Survival at Stake
for
Small & Medium Sized Enterprises
in
Asia-Pacific Travel & Tourism

A REPORT PREPARED FOR PRESENTATION AT ITB ASIA 2009

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Imtiaz Muqbil, Executive Editor, Travel Impact Newswire,
Bangkok, Thailand
imtiaz@travel-impact-newswire.com

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INTRODUCTION

The past 12 months have seen the Asia-Pacific travel & tourism industry experience some of its worst declines in visitor arrivals since 2001, a clear outcome of the well-documented combination of natural and man-made crises.

Amidst the plethora of charts, graphs and figures, a very glaring omission is specific data on the downstream impact on jobs, businesses and communities, especially small and medium sized enterprises (SMEs).

In the past year, not a single Asia-Pacific national tourism organisation has reported figures on the number of SMEs forced to downsize or shut down. Nor is it known how many jobs have been lost or the overall "indirect" impact of reduced visitor spending.

An industry that was once at the forefront of doing "Tourism Satellite Accounts" which meticulously measured in great detail the positive impact of travel & tourism on economies, Gross Domestic Product and jobs suddenly seems to have gone cold. TSAs, it seems, are only produced when times are good.

The website of the World Travel & Tourism Council has an excellent Tourism Impact Data Forecasting Tool which provides generic forecasts and economic impact data. This provides good estimates, and hence some kind of a yardstick, but lacks specifics on individual countries.

Similarly, the UN World Tourism Organisation's "Roadmap to Recovery", published at its General Assembly in October 2009, included a comprehensive compilation of stimulus measures taken by about 70 countries to boost travel & tourism. While some of these stimulus measures were directed at SMEs, missing entirely was actual data on how badly the industry at large and SMEs specifically have been hit by the downturn.

Hence, a lot of data is available on the "medication" being dispensed to the industry, but little or no data on how deep the "ailment" has permeated. Decision-makers know the industry is "sick"; they just don't know which part of the body has been most affected, and to what extent.

This is very unusual.

In the 1990s, the very detailed TSAs produced by WTTC globally, regionally and nationally played a significant role in "driving" tourism growth by providing decision-makers, mainly ministers of economics, finance, tourism and transport with calculated guesstimates on the direct and indirect impact of travel & tourism.

This allowed the entire policy-making apparatus to be "sexed-up" and led to a string of measures that facilitated extensive liberalisation of the travel & tourism industry, along with accompanying investment in infrastructure and marketing.

As it enters its final few months, the first decade of the 21st century has not been so fortunate. It has been marked by an unprecedented list of geopolitical, economic, environmental and financial crises which have hit travel & tourism. Clearly, if in the boom days, travel & tourism generated jobs and economic growth which could be measured, the wider impact of the decline in visitor flows should be similarly trackable.

This report is designed to make a case to do just that, with a view to undertaking a more comprehensive review of the way tourism growth has been managed in the last 20 years, and charting a future course based on a new set of parameters.

So far, the growth has been mainly top-down-oriented, largely favouring large companies with multi-million dollar investment funds. But as the industry prepares to enter the second decade of the 21st century, the next generation of growth may well need to be less rushed, more conservative and most certainly driven by bottom-up priorities.

This will involve learning from the mistakes of the first decade, including the negative impact of globalisation and the need to break out of the boom-and-bust cycles that are becoming the norm rather than the exception.

Clearly, the Big is Beautiful era is over. Aircraft are unlikely to get any bigger than the A380. Nor are convention centres, cruise ships and airports likely to get any bigger than they are now. Privately-owned multinational companies are no longer considered "too big to fail." In fact, the opposite is now the case – the bigger they are, the harder they fall.

Focussing on the SMEs is a good option for the new era to come.

Indeed, SMEs are gaining both recognition and respect. Big-ticket projects may be politically and economically desirable but they have now proven to be more risky and add to debt, distressed inventory and "bubbles" that have triggered many other downstream economic problems. Boutique hotels, niche-market tour operators and low cost airlines are gaining ground.

Moreover, independent, locally-owned companies are not just an insurance against crisis but they also protect against the vagaries of globalisation, offer some kind of safeguards against external shocks and buttress the independence and sovereignty of countries.

Just as Asian countries were able to learn from the 1997 economic crisis and protect themselves from the latest global financial crisis, so too do they need to learn from the school of hard-knocks to re-design and re-engineer their future growth trajectories.

ITB Asia and Travel Impact Newswire have long foreseen the importance of SMEs in the economies of the Asia Pacific. An earlier report on SMEs in the Asia Pacific travel & tourism industry was compiled in 2008 and released at the ITB Asia 2008. Also available for download on the ITB Asia website, its conclusions and recommendations are now more valid than ever, and have been proven right by the evidence compiled in this sequel report.

The articles compiled in this second report indicate that governments realise how SMEs **across many different sectors of national economies** have been affected by the global crises. They show that the governments, banks, consultancies and companies are moving to provide much-needed help. How much of that help is being availed of by travel & tourism companies needs to be far more closely examined.

One of the most important, and noteworthy, elements of this report was the total lack of response from the industry for data input. Several emails to the national tourism organisations, face-to-face requests as well as published requests in Travel Impact Newswire elicited zero response.

This suggests that the NTOs have neither the time nor interest in the issue, or they have nothing of value to report.

Either way, it only lends more weight to the conclusion that SMEs in the travel & tourism industry are neither getting their fair share of the assistance, nor are they mounting a strong case to get the assistance they deserve. This is both the result of weak leadership and poor institutional frameworks, both of which will need to be rectified in an era when crises are becoming the norm rather than the exception.

At least three examples are cited in this report about how a focus on SMEs is becoming critical to the entire restructuring process now under way in the travel & tourism industry at large:

- The Pacific Asia Travel Association (PATA) is being totally revamped with a focus on its smaller chapter members. The regional industry association had to undergo a major U-turn in its future direction after discovering that becoming a rich-man's club was not a sustainable option for survival.
- Amadeus, the travel technology company, is producing a slew of new products and processes to ensure the survival of SME travel agents, who were earlier thought to be facing extinction due to the impact of technology, but are now again being wooed by the same airlines that once shunned them.
- Brunei Darussalam, demographically the smallest country in the Asia Pacific, is focussing on developing its SMEs by promoting tourism and the concept of a halal (the Islamic equivalent of Jewish 'kosher' food) industry to tap the massive export market potential of the world's 1.5 billion Muslims. This is an intrinsic part of its economic development strategy for the post-oil era.

All these are documented in further detail later in this report.

As the survival of SMEs in the Asia Pacific travel & tourism industry will become more critical with every recurring crisis, this report is designed to act as an early warning as well as a resource base for decision-making. The items compiled in this report can act as an idea-bank on which to formulate a future plan designed specifically for travel & tourism SMEs.

The report has been prepared along the same lines as the UN World Tourism Organisation (UNWTO) study, "Roadmap to Recovery." It is the result of close and detailed monitoring of relevant developments and announcements affecting SMEs across all industry and economic sectors since the beginning of 2009.

All the material used has been duly attributed, sourced and referenced. Rather than providing weblinks, each of the articles have been produced in part or full purely for time-saving purposes. Further information can easily be sourced in the original by a Google search.

This report has no commercial value. It is being made available to everyone free of charge. Its real value will be realised when it serves the purpose it was designed to achieve.

The articles and (unless otherwise stated) the views expressed are solely those of the author, Imtiaz Muqbil, Executive Editor, Travel Impact Newswire, Bangkok, Thailand. They may not necessarily reflect the views or opinions of Messe Berlin Singapore or ITB Asia or any of its officers or management executives.

India

Development Policies for Micro, Small and Medium Enterprises (MSMES) in India

Ministry of Micro, Small & Medium Enterprises, January 23, 2009

The Micro, Small and Medium Enterprises (MSME) sector has been an integral component of the industrial sector. The MSE sector has been accorded special status and importance in the Five-Year Plans since inception in view of the advantages it offers for better utilisation of resources of capital and skill at the local level. The continuous support provided to the sector in the form of incentives, infrastructural facilities and other assistance in the industrial policy resolutions has facilitated the sector to acquire a place of prominence in the socio-economic development of the country.

The number of enterprises in the MSE sector is estimated to be over 13 million, providing employment to estimated 42 million persons. As per the latest estimates, the micro and small enterprises (MSE) sector accounts for about 39 per cent of the manufacturing output and 33 per cent of the national exports of the country (the estimated contribution is 45% and 40% respectively for the micro, small and medium enterprises (MSMEs) as defined under MSMED Act, 2006). Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

For achieving the objective of inclusive growth, creation of large employment opportunities is of significant importance. However, the declining employment trend in the organized sector has resulted in agriculture sector continuing to provide employment to almost two-third of the Indian population. With the land holding declining substantially, there is considerable surplus population engaged in the agriculture sector and needs to be provided gainful employment in the industrial and service sectors of the economy. The major advantage of the MSME sector lies in its significant employment potential at low capital cost and the labour intensity in the MSME sector is estimated to be considerable higher than the large enterprises. Hence, the MSME sector provides one of the most viable avenues for absorbing the large surplus population engaged in the agriculture sector. .

However, in today's liberalized and globalised environment, there are several preconditions to enhancing the global competitiveness of the MSMEs. These relate mainly to simplified systems and procedures, easy access to capital, positioning the MSMEs in the global value chain by enhancing their productivity (involving issues like technology upgradation, quality improvement, skill development, etc.) and access to markets (both domestic and global). For the promotion and development of the MSMEs, the Government has put in place policy measures as well as implemented several schemes/programmes to address the requirements of the MSME sector in these areas. .

Enactment of the MSMED Act, 2006

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. .

The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

The Ministry of MSME has also taken a view, in the light of the liberalized provisions of the MSMED Act 2006, to do away with the restrictive 24% ceiling prescribed for equity holding by industrial undertakings, whether domestic or foreign, in the erstwhile Small Scale Industries (now MSEs). This coupled with the expected legislation on Limited Liability Partnerships (introduced in the Parliament by the Ministry of Corporate Affairs) should pave the way for greater corporatisation of the Small and Medium Enterprises – thereby enhancing their access to equity and funds from the market.

Access to Finance

Finance is one of the critical inputs for the promotion and development of the micro and small enterprises. Finance to the MSEs is part of the Priority Sector Lending Policy of the banks. For the public and private sector banks, 40% of the net bank credit (NBC) is earmarked for the Priority Sector. For the foreign banks, however, 32% of the NBC is earmarked for the Priority Sector, of which 10% is earmarked for the MSE sector. Any shortfall in such lending by the foreign banks has to be deposited in the Small Enterprise Development Fund (SEDF) to be set up by the Small Industries Development Bank of India (SIDBI). The SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. SIDBI's major operations are in the areas of (i) refinance assistance (ii) direct lending and (iii) development and support services. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements, besides providing term loans (in the form of composite loans). At the State level, State Financial Corporations (SFCs) and twin-function State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the MSE sector.

Recognising the importance of easy and adequate availability of credit in sustainable growth of the MSE sector, the Government has announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs)', with the objective of doubling the flow of credit to this sector within a period of five years. The measures in the Policy Package, inter alia, include banks to achieve a minimum 20% year-on-year growth in credit to the MSME sector and cover on an average at least 5 new MSMEs at each of their semi-urban/urban branches per year. In addition, the Ministry of MSME is also implementing the following major schemes:

<> Credit Guarantee Scheme: To ensure better flow of credit to MSEs by minimizing the risk perception of banks/financial institutions in lending without collateral security, the Credit Guarantee Fund Scheme for Micro and Small Enterprises is being implemented. The scheme covers collateral-free credit facility extended by eligible lending institutions to new and existing micro and small enterprises for loans up to Rs.1 crore.

<> Performance & Credit Rating Scheme: The Performance & Credit Rating Scheme for manufacturing MSEs is being implemented with the objective of assisting the MSEs in obtaining performance-cum-credit rating which would help them in improving performance and also accessing bank credit on better terms if the rating is high. .

However, despite all the efforts, the number of MSEs having accounts with the banks has been only around 4 million. Taking this into account the fact that a majority of the MSEs at the lower-end of the sector are outside the ambit of institutional finance, concerted efforts are being made by the SIDBI to promote micro finance across the country to enable the unemployed persons to set up their own ventures. There are more than 100 Micro Finance Institutions (MFIs) developed by SIDBI that are engaged in implementation of its micro finance programme. SIDBI has disbursed about Rs.1700 crore (cumulative) under its programme, benefiting around 50 lakh beneficiaries. The outstanding loan under the SFMC programme is Rs.950 crore as at the end of March, 2008.

Faced with increased competition on account of globalisation, MSMEs are beginning to move from an obsession with bank credit to a variety of other specialized financial services and options. In recent years, the country has witnessed increased flow of capital in the form of primary/secondary securities market, venture capital and private equity, external commercial borrowings, factoring services, etc. Some of the measures required for promoting these emerging sources of finance are: To facilitate the MSME sector to garner resources, it is imperative that a separate trading exchange be set up exclusively for the MSMEs; Provide special incentives for encouraging larger flow of Venture Capital & Private Equity funds into the sector; More liberal "All-in-Cost Ceilings" for SMEs to raise low-cost funds through the External Commercial Borrowing route; and Urgent need to bring the legislation on 'Factoring Services'.

Competitive Technology and Quality Improvement

In today's fast paced global business scenario, technology and quality of products has become more vital than ever before. With a view to foster the growth of MSME sector in the country, Government has set up ten state-of-the-art Tool Rooms and Training Centres. These Tool Rooms provide invaluable service to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. These Tool Room are highly proficient in mould and die making technology and promote precision and quality in the development and manufacture of sophisticated moulds, dies and tools. The Ministry of MSME implements the following schemes and programmes for the upgradation of technology/quality of the MSMEs:

<> ISO 9000/14001 Certification Fee Reimbursement Scheme to enhance the competitive strength of the MSEs, the Government introduced a scheme to incentivise technological upgradation, quality improvement and better environment management by the MSEs.

<> Micro and Small Enterprises Cluster Development Programme (MSECDP) is implemented for holistic development of clusters of MSEs. The programme envisages measures for capacity building, skill development, technology upgradation of the enterprises, improved credit delivery, marketing support, setting up of common facility centres, etc., based on diagnostic studies carried out in consultation with cluster units and their collectives.
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<> The Credit Linked Capital Subsidy Scheme (CLCSS) aims at facilitating technology upgradation by providing 15 per cent upfront capital subsidy on institutional finance up to Rs.1 crore.

To help the MSMEs improve their competitiveness, the Government has also launched the National Manufacturing Competitiveness Programme (NMCP). The schemes under this Programme are aimed at addressing the technology/quality upgradation needs of the sector, mainly in the Public-Private Partnership mode.

Further, to facilitate investments for technological upgradation and higher productivity in the micro and small enterprises, the phased deletion of products from the list of items reserved for the exclusive manufacture by MSEs is being continued. There are now only 21 items that are reserved for this sector.

Skill Development

The Ministry of MSME has a long history of providing skill development related training of different kinds. The Ministry has a network of 30 MSME-Development Institutes (DIs), 28 Branch MSME-DIs, 18 Autonomous bodies including 10 Tool Rooms, 6 Technology Development Centres, 2 MSME – Training Institutes, 11 MSME – Testing Centres, 3 National Level Entrepreneurship and Business Development Institutes, 11 Technical Service Centres (TSCs) of NSIC, 36 Training Centres of KVIC and 2 National Coir Training and Design Centres.

The Tool Rooms, Technology Development Centres and 2 Training Centres support the MSME sector by providing the process and product technology development services, precision quality tooling and training manpower with hands-on exposure to the state-of-the-art machinery in different areas. These Institutes offer various training programmes to meet the wide spectrum of technical manpower required in the manufacturing sector. The MSME-DIs and the 3 National Level Entrepreneurship and Business Development Institutes organize a number of training programmes to train potential first generation entrepreneurs for upgradation of their techno/managerial knowledge and skills with ultimate object to start MSEs in various fields. The different training programmes are Industrial Motivation Campaigns, Entrepreneurship Development Programmes, Entrepreneurship Skill Development Programme, Management Development Programme and Business Skill Development Programme. In addition, 2 agencies under the Ministry of MSME, namely, Khadi and Village Industry Commission (KVIC) and Coir Board provide grass root training to enable the bottom rung of the society in basic skill development, followed by provision of institutional finance. The programmes conducted by these agencies enable the beneficiaries to set up their own projects as self-employment ventures. .

Overall during 2007-08, the various agencies under the Ministry of MSME have conducted training programmes for 1.8 lakh trainees, and the targets for 2008-09 has been fixed at over 3 lakh trainees. The Ministry of MSME intends to increase the number of trainees significantly through enhancing the infrastructural facilities of the existing institutions and adopting Public-Private-Partnership model for providing skill development.

