to sell nougat candy to our local markets," she said.

The partnership is currently focusing on selling eight different flavours of nougat candies, in which it was selected to receive a grant for Product Transformation from KPDNHEP.

"The grant received was to help us improve our brands and packaging, for better preparation to penetrate bigger markets such as hypermarkets or export markets.

"We have also followed a training programme offered by KPDNHEP, the 'Penetration to Hypermarket' programme which gave us an insight on the process to get our products marketed in major hypermarkets such as Tesco or Mydin.

"These training sessions have helped us a lot, especially on brand awareness and how we can improve our brand exposure strategies to the public," she said.

Nurazlina said the ministry is helping her company stay afloat during Covid-19, through participation in their SME Digital Advertising and Promotion Programme, which has helped them to better strategies for their product marketing on e-commerce platforms.

Covid courageous: SME survey bucks the trend in New Zealand

Stuff, 26 August 2020

There's a strong, steady pulse beating in New Zealand's small business sector as owners display remarkable resilience, high confidence and a pragmatic approach to the challenges of Covid-19.

Bucking the current survey trend for 'doom and gloom' scenarios, The Alternative Board's August Business Pulse revealed 95 % of small-to-medium size enterprises are confident they'll get through.

More than a third of small businesses have benefited from government support with only a small %age anticipating job losses once the wage subsidy ends. Banks have been understanding, helping where necessary or carrying on with business as usual, and jobs are holding steady.

55 % of respondents have indicated that business Is either better or the same as last year at this stage with a further 30 % Indicating things have been tough but are picking up.

Sales and orders remain buoyant with supply lines and international transportation links for exporters seemingly intact.

More than a third of small businesses have benefited from government support with only a small %age anticipating job losses once the wage subsidy ends.

“It is a tribute to the resilience and determination of New Zealand’s small businesses that they are remaining confident and working through the many challenges Covid-19 presents, so they can save jobs and build a future.

While things may change and outlooks darken, business owners are pragmatic in their determination – the Kiwi ‘can do’ approach to adversity and an unwillingness to be beaten is certainly in evidence. They are ‘Covid courageous’ and I think their confidence level reflects this.

“The strong Pulse Check was even more remarkable as the change to Alert Level Three for Auckland and Alert Level Two for the rest of New Zealand occurred during the consultation period.”

On the downside, mainstream media is seen as a confidence sapper and the business owners' wish-list of things that would help them get through the remainder of 2020 includes more customers, more government support – and a rest, as business owners report they’re feeling exhausted.

“Given we are awash with negative commentary, the results were heartening” said Steve Wilkinson of The Alternative Board in Christchurch. “I think, in part, the focus has been on the hit taken by more visible sectors like tourism and hospitality but our members are involved in many other activities and their perspective hasn’t necessarily been reflected to date.

“It is understandable that business owners are exhausted. Although confidence is high and business steady, they’ve worked extremely hard to achieve stability in our tumultuous times. I would anticipate this pace will continue as they adapt and adopt new approaches or innovations.”

The Alternative Board's members and associates are primarily involved in industries that make, supply, service, fix, invent or build things and the results may reflect that this group has been under-represented to date, with focus falling on hospitality, retail, education and tourism in other surveys.

The Alternative Board supports small to medium-sized businesses and their owners through advisory boards consisting of other local business owners, expert one-on-one coaching, a suite of business planning tools and business mentoring.

The August Pulse Check survey of 275 of its members and associates was conducted between August 7 – 19 with a confidence level of 90 % and a 5 % margin of error.

The Alternative Board will continue to run regular Surveys of member confidence as part of contributing to the national debate on the continuing Impact of the Covid-19 pandemic.

SME sector a priority for Pakistan State Bank

Dawn, 20 October 2020

State Bank of Pakistan (SBP) Deputy Governor Sima Kamil said small and medium enterprises (SMEs) sector would be facilitated on a priority basis.

Addressing the members of Korangi Association of Trade and Industry (Kati), she discussed more relaxation in policies for exporters and direct coordination between SBP and the business community. The participants agreed on the formation of a combined committee for SMEs.

Kamil informed the businessmen that for loan and finance packages and medical facilities, SBP has provided Rs1.3 trillion. For easy transfer of remittance and investment opportunities, Roshan Pakistan and other schemes have been introduced, she added.

The SBP official said industries could also benefit from Temporary Economic Refinance Fund (TERF) which was a very beneficial incentive for industry. Kamil urged women entrepreneurs to avail opportunities introduced by SBP schemes.

President Kati Saleem-uz-Zaman said financial health and an improved environment should be the first priority of the government and financial institution.

Early implementation of SME policy demanded in Pakistan

The Express Tribune, Usman Hanif, October 15, 2020

Prime minister has sought roadmap for policy implementation

The small and medium enterprise (SME) sector has demanded early implementation of the SME policy, which has been framed to develop the sector on a fast-track basis.

After a long time, the National Coordination Committee for SMEs presented an SME policy to the prime minister and it appeared that the policy was proposed without a roadmap for implementation, said Union of Small and Medium Enterprises (Unisame) President Zulfikar Thaver.

Prime Minister Imran Khan has now sought the roadmap for implementation of the policy. “The sector is disheartened by unfulfilled promises of the government,” said Thaver in a statement. “First the pandemic, then floods and now inflation has significantly increased the cost of doing business as well as the cost of production.”

Since the government “has increased electricity rates, SMEs are compelled to shut down,” he said.

Thaver pointed out that gas charges were increasing as well while small-scale farmers were in a turmoil following devastating floods, which destroyed the standing crops.

He voiced hope that the SME policy would be comprehensive as it was direly needed to identify requirements of the sector.

“It has been a long time since the policy was sent to the Prime Minister’s House,” said Pakistan Weaving Mills Association Chairman Yousuf Yaqoob. “Since the policy has been presented, the economic situation of the country has changed drastically.” He added that the government needed to issue the policy as soon as possible keeping in view the present economic realities such as the rupee-dollar parity, inflation and interest rate.

The last SME policy was formulated in 2007, which remained unimplemented, he recalled. During Pervez Musharraf’s government, the rupee was priced at Rs65 against the US dollar, which has now weakened to Rs160, said Yaqoob. “If the new policy keeps the same definition of SME as in 2007, ie a company worth below Rs800 million, it will not be a practical decision for the country,” he said.

PNG Govt provides K100 million for SMEs to access at Bank South Pacific

Papua New Guinea Today, 22 October 2020

Owners of Small to Medium Enterprises in Papua New Guinea can now be able to access the National Government supported loan facility at the Bank of South Pacific.

On October 21, 2020 the National Government honored its commitment by presenting a cheque of K100-million to BSP under its BSP SME Credit Enhancement Loan.

Prime Minister James Marape and Commerce and Industry Minister William Duma made a dummy cheque presentation of K100 million to BSP Group CEO Robin Fleming in Port Moresby.

With this Government support, BSP will provide loans to SME owners with an interest rate of 5 % under this package.

Minister Duma said the government is now making available a total of K200 million funding at cheaper rates for people to take part in commercial activities.

Meantime, Mr. Duma said businesses affected due to COVID- 19 will also have the opportunity to restructure their existing loans with other financial institutions.

''They have an opportunity to approach either BSP or NDB and ask them to take over the existing loans from other banks, were in the normal sense their loans would have been serviced with high-interest rates over a shorter period of time.

''In this case with government funding, SME owners can enjoy lesser interest rates under a longer period of time'', Duma explained.

PCCI appeals for rent relief for MSME lessees

PCCI, 15 October 2020

As millions of battered micro, small and medium enterprises (MSMEs) across the country are emerging from their worst year, the Philippine Chamber of Commerce and Industry (PCCI), the largest umbrella of business organization in the country, is making an appeal for the grant of relief for stall and/or store lessees, specifically the small ones.

"Sales have plunged to their worst in decades. There has been a cascade of store closures and jobs losses. The persistence of low consumer confidence and limited public transportation and mobility is making it difficult for enterprises to recoup their operational costs to be able to pay the rent on top of the utilities and their workers," PCCI President, Amb. Benedicto V. Yujuico said.

Most of these affected enterprises are MSMEs – the backbone of the local economy. These MSMEs account for about 99% of all businesses and 66% of total employment.

"While we understand all businesses are experiencing financial difficulties, for MSMEs, these difficulties could be insurmountable," Yujuico added.

PCCI made an appeal to work out a strategy that will provide relief to tenants of malls and commercial buildings that will not negatively affect the capital expenditure of owners/lessors to be able to continue providing service to their tenants.

PCCI proposed that during the recovery period, rent may be based on %age of the sales of their MSME tenants until such time that the situation normalizes and the tenants are able to meet their contractual obligations (fix rental).

“This will give tenants breathing room to stay open, which will also benefit the owners because an empty mall or center is worse than lower rental income,” Yujuico explained.

PCCI pointed out that supporting the needs of existing MSME tenants who can be viable again makes more sense than having vacant stalls or taking in new tenants and aspiring entrepreneurs who have not proven themselves.

The PCCI has earlier successfully appealed to government to prioritize MSME lenders in government-owned and controlled financing institutions such as the Small Business Corporation and the Philippine Guarantee Corporation. The Bangko Sentral ng Pilipinas meanwhile has eased up banking rules such as temporarily reducing the credit risk weights of loans granted to MSMEs and the assignment of lower risk weight for MSME exposures that are covered by guarantees to encourage lending to MSMEs.

PCCI however said more effort is needed to nurse MSMEs back to health and ensure that jobs are protected.

“To be effective in alleviating the difficulties of our small enterprises and to sustain their recovery in the medium and long terms, we need a whole of society approach. It is in this regard that we are appealing to mall owners and commercial building landlords under the Bayanihan spirit as embodied by the Bayanihan to Heal as One Act,” Yujuico said.

Tips for SME to thrive amid pandemic in the Philippines

The Daily Tribune, 30 November 2020

Going beyond the immediate health impacts, the coronavirus pandemic (COVID-19) and the quarantine measures have severely affected the economy, badly hurting businesses in the Philippines, particularly the small and medium enterprises (SME).

Confronted with serious challenges such as supply chain disruption and potential physical store closures, many SME have been forced to suspend operations or dip into personal savings to advance salaries amid limited liquidity and delayed payments due to the slowdown in economic activity.

As such, logistics and forwarding firm UPS Philippines said it found out from workshops and webinars it conducted for small businesses over the past few months that "30 to 40 % of SME have identified reduced cash flow and difficulty in resuming operations because of quarantine and social distancing measures as the biggest challenges."

It also shared some key takeaways and insights from these workshops on how small businesses can navigate these challenges and bounce back from this unprecedented crisis.

UPS said that if business opportunities have become scarce, pivot the business model in the face of physical store closures, where e-commerce has emerged as the way forward for businesses, as new digital technologies changed the playing field and the speed with which companies can and must react.

SME should consider a business model that works best for them, whether a purely online model or maintaining a hybrid omni-channel model.

Whichever form this takes, supply chains and distribution channels will need to be reconfigured to support that shift.

Philippines: MSME loans in BSP scheme hit P126.4B

The Daily Tribune, 23 November 2020

As of the reserve week ending 29 October 2020, an average of P126.4 billion in MSME loans was used as compliance with the BSP's reserve requirement.

Credit extended to micro, small and medium enterprises (MSME) posted a hefty improvement in terms of daily average, following the Bangko Sentral ng Pilipinas (BSP) extension of MSME loans as alternative compliance to reserve requirement ratio (RRR).

"As of the reserve week ending 29 October 2020, an average of P126.4 billion in MSME loans was used as

compliance with the BSP's reserve requirement, a substantial increase from the P8.7 billion in MSME loans reported in April 2020," the BSP said.

The central bank earlier allowed MSME loans to form part of banks' alternative compliance to RRR, a policy which was extended until 29 December 2022, to stimulate lending and renewal.restructuring of loans for the same.

Huge slash in RRR

RRR was trimmed by a total of 200 basis points to date, as monetary authorities granted the BSP to cut such by as much as 400 basis points this year to provide ample liquidity in the financial system.

The BSP injects about P100 billion in fresh liquidity for every 100 basis point reduction in RRR.

Still, the central bank decided to further lower its key interest rates, slashing by 25 basis points to bring such at only 2 %, the lowest it has ever been, to further reduce borrowing costs.

Policy rates at record low

"The credit risk weight of MSME loans that are current in status was also reduced to 50 from 75 % until end-December 2021. Meanwhile, loans that are guaranteed by the Philippine Guarantee Corp, the Agricultural Guarantee Fund Pool and the Agricultural Credit Policy Council were assigned a zero % credit risk weight," the BSP said.

"As a result of these measures, top 30 banks granted loans amounting to P40.6 billion during the initial ECQ (enhanced community quarantine) months of March and April 2020. In addition, P25.6 billion in MSME loans were renewed while P1.8 billion were restructured by the top 30 banks during the same period," it added.

Nearly two-thirds of Philippine SMEs 'strongly' affected by pandemic - survey

BusinessWorld, Jenina P. Ibañez , 19 November 2020

Most small and medium enterprises said they were affected by the strict lockdown measures implemented from mid-March to May. — REUTERS

Around 68% of mostly small and medium Philippine enterprises have been strongly affected by the coronavirus pandemic, according to a combined survey of around 500 Filipino firms.

The International Trade Centre conducted an SME (Small and Medium Enterprise) Competitiveness Survey on 18,000 companies in 46 countries.

In the Philippines, ITC surveyed 515 Filipino firms for the competitiveness survey in November to December 2019. ITC then conducted a COVID-19 (coronavirus disease 2019) Business Impact Survey on 454 firms from the same sample size in April and May 2020, at the height of the strict lockdown in Luzon.

Half of the survey respondents were medium-sized, while 24% were micro and 18% were small.

The survey found that the pandemic affected 99% of Filipino businesses, while 68% said they were strongly affected. In turn, 19% said they were moderately affected and 13% were slightly affected.

"Companies that were smaller or led by youth, and those involved in international trade, were more likely to be strongly affected," the report said. Around 88% of companies reported sales declines.

The degree of the pandemic's impact depended on the firms' sector and strategies, as 79% of manufacturing firms said they were strongly affected. Meanwhile, 72% of micro and small businesses were strongly affected.

More than 60% of firms with "very good" cash flow and "highly efficient" inventory management were hurt by the lockdown.

9 % of interviewed companies expect a permanent shutdown, with SMEs reporting to be twice as likely as large firms to predict closure within three months.

But Philippine firms may be more resilient than their regional counterparts.

"We can see that 36% of interviewees in other Asian countries in the region say they were at the risk of shutting down. So in perspective and comparatively, the result in the Philippines is not as bad," ITC Economist Valentina Rollo said at an online launch event.

The respondents said that tax waivers and cash transfers were the most helpful government measures to help them cope with the crisis, but almost 60% of respondents said that they found it difficult to access government assistance.

The survey found that Filipino firms' ability to compete reduces their exposure to shocks during the pandemic. Competitive firms have strong cash flow, efficient inventory management, and have full capacity utilization.

PSE seeks to get more SMEs to go public in the Philippines

Manila Bulletin, James A. Loyola, 1 December 2020

The Philippine Stock Exchange (PSE) needs to tweak further its listing rules for SMEs if it is to be the sector's primary source of fresh capital.

During a Financial Executives of the Philippines webinar on financial inclusion, Securities and Exchange Commission Director Vicente Graciano Felizmenio Jr. said that, currently, “capital market based financing can complement or supplement the traditional source of financing for our SMEs, but it should not be made as a substitute.”

