

Message from YAB Prime Minister

More than ever before, it is important for small and medium enterprises (SMEs) to increase efforts in their drive to become one of the main drivers of economic growth. Already, SMEs represent over 99% of business establishments, contribute 32% to Malaysia's gross domestic product (GDP), account for 56% of total employment and 19% of total exports of the nation. Hence, the Malaysian Government continues to stand committed towards the development of a robust and competitive SME sector as a key national development strategy.



A productive and dynamic SME sector has long been recognised by the Government as an integral component towards achieving sustainable economic development. In this regard, SMEs contribute towards economic development through job creation and income generation. Thus, the importance of the SME sector is consistently outlined in successive Malaysia Plans and Industrial Masterplans. In addition, the National SME Development Council (NSDC), which I chair, has also developed a framework for the coordinated and comprehensive development of SMEs by the Government.

Specific policies and strategies to promote the development of the SME sector have been translated into initiatives aimed at building capacity and capability, putting in place enabling infrastructure and providing the all important access to financing for SMEs, to ensure integrated development across all sectors. In this regard, the National SME Development Blueprint, an annual statement of comprehensive SME development programmes by relevant Ministries and Agencies to address the challenges faced by SMEs continues to be formulated. I am pleased to note that the implementation of the Blueprint, which is now in its third year, has resulted in significant improvements in the delivery of development programmes to SMEs.

In 2007, 72% of programmes implemented have met or exceeded targets set and have brought benefits to 286,755 SMEs, while the remainder of programmes are ongoing. These programmes have focused on enhancing the capacity and capability of SMEs, particularly in the areas of skills upgrading, entrepreneurship development, marketing and promotion, product development and technology enhancement. In addition, the Blueprint has also served to strengthen collaboration and coordination between Ministries and Agencies.

The financial landscape continued to evolve in 2007 to support the development of high priority SME sectors. It is encouraging to note that banking institutions and development financial institutions (DFIs) have significantly enhanced the access to SME financing, including the provision of microfinance facilities. In addition, a RM300 million Venture Capital Fund for the Agriculture sector was established. As a result of these initiatives, financing to SMEs continued to expand significantly in 2007. Banking institutions and DFIs remain the largest source of funding for SMEs, approving RM63.2 billion to over 132,000 SME accounts, exceeding the projected target of RM51 billion to 110,000 SME accounts.

Looking ahead to 2008, 198 key programmes are identified for implementation with a financial commitment of RM3.2 billion. In line with the Government's strategy to encourage SMEs to venture abroad for market expansion, almost a fifth of programmes for the year are aimed towards enhancing SMEs' access to the domestic and international markets through the provision of loans, grants and other assistance. Programmes have also been established to encourage SME participation in, and to increase the competitiveness of SMEs already within the commodities sector via the adoption of relevant technologies as well as training through relevant courses and seminars. Market expansion programmes that help SMEs develop linkages with large corporations, government linked companies and hypermarkets, will continue to be implemented in 2008 to strengthen SMEs technical and innovative capabilities. These linkages are expected to expand the opportunities for SMEs to market their products and services.

The need for SMEs to shift towards productivity driven growth has now become even more imperative. This is in light of the global trend of rising food and fuel prices, and the effect these factors have on the cost of doing business. As such, the Government has introduced more initiatives for SMEs this year. Thus, I would like to urge SMEs to take advantage of these initiatives to help manage and reduce the cost of doing business by improving processes and by moving up the value chain into new areas where there is a distinct competitive advantage.

In conclusion, let me reiterate the Government's commitment to create a conducive business environment for SMEs to grow. SMEs on their part, should continuously strive to build their capacity to compete not just in the domestic, but also in the global market place. By working together, I am confident that the SME sector will be able to contribute positively towards the nation's long-term development objectives.

A handwritten signature in black ink, appearing to read 'Abdullah Badawi', with a long horizontal stroke extending to the right.

Dato' Seri Abdullah Haji Ahmad Badawi

Prime Minister Malaysia

24 July 2008