Access to Market

To facilitate the MSMEs in their marketing endeavour, the various organisations under the Ministry of MSME organize exhibitions/fairs and buyer-seller meets across the country providing an opportunity to them for displaying their products and capabilities. In addition, under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/ exhibitions, overseas study tours, or tours of individuals as member of a trade delegation going abroad. Further, various facilities are provided to MSEs in purchases effected by the Ministries/Departments/CPSUs to the units registered under the Single Point Registration Scheme of NSIC. These facilities are issue of Tender Sets free of cost; exemption from payment of Earnest Money Deposit; waiver of Security Deposit upto the Monetary Limit for which the unit is registered under the Single Point Registration Scheme; and Price preference up to 15% over the quotation of large-scale units. In addition to these facilities/benefits, 358 items have also been reserved for exclusive purchase from the MSE Sector by the Government agencies. .

The MSMED Act, 2006 has substantially strengthened the provisions to check delayed payments by larger enterprises to MSEs (that supply products to the larger enterprises). Besides laying down that payments must be made within 45 days of supply, the legislation lays down the institutional framework in the shape of MSE Facilitation Councils to be constituted by each State. In addition, the Ministry of MSME has also formulated two schemes under the NMCP to facilitate marketing of MSME products. These are - Marketing Support/Assistance for MSMEs for adoption of “Bar Code”, and Marketing Assistance for MSMEs & Technology Upgradation Activities.

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Task Force constituted to address issues of MSME Sector

Ministry of Micro, Small & Medium Enterprises, September 14, 2009

The Prime Minister has constituted a High Level Task Force to draw up an agenda for action to consider various issues raised by the MSME Associations, within three months, under the Chairmanship of the Principal Secretary to PM.

The Composition of Task Force is as follows:

(i) Principal Secretary to PM, Shri T.K.A. Nair : Chairman

(ii) Shri Arun Maira, Member, Planning Commission : Member

(iii) Secretary, Ministry of Finance – Shri Ashok Chawla : Member

(iv) Secretary, Ministry of Labour – Shri P.C. Chaturvedi: Member

(v) Secretary, Ministry of MSME – Shri Dinesh Rai : Member-Convener

(vi) Deputy Governor, RBI : Member

(vii) CMD, SIDBI : Member

The Nominated Members are:

(viii) Shri D.E. Ramakrishnan, President, Industrial and Financial Reconstruction Association for Small and Tiny Enterprises (IFRASTE)

(ix) Shri Anil Gupta, President, Indian Industries Association (IIA)

(x) Shri R. S. Joshi, Chairman, Federation of Industries and Commerce of North Eastern Region (FINER) (representing North-East region)

(xi) Ms. K. Ramadevi, President, Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) (representing Women Organisations)

The Chairman will be free to invite any other person associated/concerned with the MSME to any meeting of the Task Force.

The constituted Task Force will consider various issues raised by the Micro, Small and Medium Entrepreneurs Associations and will hold discussions with all stake holders.

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2.61 Crore MSMEs in 2006-07 – reveals the 4th census of Micro, Small and Medium Enterprises

Ministry of Micro,Small & Medium Enterprises, September 01, 2009

(Editor’s Note: One crore is 10 million, and one lakh is 100,000)

The Quick results of 4th All India Census of MSMEs (2006-07) have become available. The results reveal that there are a total number of 2.61 crore MSMEs in 2006-07 (as against the current projected figure of 1.3 crore). This includes 0.15 crore registered units and 2.46

crore un-registered units. Of the total, 28% are in manufacturing and 72% in services. These units are largely in Apparel (14.03 %) followed by Food Products and Beverages (13.53%) and Maintenance of Personal and Household goods (9.25%). The MSME sector accounts for employment of 5.97 crore persons, of which, 0.95 crore are in registered units and 5.03 crore in the un-registered units.

The Data on registered units reveals that closure among MSMEs has decreased from the 39% in 2001-02 to 21.64% in 2006-07. Sickness in MSMEs has increased marginally from 13.98% in 2001-02 to 14.47% in 2006-07. Sickness is found to be largely on account of lack of demand and shortage of working capital. The data also reveals that the per unit employment has increased from 4.48 in 2001-02 to 6.24 in 2006-07, per unit fixed investment from Rs.6.68 lakh to Rs.33.78 lakh and per unit gross output from Rs.14.78 lakh to Rs.46.13 lakh in order of priority.

Once the survey of unregistered units is completed, information will become available in respect of gross output, investment, outstanding loans, sickness, exports, etc. This data will also include information on KVIC and Coir units.

This is the first Census after change in definition of the sector and includes, for the first time, medium enterprises and services. For purposes of the Census, an enterprise is defined as a unit with fixed premises and hence does not include hawkers, road side vendors, etc. The 3rd All-India Census of Small Scale Industries with reference year 2001-02 was completed in the year 2003. The 4th All-India Census of MSMEs was launched in May 2008 and its field work was completed in March 2009. This required collection of data for 24 lakh registered units and around 4 lakh unregistered units. The Census was done in cooperation with the State/UT Governments.

Statistics pertaining to the sector play an important role for policy formulation on credit, marketing, technology, entrepreneur development and infrastructure development. The findings of the Census will have utility for planners, administrators, academicians, industrialists, entrepreneurs and all other stakeholders in the promotion and development of MSMEs.

The quick results are based on a census of all registered units conducted by the Office of DC (MSME) and Economic Census of un-registered units conducted by Central Statistical Organisation. The Sample Survey of unregistered units by the Office of DC (MSME) is under way and is expected to be completed shortly. This will provide complete information on the MSME sector.

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Indian Prime Minister's address at the Presentation of National Awards to Micro, Small and Medium Enterprises

Ministry of Micro, Small & Medium Enterprises, August 28, 2009

The Prime Minister, Dr. Manmohan Singh, gave away the National Awards to Micro, Small and Medium Enterprises for their outstanding entrepreneurship in New Delhi today. Following is the text of the Prime Minister's address on the occasion:

"I am very happy to be in your midst in this National Awards Function for Micro, Small and Medium Enterprises. This is an occasion to recognize excellence of entrepreneurs and institutions and individuals in this very important segment of our economy. I greet and heartily congratulate today's awardees. Their accomplishments bear testimony to their sustained hard work and great business acumen under difficult economic conditions.

Let me once again state what I have said on a number of occasions earlier: Our Government attaches the highest priority to the development of MSME sector. This was the reason why we had created a separate Ministry for Micro, Small and Medium Enterprises in the year 2004. I am very happy that the Ministry has done well after its creation. I compliment and congratulate Shri Dinsha Patel, Minister for Micro, Small and Medium Enterprises and his talented team of officials for their continuing hard work for the promotion, development and expansion of the MSME sector.

This important sector is an important component of our national economy. It provides employment to nearly 60 million people and contributes over 45% of the total manufactured output and 40% of our exports earnings. The growth and good health of these enterprises is therefore not only crucial for our economy as a whole, but also for protecting the livelihood and well being of a very large section of our people.

The MSMEs have also have an important role to play in developing the skills of our youth and thereby empower them to lead a life of dignity and self respect. Apart from producing technical manpower, this sector has trained a very large number of young people to become in due course of time successful entrepreneurs and contribute to the growth of disbursed industrialization in our large country.

A large segment of micro and small enterprises lies in the unorganized sector. The establishment therefore of the National Commission for Enterprises in the Unorganized Sector under Dr. Arjun Sengupta was a serious effort of the previous UPA government to look after the requirements of this sector and the well being of those working therein. This Commission has made a number of very useful recommendations and we have already implemented some of them. The examination of the remaining recommendations will be completed very soon.

As you all know, the recent global economic slow down has had an adverse impact on the growth of our economy. Micro, small and medium enterprises have also not remained unaffected. But I can say with some satisfaction that the Government has been alive to the needs and concerns of the sector. Following my interaction with the representatives of this sector in December 2008, I had issued instructions for the careful examinations of the demands put forward at that conference. I am happy that the stimulus packages that the Government announced in coordination with the RBI contained many measures, which have been of help to this sector. These measures have been taken forward in the Union Budget of

2009-10.

But I do recognize we need to do more to realize the full development potential of this very important sector. It is in this pursuit that I have had the benefit of taking a meeting with the representatives of this sector two days back and I have issued directions for constitution of a Task Force that would look into the remaining difficulties still being faced by this sector. After the recommendations of the Task Force are available within a time bound period of three months, we will decide on how to further move ahead on this road to provide relief and support to this important sector. Let me assure each one of you that your concerns will continue to receive our government's very serious and honest consideration.

At this meeting two day's ago, it was pointed out and rightly so that credit is the lifeline of any business more so for businesses in MSME sector. Our government is committed to double the flow of credit to MSMEs in five years. I note with some satisfaction that loans outstanding to this sector from the public sector banks have registered a growth of close to 25% during the one year. Today we have felicitated some public sector banks for their commendable role in providing credit to MSMEs. I would urge other banks also to ensure higher flow of funds to these enterprises. Greater availability of credit can contribute to the faster modernization and expansion of these enterprises and the augmentation of their productivity and competitiveness. I would urge MSMEs to also explore new and emerging sources of finance such as venture capital and private equity.

The effort of our government is to enable entrepreneurs in the MSME Sector to get one-stop access to facilities for capacity building and skill development, credit, marketing support and quality technology. This would, I believe, enable them to execute their projects speedily and achieve better results. To this end, 2000 clusters have been identified across the country and specific interventions are being carried out in 500 of them to start with. I am told that response of entrepreneurs and other stakeholders to these initiatives has been encouraging. I am also very happy to know that a programme of comprehensive reforms in the Khadi sector is planned to be launched with assistance from the Asian Development Bank. And I congratulate Kumud Ben for the leadership that she has provided to this very important segment of our economy. I would urge the State governments and banks to work hard for the success of these programmes in active collaboration with various development agencies of the government.

In order to improve the competitiveness of MSME sector, the National Manufacturing Competitiveness Programme will have to be implemented in the right earnest with the cooperation of Industries Associations, technical bodies and all other stake holders. I am sure, with the implementation of schemes for lean manufacturing, Mini Tool Rooms, the Design Clinics, business incubators and ICT applications the competitiveness of these units will increase considerably. This will require of course sustained efforts of all the stakeholders. I urge the industrial associations to take full advantage of these programmes.

It is important to get a clear picture of the opportunities available to and the constraints faced by the MSMEs. This requires more accurate data. I believe that the fourth All India

Census of this sector will provide detailed information about the MSME sector. This will in due course of time help in formulating new policies and strengthening the existing ones for more effective implementation of development and promotional plans.

Let me conclude by reiterating once again our governments' commitment to support to nurse and to encourage this very important segment and sector of our economy. I once again congratulate today's award winners and I hope that they will serve as an inspiration for others and role models for guiding more people to come in this vital area of national economy".

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National Awards to Micro, Small & Medium Enterprises

Ministry of Micro, Small & Medium Enterprises, August 27, 2009

National Awards were instituted in 1983 for outstanding entrepreneurship in Micro and Small Enterprises (MSEs). The Awards are given to MSMEs for outstanding performance in Entrepreneurship, Research and Development and Quality; to banks for lending to the micro and small sector; to honour one outstanding woman entrepreneur; and one outstanding entrepreneur from SC/ST community. Special recognition awards are also given in all categories for performance above a certain cut-off level.

The awards are given for various categories in Research & Development Efforts, Entrepreneurship & Quality Products. The First, Second and Third National Awards carry a cash prize of Rs. 1,00,000/-, Rs. 75,000/- and Rs. 50,000/- respectively, a certificate and a trophy.

A Special Recognition to those MSMEs scoring marks above 80% and 50% (in case of North-Eastern Region including Sikkim) is given a cash prize of Rs. 20,000/-, a certificate and a trophy. These awards are given at State level functions organized by Micro, Small and Medium Enterprises-Development Institutes of respective states.

The category of Outstanding Entrepreneurship includes (First, Second and Third), Special Awards, at par with the First National Award, to honour an outstanding women entrepreneur, an outstanding entrepreneur from SC/ST and an entrepreneur from North Eastern Region, two (First and Second) awards for Medium Enterprises engaged in manufacturing and two (First and Second) awards for MSEs rendering services.

The First, Second and Third National Awards for Micro and Small Enterprises for 2008 will be awarded to entrepreneurs from Maharashtra, West Bengal and Gujarat respectively. A woman entrepreneur from Andhra Pradesh has won the Special Award under the category of women entrepreneurs and special award for SC/ST entrepreneur has gone to Gujarat. A women entrepreneur from Sikkim has won the Special Award from NER. The first and second National Awards for Medium Enterprise has been won by entrepreneurs from Karnataka and Rajasthan respectively. An entrepreneur from Haryana won first National Award and entrepreneur from Kerala won the second award for the Micro & Small Enterprises rendering Services. Special Recognition Awards will also be given to entrepreneurs/enterprises.

The category of Research & Development in MSMEs include two awards (First and Second) for Micro and Small Enterprises. The next category includes certain Quality Product groups selected each year. One National Award is given for each category of the selected products.

The National Awards for Quality Products 2008 will be given to eligible entrepreneurs for 9 products i.e. (1) Woolen Blankets and Shawls & Stoles (2) Electric Wires & Cables (3) Fasteners (Nuts, Bolts & Screws) (4) Auto Parts –Metallic (Non-electrical) (5) Dairy Products (6) Ceramic Table ware (7) Plastic Extruded Products (8) Paints & Varnishes (9) Non-Leather Footwear (all types). Special Recognition awards will be given to 14 entrepreneurs/enterprises.

The National Awards Scheme has had a positive impact on the MSMEs. The awardees have benefited by way of larger orders booked, higher credibility with bankers and improvement in brand image.

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PM announces a High Level Task Force on MSME Sector

Prime Minister's Office, August 26, 2009

The Prime Minister, Dr. Manmohan Singh met representatives of the Micro, Small and Medium Enterprises sector including representatives from All India Confederation of Small & Micro Industries Associations, Federation of Indian Micro and Small & Medium Enterprises, Federation of Association of Small Industries of India, Jharkhand Small and Tiny Industries Association, Tamil Nadu Small & Tiny Industries Association, and Laghu Udyog Bharati. Shri Dinsha Patel, Minister for MSME, Shri Dinesh Rai, Secretary MSME, and Shri Madhav Lal Additional Secretary & Development Commissioner, MSME were present on this occasion. Shri Ashok Chawla, Finance Secretary was also present.

Several important issues were highlighted by the representatives of the MSME association including shortage of credit, need for a focused procurement policy, prompt payment of MSME dues, additional finances from SIDBI, simplification of labour laws to prevent inspector raj, formulation of a one-time settlement policy to strengthen the MSME industries and remove bottlenecks in their development.

Prime Minister Dr. Manmohan Singh shared their concerns and assured the representatives that Government is committed to provide a fillip to this very important segment of the economy. He said that it will be ensured that over a period of time, flow of credit will increase commensurate with the financial needs of the sector. He announced the setting up of a high-level Task Force to reflect on the issues raised by the associations and formulate an agenda for action within a period of three months after deliberations with all stakeholders.

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Stock Exchange for Small and Medium Enterprises

Source: Ministry of Finance; Lok Sabha, August 07, 2009

Securities and Exchange Board of India (SEBI) which recognises and regulates Stock Exchanges, has decided to facilitate the setting up of separate stock exchanges or a platform in the existing stock exchanges dedicated to the Small and Medium Enterprises (SMEs). The objective is to make available equity capital at lower cost for small and medium scale industries. SEBI has already put in public domain the framework for recognition and supervision of stock exchanges/platforms of stock exchanges for small and medium enterprises. Pursuant to this, applications have been received by SEBI.

This information was given by Minister of State for Finance, Shri Namo Narain Meena in written reply to a question raised in Lok Sabha today.

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Small firms can now afford IIMs (Indian Institute of Management) managers

Source: Indian Express, Apr 08, 2009

New Delhi: Global recession might have brought a number of top level corporate to their knees but it seems to be a “good opportunity” for numerous small and medium companies, which can now afford to hire hot-shot executives from top business schools at much “affordable” prices. The pass-outs of the country’s premier business schools like IIMs can now be hired at much lower packages than they used to get when the world economies were booming.

Analysts say, the placement scene at most of the IIMs this year is not much encouraging as compared to previous years. This year, number of big companies as well as number of international companies coming for campus placements has decreased. “There is more than 30 per cent dip in the average salary offered to fresh IIM graduates. In IIM-A, this year’s average domestic salary offer has come down to Rs 12.17 lakh from previous year’s Rs 18.75 lakh,” IIM-A Placement Cell Chairman, Dr Saral Mukherjee said.

He said the number of offers per students has also gone down as the recruitment process in most of the companies has come to an halt in view of economic slow down. Similarly, the domestic average salary offered this year at IIM Calcutta has been Rs 12.70 lakhs with the highest offer at Rs 60 lakhs per annum. While the average figure for last year was Rs 16.40 lakhs.

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Easier FDI norms for MSEs

The Hindu. Sep 05, 2009

NEW DELHI: The Centre Government on Friday announced new liberalised Foreign Direct Investment (FDI) norms for micro and small enterprises (MSEs) replacing the current 24 per cent ceiling on foreign holding with sectoral caps. These industries will now be guided like other large enterprises as far as FDI is concerned. "The present policy on FDI in MSEs permits FDI subject only to the sectoral equity caps, entry routes and other relevant regulations," according to Press Note 6 issued by the Department of Industrial Policy and Promotion.