PSE President Ramon Monzon said the bourse is currently trying to revise its listing rules for SMEs to make it more attractive for this sector to raise cash from the equities market. The proposed changes are awaiting SEC approval.

“Basically, we have proposed to remove the requirement that applicants must have a positive EBITDA (earnings before interest tax depreciation and amortization) in at least two of the three fiscal years preceding the filing of application,” Monzon said.

He added that, “We are providing an alternative criterion by which an applicant may qualify for listing. If a potential issuer is unable to meet the requirements, it may still qualify for a listing, if it has sales or operating revenues of at least P150 million for the last three years or for such shorter period the company is operating with at least 20 % average net sales, or operating revenue, growth rate over the last two years.”

Monzon said this will replace the existing rule that requires a company listing at the PSE’s SME board to have at least P15 million in EBITDA for the last three years prior to its listing application.

“So even without any EBITDA or net profit, an SMEs now will be allowed to list if they meet certain sales targets or certain sales growth targets,” he said.

The PSE is also looking at requiring listing SMEs to have P25 million stockholders equity instead of the current requirement of a P100 million minimum authorized capital, with 25 % subscribed and paid up.

“Meaning, if a company has been operating for a while, even the retained earnings will be included in the computation of the P25 million stockholders equity,” Monzon said.

He said “We’ve also proposed to allow holding companies that have operating subsidiaries to list in the SME board whereas previously they were not. The only rules that we’ve kind of tightened up for the SME board is if you apply for listing in the SME board, you will never be allowed to assign your company for a backdoor listing."

The PSE is also looking to introduce what is called "sponsored listing" where an accredited investment bank hand-holds the company from its initial public offering (IPO) phase up to three years after listing to ensure that the company remains compliant with listing and continuing listing rules and disclosure rules for publicly-listed companies.

"In the sponsor model, the applicant's suitability for listing will be evaluated in the first instance by a listing sponsor accredited by the exchange. Using this and using the sponsors own deal selection criteria.

"If the listing sponsor is satisfied, as to the applicant's suitability for listing, after assessing its financial condition, business viability, future prospects and management track record among others, it shall endorse the listing application to the exchange, which are passed upon the application using our Luxe listing criteria," Monzon said.

"The listing sponsor will be required to provide guidance including business and compliance advisory services and ensure for three years after listing," he added.

Buy Local, Support Local: DTI, SM collaborate in Christmas market for MSMEs

Manila Bulletin, 24 November 2020

This Christmas season, our gifts take a meaningful turn when we not only make their recipients happy, but also support a worthwhile cause. What better way to do this than by gifting locally-made products by micro, small and medium enterprises (MSMEs): whether sweet treats, artisanal goods, local apparel, home decorations, or other keepsakes. By doing this, we not only keep our heritage alive by promoting local craftsmanship and delicacies, we also help businesses bounce back.

In partnership with the Department of Trade and Industry's (DTI) Buy Local, Support Local campaign, Shoe Mart (SM) is providing MSMEs a way to sell their products through the SM Christmas Markets.

DTI Sec. Ramon Lopez (second from right), SM Retail President Chito Manalo (leftmost) and SM Supermalls President Steven Tan led the opening ceremony of the SM Christmas Markets.

The SM Christmas Markets are simultaneously happening in 54 SM malls nationwide, featuring around 300 MSME participants from nearby communities, DTI partners, tenants of SM Supermalls, and partner suppliers of Kultura. Buy Local, Support Local is a national campaign that aims to boost demand for Philippine-made products, particularly those from small businesses. SM Christmas Markets will run from November 9, 2020 to January 3, 2021.

DTI Secretary Ramon Lopez, SM Supermalls President Steven Tan, and SM Retail President Chito Manalo personally visited the MSME participants of the SM Christmas Markets at SM Megamall on November 17. During the short program, Sec. Lopez emphasized the importance of supporting local products to jumpstart the economy.

Highlighting the importance of helping MSMEs especially during the time of the pandemic, Trade Sec. Lopez acknowledged SM's continuous support for its MSME partners.

"The MSMEs are a big part of our economy, accounting for 70 % of employment. It's really important to save MSMEs to save jobs," he said.

He also lauded The SM Group's longstanding support for MSMEs through its partnerships and participation in government-led initiatives such as Go Lokal! and OTOP (One Town, One Product) hubs.

"We are thankful that SM partnered early on in Go Lokal!, establishing a market incubation concept where we can carry MSME products. SM also continues to work with us during this difficult time of the pandemic, giving waivers and rental adjustments to its partners. This really allowed MSMEs to bounce back," Lopez said.

Kultura, a specialty brand of SM Retail, supports DTI's Go Lokal! campaign and provides an avenue for MSMEs to sell their products to a wider audience.

Community, marketplace, partner of MSMEs

SM Christmas Markets is just one of the avenues SM has been helping its MSME partners bounce back from the impact of the economic slowdown caused by the COVID-19 pandemic. Tan highlighted that since its humble beginnings, SM has always been a community, marketplace and partner of MSMEs.

"SM's humble beginnings and these trying times that we find ourselves in only fuelour drive to help MSMEs. For more than 60 years, SM has been home to over 80,000 MSMEs, serving as their community, marketplace, and partner," Tan said.

The SM Christmas Markets feature a bevy of products from food, homeware, personal wellness items and many more from various MSMEs.

Manalo meanwhile underscored the symbiotic relationship of SM and its MSME partners even in the face of challenges. While SM has served as a breeding ground for the growth of many MSMEs, he also acknowledged them as the backbone of SM's business.

"We want to maximize our assistance to our community of MSMEs and create meaningful impact that is why we are continuously working with other members of the private sector and the government to find immediate as well as long term solutions that will ensure business resilience and sustainability for the most vulnerable members of our community," Manalo said.

SM traces its roots from being a small shoe store in downtown Manila, so its affinity with MSMEs comes naturally. Some of its MSME partners started as homegrown businesses. As SM grew, a longstanding partnership has evolved beyond being a business transaction into an enabling community where MSMEs are nurtured in SM stores, malls, and other business ventures.

The SM Christmas Markets are present in 54 SM malls nationwide. They will run from November 9, 2020 to January 3, 2021.

Philippines: BSP to 'pull out all stops' to help Covid-hit local MSMEs

Business Mirror, Bianca Cuaresma, 3 December 2020

Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno said they are looking at implementing more measures to aid local micro, small and medium enterprises (MSMEs) in their recovery after being badly hit by the pandemic.

Speaking at the virtual launch of the Citi Microentrepreneurship Awards (CMA) 2020, Diokno said more than ever, it is vital to sustain local microentrepreneurs who provide essential products and services in the "last mile."

"Predominant in low-income areas and serving as engines driving local economies, microentrepreneurs also nurture swathes of the Filipino population depending on them for post-pandemic recovery and rebuilding," Diokno said.

“Hence, the BSP is pulling out all the stops to support micro entrepreneurs and SMEs,” he added.

The Bangko Sentral ng Pilipinas complex (right), seen from Manila Bay in Pasay City.

MSMEs account for 99.5 % of local business enterprises, 62.4 % of total employment in the country, and 35.7 % of gross value added (GVA).

Diokno said they are looking to implement more projects in the pipeline to help facilitate MSMEs’ access to financing and to further understand their behavior and needs.

According to the BSP chief, among the BSP’s hallmark MSME projects include the ongoing building of a Credit Risk Database (CRD), which uses a variety of data to build statistical scoring models to sharpen credit assessment of banks and promote risk-based SME lending.

The governor also said they are developing a standard loan application form (SLAF) for small business loans to address sector preference for simplified and streamlined loan application requirements.

To further understand MSMEs’ needs, Diokno said the BSP partnered with stakeholders for the upcoming study to inform strategic interventions toward developing a supply chain finance (SCF) market in the country.

Earlier this year, the BSP decided to include new loans granted to MSMEs as part of industry compliance with reserve requirements to stimulate lending to the sector. The country’s monetary authority also reduced the credit risk weight of current loans granted to MSMEs and assigned zero % risk weights for loans covered by government guarantee programs.

FSP fees waived

Diokno has also encouraged financial service providers (FSPs) to waive fees for PESONet and InstaPay transactions to broaden usage of digital payment streams and make digital payments available for all enterprises, big or small.

The governor also lauded Citibank's efforts to continue with the annual CMA awards amid the pandemic.

"This year is a landmark for the CMA program, for being launched amid the Covid-19 pandemic and showcasing the determination of Filipino micro entrepreneurs to succeed at this trying time," Diokno said.

Diokno and Citi Philippines Chief Executive Officer (CEO) Aftab Ahmed led the launch of the 18th CMA, which aims to give due recognition to outstanding microentrepreneurs.

The 2020 edition of the annual ceremony was modified to respond to community needs resulting from the impact of the Covid-19 crisis. This year's program will be focusing on two main components: Covid-19 rehabilitation support package and recognition of outstanding microentrepreneurs during the Covid-19 crisis.

Investment program launched to help women-led SMEs in Philippines

The Philippine Star, Louella Desiderio, 20 November 2020

The Australian government and Macquarie Group Foundation have launched a program to help women-led businesses in the Philippines bounce back from the pandemic through investments.

Under the Macquarie-Investing in Women RISE Fund, the two parties would be working with two local investing partners – the Foundation for a Sustainable Society Inc. (FSSI) and InBestCap Ventures (InBest) – to provide investments to small and medium enterprises (SMEs) managed by women.

Macquarie is investing over P43 million under the partnership to expand the number of women-run SMEs that can receive funding to help them grow their business.

"The ambition is over the next 18 months to two years, we hope to get about 200 or more people in sustainable employment through this particular program, if not more," Australian Ambassador to the Philippines Steven Robinson said.

He said the program is being implemented as women are seen to play a central role in the recovery from the pandemic.

"The Macquarie-Investing in Women RISE Fund will support and give a boost to women's SMEs and help to build back better in the Philippines," he said.

"Closing the gap between women's and men's access to capital will provide a significant boost to economic growth at a time when it is much needed."

FSSI corporate secretary Christie Rowena Plantilla said SMEs can apply for financial assistance or technology transfer support under the program.

She said FSSI can also enter into a joint venture agreement with women-led businesses in need of more capital.

Women SMEs can tap a minimum of P100,000 under the program.

For her part, Benilda Ronquillo-Camba, board member and corporate secretary at InBestCap Ventures, said the amount to be provided to the SME through the investment company would depend on the need.

"We really look into growth plans and customize support based on that," she said.

FSSI is a social investment organization committed to support the development of empowered and sustainable communities through social entrepreneurship.

InBestCap Ventures, on the other hand, is an impact investment company which aims to help SMEs and cooperatives grow.

To learn more or apply for the program, interested women-led or women-owned businesses can visit https://fssi.com.ph or inbestcap.com. – Pia Lee-Brago

Surviving the pandemic: Lessons from Germany's SMEs

The Strait Times, 3 December 2020

In Germany's industrial heartland, engineering firms have come up with a recipe for surviving the coronavirus pandemic.

Keep spending on research and development even if sales drop, build a financial buffer so you can craft a long-term business plan, be flexible with dealers to keep supply chains intact, have an innovative mindset and see crises as opportunities.

It's certainly a strategy that is paying off for some of the small and mid-sized "Mittelstand" companies (SMEs) that together provide almost 60 % of all jobs in Germany, according to Reuters interviews with six chief executives.

Bertram Kandziora, CEO of German engineering company Stihl. Since May, Stihl has enjoyed double-digit sales growth. (Photo: Reuters)

Commerzbank, the biggest lender to Mittelstand firms, also told Reuters that the number of companies going into "intensive care" was lower than it had feared and there was no rush by its clients to get new credit lines.

Stihl, for example, took an unusual step when lockdowns hit sales of its chainsaws, lawn mowers and hedge trimmers. It carried on making them and helped some of its struggling retailers stay afloat by extending their payment terms, chief executive Bertram Kandziora told Reuters.

The gambit paid off

After a tough couple of months, demand soared for Stihl's tools as people stuck in lockdowns spruced up their gardens.

Since May, Stihl has enjoyed double-digit sales growth and is working on Sundays to fill its orders.

To be sure, the landscaping industry has been a sweet spot during the crisis, but Stihl's ability to navigate the lean lockdown months reflects a particular advantage of Mittelstand firms - they are typically family-owned, with long-term horizons and strong balance sheets to see them through rough patches.

SMEs in Germany are also generally larger than in other European Union states, surveys by the European Statistics Office, Eurostat, show.

Moreover, 90 % of German companies - specialist engineering firms featuring prominently among them - are family-controlled, says the BVMW Mittelstand association.

Don't hit the brakes

The upshot is that fewer German SMEs turned to banks for loans in the April-September period than similar companies in Spain, Italy and France, a European Central Bank survey shows.

An August survey by management consulting firm McKinsey of over 2,200 SMEs in five European countries showed fewer German firms feared they would have to postpone growth programmes than companies in France, Italy, Spain and Britain.

"Due to the fact that the majority is still family-owned, the equity ratio is high and offers a good cushion for difficult times," said McKinsey partner Niko Mohr, a Mittelstand expert.

Stihl, a family business founded in 1926, took the decision not to become hostage to banks several decades ago.

It has since built up its equity ratio to 70 % to ensure it can take business decisions independently of any lenders who may be more focused on the short term.

"Because of the negative attitude of the banks, the family owning the company then came to the conclusion that they should not let the banks dictate their policy but should in future finance the company from their own resources," Dr Kandziora said.

Arburg GmbH, a family-owned manufacturer of injection-moulding machines for plastics processing near Stuttgart, also went into the pandemic with solid finances, which allowed it to look through the crisis.

"The corona pandemic has no impact on our medium- and long-term development and production strategy," Arburg managing partner Michael Hehl told Reuters. "We firmly believe that it would be completely wrong to put the brakes on innovation now."

A September survey by Germany's Mechanical Engineering Industry Association (VDMA) showed a majority of members aim to maintain or raise investment budgets next year, with nearly a fifth planning an increase of 10 % or more.

'Huge opportunity'

Success stories like Stihl's belie a mixed Covid-19 picture in Germany.

Across all sectors, one in 11 firms is threatened by insolvency, a survey of 13,000 companies by the Association of German Chambers of Industry and Commerce (DIHK) showed.

Mr Patrik-Ludwig Hantzsch at Germany credit agency Creditreform expects 24,000 corporate insolvencies in Germany in 2021, after 16,000 to 17,000 this year.

And businesses more reliant on monthly cash flow are suffering.

The German hotel and restaurant association (DEHOGA) said a survey last month of 8,868 businesses in the sector found 71.3 % of them feared for their existence.

Commerzbank, however, says many industrial Mittelstand companies have the financial buffers to ride out the storm.

The bank has a team closely scrutinizing the health of its clients, studying everything from business models to figures on customer traffic and holding regular discussions with managers.

It is expecting a modest rise in insolvencies once a waiver introduced to keep firms afloat during the crisis is lifted in January, but not the massive rise predicted by some.

"There isn't a mad rush (for credit)," said Ms Christine Rademacher, head of financial engineering at the bank. "Many of our customers have a buffer and no liquidity issues."

Koerber in Hamburg is another Mittelstand company - with businesses from artificial intelligence to machines that package toilet paper - that went into the pandemic with solid finances and has no intention of taking its foot off the pedal.

"We have made and will continue to make sustained and significant investments in research and development and further digitisation this year and next year. The demand for digital solutions has been given a further enormous boost by corona - this is a huge opportunity for us," chief executive Stephan Seifert told Reuters.

