



# MEDIA RELEASE

## SME CORPORATION MALAYSIA (SME CORP. MALAYSIA)

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## **New Definition for SMEs to Facilitate Transition to a High Income Economy**

**Putrajaya, 11 July** – Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak today announced a new definition for SMEs effective 1 January 2014. The National SME Development Council which he chairs with members from 16 key Ministries and agencies including Sabah and Sarawak approval the proposal to raise the qualifying threshold for sales turnover and employment of SMEs for all economic sectors. For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million (currently: less than RM25 million) or employment not exceeding 200 workers (currently: less than 150 workers). For the services and other sectors, the threshold was also raised, as SMEs are firms with sales turnover not exceeding RM20 million (currently: less than RM5 million) or employment not exceeding 75 workers (currently: less than 50 workers).

The review is timely given the changes that have taken place in the economy since a common definition was adopted in 2005. This includes price inflation, structural shifts in the economy and changing business trends. During the review, opportunity was also taken to make the definition more comprehensive to cover all sectors of the economy including construction, as well as mining and quarrying sectors.

This review of the definition is part of the proposals under the SME Masterplan to ensure that the definition remains relevant as the Plan is rolled out. The definition across the various sizes of establishment namely micro, small and medium has also been adjusted upward accordingly (see details in Appendix). For example, in the case of microenterprises, which make up close to 80% of the total SMEs, the definition has been standardised across

all sectors. Under the new definition, microenterprises are firms with sales turnover of less than RM300,000 or 5 workers.

The new definition is expected to result in more firms being classified as SMEs, particularly from the services sector to facilitate the country's transformation to a high income nation through the initiatives under the SME Masterplan. As a result of the change in definition, the share of SMEs to total establishments is expected to increase from 97.3% currently, to 98.5%.

The new definition was based on a comprehensive review, taking both the top-down and bottom-up approaches which included technical simulations, global benchmarking and stakeholder engagement. A series of focus group discussions were held with close to 60 stakeholders including industry associations from all sectors, Ministries and agencies, regulators and financial institutions. The initiative has also resulted in better clarity in the new definition. SMEs are defined as business entities registered under the Companies Commission of Malaysia (SSM) or equivalent. Subsidiaries owned by holding companies that are either public-listed or large are not considered as SMEs given the strong support from their parent company in terms of access to financing, technology, markets etc. The new definition which comes into effect next year will allow adequate time for the Ministries and agencies, banks and other entities to make the necessary changes to their system.

### **Microenterprises Business Hub: Transforming Ineffective Hawker Centres to a Microenterprises Hub**

The Council has approved the proposal by Kuala Lumpur City Hall (DBKL) to set up a pilot project in transforming existing hawker centres into a more attractive business premises which will attract more customers. Strategies to be adopted include privatisation of centre management, appointing anchor tenants, and equipping the centre with ICT infrastructure.

Six (6) hawker centres have been identified to participate in a pilot project to transform the centres. These six (6) centres should be different between each other. The centres are:

- Pusat Komersil Komuniti Bandar Tun Razak;
- Pusat Penjaja Jalan Usahawan;
- Medan Selera Taman Maluri;
- Medan Selera Taman Setiawangsa;
- Medan Selera Damai; and
- Medan Selera Mega.

## **Establishment of SME Business Advisory Panel**

The Council had agreed for the establishment of the SME Business Advisory Panel (SBAP) to provide inputs on SME development and entrepreneurship strategies in creating world-class companies. This is in line with the nation's aspiration to enhance SME contribution to the economy and social well-being of the country. The Panel will comprise NSDC members, business leaders as well as subject matter experts and will be chaired by MITI Minister.

## **SME Development Programmes for 2013**

A total of 155 programmes have been planned for implementation with a financial commitment of RM18.4 billion. These programmes are expected to benefit 467,838 SMEs.

## **Access to Financing**

Services sector accounted for the largest share (60%) of total SME financing outstanding with the overall approval rate remaining high at 88%. More than 56,000 applications amounting to RM23.2 billion have been approved under BNM's SME funds. As at end-May 2013, a total of RM2.2 billion was still available to be utilised by SMEs.

Efforts to support SME in new growth areas and innovative industries have been enhanced, including innovative financing products, enhanced credit assessment, business facilitation and capacity building for financial institutions, resulting in more than RM1.2 billion of financing approved for 103 businesses in the new growth areas.

Financing outstanding to microenterprises via the *Pembiayaan Mikro* framework stood at RM859 million for more than 68,000 accounts. BNM had intensified promotional efforts to increase awareness on *Pembiayaan Mikro* through bus advertisement featuring Dato' Lat's caricature.

Secretariat  
National SME Development Council  
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-End of Release-

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**Appendix 1**

<b>CATEGORY</b>	<b>MICRO</b>	<b>SMALL</b>	<b>MEDIUM</b>
<b>Manufacturing</b>	Sales turnover of less than <b>RM300,000</b> <u>OR</u> employees of less than <b>5</b>	Sales turnover from <b>RM300,000 to less than RM15 mil</b> <u>OR</u> employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 mil to not exceeding RM50 mil</b> <u>OR</u> employees from <b>75 to not exceeding 200</b>
<b>Services and other sectors</b>	Sales turnover of less than <b>RM300,000</b> <u>OR</u> employees of less than <b>5</b>	Sales turnover from <b>RM300,000 to less than RM3 mil</b> <u>OR</u> employees from <b>5 to less than 30</b>	Sales turnover from <b>RM3 mil to not exceeding RM20 mil</b> <u>OR</u> employees from <b>30 to not exceeding 75</b>