However, if non-medium and small enterprises manufacture any of the 21 items, including pickles, aluminium utensils, reserved for MSEs, any FDI above 24 per cent will require the Foreign Investment Promotion Board's approval. The new note replaces Press Note 18 of 1997 which stipulated that for foreign collaboration, the maximum equity participation for small scale units was 24 per cent. As per the old note, proposals for inducting foreign equity of more than 24 per cent was subject to the condition that the firm would get itself de-registered as a small-scale unit. The new norms are expected to bring in more FDI into the MSE sector which is starved of funds.

The FDI norms will also help them modernise as overseas investment will bring modern technology. There are about 2.61 crore units in the MSE sector employing 5.97 crore people.

According to the Small and Medium Enterprises Development Act, 2006, in the manufacturing sector micro units are those where investment in plant and machinery does not exceed Rs. 25 lakh, while small enterprises are defined as those investing between Rs. 25 lakh and Rs. 5 crore. In the services sector, the investment in equipment up to Rs. 10 lakh is defined as micro enterprises, and Rs. 10 lakh to Rs. 2 crore as small units.

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'Small investors need special rights'

Hindustan Times, June 02, 2009

Salman Khursheed has taken charge as the country's Corporate Affairs Minister in the backdrop of the Satyam Computer Services scandal that has triggered calls for better regulation and corporate governance to protect investors. He spoke to Mahua Venkatesh on reforming the way India Inc is governed. Excerpts:

The Satyam episode has so far remained an isolated case. But how would you ensure that in future a scandal of this magnitude does not recur?

It is extremely important to ensure that there are no more Satyam-like cases here. We are planning to put in place an early warning system to be able to detect any early sign. We have already said that this will be priority for us.

Routine surveys take place by auditors and if there are complaints from investors but we need to look beyond that. Early warning system will be aimed at picking signs at a nascent stages. We have to chalk out the finer points of this system.

Several questions have also been raised on the role of independent directors. Is the current system flawed?

We have very strong guidelines but now we have to strengthen and tighten them further and take them to the next level. Accountability is key and we will see how this can be further enhanced and naturally the role of independent directors would be crucial.

The new Companies Bill which we intend to introduce in Parliament at the earliest has already dealt with several of these issues.

How do you plan to protect the small investor?

Protection of small investor is our focus. The small investor needs to be given some special rights. We need to demystify corporate governance for the aam admi (common man) It is important to speak a language which does not sound like a mystery.

When do you plan to take up the new Companies Bill?

It is a priority, but in view of the Satyam case, do we need to review the bill? That is something we need to see.

China

Gov't pledges strong support for innovation-based SMEs during downturn

Source: Xinhua, August 31, 2009

Science and Technology Minister Wan Gang said Monday China's government would provide strong support for small-and medium-sized enterprises (SMEs) to help them tide over the current economic downturn.

"The most effective way to withstand the impact of the global economic meltdown is to accelerate technological innovation, the new economic growth engine," Wan said in a signed article on the front page of Monday's Study Times, run by the Party School of the Central Committee of the Communist Party of China. Wan attributed SMEs' development hiccups mainly to low-tech products and poor research and development capability.

China has more than 42 million SMEs which contribute more than 60 percent of the nation's GDP, 50 percent of tax revenues, 70 percent of import and export trade and 80 percent of urban employment. But the number of innovation-based SMEs in China is only about 160,000, much less than in the United States where they made up about 10 percent of the sector, and Israel where they comprised 17percent.

In China, SMEs refer to enterprises where staff numbers are less than 2,000, annual revenues are under 300 million yuan (44.1 million U.S. dollars), or with total assets under 400 million yuan.

Wan said to sharpen these enterprises' innovative edge, the Ministry of Science and Technology planned to make research and development resources more accessible for them. The ministry would help establish a technology platform participated in by universities, research institutes and enterprises. It would coordinate research and development and enable innovation-based SMEs to share the results.

Wan, also vice chairman of the Chinese People's Political Consultative Conference National Committee, said the ministry would set up national State-funded laboratories and technology centers for the SMEs. To ease technological personnel shortages, the ministry, together with other central departments, would assign 100,000 researchers and technicians from universities and research institutes to the SMEs, Wan said.

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China urges efforts to support development of small, medium-firms

Source: Xinhua, Wednesday, August 19, 2009

China on Wednesday called for more policy assistance and financial support to encourage the development of small and medium-sized enterprises (SMEs).

Attendees at a State Council executive meeting, chaired by Premier Wen Jiabao, agreed that promoting the sound development of the SMEs was of great importance to maintain economic growth and social stability.

The government would exert more efforts to improve the policy and law system to create a more open and fair competition environment for SMEs. Measures would be taken to help SMEs tackle financing difficulties, and the establishment of the Growth Enterprise Market (GEM), the country's first Nasdaq-style market, would speedup helping small companies raise fund.

The central government would also increase funding to support the SMEs, especially in sectors such as technological innovation, industrial structure adjustment and employment. The government would pick some SMEs to participate in the country's subsidized purchasing program of home appliances, agricultural machinery and automobiles in rural areas as well as the auto, home appliance replacement program.

Attendees at the meeting demanded better services for SMEs and support to promote technological progress and structure adjustment in SMEs. They also reviewed and approved draft regulations on national body-building and on the administration of joint-venture establishment of foreign companies or individuals in China. Both regulations would be released to public after further revision.

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China's SME guarantee business expected to hit 1 trillion yuan in 2009

BEIJING, Dec. 19 (Xinhua) -- The guarantee business for China's small and medium-sized enterprises (SMEs) is expected to reach one trillion yuan (146 billion U.S. dollars) next year as the country is working to ease SMEs' financing bottleneck, said Li Yizhong, minister of industry and information technology on Friday.

At a national work meeting on industry and information technology, Li said China will step up the establishment of national and provincial credit guarantee institutions in 2009 to help SMEs get bank loans. In a series of moves to boost the guarantee business for SMEs, the government vows to give tax cut or exemption to qualified guarantee agencies, and assist local governments in investing in guarantee agencies.

At the same time, banks are encouraged to develop more financial products for SMEs, and boost the growth of petty loan and short-term financing bonds.

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Standard Chartered Bank helps development of SMEs

By People's Daily Online, August 31, 2009

According to Beijing Youth Daily, Standard Chartered is one of the first foreign banks to set up branches in China, and never stopped its business operation in Chinese mainland. Since establishing the first branch in Shanghai 1858, it had become the oldest foreign bank in China. At present, Standard Chartered has set up branches in many cities around China.

By July 2008, Standard Chartered owned 14 branches, 30 sub-branches and 2 offices in Chinese mainland(not including Hong Kong SAR, Macao SAR and Taiwan).

Standard Chartered concentrates on small-medium enterprises (SMEs) and helps them to develop in the market. It established a team specialized in offering services to SMEs. The team covers 15 cities and 4 major economic zones. In order to settle financing difficulties, it launched services such as unsecured small loans and real estate mortgage loans.

According to Lin Tianfu, the managing director of SME Banking of Standard Chartered Bank, Zhongguancun Science Park's high-tech enterprises have grown from more than 500 to more than 20,000. Amid them, most enterprises are SMEs currently in the growth stage. Compared with big businesses, SMEs have a disadvantage in financing, especially through the traditional methods such as commercial bank loans.

Lin thinks that venture capital (VC) pays attention to the relatively long term investments, and aim at helping small enterprises to become bigger and succeed in IPO. Bank financing is mainly to help small businesses solve the problem of short-term emergency funds, VC and the banks can solve the funding gap problem for small businesses from two different aspects.

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More but smaller loans to China's SMEs in H2

By People's Daily Online, August 24, 2009

In the second half of 2009, China's credit policies will not only focus on controlling the total quantity of new loans, but also structural adjustment, said Tang Min, deputy secretary-general of the China Development Research Foundation.

In the first half, 7.73 trillion yuan of new loans were issued in China, exceeding the total issued during the whole of 2008. Small and medium-sized enterprises (SMEs) and small companies in particular, did not receive many new loans however. That means the massive loans did not really benefit SMEs, whose recovery is of crucial importance to employment and the sustainability of economic growth.

Therefore, the priority of the current adjustment to economic policies lies in when to adjust the scale of new loans in the second half and how to switch the focus of bank loans to small enterprises, agriculture, the countryside, farmers, and individuals.
Without the support of policies and certain measures to stimulate commercial banks, these banks will not voluntarily issue new loans to these areas.

Secondly, the scale of new loans issued to infrastructure construction should also be controlled. Banks must be prevented from issuing excessive new loans to local investment companies, which may not have sufficient assets. Thirdly, an asset bubble must be prevented. Measures should be adopted to prevent large quantities of credit capital from entering the stock and real estate markets.

Data on new loans from the first half should be examined and illegal behavior should be dealt with timely. Moreover, special effort should be made to prevent new loans from entering the stock and real estate markets.

Brunei Darussalam

Brunei Halal Expo To Help SMEs Break Into World Market

By Brudirect.com & Brunei Times, 22 July 2009

Bandar Seri Begawan - More development of the Brunei Halal Brand will be unveiled during the International Halal Product Expo, which will allow local Small and Medium Enterprises (SMEs) to explore wider business opportunities, said a senior Ministry of Industry and Primary Resources official.

Permanent Secretary Dato Paduka Hj Mohd Hamid Hj Mohd Jaafar said that the Brunei Halal Brand initiative is aimed to strengthen the position and role of Brunei in the halal sector, through the establishment of the Halal Science Centre and Agrotech Park, which provides facilities for output activity and export of halal products.

During a halal workshop for SMEs, he said that the International Halal Market Conference will be held as a step towards disseminating information on the development and progress of the global halal industry, aside from the product exhibition involving local and international SMEs.

Throughout the three-year duration since the project was conducted, government agencies have taken several initiatives to develop the halal product industry in the country, according to the permanent secretary.

Among them is the introduction of the Brunei Halal Brand which was launched by His Majesty during the opening of the third International Halal Product Expo in 2008, he said.

The aim of the brand was to allocate a platform for SMEs in the country to penetrate the international halal market.

He went on to say that with Brunei's strong background in Islam, combined with the nation's philosophy of Malay Islam Monarchy (MO), the country is in full pursuit of the development of halal industry.

"I am confident with the process of halal product accreditation which is based on Brunei's stringent standards, will raise trust in the worldwide halal market," said Dato Hj Mohd Hamid.

Business with the concept of halal has the most growth in the world with about two billion users, added the permanent secretary.

"Halal is also a new market that has generated attention of not just Muslim users, but also for non-Muslims, by emphasising the importance of cleanliness, freshness and free from contamination in each manufactured/output of halal product," he said.

The halal industry is expected to generate $632 billion per year and further increase at a fast pace from year to year. "Interests and demand relating to such services continue to increase in the world market," he said.

He added that entrepreneurs taking the opportunity to fulfil fardhu kifayah (communal duty) will be able to accumulate halal earnings and profits.

He hoped that the halal workshop would be able to raise awareness on business opportunities in the local and global halal industry among SMEs.

The workshop was expected to enable SMEs to open their mind to ensure they explore opportunities in a new niche market aside from what they have been currently doing, and encourage them to be more involved in government initiatives through the Brunei Halal Brand.

"I hope that it will truly create involvement of local SMEs in creating a halal industry as one niche which gives them a competitive edge in a competitive world market. This will not only bring profits for entrepreneurs, but also assist the country to attract foreign investment and open up more job opportunities for locals. He added.

Malaysia

Malaysia MIDF To Help SMEs In Services Sector

KOTA BAHARU, 7 Feb (Bernama) -- Malaysian Industrial Development Finance Bhd (MIDF), which is committed to help the small and medium enterprises (SMEs), will focus on the services sector now. Managing director, Mohd Najib Abdullah, said there was an increase in the participation by the SMEs in the logistics, health tourism and education nationwide.

"About 86.6 percent of the SMEs are involved in the services sector whereas the manufacturing sector has 7.2 percent and agriculture 6.2 percent. However, this does not mean that we will reduce our focus on the manufacturing sector," he told a media briefing after the opening of the Bumiputera Entrepreneur Symposium 2009 by chairman Tan Sri Mahmood Taib here today. Over 350 Bumiputera SME entrepreneurs attended the symposium.

He said under the 2009 Budget, the government allocated RM1.2 billion to help boost the growth of SMEs and of the amount, 10 percent was for the services sector.

Mohd Najib said efforts to restructure the loan repayment has helped entrepreneurs overcome the effects of the global economic crisis and reduced the non-performing loans. "Most of our borrowers are still strong and are repaying their loans," he said. He said to help the SMEs, the backbone of the Malaysian economy, MIDF has reduced the interest rate from four percent to two percent and the amount of loan disbursed has been increased to 90 percent.

Earlier, Mahmood said the symposium would also be held in other states to help the SMEs overcome the global economic crisis. "The symposium aims to give SMEs an opportunity to improve, strengthen and expand their businesses," he said.

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Intrade Malaysia to boost Thai SMEs

Editor's Note: This story illustrates the cross-border impact and importance of SMEs

Bangkok Post, 12/09/2009

Locally based small and medium-sized industries looking to tap the Malaysian market should head to the upcoming Intrade Malaysia 2009 convention, says the country's ambassador to Thailand, Dato' Husni Zai Yaacob.

"We are merely providing an additional marketing option for Asean SMEs, as well as larger companies, to, among others, boost intra-Asean trade, Dato' Husni Zai Yaacob, Malaysian Ambassador to Thailand "The event will provide an integrated marketing platform for the regional and global trading community to buy and sell Asean products and services," he told the Bangkok Post by e-mail.

The annual Intrade Malaysia trade fair is currently in its third year and will be held from Nov 10-12 at the Matrade Exhibition and Convention Centre in Kuala Lumpur. The general trade exhibition will provide an opportunity for companies, especially SMEs, both in Malaysia and the region to present their products and services to the international market.

The event drew 300 companies in its first year and generated 3.38 billion ringgit (33 billion baht) in potential sales of products and services. Despite the onset of the financial crisis last year, Intrade Malaysia drew 350 companies and generated potential sales of 2.6 billion ringgit. "Intrade Malaysia 2009 is expected to help sustain and generate export revenues as previous years," he said.

The initial space of 3,000 square metres has been booked, prompting the organisers to increase the space by another 20% to boost participation by foreign firms, said Mr Yaacob.

Intrade Malaysia is one of the region's largest international SME trade fairs, he says. The exhibition allows smaller firms to showcase their products and services more effectively than at events that are tailored towards larger operators. "We are merely providing an additional marketing option for Asean SMEs as well as larger companies to, among others, boost intra-Asean trade," he said.

Thai SMEs which cannot bear the cost of overseas promotions should rely on events such as Intrade Malaysia which attract international buyers, he said. The ambassador said Thai companies could hence benefit from the fair on several levels. Those aiming to generate sales can become exhibitors which will allow them to also participate in the Kuala Lumpur International Trade Forum. Those Thai exhibitors will not only get access to the trade visitors but also the quality foreign buyers that will be invited to attend the exhibition.

Companies seeking business prospects can use the event as a platform to establish new contacts and increase their exports both to the region and beyond. "While we are not able to guarantee sales for all exhibitors, please rest assured Matrade will take all necessary steps to promote Intrade Malaysia 2009, both locally and overseas, to the business and trade communities," he said. "Alternatively, Thai companies which wish to source can be involved in the buyers' programme."

The trade exhibition will also serve companies looking to source products and services from Malaysian firms. Buyers will come from a number of sectors and markets such as regional buyers and those representing retailers and hypermarkets from the European Union, the United States and other companies based in Thailand, he said. Multilevel marketing companies, importers, wholesalers, construction firms, assemblers and manufacturers will also attend.

Operators from Thailand's key export industries, such as food, textiles, jewellery and wood are encouraged to join. The trade fair will be key in boosting bilateral trade. "Asean has concluded negotiations on free trade agreements with China, Korea, Japan, India, Australia and New Zealand. These FTAs have provided the impetus for the creation of strong business networks within this region," he said.

Singapore

Declining sales orders top challenge for SMEs

Business Times, September 12, 2009

FALLING demand for their goods and services was the top business challenge faced by SMEs in Singapore, more so than high business costs or access to credit. According to a study by the Singapore Chinese Chamber of Commerce and Industry (SCCCI), 51 per cent of the respondents in a survey listed declining sales orders as a major business challenge, followed by intensified competition (43 per cent), overly high business costs (34 per cent) and difficulties in securing bank loans (12 per cent).

Seventeen per cent cited other business challenges, such as recruiting and retaining talents, maintaining healthy cash flow, venturing into overseas markets, tightened foreign worker quota and the strong Singapore dollar, which dampened their export competitiveness.

While indicating the success of the government-backed loan schemes that were introduced late last year, the findings also reflect the lacklustre business climate. Green shoots or not, the majority of SMEs have yet to see a turnaround in demand - at least between May and July when the survey was conducted.