Creative destruction?

In Munich, construction equipment-maker Wacker Neuson said it is reviewing some of its investments, but it too is keeping up R&D.

"The crisis is a balancing act between cost optimisation, a much shorter planning horizon and pressure to innovate," said chief executive Martin Lehner.

The ebm-papst Group, which makes electric motors and high-tech fans, has also kept R&D investment stable this year despite a drop in turnover of almost 30 % in April.

"Now we are catching up month by month," said chief executive Stefan Brandl.

The company based in Mulfingen is looking to benefit from three trends: air quality, which is at a premium due to the pandemic; digitalisation, which it can serve with fans to cool servers; and demand for products that use less electricity.

For many survivors, the crisis is also accelerating change. One such company is MAHLE GmbH, which makes auto parts from electric powertrains to air-conditioning.

It plans to close two German plants and cut other costs to adjust to technological change in its sector and reduced demand due to the pandemic.

But despite an expected drop in sales of about 20 % this year, chief executive Joerg Stratmann said it is maintaining R&D at a "high level", such as spending millions on a development centre with 100 engineers near Stuttgart that opened recently.

It remains to be seen whether the Mittelstand is undergoing "creative destruction" - the term popularised in the 1940s by Austrian economist Joseph Schumpeter to describe unviable firms folding to make way for more dynamic enterprises.

But those firms in the right sector with healthy balance sheets say they're ready to adapt with confidence.

"We want to seize the opportunity of this crisis," said ebm-papst's Brandl.

Singapore External Trade declined slightly

Enterprise Singapore, 17 December 2020

Highlights:

- NODX (Non-oil Domestic Exports) declined by 4.9% in November 2020, after the 3.1% decrease in October 2020. The decline was mainly due to non-electronics (e.g. petrochemicals, pharmaceuticals & non-monetary gold), followed by electronics
- NODX to the top 10 markets as a whole decreased in November 2020, though exports to the US, Japan, Taiwan, Malaysia, Thailand and Hong Kong grew
- NORX (Non-oil Re-Exports) rose by 2.4% in November 2020, following the 2.5% growth in October 2020; electronics grew while non-electronics declined
- Total trade declined over the year in November 2020; both exports and imports declined

Singapore SMEs need to adopt standards: ESG

The Business Times, Lynette Tan

Choy Sauw Kook, seen here speaking at an ISO meeting in September 2019, is the ISO vice-president of technical management. She is only the second Singaporean to helm a principal role at the ISO. (Photo: ISO)

The demand for quality products and services will grow following the coronavirus pandemic, and Singapore's small and medium-sized enterprises (SMEs) will do well to adopt standards, lest they miss out on business opportunities, according to Enterprise Singapore (ESG) director-general of quality and excellence Choy Sauw Kook.

"Covid-19 made companies realise the importance of being resilient, to be able to continue to operate despite disruptions, and to be agile enough to pivot and diversify into new revenue streams," Ms Choy told The Business Times in an interview.

In the logistics industry, for example, firms that had adopted standards were able to continue operating smoothly during the "circuit breaker" period as they provided them with operational and administrative standard operating procedures and training requirements to follow.

In addition, adherence to standards assured their customers of transparency, at a time when concerns over supply chain disruptions flared up. Hence, "many large companies are looking to incorporate standards into their business models and will require the same of their vendors and partners," said Ms Choy.

"Our SMEs are already experiencing it," she added, pointing to the standard on e-commerce transactions - now being used by platforms such as Shopee and Carousell - as an example.

SMEs on those platforms, and even micro businesses, will have to adhere to the standards, she said.

Awareness of this need may be growing. According to ESG, unique page views for standards-related pages on its website increased 36.7 per cent on the year, for the period January to September.

"We encourage SMEs to really make use of standards to help them build quality and trust in their products and services," Ms Choy said.

She was speaking on the back of her reappointment in November as vice-president of technical management at the International Organization for Standardization (ISO) for another two-year term.

Standards developed by the ISO are recognised by the World Trade Organization's (WTO) Technical Barriers to Trade Agreement, which aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not obstruct trade. The standards are also promoted to the WTO's members worldwide.

Singapore's participation and appointment at the ISO are thus significant in facilitating trade and levelling the playing field for homegrown firms.

Ms Choy is only the second Singaporean to helm a principal role at the ISO, even though the Republic has been part of the organisation since 1966. Former Changi Airport Group chairman Liew Mun Leong was the first.

"Being involved in the international discourse on standards allows us to be able to contribute to the development of all these rules that are important to facilitate trade," she said.

"And being in the vice-president of technical management role, apart from looking at the technical level of things, also allows Singapore to be able to contribute at the strategic level of what ISO is doing as a global organisation," she added.

Over the years, some locally developed standards have become ISO standards.

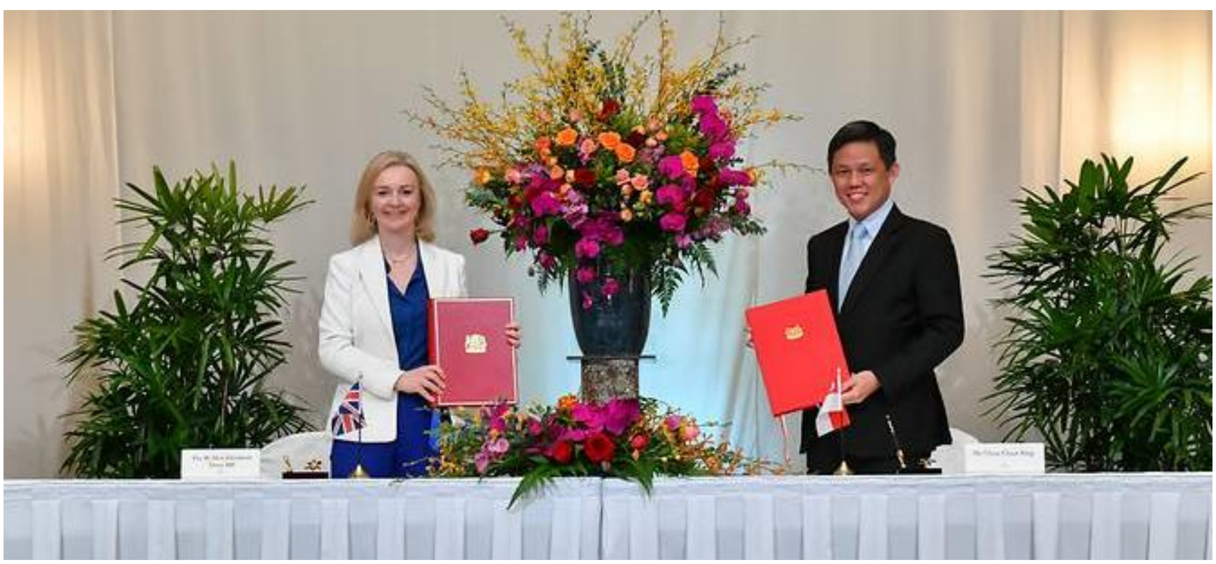
Soon, two national standards for the bunkering sector - including the code of practice for bunker cargo delivery from oil terminal to bunker tanker using mass flow - will become ISO standards as well, said Ms Choy.

In her new term, the bulk of her time will be spent on developing standards in the areas of digital transformation and sustainability. Examples include the use of autonomous vehicles on public roads and sustainable financing.

Singapore, United Kingdom sign free trade agreement

Channel News Asia, 10 December 2020

Singapore and the United Kingdom signed a free trade agreement on Thursday (Dec 10) that will “provide continuity and certainty” for businesses in both countries, said Singapore’s Trade and Industry Minister Chan Chun Sing.



UK’s Secretary of State for International Trade Elizabeth Truss and Singapore’s Trade and Industry Minister Chan Chun Sing. (Photo: MTI)

The FTA was signed by Mr Chan and UK’s Secretary of State for International Trade Elizabeth Truss.

The UK and European Union are currently locked in post-Brexit trade deal talks, more than 10 months after the UK left the bloc.

Under the UK-Singapore FTA, companies from both countries will enjoy the same benefits they are receiving under the EU-Singapore FTA, said the Ministry of Trade and Industry (MTI).

These benefits include tariff elimination for goods trade and increased access to services and government procurement markets. There would also be a reduction of non-tariff barriers, including in four major sectors: electronics, motor vehicles and vehicle parts, pharmaceutical products and medical devices, and renewable energy generation.

“The UK-Singapore FTA will provide Singapore and UK companies with certainty and clarity in trading arrangements between both countries,” said MTI.

The FTA will cover more than £17 billion (S$30 billion) of bilateral trade in goods and services.

TARIFF ELIMINATION ON 84 PER CENT OF EXPORTS

Under the agreement, tariffs will remain eliminated for 84 per cent of all tariff lines for Singapore exports to the UK, said a joint ministerial statement by Singapore and the UK.

“Singapore Asian food products such as har gow (prawn dumplings) and sambal ikan bilis (spicy crispy anchovies) will continue to enter the UK tariff-free under flexible rules of origin, up to a combined quota of 350 tonnes annually,” the joint statement added.

“Singapore will also continue to bind our current level of duty-free access for all UK products entering Singapore, and maintain protections on iconic UK goods such as scotch whisky.”

Virtually all of the remaining tariffs will be eliminated by Nov 21, 2024 – similar to the EU-Singapore FTA, added MTI. Singapore will also continue to bind its current level of duty-free access under the EU-Singapore FTA for all UK products entering the country.

The UK-Singapore FTA will also continue to provide for “liberal and flexible” rules of origin for the UK and Singapore’s key exports to each other’s markets, including automobiles, chemicals, clothing and textiles, electronics, machinery, pharmaceuticals, and petrochemicals.

In line with the current arrangement under the EU-Singapore FTA, UK and Singapore can continue to use EU-27 materials and parts in their exports to each other’s markets, said MTI.

“The EU-Singapore FTA provision on ASEAN cumulation would also remain. Once the relevant arrangements are put in place, Singapore exports using ASEAN materials and parts can qualify for preferential tariff treatment when entering the UK,” MTI added.

The UK-Singapore FTA will also remove “unnecessary” technical barriers to trade for Singapore and UK exporters, said MTI. The provisions in the agreement aim to reduce costs for exporters.

“This will create a level playing field for UK and Singapore companies and facilitate trade between (both countries),” said MTI, adding that the free trade agreement will remove

The UK-Singapore FTA will provide “enhanced” market access for service providers, professionals and investors to “further boost the dynamic trade” in services between both countries.

The agreement covers a range of services sectors including architecture, engineering, management consultancy, advertising, computer-related, environmental, postal and courier, maintenance and repair of ships and aircraft, international maritime transport, as well as hotels and restaurants services.

The FTA will also allow more opportunities in government procurement. MTI said the UK will grant Singapore “enhanced access” to city level and municipal level government procurement opportunities, with companies in transport, financial services and utilities among those that will benefit.

FTA “DEEPENS THE RELATIONSHIP” BETWEEN BOTH COUNTRIES: MR CHAN

Both countries will also start scoping the modules of a UK-Singapore Digital Economy Agreement (DEA), with the aim of launching negotiations on the DEA in 2021.

“The (DEA) will promote the flow of data across borders while maintaining high levels of personal data protection,” said MTI.

“It will also promote interoperable digital systems to connect our thriving innovation ecosystems, harness the interaction between financial services and the digital economy, and help shape global standards for effective regulation in key areas such as cybersecurity and emerging technology.”

Mr Chan said the signing of the UK-Singapore FTA “strengthens and deepens” the relationship between Singapore and the UK.

It will send a “strong signal” of the UK’s commitment to deepen its engagement of the region, the Trade and Industry Minister added.

“The UK has also indicated clear interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which Singapore supports and welcomes,” said Mr Chan.

Both Singapore and the UK will now work on their respective ratification processes for the FTA to come into force.

Vietnam is top pick for Singaporean businesses going overseas

The Business Times, Mindy Tan, 30 November 2020

Vietnam is drawing record numbers of Singapore businesses as companies continue to look for expansion opportunities despite Covid-19.

Enterprise Singapore (ESG) said it has supported more than double the number of internationalisation projects for enterprises looking to expand into Vietnam since 2018. From January to October 2020 alone, ESG supported 56.9 per cent more projects year on year across sectors such as ICT and media, professional services, and education.

Since the launch of the Singapore Business Federation's GlobalConnect@SBF last November, the centre, supported by ESG, received the highest volume of enquiries for regional overseas business ventures on Vietnam, says ESG assistant CEO Tan Soon Kim.

Traditionally, Singapore companies that are keen to invest in or expand to Vietnam come from sectors that include infrastructure and urban solutions notes Mr Tan. In recent years however, there has been growing interest in the areas of manufacturing, F&B and retail.

Functional juice company Doki Doki for instance, set up a factory in Vietnam in 2017, from where its R&D and production teams work with European companies to innovate and launch new products.

It decided to expand its sales channels to Vietnam this year and pushed forward the launch of their new product Lean Up calorie-burning juice. Within two weeks of the launch, the product was sold out in Vietnam and Singapore.

"Our domestic sales are almost reaching pre-Covid levels and we also see a higher volume of enquiries from F&B and manufacturing customers because their suppliers have either folded or they are not able to provide the same level of goods quality and customer service," says Doki Doki co-founder and CEO Alex Goh.

Another company that is actively scaling up its retail presence in Vietnam is Norbreeze Group which distributes and markets jewellery and timepiece brands including Pandora, Olivia Burton, Bering, Coach, Boss, and Tommy Hilfiger.

The company is opening three new owned-and-operated stores in Vietnam in November and five partner stores in December/January. By end-2020, Norbreeze will manage a retail network of 19 stores in Vietnam, comprising 11 owned-and-operated stores, and eight stores operated by partners. And by end-2021, it expects to go to 35 stores.

For Norbreeze CEO Anders Peter Sauerberg, it boils down to cost and return on investment. According to Mr Sauerberg, cost of operations in Vietnam can be 50-60 per cent lower compared to Singapore. It simply is more profitable to operate physical stores there. This is in tandem with Norbreeze's new website cocomi.vn.

"We are quite aggressive in opening stores because we have found a model that works. This enables us to open fast not only in first-tier cities, but also second-tier locations," he says.

Not that it is giving up on retail in Singapore. In fact, it is implementing new technology at its physical stores. Termed conversational commerce, this gives consumers at home direct visible access to a sales associate who is working in the store.

"In the pure online space, we have an expected conversion of 1-2 per cent. In physical stores, depending on the category of store and what is being sold, between 10 and 30 per cent. Conversational commerce is expected to sit in the middle at 14 per cent," says Mr Sauerberg.

But perhaps most intriguing is a decision by local startup Kalpha to launch its app in Vietnam this year.

Kalpha's whole business model is premised on connecting people - "learners" and "sharers" to learn and share skills, knowledge and experiences. The catch? It strongly believes in the value of synchronous learning - physical in-person meetups.

"We went to Vietnam in November last year looking to launch our product in February, but Covid-19 pushed everything back and we officially launched in July 2020," says Kalpha co-founder Jack Soh.

During the early days when news of Covid-19 was first emerging from China, "nobody thought too much about it", remembers Mr Soh.

"But in Vietnam, everybody was already very cautious. Even back in November, every lift had hand sanitisers and people were already wearing masks. So when it really got out, Singapore was hit harder compared to Vietnam."

Launching a business that is based around meetups inevitably had its road bumps. People were understandably cautious and the feedback given was that people were open to meeting, but preferred to meet via video conference.

