



Importance of SMEs and experience in ASEAN countries

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Why SMEs are Important?

- Create employment
- Nurture entrepreneurship including that of women and youth
- Increase outputs with value-added- it contributes to increase GDP and poverty alleviation.



Common Characteristics of SMEs

- Born out of individual initiatives, knowledge and skills
- Greater operational flexibility- the direct involvement of owners- decision-making faster.
- Low cost of production



Common Characteristics of SMEs contd.

- Specialization in niche markets- successful SMEs concentrate on small but profitable markets in order to avoid battles with large enterprises.
- A high propensity to adopt technology.
- A high capacity to innovate if initial support is there.
- High employment orientation. Prime drivers of job creation.
- Utilization of locally available human and material resources.
- Reduction of geographical imbalances.



Downsides

- Small operational size and lack of resources
- Lack of skill/ knowledge and network connections
- Low bargaining power
- Weak market access
- Low technology adaptation



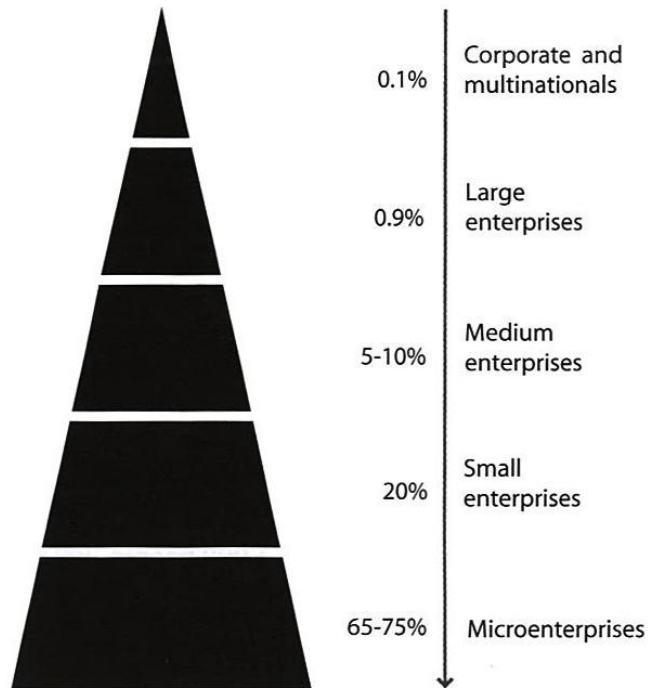
Downsides contd.

- Lack of brand development
- High debt structure
- Weak management with less training
- Weak human resource base with a low level of compensation and
- Inadequate institutional support



Constitution of Enterprises by size

Figure II.5. Constitution of enterprises by size



Source: IFC, 2009.

Note: Percentages represent the number of companies.



SMEs in Cambodia

- Govt. initiated reforms since 1980.
- Started Free market economy in 1989.
- Until end of 2004 only 10% of Cambodian have access to banks.
- SMEs accounts for 99% of firms- 45% employment.
- SME Sub committee established in 2004.
- Problems:- Insufficient legal and regulatory framework; the ability of SMEs to provide a clear financial reports; and lack of reliable borrower information.
- Access to Finance is big problem despite great efforts from govt.
- However, by joint efforts of SME committee, various govt. eco reforms, assistances from ADB and IFC and the Japanese govt., SMEs are better off today.



SMEs in Laos

- Laos Prime Minister decreed the Promotion of SMEs.
- 3 types of SMEs: Product production; Trade; and Services.
- As per 2006 census there are 126,913 enterprises in Laos and 90% are SMEs.
- Government develops a policy to promote SMEs and to provide entrepreneurs access to finance and other facilities.
- Received assistance from ADB and IFC.



SMEs in Vietnam

- Total number of SMEs is 400,000 and it is 97% of the total enterprises.
- Over 40% of GDP comes from SMEs.
- On average, SMEs have seen their profits grow approximately 20 percent each year for the immediate past.
- Additionally, organizations such as the Vietnam Chamber of Commerce and Industry (VCCI), the World Bank, the Asian Development Bank (ADB) and many foreign governments through their embassies such as the German and Danish governments have implemented a variety of programs supporting SMEs to help them improve working skills for their employees and business management and leadership skills.
- However, despite this impressive achievement, Vietnam's SMEs remain weak in terms of internal and external networking, competitiveness, innovativeness, human resource, and readiness to globalization.



SMEs in Philippines

- 99.6% of all registered businesses are SMEs.
- Employ 70% of the workforce.
- In 1991 govt. formed SME Development Council.
- Created Small Business Guarantee and Finance Corporation.
- It was required by law for all lending institutions to set aside at least 6% of their total loan portfolio to small enterprises and at least 2% to the medium-sized enterprises.
- Under One Town One Product (OTOP) program Dept. of Trade & Industry identifies funding sources. They are eligible to get a loan with maximum interest rate of 10% per annum.
- DTI also assists exporters to develop their core competencies in marketing, promotion and capability building.
- DTI also provides training on Human Resource Development.



SMEs in Myanmar

- There are 126,237 registered SMEs in Myanmar, accounting for 99.4 percent of overall industries across the country.
- Formed SME Development Committee recently which was chaired by the President U Thein Sein and vice chaired by the two vice presidents plus several Union Ministers to make a total of 27 members.
- Small & Medium Industry Development Bank formed.
- Offer loans to SMEs at the rate of 8.5% instead of 13%.
- The policy will handle : 1. to create a workable environment, 2. development of entrepreneurship, 3. Smooth flow of financing, 4. to provide services for the SMEs development, 5. to gain technology and to promote innovations, and 6. To assist in marketing so that the product are marketable.



Practical policy interventions

- ❑ The reduction of entry barriers (and related costs) for new businesses;
- ❑ The importance of sufficient and smooth cash flow to SMEs;
- ❑ The need to strengthen entrepreneurship through education and training
- ❑ Strengthening of networking and information dissemination.

UN ESCAP, Policy Guide Book, 2013.



Thank You

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