The survey interviewed more than 1,000 SMEs across all business sectors, including manufacturing, wholesale and trade, construction, infocommunication, hotels, restaurants and other services. Supported by Spring Singapore, it is the first large-scale survey on SMEs by SCCCI and was initiated to help the chamber gauge the concerns and developments of the small and medium-sized businesses in the community.

‘A most positive outcome of the survey is that, in response to the challenging economic environment, SMEs are becoming more proactive in various strategies being adopted,’ said the SCCCI. ‘Thirty-five per cent disclosed having restructured their business to deal with the downturn, while 27 per cent chose to revamp their business model.

‘Another 32 per cent, seeing the need to expand and diversify their client base, had ventured into overseas markets. Twenty-eight per cent of the respondents also recognised the importance of launching innovative products and services to keep up with constant trends.’

Even as the majority of the respondents have adopted some form of strategy on their own, most of them (64 per cent) also gave the thumbs-up to Jobs Credit, which was singled out as the most effective government assistance scheme. The one per cent cut in corporate tax rate was also seen to be useful by 52 per cent of the respondents, while 45 per cent said the Spur subsidised training package and property tax rebate announced in the Budget this year were beneficial.

On their outlook, 41 per cent expects the Asian economy to bounce back in a year or sooner, but only 28 per cent said so of the broader global economy. Mirroring their optimism on Asia, the top five overseas destinations by SMEs are China (53 per cent), Malaysia (41 per cent), Indonesia (29 per cent), Vietnam (22 per cent) and Thailand (18 per cent).

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SMEs get $4.7b in loans to weather crisis

September 17, 2009, (SINGAPORE) More than 10,000 government-backed loans worth a total of $4.7 billion were dished out between last December and the end of August, according to Spring Singapore.

Giving an update of the progress of enhanced financing schemes rolled out by the government to help loosen the credit crunch that businesses faced, Spring assistant chief executive Choy Sauw Kook said the total amount disbursed is higher than the $683 million approved in 2007 and the $1.03 billion approved in the whole of 2008. Also, small and medium-sized enterprises (SMEs) made up the bulk of beneficiaries at 92 per cent.

Part of the Special Risk-Sharing Initiative (SRI), the enhanced financing package saw the government raise its share of the default risk to up to 90 per cent for the Micro Loan and Bridging Loan programmes, the Loan Insurance Scheme (LIS), and the Local Enterprise Financing Scheme (LEFS).

The popularity of the schemes is reflected in the latest SME Development Survey by DP Information Group. The study shows 11 per cent of over 2,000 respondents used government schemes as a funding source - substantially more than the 7 per cent who did so last year.

The survey found the Bridging Loan Programme (BLP) to be the most sought after, with 10.9 per cent of respondents having successfully applied for it. It was followed by the LEFS, which was taken up by 8.5 per cent of respondents.

Announcing the findings of the SME Development Survey at a news conference yesterday, Spring's Ms Choy also revealed that the $200 million Business Upgrading Initiatives for Long-term Development (BUILD) scheme has drawn an encouraging response.

Launched by Spring in February, the programme provides 70-90 per cent of grant support in areas such as technology innovation, branding, IP management, HR and design. It has supported more than 850 companies with upgrading projects worth a total of $33 million so far.

Thailand

Seminar for SME hotels marketing

TTR Weekly, 03 July 2009

The Integrated Human Development Centre, together with the Thailand Management Association, Foundation for International Human Resource Development and the E-Learning Association of Thailand, are hosting a seminar for hotel SMEs. “Delve into the New Marketing Strategies for Hotel SMEs” will run from 18 to 19 July at the Asia Airport Hotel, Rangsit, Bangkok. It aims to help small hotels to integrate their IT management with tourism business management.

The seminar is supported by the Tourism Authority of Thailand, Thai Chamber of Commerce and Software Park Thailand. It will feature lectures from guest speakers who are experienced in IT and tourism business management.

The subjects covered are: How to adapt e-marketing tools in the hotel business, new trends and tools; new marketing strategies for 2009 to 2011; how to offer travel trade rate structures; getting to know global distribution systems; how to find customers to top up hotel revenue; tips on how e-business agencies prosper; and understanding and working with affiliated hotels.

After the programme, there are introduction of short-term and long-term projects for hotel SMEs and relating business developed by the centre. The seminar fee of Bt2,000 per person includes lunch and coffee breaks. A 20% reduction is applicable for five participants booked under a single company or hotel.

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Central bank urges Thailand’s banks to lend more to SMEs

BANGKOK, April 30 (Thai News Agency) – Bank of Thailand (BoT) Assistant Governor Sorasith Sunthornkes on Wednesday revealed the central bank had urged commercial banks to lend more to the business sector, particularly small- and medium-size enterprises (SMEs), in support of government policy. Additionally, the central bank prompted Thailand’s commercial banks to supervise the capital fund and non-performing loans (NPLs) closely, and asked them to restructure debts to ensure that the capital base is not affected.

However, at the same time he said the central bank is not in a position to instruct commercial banks to lend more to stimulate the economy. What the Bank of Thailand can do, Mr. Sorasith said, is discuss and seek commercial banks’ cooperation in lending more.

Although the country’s economy currently looks unfavorable with negative growth, he said, most banks do not intend to revise their loan expansion plan for this year. Most commercial banks projected loans extended by the banks this year would grow 5-8 per cent on average, while excess liquidity in the banking sector totaled some Bt1.3 trillion.

"So far, no banks have been seen revising the loan expansion plans. Consequently, we believe the loan would expand in a range of 5-8 per cent, which is considered low. "Whether loan growth will reach 8 per cent depends on the economic conditions and state-supported economic stimulus measures," Mr. Sorasith said.

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Central bank says smaller firms struggling for credit

Bangkok Post. 27/05/2009

Small businesses continue to face credit constraints associated with poor confidence in the economy, according to a Bank of Thailand survey on lending. The quarterly survey of senior executives of 21 private and specialised banks showed that lenders expected loan demand from the private sector to remain low and delinquency risks to increase.

The respondents expect corporate loan demand to remain sluggish in line with soft investment trends. Meanwhile, they anticipate rising delinquency risks among hotels and restaurants, following by electronic and electrical goods producers and vehicle and parts makers.

According to the survey, most banks expect the government's plan to borrow heavily in the domestic market to affect liquidity, interest rates and private-sector loan demand slightly.

Banks also expect demand for retail loans to increase slightly in line with improving economic trends and the government's economic stimulus. They said loan standards for households were somewhat tighter because of concerns over creditworthiness.

The survey showed that corporate loan demand decreased in line with lower inventory buildups and lower working capital requirements. Meanwhile, large corporations are opting for more debt issues or financing ventures from cashflow.

Interest rate spreads between high-rated and high-risk customers widened in the first quarter as banks were more cautious in lending to small and medium-sized enterprises.Financial institutions have also become stricter about asset quality demanded for collateral against loans to SMEs when compared with larger companies, reflecting greater risk awareness.

Retail loans declined more than expected in the first quarter to reflect ongoing subdued confidence of consumers and the business sector. But the decline in credit card lending was due to competition from non-bank operators and more cautious credit assessments.

Both loans for homebuyers and developers decreased in line with generally poor confidence in market trends, according to the survey.

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Thai Bankers Assocation, FTI and Chamber of Commerce band

together to aid SMEs

BANGKOK, 17 August 2009 (NNT) - The Thai Bankers' Association has combined efforts with the Federation of Thai Industries (FTI) and the Thai Chamber of Commerce to aid small and medium enterprise members of each organization impacted by the economic decline. Krung Thai Bank Board Manager and President of the Thai Bankers' Association Apisak Tantiworawong said the association had joined with the FTI and Chamber of Commerce to help embattled SMEs by providing consultation, debt restructuring, and capital sources. He noted that many were showing recovery signs with loan requests increasing and orders steadily moving upwards.

Krung Thai Bank itself however has not changed its approach to loan approval for SMEs using a credit scoring index for smaller businesses. The bank admitted to seeing a rise in non-performing loans but assured that it ha� been successful in addressing the problems and had no concerns over the issue. Krung Thai's sentiments were echoed by Kasikorn Thai Bank which has also not made any changes to its loan approval system, noting that the economy has shown clear signs of recovery.

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Strict lending policy could destroy SMEs

Bangkok Post, 11/09/2009

Thai banks must ease their strict lending stance if small and medium-sized companies are to survive, said Dusit Nontanakorn, the chairman of the Thai Chamber of Commerce. "If Thai banks continue to maintain a strict lending stance, then I am quite sure that they will remain reluctant to lend," he said yesterday.

Thai banks mostly saw their loan books contract in the first half of the year, partly due to cheaper commodities and lower credit demand but also due to a decline in loan approvals as lenders tightened their risk management policies. Most banks say they expect lending to pick up going into the end of the year amid signs of recovery in the local and global economy.

But Mr Dusit cautioned that a broad economic turnaround could be too late for many companies. A survey by the University of the Thai Chamber of Commerce in June found that small companies generally had reserves to survive for only seven months in the current sluggish context, he said. Without firm action, a new wave of bankruptcies and job losses is inevitable, he said.

"Yes, we are currently seeing a clear recovery in the economy. But there remain a number of problems that have yet to be addressed, problems that will hold us back in the future and result in lost opportunities as the global economy recovers," Mr Dusit said at a conference on state bank operations. Political instability, liquidity shortfalls and lower consumer purchasing power all are major factors affecting the business sector.

Mr Dusit said the Bank of Thailand should also consider rethinking its implementation of the Basel II Capital Accord in Thailand to facilitate lending while the economy remains far from normal. Bankers also should look past current balance sheets to the future potential of businesses when reviewing loan applications.

Exporters also are facing problems in providing collateral for trade finance, as the global crisis has made it hard for buyers in many countries to issue letters of credit, he added. "Bankers should use their best judgment. If an exporter lacks an L/C, then he should consider whether the purchase order is sufficient to facilitate the transaction," he said.

Finance Minister Korn Chatikavanij said the government placed considerable importance on supporting the credit needs of small businesses. Six state banks, including the Government Savings Bank, the Government Housing Bank and the Export-Import Bank, have a target of lending 920 billion baht this year, an increase of 50% from targets set earlier this year.

Mr Korn said that while he had no intention of interfering in banks, he was confident the economic recovery would alleviate pressures on businesses. Local factories are already reporting increased orders, triggering a rebound in production and staffing. Credit demand has also risen, while several banks have relaxed their risk assessment in light of a rosier economic outlook.

But Tanit Sorat, a vice-chairman of the Federation of Thai Industries, said businesses still face obstacles to obtaining credit, even though state banks have eased their lending terms. "It's very difficult to do business right now. Letters of credit are difficult to secure. In some cases, there aren't purchase orders or documents against acceptance either - only a one-page e-mail asking whether we are willing to sell or not," he said.

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Industry Ministry waives tax for this year investment

BANGKOK, 28 August 2009 (NNT) – Industry Minister Charnchai Chairungrueng says the government this year will promote investment in six sectors by waiving tax for eight years.

During the seminar on boosting investment among small, medium, and large business in north region, which was organized in Chiang Mai, the minister said that the government would not collect corporate income tax from investment in six sectors for eight years, after that it would collect only 50% of the tax for five years.

Meanwhile all participating entrepreneurs could borrow money of 50,000-500,000 baht with no need to use guaranteed asset but only having a guarantor. Therefore the Thai economy should be improved in the fourth quarter of this year.

320 factories in northern Thailand will be pushed to boost their investment, while the government has a policy to develop the border areas of the country to become industrial zones. Meanwhile the cooperation between ASEAN and China will contribute to the economic growth of the country.

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Thai SMEs cut energy cost through Trainers Bank System

The Federation of Thailand Industries launches Trainers Bank System project to help fabric- and food-oriented SMEs cut energy cost and enhance their competitiveness in the long run. After the launch of Trainers Bank System project last year, Deputy Secretary General of The Federation of Thai Industries Pairat Tangkaseranee declared success saying within 1 year, there was as many as 55 trained energy auditors in the food and fabric industry with the whole energy reduction of 764 toe per year.

He gave details that the project was initiated to solve the problem of SMEs who lacked knowledge. Moreover, in 2009 the project focused on these 2 industries for they required high energy costs and capital to invest as well as high-profile experts to analyze the process of advanced technologies.

The representative elaborated that the project began with human resource development through seminars and energy-friendly plant visits. Subsequently, an inspection guideline was prepared and the auditor network was set up as a hub of full-option machines to service nationwide enterprises.

Meanwhile, Director of the Institute of Industrial Energy Rungruang Saipawan explained that the energy auditors were recruited from both public and private sector, particularly those in energy consulting firms. With their scrutiny and recommendations, Mr. Rungruang said that the member factories could abate as much as 764 toe per year, which was nearly 10-time higher than formerly anticipated.

He illustrated that energy cost reduction in factories was a crucial factor to enhance entrepreneurs' competitiveness. He also showed that the industrial plant accounted for as much as 37% of the country's energy use and 50 % of the country's electricity. In phase 2, he expected the numbers of auditors to increase by one-fold at least, or by around 40 people. However, for the expected number of toe reduction, he would not set a figure too high since it would put the network under duress.

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OSMEP (Office of Small and Medium Enterprises Promotion) reveals the truths of Thai SMEs

Thai News, Public Relations Department: 17 September 2009

The representative from the Office of Small and Medium Enterprises Promotion insisted that the public banks are not the main reason for the SMEs' loss and that Thai SMEs cannot grow without aid.

Mr. Pak Tongsom, Deputy Director General of the Office of Small and Medium Enterprises Promotion, commented that a recent rumor of the public banks being too strict on SMEs' qualifications which led to the loss of over 200,000 million baht was unsound.

He confirmed that even though the number seemed high, it accounted for only 4% of the whole SMEs income of over 5 trillion baht. Moreover, he saw some good signs for SMEs growth noting that this year's number was lower than next year but in the last quarter it was expected to rise and continue growing toward the end of the next year.

Mr. Pak reasoned that currently the public banks helped the SMEs by modulating several qualifications including business plan assessment, recognizance and payment period. Still, as in the recession the SMEs required more cash and credit to run the business, the money access could seem narrower to them, Mr. Pak noted.

For another controversy telling that the SMEs could prosper with the political stability and without any public helps, the representative pointed out that it was also a misunderstanding. He illustrated that there were 4 universal measures to help those SMEs - subsidizing, knowledge providing, networking and environmental factor. As a result, he assured it was only one in four measures which would not impact the whole sector as it was reported.

Meanwhile, Mr. Sethaput Suthiwart-Narueput, Executive Vice President and Chief Economist, Economic Intelligence Center, Siam Commercial Bank, gave details about the main reason of Thai SMEs loss saying most of them were in the tourism industry which had been hit significantly and consistently.

He suggested the government more seriously promote the industry and help those SMEs. Mr. Sethaput explained that even though there was a drop of 16%, the industry was expected to grow by 6% next year.

However, Mr. Nutthanon Kirativaraseth, manager of Kiratithanapat Co., mentioned that as an SME, his company order fell by 10% since the first quarter yet never recovered. Even though he claimed that the publishing industry, in which his company was, was a rising star and should not be influenced by the external factor, he admitted his company was slightly swayed.

For the bank-related dispute, Mr. Nutthanon explained that his company was not faced with the issue as there were some banks offered him with higher financial amount. Yet, his concern laid only in the country's stability which he suggested the government immediately built.

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'Mudmee' silk generates income for local communities

Enews, Mass Communications Organisation of Thailand. 18 Aug 2009

Locally-made Thai silk with a delicate texture and unique designs is becoming popular and a source of extra income for villagers in remote areas, thanks to the initiative and great support of Her Majesty Queen Sirikit. The 'Silpacheep' arts and crafts project of Foundation for the Promotion of Supplementary Occupations and Related Techniques (SUPPORT) under the royal patronage of Her Majesty Queen Sirikit of Thailand is an organisation supporting the use of Thai textiles and giving a new life to local Thais searching for supplemental income.

Not only does the project help preserve the value of Thai handicrafts, but thanks to it, community members, mainly housewives, earn added income locally without having to leave home. In Thailand's Northeast, craftsmanship focuses on weaving 'Mudmee' or hand-woven naturally-dyed silk, with local designers weaving their cloth with unique colours and patterns according to their imagination influenced by their cultures, experiences and surroundings.

The intricate designs and weaving techniques make the craftsmanship well-known globally, where high skills of local wisdom are exported in the form of 'Mudmee' fabric, the so-called "Queen of Thai Silk". The textile designs and elegant texture has proved its beauty and quality, following the demand of countries of world-class fashion like Italy, France and the United States.

"I am so proud that Her Majesty knows of our success. The offspring of the centre's members have continued and responded to Her Majesty's support by preserving the 'Mudmee' and its production techniques. "Our silk can now compete with foreign silk in the world market in terms of modern patterns and colours", said Sangduen Channuan, local weaver and member of Na Pho Arts and Crafts Centre, Buri Ram's Na Pho district.