"So we started building our own online meeting function. But once we finished building that, things went back to normal and people were meeting up in-person again," he says with a rueful laugh.

Kalpha has scaled quickly. From its soft launch when it was seeing between 1,000 and 2,000 downloads per month, it is now looking at 6,000-8,000 user downloads per month.

"In terms of sessions month-to-month we're also growing quite quickly. In October we did 580 sessions and in terms of interactions we're looking at over 10,000 per month."

Kalpha has even set up its own cafe in district 7, just outside Ho Chi Minh City's city centre, to provide a space for meetups to happen.

"Singaporeans are still in that mode of being not too inclined to meet up. In Singapore, typically we used to hit about 10 completed sessions per day, but now we're looking at one to two sessions. In Vietnam, we're at like 15 to 20 completed sessions a day," says Mr Soh.

One business for which the model has shifted quite permanently is NovaLand Group's Nova F&B, the franchisee for Jumbo Seafood in Vietnam.

A Jumbo Singapore spokesperson noted that prior to the pandemic, most customers, whether in Singapore or at overseas outlets, preferred to dine in at the restaurants in big groups. Delivery was never a big part of the overall revenue for the brand.

Delivery has since become the new norm and the team in Vietnam had to quickly go about onboarding the company's brands on delivery platforms and implementing promotions to encourage consumer spending.

The team also had to review Jumbo's food offering to ensure the dining experience was not affected by the delivery journey. Packaging was a challenge as spillage is a common problem during delivery.

Overall, that Vietnam was able to so quickly get a handle on Covid-19 means the businesses The Business Times talked to remain upbeat about their plans.

Nova F&B said Jumbo Seafood is now one of the leading restaurants in Ho Chi Minh City and the company is "actively seeking" new locations to expand their presence.

Kalpha's Mr Soh is looking forward to building out the firm's B2C vertical in 2021. The plan is to offer professional courses, workshops and seminars. There are also plans to gamify the app and allow users to convert points gained to coffee or class credits. Kalpha is also looking to expand to other regions, including Danang and Hanoi.

"Right now, our short term objective is still user acquisition. Our main revenue stream will come when we introduce course and seminar providers. Everybody there wants to learn so professional courses and seminars make sense," Mr Soh says.

"Team-wise, we're looking to expand to other regions like Danang and to Hanoi to ramp up our traction. We are on track to hit 100,000 users by the end of the year and hopefully by the end of next year we hit 300,000 users. By end-2021, if we can expand to a third country, that will be fantastic."

New $12m programme to strengthen Singapore's blockchain ecosystem

The Strait Times, Choo Yun Ting, 7 December 2020

A $12 million programme has been launched to strengthen Singapore's blockchain ecosystem and facilitate the development, commercialisation and adoption of blockchain technology for real-world applications.

The Singapore Blockchain Innovation Programme will engage close to 75 companies including multinational corporations, large enterprises and info-communications technology companies, to conceptualise 17 blockchain-related projects within the next three years in sectors such as trade and logistics.

The Singapore Blockchain Innovation Programme will engage close to 75 companies to conceptualise 17 blockchain-related projects. (Photo: Kua Chee Siong)

It was launched jointly by Enterprise Singapore (ESG), the Infocomm Media Development Authority (IMDA) and the National Research Foundation (NRF) on Monday (Dec 7). The programme is funded by NRF.

Beyond research translation into real-world needs, the programme will look at enabling the adoption of blockchain in environments with high transaction rates and growing the blockchain tech talent pool.

ESG chairman Peter Ong said: "Covid-19 emphasised the need for trusted and reliable business systems in the new digital world." Blockchain technology helps to "embed trust in applications" spanning logistics and supply chains, trade financing and digital identities and credentials.

"The acceleration of innovative business solutions under the Singapore Blockchain Innovation Programme will help our enterprises be more globally connected and competitive," he added.

Mr Lew Chuen Hong, chief executive of IMDA, said the programme looks to encourage blockchain adoption in more industries beyond finance, which includes scaling up industry manpower and know-how.

"These efforts allow Singapore to build a strong blockchain ecosystem and establish our role as a trust hub," he said.

The Singapore Blockchain Ecosystem Report 2020, released on Monday at the Singapore Fintech Festival and Singapore Week of Innovation and Technology (SFF x Switch), spotlighted Singapore as a key hub for blockchain research and commercialisation.

It also showcased how the coronavirus pandemic has accelerated the application of blockchain technology, which is being used to verify health credentials.

The country has produced the highest number of blockchain-related research publications in South-east Asia – 162 blockchain-related publications over the last 15 years – which is about 2.25 per cent of all research publications and 15th in the world.

The report was co-presented by blockchain industry partners OpenNodes, Temasek, IBM, PwC Singapore, EY and SGTech, and supported by IMDA and the Monetary Authority of Singapore.

Strong interest in innovation projects

In a separate release from ESG, IMDA and NRF, the three agencies said small and medium-sized enterprises and start-ups have submitted more than 300 proposals across 16 National Innovation Challenges problem statements since July this year, demonstrating their strong interest to solve these issues and enable digital transformation.

The National Innovation Challenges were announced by Deputy Prime Minister Heng Swee Keat in May and aim to accelerate innovation efforts and help enterprises develop solutions to overcome challenges in the post-Covid-19 world. Some $40 million has been dedicated to the challenges to ramp up the development and adoption of solutions.

Several projects are on track for industry adoption in 2021, and four prototyping projects from the first batch of challenges launched in July are being tested.

A new challenge seeking to address the sustainable and automated segregation, disposal and treatment of food waste was launched on Monday.

It aims to help Singapore achieve its goals under the Zero Waste Masterplan and is led by the National Environment Agency and ESG, along with JTC and several corporates such as Changi Airport Group.

Singapore firms in India turn to e-commerce

The Strait Times, Nirmala Ganapathy, 28 November 2020

They step up presence on Internet platforms as more shoppers go online amid pandemic

Singapore food manufacturer Tong Garden saw its business in India grow over the last decade - mainly through supermarkets and grocery stores, where people pick up snacks like wasabi-flavoured peas, a surprise runaway hit among Indians.

During the pandemic, the snack and nuts company has increasingly looked to e-commerce.

Its spokesman Huiqi Ong said: "Early on, we were on Amazon and BigBasket... Through the pandemic, we saw sales on all our platforms surging. That is something we are thankful for.

"We realised we need to put in even more to grow our presence."

She noted, however, that overall sales in India had fallen by 20 per cent to 30 per cent during the pandemic.

She added: "We are really focused on increasing our reach and being on as many platforms as possible... There is a lot of potential (in India). It's a big market for us."

Plans to set up a manufacturing plant - announced over two years ago - in the city of Ahmedabad have been delayed by the pandemic. The plant would allow the firm to manufacture its products in India and make it more competitive in an extremely price-conscious market.

While building in the midst of Covid-19 is "very challenging", Ms Ong said they are going ahead with building the factory.

India is the second-most affected country in the coronavirus pandemic, with 9.31 million cases.

In March, a stringent lockdown shut down all economic activity in the country, though restrictions have since been eased.

Still, the pandemic has seen the middle and upper classes increasingly shift online to buy everything from vegetables to daily essentials.

According to GlobalData, the pandemic is expected to accelerate India's e-commerce market and push its growth to hit 7 trillion rupees (S$126.5 billion) by 2023.

For Singapore firms selling lifestyle and food products, e-commerce has acquired additional importance in business expansion.

$126.5b

Value of India's e-commerce market by 2023, according to GlobalData, as the pandemic is expected to accelerate the market and push its growth.

Singapore firm igloohome, which makes smart locks and lock boxes, stepped up its plans to go online.

Its director of business development Shalin Gaikwad said: "We assisted distributors to get on board marketplaces like Amazon and Tata Cliq by partnering with e-commerce-focused resellers.

"This helped us tap the festive promotions during Diwali, and we were able to list a lightning deal on Amazon, which led to some unprecedented volumes during the festival season."

The firm found that while deals in the real estate space were put on hold, other industries opened up, like the logistics industry.

"We decided to conduct training sessions with our distributors and gave them case studies on how to cater and pitch to this newly created stream of demand," said Mr Gaikwad.

Despite seeing a dip in sales during the pandemic, igloohome said it plans to increase its retail presence in the five major metropolitan cities by March next year.

Enterprise Singapore (ESG), the government agency championing enterprise development, has spotted the benefit of e-commerce for firms seeking to expand.

It recently conducted a webinar on the e-commerce journey for Singapore companies keen to venture into India.

"Despite the challenges posed by Covid-19, ESG has engaged with more than 40 companies on e-commerce opportunities in India to understand more about the opportunities and landscape over the past few months," said Mr Tay Lian Chew, ESG's global markets director for South Asia.

"More than 47 per cent of these companies have progressed on to active discussions with in-market distributors and sellers.

"The ongoing pandemic, as well as trade tensions, has also highlighted the importance of diversifying supply chains as companies around the world faced disruptions to the flow of materials and goods."

India has a tough business environment due to red tape and regulatory hurdles, among other issues.

Still, it jumped from the 130th position in 2017 to 63rd this year in the World Bank's Ease of Doing Business index.

For beverage firm Asia Farm, e-commerce is its new strategy for India, after eight years of trying to crack the highly competitive beverage sector.

It has sold 12,000 bottles of purple tea online during the pandemic.

"We understand the India market is not really easy because it's price-sensitive, said Mr Wong Loke Hsien, its business manager.

"But once you get in and the product is well accepted, sales can be big because of the massive population."

Singapore: Large firms step up to help SMEs with relief and training

The Strait Times, Prisea Ang, 30 November 2020

Some companies are helping SMEs reinvent themselves through technology. (Photo: St file)

Several large companies are helping small and medium-sized enterprises (SMEs) stay afloat as the coronavirus outbreak continues to take a toll on their finances and operations.

The initiatives involve providing much-needed relief and training to firms at a time when some government assistance tapers off as the economy gradually reopens.

American software company Salesforce has partnered the Singapore Business Federation (SBF) to hand out $960,000 in cash grants to eligible SMEs. The programme is expected to benefit 120 firms, which will each receive a grant of $8,000.

They can use the funds for their immediate cash-flow needs, such as rent and operating costs, to pay staff wages and to upgrade their skills or to digitalise.

Singapore-registered SMEs with at least 30 % local shareholding, an annual revenue of $150,000 to $2 million, and who employ between five and 50 employees, are eligible to apply.

Applications opened November 30 and close on Dec 23. Firms can go to this website to find out more.

Salesforce Singapore vice-president and general manager Cecily Ng said it is the right time for Singapore businesses to tap the grant money to fuel growth, given the economy is beginning to recover.

"This also presents a critical opportunity for larger and more established businesses to step in and give SMEs the support and resources they need to overcome challenges posed by Covid-19 and speed business transformation," she said.

Meanwhile, financial services firm American Express is helping to drive foot traffic back to stores by bringing its global Shop Small campaign to Singapore.

Card members can get $5 cashback when they spend at least $10 at participating businesses from tomorrow, for up to three times.

Around 2,000 businesses, at 11 CapitaLand malls and in areas such as Kampong Glam and Telok Ayer, are participating.

American Express, which has committed US$200 million (S$268 million) worldwide for its Shop Small campaigns, did not disclose how much it has set aside for the initiative here.

Mr Elroy Lim, vice-president and general manager for merchant services at American Express in Singapore, said: "While Shop Small encourages people to spend, we want them to consider where they spend, not how much they spend, and to place more emphasis on spending on local businesses."

Home-grown pastry shop Tong Heng is among the shops featured in the campaign.

General manager Ana Fong said Tong Heng's main challenge as a traditional small business has been to evolve to stay relevant.

The shop had to cease operations for three weeks during the circuit breaker and was lucky that it had adopted a digital strategy in recent years that allowed it to update customers, added Ms Fong.

SMEs - generally defined as companies with an annual turnover of less than $100 million or fewer than 200 staff - form a significant part of Singapore's economy, accounting for about 99.5 % of the country's enterprises and 70 % of the workforce.

Besides financial assistance and incentives for shoppers, some companies are helping SMEs reinvent themselves through technology.

Mr Dilip Roussenaly, senior director of deliveries at Grab Singapore, said:

"Even as the economy gradually reopens, we believe that the current challenges faced by SMEs such as resource limitations and the lack of know-how in the digital arena will persist."

Grab's recent initiatives to address this digital gap include its Grab Merchant Academy, an online training programme launched in September with modules for businesses in areas such as online store management, menu optimisation and online marketing.

Firms can access these modules through the GrabMerchant app.

Efforts by larger companies to offer a lifeline to SMEs come as some government assistance for these firms tapers off in the coming months.

Support measures were earlier extended to allow businesses in sectors most affected by the Covid-19 outbreak to defer 80 % of principal payments on secured loans granted to them by banks or finance companies, until June 30 next year.

Firms in other sectors can apply to defer 80 % of such payments until March 31 next year.

Loans granted under Enterprise Singapore's enhanced working capital loan scheme and temporary bridging loan programme are also eligible for deferment.

Correction note: This story has been edited for clarity.

Keeping Singaporean SMEs in business: How alternative lenders are filling the gap, and are now put to the test

The Business Times, Vivien Shiao, 21 November 2020

Smaller enterprises with a lack of track record have traditionally been ignored by big banks due to the perceived risk. With advancements in technology, a world of possibility has opened up when it comes to alternative financing. New ways of credit assessment using data allow alternative lenders to plug the gap, to help small and medium-sized enterprises (SMEs) that fall between the cracks get the financing they need.

But with the ongoing Covid-19 pandemic, these lenders are put to the test as the cracks widen, and as SMEs struggle to keep the lights on. The upcoming digital banks may also eat their lunch as they target the under-served small business segment. Three SME lenders tell The Business Times how they intend to compete, what they are doing to step up their game, and how they are bracing for the downturn that lies ahead.

Illustration: Teoh TYi-Chie

KEEPING SMES IN BUSINESS: How alternative lenders are plugging the financing gap, and are now put to the test.

Goldbell Financial Services

VEHICLE leasing heavyweight Goldbell Group may have more than four decades of history, but its financial solutions are anything but traditional.

Its financing arm Goldbell Financial Services, led by third-generation business leader and former JPMorgan banker Alex Chua, seeks to shake up how SME financing is done through innovation in debt structure and technology.

"We give customers a different approach to borrowing money," Mr Chua tells BT.

Its latest initiative, known as Polaris, is a launchpad for businesses to work with Goldbell to construct scalable and growth-focused debt structures, collaborating to gain additional revenue streams.

In essence, Goldbell does not just simply lend money, but also tailors financing solutions customised for each SME, and provides resources and networks to help them grow.

More focused approach

The idea behind it came more than two years ago, but Polaris was only officially launched early this year as a more focused approach to support SMEs.

One such SME that Goldbell has brought on board Polaris is buy-now pay-later business Rely, an online payments platform that allows participating retailers to offer customers the ability to split their purchase into interest-free payments.

In this case, Goldbell funds all of Rely's transactions through a scalable joint venture funding structure. Goldbell's backing ensures that Rely will have access to sustained funding sources, enabling the startup to focus on acquiring more merchants and consumers. In its next stage of development, Goldbell is looking at providing financing solutions to Rely's merchants.

The amount Goldbell pumped into each partnership ranges between S$300,000 and S$5 million so far, but the amount is flexible, says Mr Chua.

Goldbell evaluates the companies it partners with differently from the banks. Businesses need not be profitable and can be as young as six months. "The reason why SMEs are not covered in Singapore is not because of risk, but because of the cost of acquisition and the costs of dealing with an SME because a bank structure is quite rigid," he notes.