In remote areas like this district, the Silpacheep arts and crafts project helps promote and maintain the legacy of local wisdom and creativity, which is passed on from generation to generation. (TNA)

Vietnam

Vietnam SME's get economic stimulus package

www.commodityonline.com. 2009-01-16

HANOI: Vietnam on Friday said it will utilize the recently announced economic stimulus package to help the country's small and medium-sized enterprises (SMEs) to maintain production and boost exports this year. Speaking to reporters here Vietnamese Prime Minister Nguyen Tan Dung said most of the package will be used to cover 4 percent of the interest rate on loans made by local SMEs, aiming at boosting production and ensuring employment in the year to come.

The subsidies will take effect from January 2009 and will be in place for a maximum of 12 months. Local companies, however, using loans for importing of non-essential goods or investment in real estate and securities businesses, are not eligible to receive the subsidies. Vietnam's economy grew 6.23 percent in 2008, lower the government's target of 6.7 percent. Vietnam targeted 6.5 percent economic growth rate in 2009.

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Italy Contributes EUR 3 Million to SME Cluster Development in Vietnam

Source: http://www.unido.org/index.php?id=7881&tx_ttnews[tt_news]=322&cHash=aa2d68faf6

27 January 2009

The Ministry of Planning and Investment (MPI) of Vietnam, the Embassy of Italy, and the United Nations Industrial Development Organization (UNIDO) signed a technical assistance project entitled "SME Cluster Development".

The project has a total budget of €3 million and builds on achievements recorded in a recently completed MPI-UNIDO project on "Assistance to Establish the National and Provincial SME Support Infrastructure". This was jointly financed by Finland, Italy and Norway. The objective of the project is to develop the capacity of industry associations and SMEs in three pilot industrial sectors in partnership with Italian industry associations and SMEs.

Mr. Truong Van Doan, Vice Minister of MPI said, "Development of SME clusters will help Vietnamese SMEs to enhance their competitiveness in domestic, regional and global markets. This project will help the Enterprise Development Agency (EDA) under MPI and selected industry associations to draw lessons from the successful experiences of Italy and UNIDO in SME Cluster Development. The project is also an important step towards the implementation of a number of measures under the SME Development Plan 2006-2010, promulgated by the Prime Minister in Decision 236/2006/QD-TTg on 23 October 2006."

Mr. Andrea Perugini, Ambassador of Italy indicated, "Italy appreciates the steps taken by the Vietnamese Government in private sector development, with particular focus on SMEs. SME clusters and enterprise networks are renowned the world over for being the driving force behind Italy's economy. Our experience also provides clear evidence on the pivotal role industry associations can play in facilitating SMEs to act collectively to improve their competitiveness. With the assistance provided by this project, the partnerships to be established between Italian and Vietnamese industry associations and Italian and Vietnamese SMEs will further the excellent technical and commercial cooperation that exists between our countries and yield mutually beneficial outcomes."

Ms. Nilgün Taş, UNIDO Representative pointed out that, "SME clusters (a sectoral and geographical concentration of enterprises which produce and sell a range of related and/or complementary products) and enterprise networks (a group of small and medium-sized firms that cooperate on a joint development project, complementing each other and specializing in order to overcome common problems) help SMEs achieve collective efficiencies and conquer markets beyond their individual reach. UNIDO's competence in the field of SME cluster development is well established. And, its Cluster Development Programme currently under way in Latin America, Asia, and Africa has yielded very successful results."

The project will be implemented under the UN's "One Plan", a joint action programme between the Government and all 14 resident UN organizations in Vietnam.

Korea

Korean SME Exports Grew in First Half

englishnews@chosun.com, Oct. 07, 2009

The Small and Medium Business Administration on Tuesday said that exports from small and medium-sized enterprises totaled US$65.85 billion in the first half of this year, up 1 percent from a year ago.

Considering that Korea's total exports diminished 23 percent in the same period, SMEs fared well. This expanded the proportion of SME exports to 39.7 percent of all Korean exports, considerably higher than 30.9 percent at the end of last year. Most of the SME exports were high technology-reliant items such as semiconductors, ships and automobile parts.

It seems that Korean SMEs were able to cope successfully with market situations and explore new overseas markets by targeting niche markets and taking advantage of a weaker won and technological competitiveness, said Hong Soon-yeung, vice president of the Korea Small Business Institute.

Lee Kap-soo, a senior researcher at the Samsung Economic Research Institute, said that in contrast to large corporations which mostly produce consumer goods, SMEs mostly deal with manufacturer goods or business-to-business items, and thus were relatively less affected by the global economic crisis.

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European Union Chamber of Commerce in Korea Launches SME Support Services

The Seoul Times, Oct 16, 2009

The European Union Chamber of Commerce in Korea (EUCCK, www.eucck.org) is pleased to announce the launch of SME Support Services to reinforce Korean exports and outbound investment to the EU. The services will be available through its "Industrial Cooperation Division" which promotes collaborative projects between the EU and Korea.

The support services are divided into three major categories: Individual SME support, Support with Industrial Associations and Support with trade promotion divisions of local governments. These services for Korean SME's, which also include match-making (helping them locate suitable business partners), facilitating their search for European buyers, conducting face-to-face business meetings and leading trade delegations for buyer seminars, will be valuable for their overseas marketing.

To kick off the service, the EUCCK plans to organize various meetings with SME Support Divisions of Provincial Government's across Korea, starting at the end of March, as well as providing support to SME's in the provinces. Practical support will be provided by the EUCCK and its liaison office in Brussels, EUKICA (EU-Korea Industrial Cooperation Agency).

Speaking on the occasion, Mr. Jean-Jacques Grauhar, Secretary General, EUCCK, noted that while the Chamber has been at the forefront in inducing foreign direct investment from the EU companies, and facilitating their business in Korea, there has been a growing demand for increasing its support to Korean SME's who want to expand their activities in the EU.

"EU companies are the largest investors in Korea and bilateral trade between both the regions is amongst the highest. However, there still remain huge opportunities for Korean SME's seeking to expand their activities in Europe. EUCCK will provide all the support it can to help them in this regard," he said.

The SME Support Services provided by the Industrial Cooperation Division will bridge the gap, and lead to mutually beneficial cooperation between EU and Korean SMEs. The European Union Chamber of Commerce in Korea, a non-profit organization, is made up of around 800 members from the EU, local as well as overseas business community. The purpose of the Chamber is to help in any possible way to develop trade, commercial and industrial relations between the EU and Korea. It paves the way for and fosters contacts between interested business circles of the 25 EU member states and the Korean peninsula.

Philippines

Local SMEs join trade fairs to counter global slowdown

Manila Bulletin Online – Feb 15, 2009

For many business owners, surviving the current economic crisis, which has cost tens of thousands of jobs and shut down many big businesses all over the world, is no easy task.

Small and medium enterprises (SMEs), which make up 99.7% of all registered businesses in the Philippines and employ 70% of the total workforce, need to apply measures in order to counteract the effects of the economic downturn. These SMEs' time-tested approach combines resourcefulness, creativity, and perseverance.

"There are times [when] many problems arise, like the global recessionâ€¦so we have to look for other [ways to promote our products]â€¦by participating in various trade fairs," says Erlinda Sevilla, assistant manager at Sevilla Woodcraft, a houseware manufacturer in Tagudin, Ilocos Sur (Region 1) that employs at least 200 workers during peak season.

Trade fairs are considered a highly effective and focused marketing tool, and for SMEs, joining trade fairs is a cost-efficient way to promote their products and services. SMEs can gain valuable publicity and exposure to the right audience through trade fairs, which have the benefit of various marketing channels, such as advertising, public relations, direct sales, and face-to-face contact with key prospective customers. This is why the government helps SMEs take advantage of the great opportunities offered by domestic and international trade fairs.

On March 12-15, the Center for International Trade Expositions and Missions (CITEM), an attached agency of the Department of Trade and Industry (DTI), will mount the 18th annual National Trade Fair (NTF) at the SMX Convention Center in Pasay City. The National Trade Fair is being co-organized with the DTI"s Regional Operations Development Group and the Bureau of Domestic Trade.

NTF is the country"s most comprehensive trade fair, bringing together SMEs from all over the archipelago, showcasing the best products from each of the country's regions, and linking domestic suppliers with retailers, exporters and key commercial buyers. NTF is, likewise, a venue for displaying innovative applications of indigenous raw and semi-processed materials that can be used to develop new products and designs. The Fair has allowed manufacturers from various regions to work with established designers in exploring creative ways to design and package products.

NTF has also served as a launching pad for local businesses that were deemed ready for the international market. SMEs producing export-quality goods have been discovered by big buyers through the Fair.

Pakistan

Workshops for SMEs on cost-cutting techniques

Dawn - Business

RAWALPINDI, Jan 1: The Skill Development Council has improved competitiveness of small and medium enterprises (SMEs) through a series of training workshops. Chief executive officer of SDC Saquib Mohyddin told newsmen in Islamabad on Thursday that the SMEs were facing a difficult situation due to the current global economic crises and the application of cost reduction techniques were the best solution in the prevailing circumstances.

Referring to the training workshops being conducted by SDC, he said that these workshops will assist SMEs to cut cost of production and at the same time will improve their competency in the global market.

Mr Mohyuddin further said that the roadmap for improving competitiveness of SMEs was finalised after extensive consultation with all stakeholders and it is based on the concept of providing services at the doorsteps of the industry so that the maximum number of floor staff could be benefited.

He assured that the council will arrange similar training workshops in other cities such as Wazirabad, Sialkot and Gujrat.

The last workshop was held in Gujranwala – the hub of small and medium industry, on cost reduction techniques and was attended by over 30 participants from the industrial units of the area. He described the workshop, which was co-sponsored by the Gujranwala Chamber of Commerce and Industry, as successful. He said that in addition to theoretical subjects local cases were studied during the workshop instead of foreign business models, which have no relevance to local conditions.

Australia

Reforming Australia's Foreign Investment Framework

Media Release posted on the Website of the Australian Treasurer Wayne Swan. 04/08/2009

Today I am pleased to announce reforms to Australia's foreign investment screening framework which will support Australian jobs and economic growth, and position Australia for a more competitive recovery beyond the global recession.

Foreign investment is vital to Australia's future growth and prosperity because it creates jobs, boosts innovation and skills, and promotes healthy competition in our industries.

Currently, some screening requirements on foreign investors impose unnecessary compliance costs on businesses, and fixed foreign investment screening thresholds capture ever more low-value foreign investment proposals each year that do not raise any national interest issues.

This can act as a major disincentive where overseas investors are seeking to set up businesses in Australia which put more Australians in jobs and create more activity in our economy.

In order to reduce these disincentives, the Government will:

Replace the four lowest thresholds for private business investment with the highest of these – a single threshold of 15 per cent in a business worth $219 million. This means private foreign investment in Australian businesses below $219 million can proceed without review.

Index the new unified threshold on 1 January every year to keep pace with inflation and to prevent foreign investment screening from becoming more restrictive over time.

Abolish the existing requirement that private investors notify the Government when establishing a new business in Australia valued above $10 million.

These are important measures to ensure that the Government does not become unnecessarily involved in uncontroversial business transactions. For example, not one new business application has been rejected for more than a decade.

Based on 2008-09 figures, around 20 per cent of all business applications will no longer be screened by the Foreign Investment Review Board. The Government aims to introduce amending regulation in September 2009.

The global financial crisis has highlighted that Australia is not immune from the fallout when global markets struggle to function and when international capital retreats. These reforms will help boost Australia's growth as the global economy recovers – streamlining Australia's foreign investment regime, cutting red tape and compliance costs, and improving Australia's competitiveness as a place to invest.

Summary of Measures Announced:

The Government will:

Amend the *Foreign Acquisitions and Takeovers Regulations 1989* to replace the four lower business thresholds with one higher threshold of 15 per cent or more of a business valued at $219 million or more (see table below).

Index the new unified threshold on 1 January each year against the GDP price deflator.

Abolish the requirements that foreign private investors notify the Government when establishing a new business in Australia valued above $10 million. This currently applies to all non-United States investors.

The six monetary thresholds that currently apply to private foreign investment in Australian businesses will be reduced to two:

$219 million (indexed) for private foreign investments in Australian businesses

$953 million (indexed) for United States investment in non-sensitive sectors

Current Thresholds	Proposed Thresholds
Foreign Investor –Interest in an Australian business $100 million (not indexed)	$219 million (ALL indexed on 1 January each year to the GDP price deflator in the Australian National Accounts for the previous year)
Foreign Investor – Offshore Takeover $200 million (not indexed)	
US investors only - Sensitive sector acquisition $110 million (indexed)	
US Investors only – Offshore Takeover $219 million (indexed)	
US Investors only – Interest in an Australian business $953 million (indexed).	$953 million (indexed on 1 January each year to the GDP price deflator in the Australian National Accounts for the previous year)
Foreign Investor – establishing a new business $10 million (not indexed)	Abolished

Notes:

Special screening arrangements for media and government sector investments will continue.

The special threshold for United States investors in non-sensitive sectors of $953 million (indexed) that currently applies will remain.

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ATO to help small business

www.nia.org.au. No Date Given

The National Institute of Accountants (NIA) is campaigning to remind small business that the Australian Taxation Office (ATO) compliance program now not only outlines compliance risks, but also presents assistance the ATO is able to provide. The ATO can help SMEs that are currently struggling.

The ATO recently released its compliance program for the coming 12 months, which outlines how the ATO will encourage high levels of compliance with Australia's tax and superannuation laws and details areas of risk to compliance. NIA chief executive officer Andrew Conway said although the compliance program outlined how the ATO would promote a level playing field, ensure people pay a fair share of tax and prevent abuse of tax havens, the program also sought to support people in financial distress." Small business suffering financial distress should discuss with the ATO their options which might include assistance with record keeping practices, personalised lodgement and payment arrangements and in the case of genuine hardship they will consider waiving interest or debts all-together," Mr Conway said."

Contrary to the belief of many small businesses, the ATO is willing to discuss options to ensure that viable businesses have the best chance of survival. Particularly as the economic climate has increased the survival risk of many small businesses, the ATO is aiming to assists mall businesses through this tough time." There is also the opportunity for small business to take advantage of the reduced Pay As You Go (PAYG) instalments for the 2009-10 financial year announced in the Federal Budget. This cash flow relief for business applies to all taxpayers who pay quarterly PAYG instalments based on their previous year's tax adjusted by GDP growth.

The ATO will also help businesses stay on track through its tax seminars and workshops, business assistance visits and phone calls to new and existing small businesses at key timesof their business cycle. Mr Conway said small business can find out what assistance is available to them by contacting their NIA accountant or the ATO directly.

Japan

Falling exports in Japan hit small companies hardest

Published: March 25, 2009

SAITAMA, Japan: Most people who own an iPhone, a Prius or a Nintendo Wii have never heard of Porite, but this small company outside Tokyo makes a crucial part of their toys' vital organs.

Despite the ubiquity of the tiny copper bearings Porite churns out by the millions each day, orders all but dried up in September. Now shipments are down about 40 percent from last year, as consumers in the United States and elsewhere rein in spending on sophisticated electronics.

With little to do, the company's 400 employees spend their days sweeping and cleaning, and about a dozen contract workers have been let go.

The finance ministry announced Wednesday that exports from Japan, the world's second-largest economy, fell by a record 49 percent in February compared with a year earlier. It was the fifth consecutive month that exports have fallen. Shipments to the United States fell 58 percent. Japan's trade surplus was down 91 percent, to ¥82.4 billion, or about $840 million.

Although the Japanese brands known worldwide have received more attention in the news, the bulk of the problems affecting Japan's exporters are not at Toyota or Sony, both of which predict deep losses this year, but at small and midsize companies like Porite.

In a shift often overlooked even inside Japan, these virtual unknowns now account for about 75 percent of Japan's manufacturing output and employ almost 90 percent of the sector's workers.

In part because of the export slump, the nation's economy was 12.1 percent smaller in the last three months of 2008 than in the period a year earlier, putting Japan on course for its deepest, longest decline since World War II.

"Japan has taken a disproportionate hit in the economic downturn," says Yasuo Yamamoto, senior economist at the consulting firm Mizuho Research Institute. "Japan's exports are concentrated in the very sectors that have been hit the most in the economic crisis, like cars and electronics."

Porite is an example of an increasingly important group of Japanese exporters that have found a niche in making the advanced inputs — like tiny bearings and micron-thin films and wafers — that make other companies' products tick.

Streamlined and focused, they bear little resemblance to the conglomerates that have long dominated Japanese industry.

"Because these companies aren't household names, their emergence has been easy to overlook," says Ulrike Schaede, a professor at the University of California, San Diego.

In fact, division of labor is developing on a large scale in Asia. Take the laptop, for example: Japan exports advanced materials and machinery tools to Taiwan and South Korea, which make microchips and other intermediate products to export to China, which puts together laptops to ship to the United States.

Similarly, almost 75 percent of the parts that make up semiconductors are made in Japan, though the semiconductors themselves may be manufactured elsewhere, according to estimates by Japan's trade ministry.

But that has made Japan's export industries especially vulnerable to the global downturn. On top of a fall in direct exports to the United States, Japan is exporting less to other Asian manufacturing centers like China, Taiwan and South Korea, as companies there scale back production.

Moreover, exports have been growing in importance for Japan. Overseas shipments have surged in recent years, fueled by a huge appetite for Japanese cars and gadgets among consumers in the United States and elsewhere, while the domestic economy has stagnated.

Last year, exports made up 15.9 percent of Japan's gross domestic product, up from 9.8 percent a decade ago.

Even small companies like Porite rode the wave of globalization, opening factories in Taiwan, Singapore, Malaysia and Thailand — and, in 2002, Jefferson City, Missouri Now, more than 70 percent of Porite's sales come from outside Japan.

Economists predict Japanese manufacturing will remain sluggish for some time. Sentiment in Japan's small and midsize industries is at its worst in almost 20 years. Trouble at many of Japan's regional banks, the lifeline for many smaller companies, has raised concerns of an impending credit crisis.

Over all, industrial production fell 10.2 percent in January from a month earlier, the biggest fall on record, and is expected to have declined sharply in February.

"Companies are cutting back production at an incredible pace to reduce inventories, and that's being reflected in the export figures," said Hiroshi Shiraishi, a Tokyo-based economist for the bank BNP Paribas. "We may see exports come back a little once inventories are brought down," he said, "but a full recovery is further down the road."

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Small, midsize Japanese companies seeking relief

Yomiuri Shimbun/Asia News Network, Aug 29, 2009

JAPAN - A major wholesaler held a party Tuesday, but few champagne corks were flying. "We traders just moaned to each other that sales are flat," the president of a food company based in Sumida Ward, Tokyo, said about the atmosphere there. Regarding the parties campaigning for Sunday's House of Representatives election, the president said, "I hope they make their views on economic recovery clear."

The manifestos of all the parties running in the lower house election include various measures to aid struggling small and midsize businesses. While the government is boasting that its economic stimulus package has led to the bottoming out of the economic downturn, such small and midsize firms see things differently.

They are facing extreme difficulties with their cash flow and are struggling to maintain current workforce levels. Owners of these companies are not experiencing any indications that the economy is bouncing back and are combing through the policies of each party in search of promises of help.

Some small and midsize companies may have come up for air after once being besieged with cash-flow problems, but they still have deep concerns. With demand still sluggish and sales down, owners worry there could be a "second dip" once the effect of the government's stimulus package has worn off.

To compound matters, many are now faced with the immediate prospect of having to start paying back loans they took out to help them through the crisis. The auto parts industry has been forced to greatly scale back production, and many firms are unable to expand their horizons. "New capital investment to prevent technology becoming obsolete and the hiring of staff are key to our survival," said Yutaka Hamanaka, managing director of the Japan Metal Stamping Association. "But we can't embark on such a course in the current situation."

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Japan set to impose moratorium on debt repayment by small firms

TOKYO, Oct. 8 (Kyodo) - The government is set to urge banks and other financial institutions to allow the freezing of debt repayment by small corporate borrowers as part of its efforts to stabilize the financial standing of such companies, widely seen as the backbone of Japan's economy, lawmakers said Thursday.

Under the proposed moratorium, small and medium-sized companies could suspend their repayment of debt principal and interest for up to three years with the government offering repayment guarantees to lenders against the possible bankruptcy of the borrowers, said the lawmakers.

The government is also expected to ease the criteria for the Financial Services Agency to classify bad loans held by banks and credit unions, in a move that would prevent frozen loans from hurting their balance sheets. A working group of ruling lawmakers and bureaucrats plans to finalize their proposal on Friday after hearing opinions from the banking industry.

The emergency plan comes as the working group is discussing rescue measures for small businesses, which are struggling under tighter credit conditions following the global financial turmoil. At its Thursday meeting, Senior Vice Financial Services Minister Kohei Otsuka, who heads the group, agreed in principle with the ruling coalition to press for the moratorium framework, the lawmakers said.

To back up the scheme, the ruling bloc led by Prime Minister Yukio Hatoyama's Democratic Party of Japan is preparing to submit a related bill to an extraordinary Diet session possibly later this month. The law, if enacted, would be effective only for one year, they added. The new law would stipulate that borrowers must first discuss with their lenders eased repayment terms such as the extension of repayment deadlines. The government would offer repayment guarantees if it is difficult for lenders to accept new terms.

Many banks and credit unions are expected to agree to the request for a loan repayment moratorium, given the government guarantees based on public funds. But some financial experts warn that if many borrowers go bankrupt after their loans are frozen, then the government must take over the debts using taxpayers' money and that may cause the country's finances to deteriorate.

The proposed rescue scheme also extends support for individuals who face trouble repaying their home loans. The law would require lenders to soften their lending conditions for those who have lost their jobs or have their salaries cut due to the economic slowdown.

Germany

Small and medium-sized businesses: flexible in the face of the crisis

Announcement by the German government, 20.08.2009

German Chancellor Angela Merkel completed her tour of small and medium-sized enterprises (SMEs) by visiting three firms in North Rhine-Westphalia. She first visited Schüco International, where she talked to entrepreneurs from the region, before moving on to the logistics firm Fiege in Greven. Her last port of call was the retail business Tengelmann in Mülheim an der Ruhr.

One important conclusion to be drawn from the trip: "SMEs can react much more quickly to change than big businesses can."

The German Chancellor set out on her tour of SMEs in order to get an idea of how businesses in Germany are coping with the economic and financial crisis. The reason Fiege and Tengelmann were on her list of places to visit is that, because they are family-owned businesses, they are interested in sustainable, cross-generational business activity.

"Our goal is to come out of this crisis stronger than we went into it," said Merkel. A new hand was now being dealt in the global economy and the competition for distribution of market shares was well under way.

"People with ideas are what have always defined small and medium-sized businesses in Germany," the Chancellor said. "I am confident that our businesses and their employees will still be able to come up with good ideas despite finding themselves in this difficult situation."

During her visit to Schüco in Bielefeld, Angela Merkel met 40 entrepreneurs from the region. They discussed the problems that had arisen as a result of the global financial crisis.

The Chancellor was praised for the German Government's economic stimulus packages. "We have noticed that more than 1,000 of our customers' projects are benefiting from the stimulus packages," said one representative from the construction industry, "and that is a great help to us."

Many businesses are concerned about bank lending policy. Several of the businessmen and businesswomen said that, although they were not experiencing a credit crunch, lending conditions were getting stricter.

That was why Angela Merkel encouraged the businesses to take advantage of the Government's credit and guarantee programme. The German Government also wants to do all it can to ensure that European regulations do not lead to problems when it comes to lending.

With regard to the upcoming G20 Summit in Pittsburgh, the Chancellor said: "We need international, binding rules - in particular in the financial sector.” She said she was convinced that Germany’s social market economy, with its strong small and medium-sized business sector, provided an international recipe for success.

Schüco International began building shop windows and facade elements made from aluminium in 1951. Today it has 5,500 employees worldwide. The firm has made a name for itself on account of its innovations in the solar business.

Spain

Spanish SMEs hardest hit by downturn

Financial Times, September 21 2009

Spain's small and medium-sized businesses have been hit significantly harder by the global financial crisis than similar companies in other large continental European countries, according to a European Central Bank survey that also suggests the weak economic outlook – not bank restrictions – is curbing bank lending.

Spain was the worst performer among the largest eurozone countries in a new survey launched by the ECB in Frankfurt. It showed some 20.1 per cent of small and medium-sized companies in Spain reporting that applications for bank loans had been rejected – compared with 12 per cent for the eurozone as a whole. Some 58 per cent said the availability of bank loans had deteriorated in the past six months, compared with 43 per cent for the eurozone.

The results highlight divergences in performance that have re-emerged across the eurozone in recent months. Spain's economy, which was previously among the region's best performers, has been hit by a collapsing housing market bubble and has seen the highest level of unemployment in the European Union. In contrast, Germany's economy has already escaped recession – and performed notably better in the ECB's survey.

The ECB is likely to take comfort from the overall results of the survey, which it plans to repeat every six months. Although it showed that small and medium-sized companies' external financing needs increased in the first half of the year, almost certainly because falling profits were squeezing internal resources, "access to finance" was described as the most pressing problem by just 17 per cent of those surveyed. A bigger challenge was "finding customers," which was cited by 27 per cent.

Moreover, the survey question asking companies whether applications for finance had been accepted or not – which the ECB regards as the best indicator of whether there is a "credit crunch" – showed 60 per cent had secured their requests. A further 17 per cent had received at least part of their request.

ECB figures have shown bank lending to eurozone business has gone into reverse in recent months, with companies repaying loans rather than borrowing. But it argues there is no general "credit crunch". Earlier this month, Jean-Claude Trichet, ECB president, said that "the fall in production and trade and the ongoing uncertainty in the business outlook are likely to have dampened firms' demand for financing."

The ECB warned, however, that because this was the first time its survey had been conducted, "the results should be interpreted with caution".

France

Sarkozy pledges €2bn to small businesses

Source: Financial Times. Published: October 5 2009 23:47

France on Monday pledged €2bn to help fund the growth of small and mid-sized businesses, in an effort to fuel economic growth by replicating the success of Germany's Mittelstand companies. Nicolas Sarkozy, the president, unveiled the measures to reinforce the capital of France's 2.5m small businesses, which have long suffered from lower profitability than European peers and so struggled to raise development finance.

United Kingdom

Small could be beautiful for brave investors

The Independent, 30 May 2009

Stock market investors have had a rough time of it over the past few months. Those who have opted for shares in large, well-established companies such as banks, leading retailers such as Marks & Spencer and utility stalwarts such as BT have been among the worst hit. Instead of receiving the steady returns they had been accustomed to, investors have seen their dividends – and in some cases their capital – slashed to ribbons and even wiped out.

In contrast, those who have looked outside the FTSE-100 over the past six months and diverted their money into companies with a smaller capitalisation have seen some spectacular returns. But have investors who haven't already taken action missed the boat?

Andrew Wilson, head of investments at wealth manager Towry Law, says: "By the end of last year many companies outside the FTSE-100 were extremely cheap, both in comparison with their own history and with the rest of the market on a price/earnings basis. Many of these stocks, particularly those in the FTSE Mid-250, have powered ahead.

"Mid caps are now fully priced, but genuine small caps are still cheap and offer good investment opportunities."

Dennis Hall, managing director of Yellowtail Financial Planning, is also optimistic the time could have come for smaller companies: "Small cap stocks were pummelled in the stock market downturns, leaving many with market capitalisation at less than the net asset value (NAV) of the company.

"Coming out of recession the returns from traditionally riskier smaller cap stocks usually beat the returns from large cap stocks. Morningstar research in the US shows that, for periods between one month and three years, smaller caps have outperformed larger caps coming out of a slowdown."

It's not hard to see why smaller companies can be more attractive for investors – it is a lot easier for a company with a turnover to £1m to double its sales compared with one that turns over £10m. As investment guru Jim Slater once said: "Elephants don't gallop."

So, are we ready for a small cap revival now?

Richard Hunter, head of UK equities at Hargreaves Lansdown Stockbrokers, says: "It may be early to be thinking of economic recovery, but when some sense of stability and optimism returns to the market, it is worthwhile considering what form such a rebound might take.

"Traditionally, there would be a switch by investors from defensive stocks to 'early cyclical' stocks – housing, retail, tech and basic materials sectors, smaller cap stocks and even some emerging market stocks. The smaller cap stocks leads to the consideration (at the smaller end) of penny shares."

The optimism among investment advisers regarding smaller companies does not, however, indicate any recommendation for a wholesale jump into their shares – far from it. Most advisers will emphasise that, because of their riskiness, small caps should only be one part of a fully diversified portfolio.

Towry Law actually treats smaller companies as a separate asset class from other equities because of small caps' "unique characteristics". Andrew Wilson explains: "They are a good portfolio diversifier because they tend to go down when shares in bigger companies go up and vice versa, but you would want to hold them alongside other assets."

Dennis Hall makes clear that small caps are not for those of a nervous disposition. "There is plenty of evidence to support the fact that small cap stocks tend to outperform large cap stocks, though at a price.

"Yes, small caps underperform on the way down, but they tend to outperform on the way up, in bull markets, by more than 7 per cent a year. They bounce back faster as they have less debt and fewer people on the payroll, so it becomes easier to restructure and gain the competitive advantage.

"The risks are higher and so is the volatility. If investing in the stock-market feels like a rollercoaster ride, investing in small cap stocks will feel like a ride on Stealth, the UK's scariest rollercoaster."

Hall also emphasises the need for diversification and balance, adding: "As part of a portfolio of shares, small caps should form only a small proportion, though the size will depend on overall risk and period of investment."

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UK Business: Small firms baffled by the small print

The Independent, 23 April 2009

(UK Chancellor of the Exchequer) Alistair Darling last night claimed to have launched a £2.5bn attempt to help British business weather the downturn and invest through the recession. With 120 small businesses folding each day and forecasts that around 40,000 British companies could collapse in 2009, the Budget focused on throwing money and tax breaks at the problem.

Mr Darling said that the package would "encourage investment in the industries and high-paid, high skilled jobs of the future". However, British business questioned how the package could add up to £2.5bn.

"We have tried to establish some kind of audit trail for this figure and we are hitting a brick wall," said Stephen Herring, a tax partner at the accountant BDO. The CBI was also trying to evaluate the package last night.

Mr Darling's business centrepiece was a £750m Strategic Investment Fund, which will back companies investin in advanced technology projects. A third of the money will be channelled into low-carbon business opportunities, including wind and marine energy, and early funding is likely to be invested in constructing facilities to test prototypes. Money will also be injected into initiatives for environmentally-friendly vehicles and into the nuclear industry.

A further £50m has been made available to the Technology Strategy Board, which provides support to business research programmes. UK Trade and Investment will be given £10m to help exporters. The fund will be available over the next two financial years, with the majority spent in 2009-10.

“Backing green, low-carbon businesses and technologies will be a priority for the new fund,” said business secretary Lord Mandelson. He added that the Government was determined that Britain should become a “world leader” in energy efficient technologies.

The British Venture Capital & Private Equity Association, which counts technology and renewable energy start-ups among its members’ interests, was unimpressed by the lack of detail on the fund. “[We are] deeply disappointed by the decision to create a vague Strategic Investment Fund,” said chief executive Simon Walker. “[This] looks like a return to the public sector seeking to ‘pick winners’, but ultimately subsidising losers.”

In a measure intended to help small businesses balance their books, the Chancellor extended the period for which loss-making companies can claim back tax paid on profits made during the last three years, to November 2010. Anita Monteith, a tax expert at the Institute of Chartered Accountants, said some firms that were excluded from the original policy would now be able to claim back money.

But Phil Orford, chief executive of the Forum of Private Business, said the Chancellor had missed a real opportunity to aid struggling businesses. “In reality the measure offers a maximum saving per company of £10,000 a year,” he said. “If the Chancellor had wanted to give this some teeth to this then he should have doubled the allowance to £100,000 from the current £50,000.”

BDO’s Herring went further. “I can see no sensible reason why the Chancellor has stuck to the £50,000 limit,” he complained. “I would have liked to have seen an allowance of £1m.”

In what the Federation of Small Businesses argued was a disappointing budget for its members, the body at least found some cheer in an increase in the main capital allowance rate for one year. Starting this month, the allowance has been doubled to 40 per cent for firms investing £50,000 or more on plant and machinery. The Government hopes this will help kickstart investment, as more of that spending can be offset against taxable profits.

The Government argued that the Budget measures come on top of a series of recent policies to help businesses, including a £2.3bn auto industry rescue package announced by Lord Mandelson at the start of the year.

United States

Many Small Investors Have Sat Out Rally

Washington Post, October 15, 2009

NEW YORK, Oct. 14 -- Wall Street may be cheering the rally in the U.S. stock market, but many individual investors watched the Dow Jones industrial average soar past the 10,000 mark Wednesday on the sidelines.

Still shell-shocked from the ravaging of their retirement accounts during the financial crisis, mom-and-pop investors remained cautious as the Dow soared 53 percent from its March 9 low to Wednesday's closing price of 10,015.86.

The likely drivers of the rally are instead institutional investors such as large pension funds and hedge funds, market analysts said. And in interviews over the past two weeks, fund managers and financial advisers said most small investors have only recently begun to talk about getting more aggressive with their beaten-down portfolios.

"For the first six months of the year, people just had their heads down. I don't know how many people told me they haven't looked at their statements," said Dan Lash, a financial planner in Vienna.

It was only last month, when the Dow had already recovered more than 40 percent of its losses, that Charlotte and Larry Vass of La Plata, Md., decided they were ready to consider taking a less conservative stance. The Vasses had been mostly invested in stocks two years ago but began pulling out last fall as markets were pummeled after the collapse of the Wall Street investment bank Lehman Brothers. Over the past year, the Vasses also moved deeper into bonds, said Charlotte, who is in her late 50s.