Mr Chua likens it to an "extremely small" goal post, where only SMEs that can fit particular criteria get access to loans. Often, they must be profitable and be in operation for at least three years. "But for us, we try to look at the future of the company," he adds.

Among the criteria that Goldbell prioritises includes the mindset of founders. "A lot of these founders are too stuck on running the day-to-day operations and cannot look at doing something a bit differently," says Mr Chua. Companies they work with must also be digital in nature, as Goldbell watches for data on transactions, he adds. These companies should also be channels for them to lend, lowering acquisition costs for Goldbell.

For instance, another SME that is on the Polaris network is food-ordering platform Oddle. Goldbell partnered Oddle to co-design a Merchant Cash Advance Programme that allows Oddle's merchant partners to gain quick access to capital within 48 hours. This is done by leveraging on sales data from Oddle's platform to quickly perform credit assessments.

To date, there have been zero non-performing loans (NPLs) under Polaris. For Goldbell Financial Services, which started in 2015, the NPL rate is less than 0.15 %.

It has disbursed over S$906 million as of Oct 31, 2020 since its financing arm started five years ago.

Polaris is not the only option for SMEs that turn to Goldbell for financing. It was approved in May to provide SME financing through the Enterprise Financing Scheme's Temporary Bridging Loan, where the government shares 90 % of the risk.

Even as Goldbell's loans are more costly compared with the traditional banks, SMEs sometimes prefer to turn to them because of less friction involved, says Tan Chun Hao, head of strategic partnerships and projects, Goldbell Financial Services. For instance, Goldbell's government-backed Temporary Bridging Loan comes with an interest of 5 %, while local banks can charge below 3 %. However, Goldbell is able to disburse funds as quickly as three days after the paperwork is complete. Banks can take up to months, especially for young SMEs - if they even decide to lend at all.

Space for collaboration

Even with the digital banks coming up, Mr Tan says Goldbell does not view them as competition.

"The banks possess certain advantages that FIs (financial institutions) like us do not currently have, such as banking accounts and lower cost of funds. So there is definitely space for collaboration," he notes.

SMEs that are on the Polaris network may be underserved by banks at this juncture, but once they grow into a sizeable portfolio with the right credit risk structures and a good track record, Goldbell could then invite banks to participate in the existing loan book or to provide additional funds, he adds.

According to Mr Chua, the real reckoning for lenders - including Goldbell -- will come when the loan moratoriums end next year. While he projects that NPLs will edge up slightly, he is confident that the business will weather the storm on the back of their credit assessments and relationship with borrowers. "There are inherent risks, but the important thing is to work with SMEs to get through it together," he says. "If I pull the line, it will be bad for both of us."

Validus Capital

Singapore peer-to-peer lender Validus Capital is no stranger to SME financing here, having disbursed over S$550 million of such loans to date since it started five years ago.

It partners blue-chip companies and government-linked companies to finance their SME ecosytems, says Nikhilesh Goel, co-founder and CEO of Validus Capital.

These SMEs are typically businesses which either do not qualify for traditional bank loans, or are not able to obtain adequate credit or do not have adequate collateral.

Such partnerships allow the fintech to bridge the SME financing gap, while protecting the interests of investors on the platform who are seeking to diversify their portfolio, adds Mr Goel.

Validus, which has raised US$35 million to date from notable investors such as Temasek-backed Vertex Ventures, offers SME vendors zero-collateral financing via three key products: Invoice financing, purchase order financing and unsecured business loans.

It is through the partnerships Validus has with corporates that the fintech has access to data on SMEs to carry out credit assessments, taking into account both previous performance as well as trade data. In addition, its underwriting model can rely on data analytics, rather than traditional financials and collateral, he adds.

This also enables Validus to finance SMEs in certain sectors such as shipping and marine, which are often shunned by traditional banks due to their volatility.

Skin in the game

Even so, Mr Goel makes clear that the fintech's key focus is on enabling access to growth financing for SMEs.

"In line with our credit standards and policies based on that, Validus does not lend to extremely risky sectors, or SMEs in dire straits," he notes.

In addition, even though it is a P2P platform, Validus also has skin in the game as it invests alongside investors on the platform, but declined to give a specific figure.

Earlier in October, Validus secured approval to offer SMEs financing through government-backed loans under the Enterprise Financing Scheme. This will be financed through its balance sheet.

For a start, Validus' initial focus will be on SMEs that come through its larger corporate partners and collaborators; it expects to bring on more SMEs from sectors such as engineering, shipyard, marine and distribution in this scheme.

Mr Goel expects that working capital loans will form a "significant part" of its portfolio in the next six to nine months.

Opportunity for collaboration

Validus saw month-on-month growth in disbursement volume in the last quarter, up 45 % following the lows during the pandemic peak months of March and April.

While the fintech did not reveal its non-performing loan (NPL) rate for this year, the figure stood at 2.69 % in 2019, of which 60 % has been subsequently recovered as of April 16 this year. For this year, it is expecting NPLs to be similar as compared to last year.

To assure investors that it is actively managing portfolio risks, Validus has tightened credit policies for SMEs in sectors heavily impacted by the pandemic, reducing limits and the average loan tenor, notes Mr Goel.

As Singapore gears up for the upcoming digital banks, Validus sees it as opportunity for collaboration, instead of outright competition.

Validus was earlier reported to have been in a consortium comprising OCBC, Keppel Corporation and Vertex Ventures to vie for a digital wholesale banking licence in Singapore.

Talks broke down, understood to be because of Keppel's then-ongoing review of its core operations.

According to Mr Goel, the fintech is now in talks with potential partners and "may collaborate in some form", declining to give details as it is still premature.

In fact, he predicts that in the future, there will be increased tie-ups between fintechs and banks for improved SME financing services and adoption of open banking to meet SMEs' needs.

He also expects industry practices to be enhanced, such as data sharing in fraud prevention, quality reporting via credit bureaus, and use of new data sources in enhancing quality of risk decisions.

Finaxar

When alternative lending for SMEs is brought up, peer-to-peer lending platforms usually come to mind.

But fintech Finaxar is going a different path - as a balance sheet lender, it raises funds from specialist funds and asset management companies, then disburses loans from its own pockets.

"Using data and technology, we underwrite and extend loans that were operationally expensive for traditional banks to do," says Vihang Patel, co-founder and CEO, Finaxar.

As such, Finaxar takes on the credit risk of the borrower, which he says requires a "thorough and cautious customer screening process".

P2P platforms, in contrast, are not exposed to bad loans that they underwrite as they are usually the intermediary.

With Singapore not out of the woods yet as recovery has been slow, Mr Patel says the fintech is maintaining a cautious position when it comes to the current risk environment.

Since Covid-19 struck, Finaxar has seen a 20-25 % monthly increase in loan disbursement as demand went up.

However, the fintech has had to restructure 7 % of its overall loans, with SMEs in the food and beverage and hospitality sectors particularly affected.

It declined to give its non-performing loan (NPL) rate, only that it is in the "low single digit".

Suite of solutions

The fintech, founded in 2016, is backed by venture capital firms the likes of Monk's Hill Ventures, 500 Startups, as well as financial institutions from Europe and Asia such as Cathay Financial Holdings. It has raised an eight-digit figure (in SGD) so far.

It offers a suite of digital finance solutions for SMEs, including credit lines, receivable financing and purchase financing. Finaxar Credit Line, for instance, is accessible via e-commerce platforms like Lazada in Singapore and Vietnam, as well as Amazon in Vietnam.

Earlier in October, the fintech also launched a spend management solution known as Flex by Finaxar in collaboration with Visa to better control their expenditure through a single platform.

This came from the fintech's experiences working with SMEs, says Mr Patel. The team had realised that slow transaction times due to manual administration of invoices, payments and receivables impacted SMEs' cash flow and overall responsiveness to business demands.

According to Mr Patel, Finaxar supports SMEs from all sectors, running the gamut from startups to e-commerce to logistics. He believes that while banks or venture capital firms (VCs) service these segments, they are not quite able to meet their needs. For instance, while VCs support startups or young SMEs with equity, they tend to be unable to meet the need for working capital financing, Mr Patel adds.

Even for more established sectors like logistics, finding a working capital financing partner that is easy to work with, especially for short-term financing, can be challenging, he says.

Mr Patel points out that one of the key challenges restricting access to capital for SMEs is the lack of access to reliable data that can help in assessing creditworthiness, as well as disbursement loans which are smaller in size in a cost-effective model. To overcome this, its primary model for credit assessment relies on using a combination of financial data from the SME and credit bureaus as well as alternative data from Finaxar's data partners that it accesses via application programming interfaces (APIs), he says.

For instance, if an SME sells on Lazada, Finaxar will provide a one-click integration to connect their account to its platform for credit assessment.

Addressing wide range of needs

This presents a more forward-looking view of the SME by viewing transactions, rather than relying on traditional methods of historical data of financials, which in itself were not reliable, he explains.

Finaxar's loan ticket size ranges from as small as US$1,000 to up to US$500,000, depending on the market. It declined to give the overall loan volume to date, but disclosed that it has crossed S$100 million in disbursements to SMEs since inception.

But besides being a direct lender, Finaxar also partners with incumbent banks to address a wider range of SME needs, such as through its "lending-as-a-service" solution to change and digitise SME finance. Lending-as-a-service is a model where fintechs like Finaxar provide digital lending technology to banks, offering a range of services including customer origination, loan processing, underwriting, monitoring, disbursement and collections.

With that, Mr Patel does not see the upcoming digital banks as a threat, but a potential collaborator. "Both conventional and digital banks will have to partner with other institutions, like fintech platforms, to step up their game," he says. "We do not intend to compete with digital banks directly." Finaxar's long-term goal is to get to that level where it can work with financial institutions globally, he shares.

Looking ahead, the fintech will roll out its "buy-now-pay-later" solution in Singapore - known as Finaxar Pay - aimed at businesses in the business-to-business (B2B) sector, particularly those who purchase and sell on the B2B e-commerce marketplace. It has already been launched in Malaysia and Vietnam.

ADB to help Sri Lankan SMEs recover from COVID-19

Lanka Business Online, 24 November 2020

The Asian Development Bank (ADB) has approved a $165 million loan to Sri Lanka to provide immediate financing support for small and medium-enterprises (SMEs), which have been severely affected by the coronavirus disease (COVID-19) pandemic, and long-term financing to underserved SMEs, including businesses led by women and tea smallholders.

COVID-19 has gravely hit Sri Lanka's economy due to the decline in demand and supply chain disruption in export-oriented industries, which has led to an economic slowdown that gradually spread across other sectors. Financial support is critical for SMEs to revive their businesses, which account for over 45% of total employment and 52% of gross domestic product of Sri Lanka.

The new financing will build on the ongoing Small and Medium-Sized Enterprises Line of Credit Project, which ADB approved in 2016 to strengthen SMEs' access to finance. The project is cofinanced with a grant from the G20-led Women Entrepreneurs Finance Initiative (We-Fi) since 2018 to promote women entrepreneurship.

"Through the efficient credit delivery mechanism of the ongoing project, we will swiftly provide affordable working capital loans through 10 local banks for severely affected SMEs in response to COVID-19," said ADB Financial Sector Specialist for South Asia Takuya Hoshino.

"This new loan together with the existing We-Fi grant will further encourage banks to expand their outreach to businesses led by women, to boost long-term economic growth and transformation in the context of a steadily aging population and expected future labor shortage." The new loan will introduce a new credit line, cofinanced with a $1.25 million grant from the Japan Fund for Poverty Reduction (JFPR), to promote capital investment by tea smallholders.

A supplemental $1.75 million technical assistance grant from JFPR will build tea smallholders' financial literacy and capacity to access financial services and develop policies to promote value chain development for the Sri Lankan tea industry to strengthen its international competitiveness. ADB approved a $20 billion expanded assistance package in April to support its developing members' COVID-19 response.

Sri Lankan Central Bank disburses Rs179 billion among COVID-19 hit SMEs

Sunday Times Online, 26 November 2020

The Central Bank (CB) has disbursed Rs.179 billion to provide financial support for small and medium-enterprises (SMEs), which have been severely affected by the corona virus disease up to October 2020, CB Governor Prof. Professor W. D. Lakshman disclosed.

Answering a question raised at the virtual Press Conference on Monetary Policy Review - November 2020, he noted that these refinance facilities have been provided through respective participatory banks at concessionary interest rate to majority of applicants.

The balance number of applicants will be provided with the loan facility soon, CB sources said without indicating the exact number.

The Asian Development Bank (ADB) has approved a $165 million loan to Sri Lanka to extend immediate financial assistance for COVID-19 hit SMEs.

This financing facility amounting to around Rs. 30 billion will be disbursed mainly among underserved SMEs, including businesses led by women and tea smallholders, Deputy Governor K. M. Mahinda Siriwardana said.

The new financing will build on the ongoing Small and Medium-Sized Enterprises Line of Credit Project, which ADB approved in 2016 to strengthen SMEs' access to finance, official sources revealed. (BS)

Tourism SMEs earn more than non-tourism ones in Sri Lanka

Ceylon Today, Paneetha Ameresekere, 17 August 2020

Small and Medium Enterprises (SMEs) related to the tourism industry earn more than those SMEs catering to the local market, an Asian Development Bank Institute (ADBI) study released on 13 August, but dated 28 July, 2020 said.

ADBI is a subsidiary of the ADB and is the latter's think tank. Meanwhile, the study which focused on four key tourism coastal areas in the South, namely Galle, Hikkaduwa, Mirissa and Tangalle and which discounted the impact of the current COVID-19 Pandemic, in particular to tourism-related SMEs, found that the average monthly profit of non-tourism-related SMEs located in all four regions varied from Rs 98,235 to Rs 112,000.

'It found that tourism-related SMEs in Hikkaduwa accounted for the highest profit (Rs 220,230) per month in the four destinations in question, followed by those in Mirissa (Rs 212,482). Boosted by the higher profits earned by tourism SMEs, the average monthly profit of both tourism and non-tourism-related SMEs in the four regions was Rs 151,423, it said.

The survey captured 200 SMEs, comprising 117 tourism-related SMEs and 83 non-tourism-related SMEs. ADBI also found that 49 % and 44 % of non-tourism-related SMEs and tourism-related SMEs respectively, in Mirissa, have female owners, though, in general, male entrepreneurs head 56 %–65 % of tourism-related SMEs and 51 % – 61 % of non-tourism-related SMEs in the four destinations captured in the study.

"More specifically, women's engagement in tourism-related SMEs is significantly lower in Hikkaduwa and Tangalle, where women own only 35% and 37% of SMEs, respectively," ADBI said.

The study recognised hotels and boarding houses; spas and ayurveda clinics; cafes, food, and beverages; travelling and guiding; surfing and diving; and souvenirs and handicrafts as common business types of tourism-related SMEs.

In addition, the survey identified six main business types of non-tourism-related SMEs: Agriculture, farming, and dairy; arts and crafts; apparel and bags; auto parts and maintenance; household items, cement and metalwork.

Tourism-related SMEs located in the four surveyed tourism destinations capitalise on the demand from foreign tourists during the tourist arrival season while catering for local tourists during the rest of the year, ADBI said.

Consequently, tourism-related SMEs face relatively low risk and earn a higher profit. In contrast, non-tourism-related SMEs located in the same destinations have regular local customers who are very sensitive to price and quality variations in products and services; hence, non-tourism-related SMEs located in tourism destinations have relatively low profit, the report said.