"Back then, we were in shock," she added. While the couple plan to keep their portfolio more balanced, Charlotte and her husband, a dentist, have asked their financial planner to be a little more aggressive. They have begun adding money -- slowly -- to stock index funds, she said.

"If your 401(k) turns into a 201(k), you can't get it back in a couple of years," said Charlotte, adding that retirement, which the couple thought might come in a few years, has been pushed further down the road.

Investors in mutual funds, which are among the most common ways for individuals to participate in the stock market, pulled more than $205 billion out of stock funds between September 2008, when equities plunged, to the end of March, when they began their rally, according to data from the Investment Company Institute. During the same period, small investors sought the safety of cash, pouring $357 billion into money-market funds.

In contrast, only $56 billion returned to stock funds between April and the end of August, the most recent date for which data are available. Money-market-fund levels remained high.

"This market rise certainly is not being driven by mutual fund investors," said Brian Reid, the ICI's chief economist. "Mutual fund flows are not causing this run-up, and I would think that probably carries over for retail investors in general."

In fact, there's evidence that small investors in the past few months have once again been moving money out of U.S. stocks. On a weekly basis, small investors took out $2 billion to $4 billion more than they put into funds focusing primarily on domestic stocks from July to September, Reid said.

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Obama vows to help small businesses

March 16, 2009

WASHINGTON (CNN) -- President Barack Obama vowed Monday to ease the financial plight of the nation's small businesses, promising immediate action to revive frozen credit markets. Christina Romer, an economic adviser, says small firms are the "engine of growth" Sunday on "Meet the Press."

President Obama on Monday, with Treasury's Timothy Geithner, says small businesses are job generators. The president called small businesses "one of the biggest drivers of employment that we have" and said his administration is "working diligently to increase liquidity throughout the financial system."

Obama spoke to reporters after he and Treasury Secretary Timothy Geithner met in the White House with representatives of the Small Business Administration. But Obama cautioned that it will be a long-term effort. "Understand, this is still going to be a first step in what is going to be a continuing effort to make sure people get credit out there," he said.

Geithner said the administration is moving "with exceptional speed" on aid to small businesses after more than a year of recession. He vowed the administration will create a "substantial program" to get credit flowing and to ease the nation's housing crisis. Video Watch as Obama says, "Small businesses are the heart of the American economy."

Geithner said the package will nearly double, to $250,000, the new capital investment that can be written off and said it will include provisions to reduce and then eliminate capital gains taxes in stock and to make health insurance more affordable.

In addition, the Internal Revenue Service announced Monday that small businesses will be able to carry back business losses for five years instead of the current two years "in order to increase your cash flow as we come out of this period and allow you to invest more in your operations."

Geithner then directed comments to the banks, urging them "to go the extra mile." Those banks that individually choose to "pull back out of a sense of prudence and caution" result in a collective impact that will weaken the economy, he said. "This dynamic can feed on itself."

He noted that many banks got into trouble by taking too much risk, but he said, "The risk now to the economy is that you will take too little risk." Geithner said the nation's top 21 banks receiving assistance will be required to report on a monthly basis how much they are lending to small businesses.

Even small businesses with good credit histories have been denied loans in the downturn. This year, at current rates, SBA-guaranteed new loans would not reach $10 billion. In an average year, it guarantees $20 billion in loans.

Christina Romer, who heads the Council of Economic Advisers, said Sunday the government would pump "a significant amount" of money into boosting small business lending, but she did not reveal a total figure. "We know that small businesses are the engine of growth in the economy, and we absolutely want to do things to help them," Romer said on NBC's "Meet the Press."

Two senior administration officials said the administration's plan deals with two programs handled by the SBA.

The first one, the "7(a) program," allows small businesses to get loans of up to $2 million backed by the federal government through the SBA. Currently, the government guarantees up to 85 percent of loans below $150,000, and up to 75 percent of larger loans. Under the administration's plan, the government temporarily will increase the loan guarantee to 90 percent as an incentive to banks to lend.

The administration believes this increase will reduce the risk lenders face when they make loans to borrowers who cannot find credit elsewhere and ultimately give the banks more confidence to sell and make more loans, the officials said.

The second program, the "504 program," guarantees up to $4 million worth of economic development projects for small businesses. Starting Monday, the administration temporarily will eliminate fees for lenders and borrowers on any new 504 applications. The aim is to reduce the costs to both borrowers and lenders participating in the program, the officials said.

The administration also temporarily will eliminate the upfront fees for 7(a) loans that banks charge borrowers. These fees go up to 3.75 percent for larger loans. The administration believes this move will decrease the cost of borrowing for small businesses and make it easier for them to get the credit they need to make new investments, the officials said.

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Small Businesses Are Taking Tentative Steps Toward Online Networking

The New York Times, June 3, 2009

BY choice or necessity, successful small-business owners are earnest networkers, gladly shaking hands, handing out cards and attending local meetings to find and keep customers, solve problems, seek feedback or support and bolster their bottom lines.

Now, the Internet is starting to upend those long-established methods; online networking on Facebook, Twitter, LinkedIn and newer niche sites can be instantaneous and far-reaching.

The sites are efficient and free, which is especially important in an economic downturn, as owners scramble for new customers, said Rob King, vice president for strategic marketing at Sage North America, a unit of Sage P.L.C., a global supplier of business management software and services.

Fast, free and efficient — those attributes appealed to Brighter Planet, a socially responsible start-up based in Vermont, which built social networking into its DNA. “There’s almost a grass-roots quality to it,” said Patti Prairie, its chief executive. “As a start-up, we can’t afford to be buying ads anywhere. We have to use our outreach.”

For more than a year, the Brighter Planet team has been blogging, Tweeting, friending on Facebook and initiating viral marketing campaigns intended to help consumers reduce their carbon footprints.

While most small businesses have not yet embraced social networks as Brighter Planet has, their numbers are growing. According to the April index of Discover Small Business Watch, compiled by Discover Financial Services, 38 percent of owners were a member of an online social networking community, up from 22 percent in October 2007.

Charles H. Matthews, president of the International Council for Small Business, said the key was to view the sites as tools, not toys. “It can certainly help enhance the process of identifying customers, especially in niche markets.”

For Brighter Planet, the niche is the environment. Before Earth Day, for example, it sponsored Earthtweet, an Earth Day Tweet-a-Thon, which has generated 4,200 conservation Tweets and 2,500 followers.

Soon, BrighterPlanet.com will feature a portable social Web application that will allow visitors to calculate the status of their carbon footprints and share what they are doing on conservation on other social platforms like Facebook.

Friends, family and colleagues can immediately see how saving the environment is important to BrighterPlanet members, Ms. Prairie said. “That’s what we find is the beauty of social networking, particularly for environmental-type causes.”

A recent study for Sage North America found that 65 percent of small businesses that used social networking sites said that they felt more comfortable doing so this year than they did last year, and 51 percent said that they had acquired and retained customers because of it.

More than 260,000 North American businesses currently use social networking to promote their businesses, Mr. King said. In April, Sage, which has 2.9 million small and midsize business customers, introduced its own networking site, SageSpark.com. “We know we’re not the first to the game,” Mr. King said. “Our twist really is the community, tools and services.”

Other niche sites have sprouted recently, like Shustir.com.

Last week, Shustir.com introduced its virtual marketplace, which was started by two former Lehman Brothers colleagues, Shu Kim and Khanh Pham. “It matters where you spend,” Ms. Kim said, echoing the site’s catchphrase. The goal, they said, is to keep Main Street U.S.A. alive.

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Eastern European Cyber Criminals Target U.S. (Small) Businesses

Washington Post, August 24, 2009

Organized cyber gangs in Eastern Europe are increasingly preying on small and mid-sized companies in the United States, setting off a multi-million dollar online crime wave that has begun to worry the nation’s largest financial institutions.

A task force representing the financial industry sent out an alert Friday outlining the problem and urging its members to put in place many of the precautions now used to detect consumer bank and credit card fraud.

“In the past six months, financial institutions, security companies, the media and law enforcement agencies are all reporting a significant increase in funds transfer fraud involving the exploitation of valid banking credentials belonging to small and medium sized businesses,” reads the confidential alert sent to members of the Financial Services Information Sharing and Analysis Center, an industry group created to share data about critical threats to the financial sector.

The group is operated and funded by such financial heavyweights as American Express, Bank of America, Citigroup, Fannie Mae and Morgan Stanley.

Because the targets tend to be smaller, the attacks have attracted little of the notoriety that has followed larger-scale breaches at big retailers and government agencies. But the industry group said some companies have suffered hundreds of thousands of dollars or more in losses.

Many have begun to come forward to tell their tales. In July, a school district near Pittsburgh filed suit to recover $700,000 taken from it. In May, a Texas company was robbed of $1.2 million. An electronics testing firm in Baton Rouge said it was bilked of nearly $100,000.

In many cases, the advisory warned, the scammers infiltrate companies in a similar fashion: They send a targeted e-mail to the company’s controller or treasurer, a message that contains either a virus-laden attachment or a link that -- when opened -- surreptitiously installs malicious software designed to steal passwords. Armed with those credentials, the crooks then initiate a series of wire transfers, usually in increments of less than $10,000 in order to avoid banks’ anti-money-laundering reporting requirements.

The alert states that these scams typically rely on help from so-called “money mules,” willing or unwitting individuals in the United States -- often hired by the criminals via popular Internet job boards. Once enlisted, the mules are instructed to set up new bank accounts, withdraw the fraudulent deposits, and then wire the money to fraudsters, the majority of which are located in Eastern Europe, according to the advisory.

"Eastern European organized crime groups are believed to be predominantly responsible for the activities that are employing witting and unwitting accomplices in the U.S. to receive cash and forward payments -- from thousands to millions of dollars to overseas locations -- via popular money and wire transfer services," the alert warns.

The FBI did not respond to requests for comment.

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Administration Considers Bailout Funds for Small Businesses

Washington Post, July 10, 2009

The Obama administration is developing an initiative to take money from the $700 billion program for the banking system and make it available to millions of small businesses, which officials say are essential to any economic recovery because they employ so many people, according to sources familiar with the plan.

The new effort -- which would represent a striking shift from the rescue program's original mandate -- would direct billions of bailout dollars toward a program that aims more at saving jobs than righting the financial system.

A proposal being floated by senior Treasury Department officials calls for using the bailout funds to expand an existing government program that helps small companies borrow money from banks a low rates to keep their businesses going, the source said. These "working capital" loans would come with few restrictions and could be used for buying inventory, holding onto employees and paying off short-term debt.

The initiative would expand a Small Business Administration lending program called 7(a), the agency's most popular lending program. Lines of credit for small companies could greatly increase in size. If the firm failed despite receiving this help, the government would cover most of the losses on the federal loan, perhaps as much as 90 percent. Lines of credit act like the credit cards for companies -- short-term revolving debt used to pay a variety of immediate expenses.

Discussions about the plan have reached the highest levels of the administration. In a meeting at the White House last week, Treasury Secretary Timothy F. Geithner expressed support of his staff's proposal, while National Economic Council director Lawrence Summers was more skeptical. Neither has made up his mind, officials said.

"Larry has supported every small business idea we have implemented so far," said Gene Sperling, a counselor to Geithner, who has been working on small business issues. "When we have a brainstorming session on new ideas, Larry as always asks the toughest questions in the room."

The debate over the proposal has centered on whether taxpayers would be protected and whether banks that make these loans would lower their standards if the government promises to cover most of any loan losses, according to participants present or briefed on the discussions. The spoke on condition of anonymity because the conversations were considered private.

On one hand, administration officials want to prevent healthy small businesses from closing their doors and adding their workers to the growing ranks of the unemployed. But small companies have poorer record of repaying loans compared to large corporations and would be the riskiest investment made under the bailout program to date.

The officials said the discussions are in the early stages and that no plan is expected before the fall. Ideas currently on the table may evolve or be scrapped altogether, they said.

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For Newspapers, Small Is (or Can) Be Beautiful

Editor & Publisher, August 10, 2009

Newspapers are hurting all over the United States, but the pain is less severe at small publications like The Blackshear Times in Georgia.

The weekly newspaper fills an information vacuum in a county of 17,000 people who live about 75 miles from the closest metropolitan market, in Jacksonville, Fla. That has made it easier for The Times to hold on to its 3,500 subscribers and keep its revenue stable in a recession that's ravaging much of the newspaper industry.

"CNN is not coming to my town to cover the news and there aren't a whole lot of bloggers here either," said Robert M. Williams Jr., The Times' editor and publisher. "Community newspapers are still a great investment because we provide something you can't get anywhere else."

The scarcity of other media in small- and medium-sized cities has helped shield hundreds of newspapers from the upheaval that's causing dailies in big cities to shrink in size and scope as their print circulations and advertising sales decline.

Less competition means the print editions and Web sites of smaller newspapers remain the focal points for finding out what's happening in their coverage areas.

In contrast, large newspapers carry more national news, as well as local, and have many competitors, including Web sites and television and radio stations. They report much of the news the day before printed newspapers reach homes and newsstands. Large newspapers' Web sites also provide the news for free a day ahead of print editions.

Perhaps even more important, newspapers in smaller markets still haven't lost a big chunk of their revenue to Craigslist and other online classified advertising alternatives that have become the bane of large newspapers.

Print ads for everything from jobs to jalopies were a gold mine for newspapers until Craigslist began expanding an online service for free classified ads in 1999. Today, Craigslist blankets most major metropolitan markets while publishing about 40 million classified ads each month.

In 2000, classified advertising accounted for nearly $20 billion, or about 40 percent, of the U.S. newspaper industry's revenue. In 2008, classified ads in U.S. newspapers had dwindled to less than $10 billion, or about one-quarter of the industry's revenue. (Subscription and single-copy sales traditionally contribute just 20 to 30 percent of newspapers' revenue.)

Now it appears the highly profitable classified ads in the print editions of large newspapers could dwindle to virtually nothing within the next few years, said media analyst Mike Simonton of Fitch Ratings. "There is still more pain," he predicted.

Smaller newspapers have been defying the ominous trend, based on a recent study of the finances at 125 U.S. newspapers of different sizes by the Inland Press Association, a trade group.

The classified ad revenue among daily newspapers with circulations of less than 15,000 actually rose by an average of 23 percent in the five years ending in 2008, the study found.

Overall ad revenue for daily newspapers with less than 15,000 in circulation rose by an average of 2.5 percent in the same time frame. Meanwhile, ad revenue dropped 25 percent at daily newspapers with circulations greater than 80,000, according to Inland Press.

"The bigger they are, the harder they are falling," said Ray Carlsen, Inland Press' executive director.

Corporate

Dell reaches out to SMEs

The Nation, Published on September 17, 2009

Global computer maker Dell plans to enter the small- and medium-sized enterprise (SME) market in Thailand, and will soon introduce three new mobile computers.

Dell Asia-Pacific's general manager for small and medium business, South Asia, Khoo Teng Guan, said the company was geared up to cater for SME customers with its Vostro range of office and small-business products, including the Dell Vostro 1014, Vostro 1015 and Vostro 1088 notebooks, which were designed specially for small businesses.

The new notebooks are equipped with powerful Intel Core 2 processors, extended battery life and power-efficient WLED LCD screens. They also have a built in 5-in-1 media reader that allows users to transfer photos, video and data, an optional integrated web cam and Energy Star 5.0 compliance. There's also a choice of black and red colours. The products offer a full range of configurations that meet the everyday computing needs of small business customers.

Khoo said Dell now distributed its products via online and telephone channels as well as through the retail shops of its channel partners. "We believe SMEs will recover from the economic recession faster because they generally respond faster to economic changes. Technology solutions do not require huge cash investments due to tight access to credit. Dell also offers technology with a low total cost of ownership," he said.

Khoo said that although IT spending was down in 2009 due to the financial downturn, SMEs needed more from IT than ever before. This is primarily because they are increasingly dependent on technology to serve their customers better, run their businesses more efficiently and compete more effectively.

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Amadeus updates Agency Internet Engine solution to provide more functionality for Travel Agencies

Amadeus Press Release, 12 October 2009

Amadeus, a leading provider of technology and distribution solutions for the travel and tourism industry, announced today the release of the latest version of the Amadeus Agency Internet Engine (AAIE) (Asia) solution that is customised for the Asian region. AAIE (Asia) offers many new features that make it easier for travel agencies to build more effective websites and increase online revenues.

One of the highlights of the latest version of AAIE (Asia) is a wider range of service fee options. This allows travel agencies to pick and choose from an enhanced "menu" of service fees to suit their business model, including credit card charge fees, service fees per Passenger Name Record (PNR), per booking class, per segment and more.

In addition, the upgraded solution is integrated with the Payment Gateway, allowing the travel agent's customer to make purchases online using PayPal, AsiaPay and Moneydirect. By providing additional payment options, travel agencies deliver better service for their customers. Also included is a graphical seatmap function, enabling the travel agent's customers to select their seats, enhancing the online shopping experience.

"Amadeus is committed to ongoing investment in development of solutions for travel agencies, such as the Amadeus Agency Internet Engine (Asia)," said Olivier Froger, Director Business Solutions at Amadeus Asia. "This solution is recognised by the industry as a low-cost, low-risk route to travel e-commerce."