In addition, tourism-related SMEs receive some special benefits, such as tax reductions, special loan schemes at low interest rates, and grace periods for loan repayments to promote the tourism industry. These benefits may also have an influence on the higher profit of tourism-related SMEs, ADBI added. However, the education level of tourism-related SME owners is slightly lower than that of non-tourism-related SME owners. In fact, most tourism-related SME owners, perhaps with the exception of hotel owners, are less educated as they have been engaged in the tourism industry since leaving school, ADBI said.

Nonetheless, the current study strongly recommends motivating people who are interested in setting up a tourism-related SME in the areas concerned by providing them the necessary training and initial capital for them to start their business. Moreover, it is essential to establish a proper mechanism for inspecting the service that such SMEs provide to ensure a quality service for tourists. Consequently, a solid public – private partnership is vital to facilitate both existing and new SMEs located in key coastal tourist destinations in the Southern Province, ADBI further said.

Sri Lanka: ComBank launches exclusive SME credit card

Ceylon Today, 25 August 2020

The Commercial Bank of Ceylon launched an exclusive Credit Card for the Small & Medium Enterprises (SMEs) sector.

One of the largest lenders to SMEs in Sri Lanka, the Bank will issue the Mastercard-branded Credit Card to entrepreneurs who fall into the SME category as defined by the Central Bank of Sri Lanka (CBSL), and meet the standard credit evaluation criteria. Meanwhile, members of the Bank's Biz Club, the card has been named 'ComBank Biz Club SME Credit Card' while other SMEs will go with the name 'ComBank Business SME Credit Card,' the Bank noted.

The card will confer several additional benefits to cardholders.

Commercial Bank's SME Credit Cards will also be eligible to Mastercard sponsored international and domestic offers exclusive to that category of cards.

Among the value additions provided by Commercial Bank to the SME sectoris the Bank's 'Biz Club' launched in 2017 to provide SMEs with extensive networking opportunities, support beyond lending and a range of other benefits including special bank concessions anda personalised Biz Club Debit Card.

Members also receive economic updates and alerts on new business developments via email and SMS and free registration for Online Banking facilities. Additionally, Biz Club members are entitled to free financial advisory services and invitations to exclusive business seminars which are beneficial to the development of their businesses.

Taiwanese SMEs stayed on growth path, white paper shows

Taipei Times, Angelica Oung, 4 November 2020

The nation's small and medium-sized enterprises (SMEs) last year continued on their steady growth trajectory, an annual white paper released on November 3, 2020 by the Ministry of Economic Affairs' Small and Medium Enterprise Administration showed.

The number of SMEs increased to 1.49 million last year, up 1.72 % year-on-year, accounting for 97.65 % of all Taiwanese businesses, the paper said.

About 9.05 million Taiwanese worked at SMEs last year, up 0.99 % from the previous year, making up 78.73 % of the nation's total workforce, the report said.

The number of SMEs and the number of people employed at them both reached their highest in recent years, it said.

"More than 100,000 SMEs were created last year," the report said.

The ministry defines an SME as a business with revenue of less than NT$100 million (US$3.46 million) a year, or employing fewer than 200 people, except for the construction, manufacturing and mining sectors, where an SME is defined as a company with capital of less than NT$80 million or with fewer than 200 employees.

Eighty % of the nation's SMEs were in the service industry last year, 46 % of whom were wholesalers or retailers, the report found. It said that 36.8 % of Taiwanese SMEs were led by women.

"Taiwanese SMEs have shown steady, positive growth in recent years," the report said. Overall sales generated by SMEs reached NT$12.71 trillion last year, up 0.7 % year-on-year and accounting for 29.6 % of all business revenue, it said.

"SMEs are an important foundation of economic stability and job growth," the report said.

The figures were compiled using tax data from last year, the most recent available, and labor data released by the Directorate-General of Budget, Accounting and Statistics.

The paper recommended that the government assist in the development of SMEs through promoting the acceptance of mobile payments and schemes such as "One Town One Product" that creates rural SME opportunities.

L1 billion in support of Turkish SME's cash flow amid pandemic

Daily Sabah, Timur Sirt, 25 September 2020

Fintech startups have solved the cash flow problem of small and medium-sized enterprises (SMEs) during the pandemic period. Figopara has acted as an intermediary for SMEs, financing TL 1 billion since its establishment and TL 600 million since the beginning of 2020

In the face of the COVID-19 outbreak, many small- and medium-enterprises (SMEs) continued to sell but had a cash flow problem. The disruption of the payments also negatively affected the manufacturers and distributors who manage the supply chain.

“With the Figogaranti model, we are now starting to produce Figoskors with electronic invoice and electronic ledger data of companies. We will enable Figoskor SMEs to access cash from banks on more favorable terms with objective criteria,” Koray Bahar, the founder of Figopara, said. (Photo courtesy of Figopara)

Banks, on the other hand, created an opportunity for financial technology (fintech) startups to obtain a healthy measurement when it was difficult to find solutions to urgent needs due to their large corporate structures and different priorities.

Investor and entrepreneur Koray Bahar attracted attention with the successful sale of Foriba, Turkey's leading electronic invoicing company, which he founded, to the global leader Sovos. He recognized this shortcoming and produced solutions with Figopara. He is currently leading a fintech startup that helps to find the balance of supply chains whose cash flow has deteriorated during the pandemic period.

Koray Bahar, who became the head of the fintech startup that he founded after the successful sale of Foriba to Sovos last year, aims to produce solutions for small- and medium-sized enterprises, this time before large corporations. Stressing that the companies that closed down during the pandemic period were in a difficult situation not because they suffered a loss, but because they could not manage their cash flow, Bahar explained the change they experienced with Figopara.

“At Figopara, with our expert employees, we mediate the easy, fast and reliable access of many companies to the basic need of financing,” he said. “While we used to meet with customers in large plazas and business centers, now we are looking for a solution for the tradespeople.

We also meet with large companies and banks in supply chain finance. However, our main concern is to improve the financial business skills of SMEs and to provide quick solutions to cash flow. As Figopara, we have brokered TL 600 million ($79.01 million) since the beginning of 2020 and TL 1 billion since our establishment in 2018.

So, the thing we look at the most in Figopara is growth. If we can solve a customer's need faster, I think we are doing the right job. We constantly monitor customer metrics.”

75 million-euro support

“Large companies want to pay late, but SMEs want to access money instantly. Especially during the pandemic period, we solve the most important problems of SMEs overwhelmed by cash flow, and we mediate them to manage cash flow and working capital,” Bahar added, stressing that the solution developed will be better understood during the pandemic period.

“We will use a significant portion of the resources we will provide from our new $6 million investment tour, which we will finalize in October, to develop new technologies to mediate financing to SMEs. With our newly developed scoring solution, we will continue to be instrumental in the financing needs of SMEs by scoring the commercial performance of SMEs with objective criteria. Meanwhile, we will bring foreign resources to Turkey to support the financing of SMEs. We will ensure that the support of 75 million euros (TL 663.19 million) offered to SMEs abroad reaches SMEs.”

Figoskor scores

Bahar stated that they will give points to the commercial performance of the companies with the solution they developed called Figoskor by closely monitoring the cash flow and financial health of the businesses they serve and further explained the process. “We offer different pain relievers to both sides in supply chain finance.

While large companies want to extend the terms, SMEs want to reach the money instantly,” he continued. “With our bank business partners, we mediate large companies to extend maturities without risking their working capital and for SMEs to reach payments instantly.

This request is the same all over the world. With the Figogaranti model that we launched in August, we are now starting to produce Figoskors with the electronic invoice and electronic ledger data of companies. We will enable Figoskor SMEs to access cash from banks on more favorable terms with objective criteria. The number of companies producing electronic invoices is increasing day by day. We could only do this in a country where electronic invoices are used.

We will not be late in doing global business as in Foriba. With Figoskor, it is imperative to quickly evaluate the cash flow needs of a business, based on objective criteria. We evaluate all our businesses on Figoskor and accelerate their access to their financing needs.”

Banks and fintechs work together

Bahar said that contrary to prejudices, banks can work with fintechs. “It is not easy for fintech projects to gain priority among the ongoing IT projects of banks. However, if both sides decide to take advantage of each other's talents, things move quickly. We think that fictions that both sides will win will gain more importance,” he added.

Figoskor facilitates access to cash

Bahar noted that SMEs will reach cash faster by giving a Figoscore according to objective criteria and explained the Figogaranti system they established. “We used the first $1 million investment to create the data-based Figoskor.

We continue to score SMEs with a new $6 million investment from the Ministry of Finance. We allocate it to the financing of SMEs,” he said. “By scoring the commercial performance of SMEs with objective criteria, we will continue to be instrumental in financing needs.

Based on legal data such as electronic invoices and electronic books recognized by the Ministry of Finance, the Figoskor score we give helps banks to provide financial support quickly under suitable conditions. We make an effort for SMEs to get Figoskor as soon as possible.”

International support for startups seeking growth

The StartUpCampus Program supports entrepreneurs who have just started their startup with a 10-week online program, with an international network of investors on the way to scale and grow their businesses.

It is of great importance for the startups in the growth stage to obtain network, mentoring and knowledge from experienced people, as well as investment. The StartUpCampus Program, launched by Endeavor Turkey in partnership with Akbank for the third time, supports entrepreneurs who have just started their startups on their way to scale and grow their businesses with a 10-week online program.

International support

The 12 startup founders participating in StartUpCampus, which will be run entirely online, will receive support from Endeavor's expert mentor network in the field of scaling, in addition to participating in training modules that will take place every week. Startups participating in the program will also have the opportunity to access Endeavor's local and international network.

With Demo Day, which will take place at the end of the program, participants have the opportunity to reach unique feedback and network of relationships by making presentations to investors and leading entrepreneurs of the ecosystem. Applications to the program, which was open to participation from all countries and all sectors, could have been made through the StartUpCampus website until the end of the day on Wednesday, September 30.

To participate in the StartUpCampus Program, the founding partner who applied for participation in the StartUpCampus Program must be one of the main partners and under the age of 35, the company must be established or the minimum viable product (MVP) must be introduced to the market, the first sale must have already been made, and the startup must have at least one employee other than the founding partners.

The 12 startup founders accepted into the StartUpCampus Program attend training and workshops specially designed for early-stage entrepreneurs, receive mentorship support from Endeavor's experienced mentors to grow their businesses, and come together with investors.

Two founders from each of the 12 startups can participate in the program and have the chance to present to investors on Demo Day, which will take place at the end of the program. Entrepreneurs who successfully complete the program also have the chance to access the Endeavor's national and international network of mentors and entrepreneurs.

TÜBITAK support for young entrepreneurs

The Scientific and Technological Research Council of Turkey's (TÜBITAK) Individual Youth Startup (BIGG) program, which was launched in 2012, brings young people with innovative business ideas together with their dreams. Grants of up to TL 200,000 are given to those accepted to the program. In this way, entrepreneurs can turn their ideas into a concrete business model.

As a result of the panel evaluations formed by academicians, industrialists and investors, it was announced by TÜBITAK that 144 entrepreneurs will receive techno-entrepreneurship capital support within the scope of the second call in 2019. Thus, a total of 1,525 techno-entrepreneurship companies will be established by taking advantage of the BIGG program between 2012 and 2020.

Tax concession

In addition to the cash support it provides to entrepreneurs, the program also offers the opportunity to benefit from income tax, stamp tax, customs tax exemptions and SSI employer premium exemptions. Touching on its contributions in the incorporation process, IFASTURK Financial Consultancy and Audit Founder Independent Accountant Financial Advisor Mesut Şenel stated that entrepreneurs' support from experts in establishing a company is critical because of the limited time frame for the completion of incorporation procedures. IFASTURK Financial Consultancy and Audit, which is with the entrepreneurs in their incorporation process that started with the BIGG program and guided them in all steps in the process, has helped many entrepreneurs develop their business ideas.

Promoting startups

Providing information about the details of the BIGG program, Şenel said the BIGG program developed within the scope of the TÜBITAK 1512 project encourages young entrepreneurs to establish companies and contributes greatly to the development of the entrepreneurship ecosystem in our country.

"Thanks to our years of experience, we provide consultancy services to entrepreneurs who are entitled to benefit from this support, during the preparation of the interim financial report of the R&D project and the process of incorporation, with our expert staff," Şenel said. "144 entrepreneurs who are eligible for support need to start their work as soon as possible to establish their companies in October and realize their business plans on November 1, 2020. We, as IFASTURK, will be with them to complete all necessary transactions with entrepreneurs."

Vietnamese MSMEs have more opportunities to borrow money

Vietnam Business Forum, Quynh Anh, 3 September 2020

In the face of the economic effects of the Covid-19 pandemic, Vietnamese banks have launched many products to help micro-, small and medium-sized enterprises (MSMEs) have more feasible financing options for restructuring their production and safe business from now to the end of 2020.

Capital is needed to reach customers in the digital age

By the end of 2019, small and medium-sized enterprises (SMEs) account for about 97% of Vietnamese businesses. Despite accounting for a high proportion and playing an important role, this business sector always faces many challenges.

The general picture of SMEs through the Provincial Competitiveness Index (PCI) in 2019 shows that the biggest difficulties for businesses were: capital (62%), sources of customers (60%), factories (55%), legal issues (45%).

Around the world, according to a survey by data provider Statista, 79% of SMEs believe that their most difficult challenge is to attract new customers. This is an issue that many businesses have struggled with, except for the "big players". Bigger companies with a resounding history often easily attract new customers.

To make up for its fledgling reputation, SMEs need technology and a large amount of capital to reach customers in the digital age. However, that is quite difficult to do even though lending is now much more accessible than in previous years. Many small and medium enterprises are rejected by banks for a variety of reasons, such as non-transparent book systems and financial statements of enterprises.

Or the leaders of SMEs have the trend of borrowing massively to invest in fixed assets temporarily without thinking about whether they can get it back with revenue. After a while, the capital and inventory are stagnant, then it will be too late to think how to get payback.

Outdated capital and technical conditions affect strategy and business performance. To expand business development is also difficult when "the difficulty bundles the wisdom", lack of capital leading to the loss of profit.

Lacking investment capital, most SMEs have to operate "modestly" in cramped offices and in "poor" facilities. All of these are "killers" that silently kill the work motivation and creative spirit of corporate personnel and create a vicious cycle of difficulties piling up.

Many support loans

Every year, the State has a package to support small and medium enterprises such as the annual credit incentive program named "SME Success" or most recently, a credit package connecting the bank and enterprise with a total capital of VND274,450 billion in the last six months of the year. However, very few SMEs are able to access capital. During the recurring Covid-19 pandemic in Vietnam, it is even more difficult for SMEs to have no reserve capital to maintain their operations. They can only wait for banks to implement their own specific support packages.

However, not all businesses can access the bank's capital, because many enterprises do not meet the loan conditions, the approval process is slow, they lack documents, or have wrong documents or unsecured procedures.

Especially, during the Covid-19 pandemic, although banks want to support, businesses must also ensure the safety and efficiency of capital flows. If this cannot be guaranteed, even though banks want to provide capital, it is very difficult to support them.

Another obstacle in getting loans is that the interest rates at some banks are quite high, making small businesses still hesitate to approach. Those reasons can unintentionally cause enterprises to lose investment opportunities.

It can be said that the lender and the borrower need to have a good coordination with each other. In order to be facilitated by banks in terms of capital, the businesses also need to coordinate with banks in the implementation of loan documents such as: Completing dossiers; meeting deadlines for sending records, and; having a development plan.

If they meet all the above requirements, borrowing will not be difficult. Up to now, many banks have launched incentive programs to support SMEs during the pandemic.

In particular, at An Binh Commercial Joint Stock Bank (ABBank), "Quickly Refinancing - Business Growth" program, which supports SMEs to re-start and boost their business after a difficult period due to Covid-19, will be applied with the preferential lending interest rate of only from 6.5% per year.

Or a duo of credit products for the group of micro enterprise customers of ABBank have more flexible and improved policies to help micro enterprises more easily access capital. Both product packages are designed for a credit extension of up to VND10 billion, loans ratio up to 99% of the collateral value and a maximum credit term of 120 months.

Not only ABBank, many State-owned and joint stock banks have launched programs and solution packages to support small and micro enterprises.

Vietnam Maritime Commercial Join Stock Bank (MSB) has launched a super-fast credit package for businesses with a limit of up to VND10 billion; Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) has an incentive program “VietinBank SME Stronger”; Sai Gon Joint Stock Commercial Bank (SCB) implements an incentive program to support businesses; Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank) spends VND1 trillion supporting enterprises to recover and develop business after the Covid-19 pandemic.

The current loan packages not only help micro enterprises easily access capital for business operations in the second half of 2020, but also are the right solutions for micro enterprises through a commitment for simple loan procedures, minimal invoices and competitive lending rates.

VPBank, Mastercard join hands with Amazon Web Services to help Vietnamese SMEs improve operational efficiency

Vietnam Business Forum, 13 October 2020

VPBank and Mastercard announced a collaboration with Amazon Web Services (AWS) to help small and medium enterprises (SMEs) in Vietnam use AWS cloud to modernize IT infrastructure, accelerate innovation and reduce operational costs.

Under the collaboration, VPBank offers VPBank Mastercard Business credit card (VPBiz) to SMEs to pay for AWS cloud consumption. VPBiz cardholders are eligible to receive cloud credits from AWS, technical supports as well as consultation service from the members of the AWS Partner Network.

The COVID-19 pandemic has taken a heavy toll on businesses, especially SMEs, and created an added sense of urgency around the need to digitalize and move operations online.

According to The Asian Banker, there is only 4.1% of credit cards issued for Vietnamese adults and as a result, there are many SMEs who do not have credit cards to sign up for the cloud services or face shortage of credit limit to pay for the services.

Under this collaboration, VPBank customers who apply for this Mastercard credit card and create an AWS Account will receive $100 promotional credit to their AWS account.

In addition, VTI Cloud Company, an advanced member of AWS Partner Program, will provide technical consultation on various topics such as how to move Windows/SAP workloads from on-premise infrastructure to AWS cloud as well as AWS cloud migration fee discount up to $3,000. VPBiz cardholders can also enjoy special offers of the free training course “Mastering AWS in 60 minutes” as well as a 2% discount on any AWS service from TechX – AWS Advanced Partner.

This privilege not only helps businesses to successfully start using AWS cloud, it will also allow them to benefit from the pay per consumption model and effectively expand their business and grow. By removing the upfront heavy infrastructure investments needed, AWS cloud will also help enterprises focus on running their business with agility, enable them to innovate and increase operational efficiency.

In addition, VPBank customers will also receive additional benefits from the Independent Software Vendors (ISVs) who build digital software for enterprise systems on AWS.

These companies include DataBrain Company, offering free 6 months (for a maximum of 100 employees) of its FacePass Check-in service for 3 offices or factories; Kiu Global company, providing 1 month free of its Kiu BMP business management platform with free module training time of up to 24 hours; and L.E.T. Jsc., offering 3 months free of its Bitrix24 business administration software, specific to the real estate industry.

Customers who successfully sign up for the program also enjoy training courses for their employees from the business related functions, on the AWS Business Essential Day, and from technical functions on the AWS Technical Essential Day provided by AWS Training and Certificates team.

Moreover, customers also receive AWS training courses and examination vouchers up to 7 million from AWS APN Training partner - Trainocate.

VPBank will also provide additional financial incentives to the cardholders such as credit card limit of up to 100 million VND, overdraft of up to 200 million VND, cashback of 3% - 5% when businesses use VPBank's debit cards or VPBiz credit cards for their AWS cloud services consumption.

Mr. Dao Gia Hung, Deputy Director of VPBank's SME sector said that this credit card issued by VPBank is the first financial offering for enterprise customers in Vietnam using AWS cloud.

The cooperation between VPBank and Amazon Web Services is one of the activities specifying the goal of providing comprehensive SME support services that VPBank is trying to implement, especially in the context of the joint venture. SMEs still have many difficult problems in finance, market development and resources while they still be able to approach technology to help them increase revenue and go to market quickly.

"These are largely unprecedented times for SMEs in Vietnam. As these smaller business plan for recovery post-COVID, deep, collaborative solutions are necessary to enable businesses to resolve the most critical present issues, while preparing them for a market landscape that will look very different in the future.

Mastercard is excited to offer its advanced payment technologies and deep market insights, in partnership with two other industry leaders, to help Vietnamese SMEs realize their full potential," said Winnie Wong, Country Manager, Vietnam, Mastercard.

Since the beginning of 2020, in the face of complicated developments of the Covid-19 epidemic, VPBank has been one of the pioneering banks to support the SME community nationwide with a series of other financial and non-financial supports.

These include: 1% reduction in interest rates, debt rescheduling, loan restructuring, many free Internet Banking services as well as online business training, such as a business administration course by Dr. Le Tham Duong and many other famous experts.

SMEs' online trading activities to see strong development in Vietnam

Vietnam net, 4 August 2020

Online import and export activities of small- and medium-sized enterprises (SMEs) are expected to develop further due to the low number of them currently embracing e-commerce, according to experts.

The Vietnam e-business index report showed that 32 % of Vietnam's SMEs have established businesses with foreign partners through online channels.

Joining B2B (Business to Business) e-commerce platforms will help export enterprises directly approach customers, thereby expanding opportunities to access the global market and reducing costs relating to traditional trade promotion such as fairs and exhibitions, and open offices in target markets. Meanwhile, businesses could deal with customers through online channels or e-commerce websites.

Online import and export activities of small- and medium-sized enterprises are expected to develop further in the future (Photo: congthuong.vn)

According to a representative from the E-commerce Development Centre under the Ministry of Industry and Trade (MoIT)'s Vietnam E-commerce and Information Technology Agency (Vecita), Vietnamese enterprises have used online trading floors to find foreign partners and customers.

In fact, for traditional trading channels, besides cumbersome procedures, many businesses see huge expenditure when finding foreign partners or implementing trade promotion programmes.

Therefore, the online import and export channel is a great opportunity to reduce costs and time for businesses, especially SMEs looking for business partners, doing trade promotion, marketing products and implementing transactions and payments, according to the representative.

However, according to experts, the local enterprises, especially SMEs in Vietnam, still had difficulty accessing online trading activities because about 66 % of SMEs are of a tiny scale.

Nguyen Ngoc Dung, Vice Chairman of the Vietnam E-commerce Association, said the enterprises still had limitations in information and knowledge about e-commerce, especially cross-border e-commerce, leading to difficulties and inefficiencies in joining online export activities.

Sharing reasons on not really popularising the online export-import channel, Dung said that enterprises did not have enough skills to confidently sell their products online. The association had worked with many providers and consulting companies to support businesses in accessing websites to export products.

The association hoped businesses would have more experience in online trading activities to gain new customers, Dung said.

To support businesses applying e-commerce for import-export activities, the Vietnam Export Support Alliance had been established to seek support service packages to find customers and improve competitiveness in some neighbouring markets for local businesses.

Dung said cross-border e-commerce was becoming an important channel for businesses in export, he said that Vecom would strengthen promotion and training activities to make products from traditional craft villages available online.

In 2019, the MoIT plans to organise programmes to support businesses to enhance export capacity in online retailing and provide them with information on export opportunities.

Besides, the ministry will guide enterprises to improve their products' designs and complete administrative procedures for export.

According to the ministry's Vietnam E-commerce and Digital Economy Agency, Vietnam's e-commerce has had strong growth with the highest rate of 30 % in 2018 rising to 7.8 billion USD revenue from 4 billion USD in 2015.

If the growth rate of 2019 and 2020 continues to be at 30 % each year, the revenue by 2020 will reach 13 billion USD.-VNS

WTO: Working group finalises package of declarations and recommendations to assist small business

WTO, 5 November 2020

The Informal Working Group on Micro, Small and Medium-sized Enterprises (MSMEs) finalised the technical work on a package of six recommendations and declarations aimed at facilitating the participation of smaller businesses in international trade at its meeting on 5 November. This package is to be officially endorsed this month.

The Group aims to identify and address obstacles to MSMEs' participation in international trade and was launched at the WTO's Eleventh Ministerial Conference in Buenos Aires in December 2017. The Group includes 90 WTO members.

The package includes a set of voluntary and non-binding recommendations covering areas such as transparency and information sharing on MSMEs, trade facilitation, access to finance and cross-border payments, access to market information and inclusion of MSMEs in regulatory developments. It is the fruition of extensive work by the proponents, who put forward proposals in these areas during the past year and a half, under the leadership of the Coordinator, Ambassador José Luís Cancela (Uruguay).

The package follows on the Group's declaration made at Buenos Aires in 2017, in which they committed to address obstacles that represent a significant burden for MSMEs interested in participating in international trade.

The Group plans to present the package of recommendations and declarations to the whole membership at the end of the year. All WTO members are invited to support the package.

“In these times of crisis, MSMEs need our help more than ever. Now is the time to support them and be alongside them. This package is an opportunity to show that we care about our MSMEs and are committed to help them navigate these difficult times,” said Ambassador Cancela.

Below is the list of recommendations and declarations that compose the package:

Recommendation on the collection of MSME-related information in WTO Trade Policy Reviews

The recommendation is for members to provide, on a voluntary basis, a list of MSME-related information during their Trade Policy Review, to the extent it is readily available. Sharing information on policies related to MSMEs can be an important tool to help identify good practices to address the challenges faced by MSMEs when participating in international trade. The Group further recommends that the WTO Secretariat establish and maintain a database of the information provided by members.

Declaration on access to information

In this declaration, members of the Group call on all WTO members to contribute to the success and the prompt operationalization of the Global Trade Helpdesk and agree to voluntarily provide to the WTO Secretariat updated and complete information that will be fed into the Global Trade Helpdesk, a tool that provides market intelligence including information on tariffs and regulatory information.

Recommendation on trade facilitation for MSMEs

The Group calls for the full implementation of the Trade Facilitation Agreement (TFA) and the exchange of TFA implementation experiences involving MSMEs. The Group recommends that MSMEs are involved when conducting consultations in accordance with the TFA and invites WTO members, the WTO Secretariat and donor organizations to work together in order to design and provide MSME-related capacity building and technical assistance. The recommendation also emphasizes the importance of the effective application of trade facilitation disciplines that contribute to reducing transit times and costs.

Recommendation on promoting MSME inclusion in regulatory development

WTO agreements include rules on consultations with stakeholders in the process of regulatory development, but do not explicitly refer to MSMEs. In this context, the members of the Informal Working Group on MSMEs put forward a recommendation that encourages WTO members to promote the consideration of the specific needs of MSMEs in domestic regulatory development with respect to issues covered by the WTO agreements.

Recommendation on MSMEs and the WTO Integrated Database

The Group recommends that all WTO members update their information in the WTO Integrated Database. This will ensure MSMEs have access to reliable and comprehensive data on tariffs and other market access data.

Recommendation/Declaration on MSMEs' access to finance and cross-border payments

One of the major obstacles to MSMEs' participation in international trade are the difficulties they face in accessing finance, and challenges associated with cross-border payments. The members of the Group on MSMEs call on WTO members to actively engage in relevant fora to identify concrete measures that can facilitate addressing these challenges and to promote them through capacity-building and information sharing.

The Declaration welcomes international initiatives aimed at facilitating a global legal identification (legal entity identifiers) system for companies and invites WTO members to cooperate in such initiatives.

"Legal entity identifiers" (LEI) is a unique system of 20 digits that identifies companies, government or entities that are involved in financial transactions. It is used to give information about "who is who" and "who owns what" in the financial markets. LEI's primary use is to help financial institutions find due diligence information about their customers, including small businesses, in a transparent and quick way.

Constraints to SME growth in Kazakhstan and how to overcome them

ADB, 28 May 2020

A study of Kostanay region provides insights into developing sustainable businesses in the country.

Introduction

Small and medium-sized enterprises (SMEs) form the economic backbone of many countries. They support the economy by creating jobs and by producing goods and providing services.

In Kazakhstan, however, the SME sector is relatively small and has yet to reach its potential as a building block for private sector development and economic growth.

Small and medium-sized enterprises lack access to financing and market opportunities. Photo credit: ADB.

A study conducted by the Asian Development Bank (ADB) of SMEs in Kostanay region in the northern part of the country provides insights into the challenges faced by these enterprises and what they need to grow. The study is part of the support provided by ADB to the Akimat of Kostanay (regional authority) for the development of SMEs.

Kostanay region is a scaled-down version of Kazakhstan with mining and agriculture dominating the regional economy and with its northern areas relatively urbanized (Rudniy, Lisakovsk, Kostanay, and Zhetykara) and a low population density in the south. Like in other regions with monotowns (single-industry towns), the dependence of urban settlements on large enterprises affects employment and the economic well-being of these towns. A principal example is the mining town of Arkalyk and to a lesser extent, Zhetykara and Lisakovsk. The findings of the study therefore may be applied to other regions in the country or even used to develop initiatives on the national level.

This study may also be useful to developing economies in Asia and the Pacific as it examines the key barriers to developing SMEs and entrepreneurship potential, the factors that affect private sector development, and alternative solutions for economic diversification and growth.

Key Barrier: Lack of Financing

We analyzed several aspects that affect the SME sector: regional economy, spatial development, availability of financial resources, business climate conditions, infrastructure connectivity, etc.

After the diagnostic study, we formulated the hypothesis that access to finance is the key barrier to SME development. Thereafter this was tested through a mass survey, town halls, interviews, focus groups, and statistical analysis.

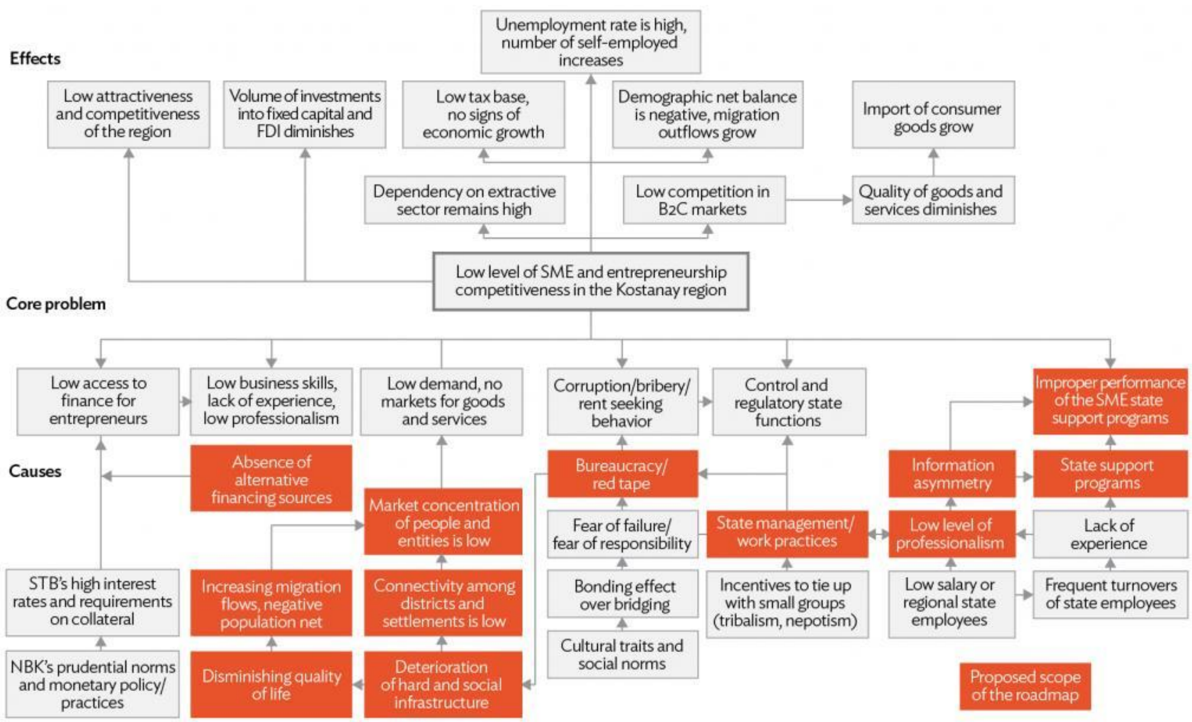
The hypothesis was proven partly true. The reasons were the inability of SMEs to satisfy the collateral requirements of banks and high-interest rates that exceed SMEs' rate of return (average is 15%).

Moreover, we found that SMEs lacked sustainability because of systemic factors, including weak interregional connectivity, low economic and demographic density, low purchasing power, absence of startup and innovation activities, low level of trust in authorities, and information asymmetry.

Analysis of the SME Sector

As of 1 January 2020, there were 14,151 registered SMEs in Kostanay region. Those still operating are a little less than half at 7,068. Those that suspended activities were 2,844 as opposed to 1,724 entities 2 years ago. The number of newly registered SMEs last year is fewer than in 2017, 866 as opposed to 880 in 2017. If we include individual entrepreneurs and farmers, the ratio of SMEs in operation to registered entities is higher at 70%.

Figure 1: Problem Tree Analysis of SMEs in the Kostanay region



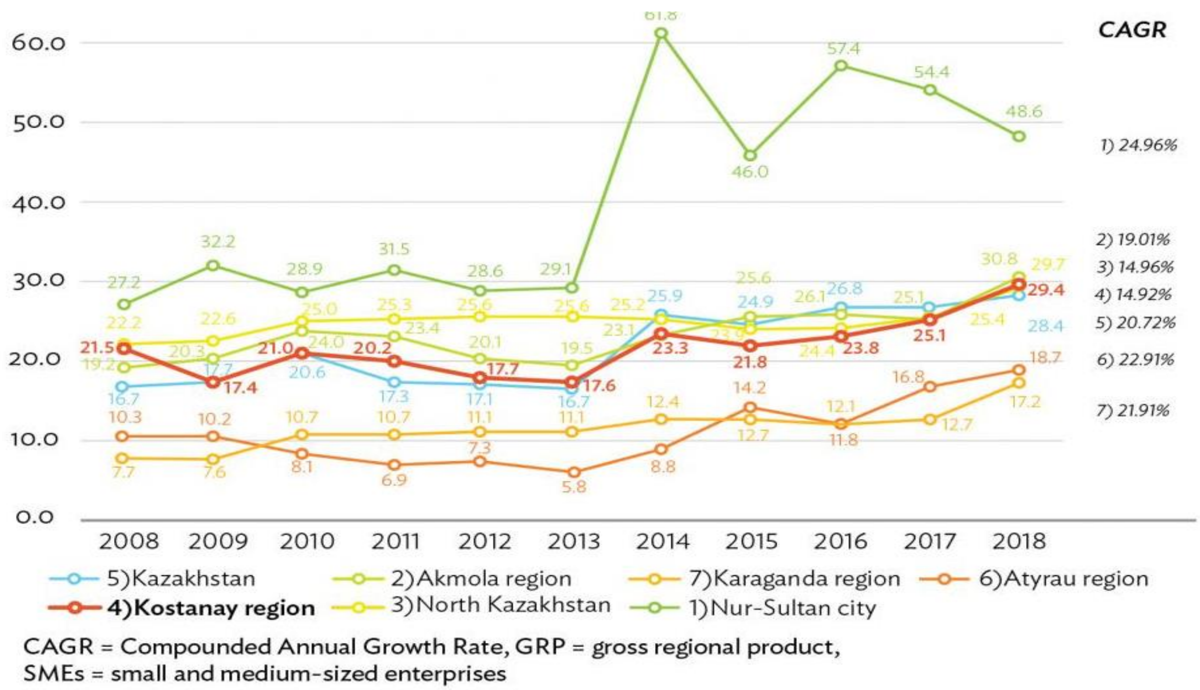
B2C = business to consumer, FDI = foreign direct investment, NBK = National Bank of Kazakhstan, SME = small and medium-sized enterprise, STB = second-tier banks.

Source: ADB.

Apparently, operating as a legal entity is riskier than as an individual entrepreneur. In total, the number of SMEs of all types has grown by 9.9% in 2019 from 2018, the number of employed in the same period grew by 10.5%, and output increased by 14.3%.

The share of SMEs in the gross regional product (GRP) of Kostanay region is 29.4% in 2018, outstripping the national average of 28.4%. However, by computing the compounded annual growth rate (CAGR) over the last 10 years, we see that the region has not shown much progress at 14.92%, compared with the national average of 20.72%. This means that in some other regions of Kazakhstan, a dynamic SME sector accompanied economic growth, whereas Kostanay region's SME sector had not grown much, perhaps it lost momentum for dynamic growth on a sectoral or district level.

Figure 2: Share of SMEs (Gross Value Added) in GRP from 2007 to 2018 in Kostanay Region and Other Regions (%)



Source: ADB based on data from Committee of Statistics, Ministry of National Economy, Republic of Kazakhstan.

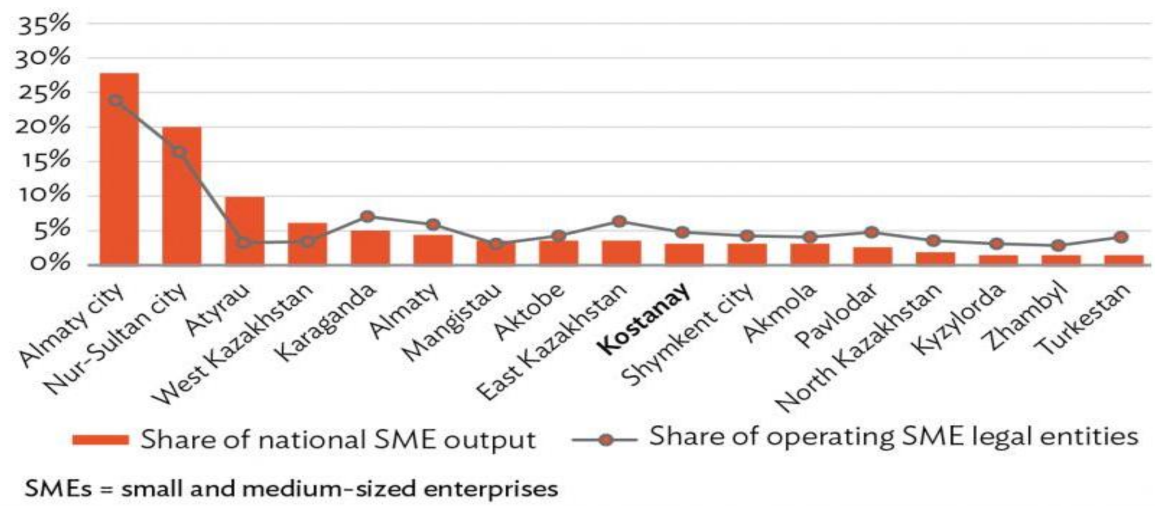
Short-term borrowings dominate financing

Traditional financial channels for SMEs, such as commercial banks, are gradually losing ground to short-term, small-scale financing with high-interest rates in the Kostanay region. Moreover, most individual entrepreneurs use unsecured consumer loans to finance working capital. This confirms that the majority of regional SMEs are in survival mode and cannot consider expanding operations or markets.

In nominal terms, the volume of loans provided by commercial banks decreased to 21.7% of the gross domestic product (GDP) in 2018 from 26.7% of GDP in 2014. This shows that the economy grew faster than business borrowings.

In Kostanay, loans with a maturity of more than 1 year declined to 33% in 2018 from 67% in 2014. Nowadays, the tenor of credit lines is at least two times less than required by SMEs. However, alternative sources of financing for private entities (such as venture capital and collective financing) are highly underutilized in the region.

Figure 3: SME Output by Region (2019)



Source: ADB, based on statistics obtained from Committee of Statistics, Ministry of National Economy, Republic of Kazakhstan.

Social disparities and demographic changes

The main challenges for the development of a sustainable SME sector are disparities in living standards in different regional districts and the lack of economic opportunities for the poor and vulnerable.

Kostanay region has been a donor of labor resources to other regions of Kazakhstan and the Russia Federation. In 2014–2018, 178,408 people left the Kostanay region. Out of this number, 87% moved to other regions of Kazakhstan, primarily to Nur-Sultan, and 13% went abroad, mainly to Russia.

The demographic changes in the region were not common across districts and settlements. To understand which districts fell behind and decreased or increased in population, we need to use the rate of natural increase (RNI).

[1] Despite the worst conditions in terms of liveability, southern districts showed a net increase in population compared with northern districts and urban

settlements, such as Lisakovsk and Rudniy. Kostanay city and Kostanay district stood out; they demonstrated steady population growth. Hence, there are two major trends in the region—the growth of the population in an uninhabited territory in the south and the natural decrease in populations in the areas closer to Russia. However, not only migration but also the highest death rates have left the Kostanay region with a negative net balance of the population.

Potential for private sector development

Kostanay region is a scaled-down version of the country with dominant industries of mining and agriculture, with a relatively urbanized northern part and low density in the south. In order to see the level of spatial development within the region and, at the same time, understand the potential for entrepreneurship development, we need to compare all districts along two dimensions: economic density (SME per km2) and demographic density.

Two districts are leaders—Zhetykara and Kostanay district. Both districts surround two major cities: Kostanay and Rudniy, which are dominated by the services sector and manufacturing.

Interregional connectivity and the provision of basic needs to existing residents play a role in diminishing populations. SMEs would grow if there are markets that depend solely on people who live in territories with a relatively high standard of living. Our analysis shows which district economies are dominated by SMEs, which ones provide better conditions, or where entrepreneurs are more active and perform better.

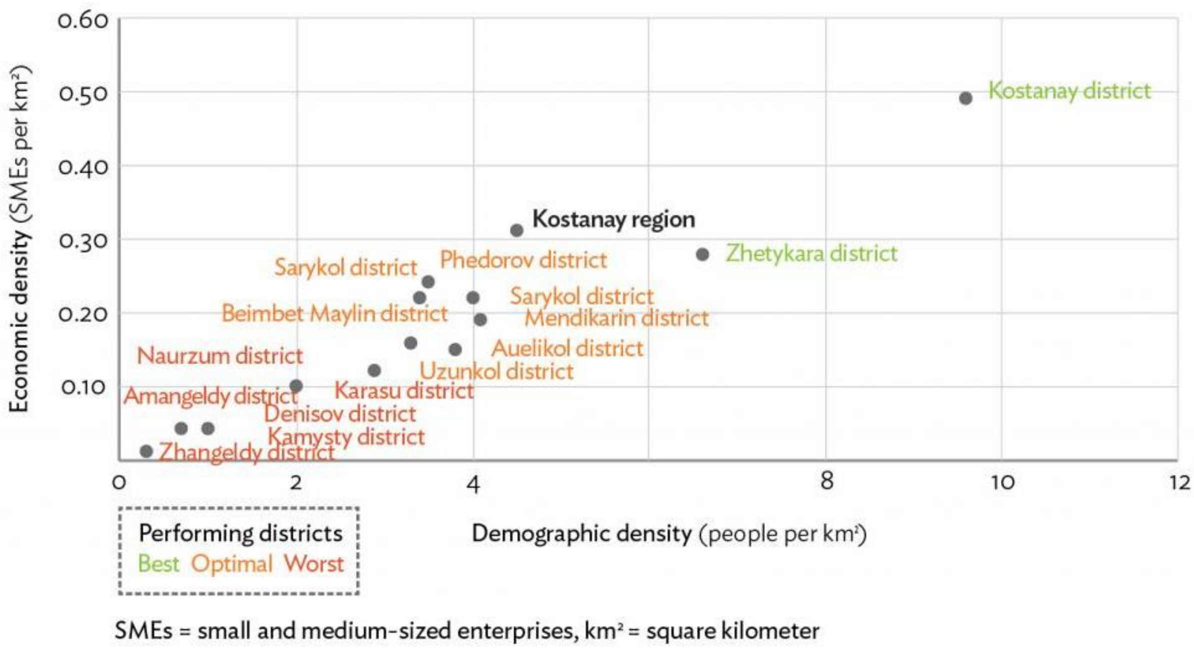
Recommendations

SMEs in Kostanay region are significantly limited in development by internal and external conditions: low market concentration, territorial development disparity, and low level of trust among constituencies in the region, specifically between SMEs and state authorities.

This study addresses traditional problems with access to finance, access to human resources, and access to information, among others.

The following proposed activities revolve around nine tasks and 42 initiatives that the Akimat could adopt to overcome the barriers identified above and promote the development of SMEs and the economy in the region. We set these nine tasks for the Akimat to work on for the next 5 years with the main objective of increasing to 35% of the SME sector's share in the regional economy (GRP):

Figure 4: Disposition of Districts of Kostanay Region in Terms of Spatial Development, 2018



Source: ADB consultants, based on statistics obtained from the Committee of Statistics, Ministry of National Economy, Republic of Kazakhstan and the Akimat of Kostanay region.

Improve the capacity of Akimat's personnel, specifically in the departments that frequently interact with entrepreneurs.

Simplify processes of state services delivery, especially for land use permits, construction permits, a connection of utilities to production and/or services facilities, and state procurement procedures.

- Increase and diversify sources of financing for SMEs.
- Improve access of SMEs to information on markets, state policies and initiatives, and other relevant data for private sector development.
- Increase the number of innovative SMEs and the share of investments in fixed capital among regional private entities.
- Improve the level of connectivity between large urban settlements, including reducing the travel times of commuters.

- Increase net population growth in the region by decreasing migration flows to other regions and improving social infrastructure (livability conditions).
- Decrease the death rate among SMEs by improving feedback mechanisms with active entrepreneurs and engaging other state bodies and institutions.
- Facilitate market concentration of business entities and people, including the growth of urbanization rate in the region.

The roadmap consists of four thematic areas, all devoted to the development of the private sector in Kostanay region:

- Access to finance,
- Spatial development and competitiveness of the territory,
- State services (processes improvement), and
- SME growth and competitiveness.

[1] Rate of natural increase (RNI) is expressed in per mille (%); Ppm - one tenth of the %age, that is a thousand share of the number. There are two ways of calculating RNI. One is by combining net of birth to death rates, divide by population net change, and then get the Ppm. The other is by adding migration net change to the equation. Therefore, in our case, we take the natural increase of a district, divide by an annual net of population, and multiply by 1,000 to get the Ppm of RNI for a certain territory.

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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