"PhoCusWright recently projected a 17% gain in the APAC online leisure and unmanaged business travel market to reach US$35.7 billion in 2009. To date, Amadeus has seen online travel agency bookings in Asia Pacific grow by 34%, compared to the same period last year."

"Travel agencies need to evolve in line with this trend and leverage the Internet to their advantage. With the enhanced AAIE (Asia), travel agencies in Asia will gain greater control and flexibility over their websites to create a more dynamic and customer-oriented online presence."

The new features of AAIE (Asia) complement the existing strengths of the solution. AAIE (Asia) is closely integrated with the Amadeus Global Distribution System, thus allowing travel agencies on the existing platform to seamlessly align content and other applications such as profiles or mid-office functions with their websites. Agencies are also able to use AAIE (Asia) to customise the look and feel of their websites, as well as expand their offer to include services such as hotel booking and car rental.

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Asian Development Bank Extends $100 Million to India's Exim Bank to Boost SMEs, Expand Jobs, Trade

Asian Development Bank Media Release, 30 Sep 2009

The Asian Development Bank (ADB) is extending a $100 million loan facility to India's state-owned Export-Import Bank (Exim Bank) to boost the export potential of small and medium enterprises (SMEs) in poor and disadvantaged regions that have largely missed out on the country's trade boom.

The non-sovereign facility will be used by Exim Bank to provide medium- and long-term loans to export–oriented client SMEs. The terms of the loan include assurances that Exim Bank will target increased trade and competitiveness amongst small exporters in selected states such as Assam, Madhya Pradesh, Orissa and Uttar Pradesh.

India's economy has grown sharply in recent years on the back of its buoyant trade sector, but SMEs in many poor regions lack the resources, infrastructure, access to markets and competitive ability to take part in export value chains, and have largely missed out on the benefits of global trade, including higher incomes and reduced poverty.

India has made the expansion of SME exports, employment and income in its poorest regions a key objective of its foreign trade policy, as it seeks to mitigate the adverse impacts of the global economic crisis. ADB's loan will support that goal, by providing Exim Bank with longer term funds for SME development that it has been unable to source through normal commercial financing channels, such as bank loans.

"The loan facility can be expected to generate employment for 50,000 or more people in strengthened SME export clusters, with an incremental trade volume of $1 billion or more over 10 years," said Cheolsu Kim, Principal Financial Sector Specialist, with ADB's South Asia Department.

As India's trade diversifies, and export value chains become increasingly globalized, there are emerging opportunities for SME exporters in poorer regions that could provide valuable new income for vulnerable groups, including women. However, support is needed to create better linkages with export markets, to find new markets, and to add value to local products. Exim Bank, which established a division in 2004 dedicated to developing export-oriented SMEs, is an ideal vehicle to support the sector given its broad range of services including advisory services and long track record of business with exporters in various countries.

The unsecured loan facility, from ADB's Ordinary Capital Resources, has a tenor of up to seven years, with a grace period of three years. ADB's risk exposure is partly mitigated by a credit guarantee of up to $50 million by German development bank, KfW Bankengruppe. Loan pricing will be determined by ADB's Investment Committee and will be benchmarked against dollar-denominated loans and bonds issued by similar Indian financial institutions as well as the credit strength of the Exim Bank.

ADB is also extending a technical assistance grant of $1.55 million equivalent from its concessional Technical Assistance Special Fund to help Exim Bank draft a five-year trade development strategy. Exim Bank will provide additional support of $1 million equivalent.

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APEC pledges to help SMEs overcome crisis

Xinhua, October 09, 2009

The Asia Pacific Economic Cooperation (APEC) economies have pledged to continue to help small and medium enterprises (SMEs) overcome the economic crisis and strengthen their capabilities to access global market opportunities. Ministers and officials responsible for SMEs in the APEC economies made the commitment here on Friday at the APEC SME Ministerial Meeting.

They also reiterated the call by APEC leaders for member economies to continue prioritizing that resist protectionism while supporting capability building and access to financing for APEC SMEs.

Responding to the question on United States' moves to impose extra tariffs on Chinese steel pipes and tires at a press conference, Lee Yi Shyan, Singapore's Minister of State for Trade and Industry and Manpower, said that the ease of doing business are very important for SMEs' export.

"All the economies know now that people are watching any form of protectionism measures," he said, adding that with the commitment of resisting protectionism being renewed during this meeting, "Any protectionism measures or contemplation of such measures will have to be carefully thought through."

Lee also said that the developing of SMEs has taken on even greater significance because of the economic crisis. "We need to find ways to strengthen the capabilities that can sustain their growth in the long term."

The ministers at the meeting also recognized that with signs of the global economy recovering, the focus now would be on policies and initiatives to help APEC SMEs become more resilient and to position themselves to seize new opportunities for growth. They also welcomed the proposal by Singapore to study the concept and feasibility of setting up an APEC SME Market Research and Capability Development Center to coordinate efforts by member economies to help SMEs access global markets.

Twenty ministers and their representatives attended the APEC SME Ministerial Meeting which was held here from Oct. 8 to 9.

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PATA Stakes Survival On New Business Plan

Travel Impact Newswire, 23 August 2009

If its members are dying, it will not be long before the Pacific Asia Travel Association (PATA) follows suit.

That is the stark reality upon which PATA has structured a revolutionary business plan for 2010-2012. Overturning years of trying to make PATA an elitist, top-down, CEO-oriented organisation, the business plan will make retaining, serving and expanding its grassroots membership its top priority by providing them with "relevance and support (and) a mix of guidance, leadership, proactivity and stature." PATA plans to give the chapter members seats on the board and tap the full power of networking, using the online world as the enabler. In addition, seeking to "get the basics right," PATA is proposing an internal overhaul in its management structure to make it more transparent, more responsive and less bogged down by bureaucracy and administrative processes.

Circulated selectively to the executive committee and some other PATA members earlier this week, the plan awaits discussion and approval at the upcoming Board and Extraordinary General Meeting in Hangzhou this weekend. It cites the word "survive" in two critical contexts. CEO Greg Duffell is quoted as saying thus: "Static organisations in a dynamic world will not survive for long; those that adjust and evolve with the changing environment however, will more than survive, they will prosper." He adds, "It is still of major concern that the Association's overall membership numbers continue to decline year after year. For PATA to survive, this must be halted and turned around with all haste. This is a key and fundamental reason for the realignment process proposed in this business plan." Mr Duffell himself declined any comment on the Business Plan pending discussion in the board meeting.

In a long overdue revelation of what was a generally well-known but unspoken fact, the business plan admits that both member numbers and revenue have been declining since what it calls the "halcyon days of 1998, when the Association boasted 1,666 members with a combined dues revenue base of $1.55 million." Today, the membership level has plunged to 735, with the greatest fallout being among the individual private sector members who have felt the full economic force of the current crises. However, the dollar impact to PATA revenues has not been as much due to this category's lower fee base. While member numbers have shown an attrition rate of 28% so far this year, the revenues have fallen by half that level (14%), the plan says.

The bigger NTOs and airlines, which pay the bulk of the dues, have remained members, so far. However, even in the all-important NTO category, where the bulk of the membership dues are garnered, there are signs of strain as the attrition rate in membership renewal rises beyond what was considered acceptable. Now, says the business plan, "The issue appears to be that while average revenue per member is rising, the number of actual dues-paying members is on the wane. This is neither desired nor sustainable for an Association largely dependent upon those dues to fund programmes."

Perhaps the most important thought prompted by the Business Plan is how the board members, comprising of some of the most astute business leaders in the Asia Pacific travel & tourism industry, could have allowed the rot to set in to such an extent. It appears that many either were unaware of what was going on or knew precisely what was going on but simply didn't care if the smaller members were falling away as long as their own personal and corporate interests were preserved. Indeed, one of the most important thrusts of the business plan itself is to dismantle the cronyism and nepotism that had allowed a small coterie of long-serving members to become a secretive inner-circle of decision-makers and literally hijack the association for their own personal benefit.

Hired precisely to bring about change, Mr. Duffell over the past five months has sought input from past member surveys, past and current PATA members, PATA staff and academia, industry commentators on the socio-political environment, the business community and the travel & tourism industry. He says the plan will create "one PATA –a properly functioning and networked Association (which) will prove to be of real and lasting value."

Noting that the radical changes under way at both the global and industry level "will become accepted as a normal, rather than an unusual, state of affairs" PATA now faces the "compelling business imperative to re-align itself in terms of how it interacts with its own members (internal), the industry and the world at large (external)." The plan says, "As one of our colleagues put it 'we have been telling the industry for almost a decade that it needs to adopt a new business model, but we never heeded our own advice'." That comment is not entirely true. PATA was trying to adopt a new business model, which had failed. It was in trying to cover up those failures and protect the interests of its cronies that PATA faltered.

CORE COMPONENTS

The business plan provides for the following core reformative components:

a) Relevance. Ensuring that PATA remains relevant, even as that relevance changes rapidly across the industry and within the Membership, is a high priority.

b) Re-alignment. By creating a path of least resistance through the PATA matrix of Members, Boards and Management, communication is significantly improved both up and down the line. This will allow better leveraging of the enormous pool of membership talent, knowledge and experience.

c) Focus. Alongside "doing the right thing", PATA needs to "do things right". This will mean bringing "specific skills to bear on specific issues with a focus on creating business opportunities."

d) Revitalisation. Social media networks have long existed in PATA, says the business plan, they were just called Chapters. Today the Chapter network "is sorely in need of support, recognition, respect and empowerment." Revitalising them "will deliver benefits right across the Association."

e) Action. "Without it we have nothing; but it must be action that is consistent with what members want (relevance) and draws on the energy and enthusiasm of a revitalised global network." Action will be possible if the planned alignments are approved, says the business plan.

All these changes have to be made in an era when the travel industry is being affected by "external forces over which it has absolutely no direct control." In trying to help the industry "steer a course through the rough waters of calamity," the plan says, "PATA has never been short of good intentions which have usually been extremely well-thought-out, fact-based and logical, but too often the follow-through was lacking and these great ideas were not executed properly or thoroughly enough." As PATA has not been aligned to the best of its potential, it has not always properly "integrated and aligned the work of the organisation" (read 'management') with the "strategic vision of the organisation" (read 'Members, Board, Executive') and has thus delivered passable but not outsta nding performances."

MEMBERSHIP ATTRITION

The priority for 2009 has been to retain membership numbers, the impact of the severe global recession and the H1N1 impacts notwithstanding. Hence, even those members who have not paid their membership dues are being shown leniency and continuing to get PATA privileges on a case-by-case basis. In some cases, the membership fee has been adjusted and broadened to include a barter component. "These strategies have yielded a year-to-date retention rate of 72% for 2009," the business plan says.

For 2010-2011, the priority will be to grow membership. The plan says that historically PATA has offered a standard set of generic benefits to all Category Level members, with little substantive changes or additions being made for some time. "This has resulted in a significant erosion of relevance for each of the CLMs who are now more and more, beginning to question the need for membership if those benefits are all that are being offered. It is imperative that PATA moves away from such a 'one-size-fits-all' mentality, and begins to create tailor-made benefits packages with absolute value and relevance for each and every category. Furthermore, these packages need to be continuously re-evaluated and improved/updated where necessary."

New Action Groups will be created that will play a significant role in identifying member benefits for their sector and promoting these benefits to existing members and non-members alike.

Another key strategy will be creating business opportunities for members, specifically those which "have longevity and are difficult or impossible for competitors to copy." This involves arranging suitable contact points for member-to-member and member-to-non-member meetings/discussions, such as through a PATA Member online portal. This could also generate a potential revenue stream for PATA which envisages receiving a commission/fee for each opportunity or transaction that is generated.

REVIVING CHAPTERS AND CHAPTER MEMBERSHIP

One significant aspect of "democratising" PATA and re-empowering the membership will be to revitalise the 39 PATA Chapters worldwide, once hailed as the frontline of PATA. Many of them have been demoralised over the years by a complete lack of attention and are now being described as "a vital part of PATA's grassroots tourism reach." Many of them are scattered around the globe and many operate as isolated and self-contained units. A small number of these Chapters are extremely active, some are decidedly less so and "even a few where PATA headquarters has no up-to-date (2009) information on membership or Chapter activities."

The business plan says there will now be no problem with encouraging direct membership to the chapters, a strategy that will appeal to the younger members who may not yet be able to afford the Association dues. "On all of these counts (and more) it is in the interests of the Association to ensure that there is a strong base of members across the entire Chapter network." It says it will be critical for PATA to recognise all of its members – Category Level Members and Chapter Individual Members alike – as being valuable contributors to the Association and the travel industry at one level or another. "While this recognition is essential, so too is the maintenance and balancing of the various levels of fees, benefits, Board and voting rights as appropriate at each level."

The business plan envisages creating more online networking opportunities for chapter members, either via link from the master 'pata.org' website, or issuing templates for each

Chapter website. Chapter events can then be posted online and discussion forums can be set up. A suggestion to require ALL Chapter members to register online for a nominal fee of (e.g.) US$10 each per year will potentially generate another small revenue stream for PATA.

The rest of the business plan seeks to identify many such opportunities for networking and extending the PATA reach and brand. It seeks more involvement by the staff of PATA members, providing access to an online membership for Young Tourism professionals and University students, access online portals in order to bring PATA members into the online connected community environment, etc.

Consultancies

How small business can use power of Twitter

Sydney Morning Herald, July 27, 2009

Coming up with innovative ideas and putting them into practice can be an expensive art, littered with more misses than hits.

But one online entrepreneur is harnessing the power of Twitter to generate new ideas - using an army of obliging tweeters to brainstorm concepts for her clients.

Yvonne Adele, previously known as technology expert Ms Megabyte, realised she could develop a business out of creating fresh creative concepts when she found her conference work under threat from tightening budgets.

Two years ago, she developed Ideas Culture, running workshops for corporate clients, such as National Australia Bank, Telstra and even Federation Square, to fire up fresh thinking.

Recently, Ms Adele wondered whether she could utilise Tweeters "crowd sourcing" ideas, and then formally use their input to help small business gain new perspectives.

The challenge was to step beyond the role of advertising agencies, and focus groups; the "brainstorming" concepts can range from the traditional issues, such as staff retention and business leads, to say, finding more men for a singles matching service and rethinking your brand profile.

The concept, "Ideas while you sleep" has been trialled free of charge with ten existing clients, with three brainstorms commissioned in one day.

Ms Adele says "Ideas while you sleep" allows any size business to receive 100 ideas with a two-page report that shows how to put them into action. She charges $880, including GST.

"A client may send in a challenge at 4 pm and by 6 pm, it's out with the (Twitter) agents," Ms Adele says.

"I have a brainstormer kit which contains an activity to warm up the agents, and use a roster of those who haven't had a brainstorm for a while, although I must admit I have my favourites.''

Ms Adele pays her ideas agents each $100 for four sessions, and has over 200 agents on her books from eight countries, although most are Australians.

One client - Melina Schamroth of www.madwoman.com.au (making a difference) - used the service to work how to recruit more single men.

Ms Schramroth runs single volunteer events where people can contribute to the community, such as cooking for the homeless, while meeting other singles. However, her dilemma was that while she pulled vast numbers of women, she needed more men.

Ms Adele's feedback was the service needed more targeted marketing. As a result, Ms Schamroth has refocused her flyers, and is rewriting her pitch. She's also seeing the possibilities for corporate team building given the value people place on charity work on their resume.

"It got us thinking about how to adapt things. Fresh eyes give you a new perspective."

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Asia's best bet for recovery are its SMEs

AFP, August 27, 2009

SINGAPORE - Asian governments should look to boost domestic demand to help the region return to strong economic growth, the Asian Development Bank (ADB) said yesterday.

With a weak global outlook limiting Asian exports, the bank said that countries had to speed up measures to bolster expansion at home, adding that the best way to achieve this is to provide help for small and medium-sized businesses.

'While the global economy will no doubt recover from the current crisis, a return to a fast-growing developing Asia will require some rebalancing of growth toward domestic demand in the region as a whole,' it said in a report released here. 'Fostering dynamism among Asian enterprises, especially SMEs, will be important to this effort.'

Small and medium enterprises (SMEs) are businesses that employ fewer than 200 workers and are key employers in Asia, the ADB said, adding that in manufacturing alone they account for between 50 and 90 per cent of employment.

'It is precisely because SMEs employ so many of Asia's workers that their productivity, and the earnings and wages they generate become crucial in determining living standards of many Asians,' the report said.

Vibrant SMEs are crucial to the development of a large Asian middle class, seen as an important driver for domestic demand, the Manila-based bank said. It urged Asian governments to remove several constraints it said prevented the growth of such businesses.

Among the limits it says are hindering the firms are weak access to financing and new technologies that will help them become more innovative.

The report also cited infrastructure problems such as poor transportation systems and lack of access to a stable electricity supply.

While Asia is recovering from the global crisis faster than the US and other Western economies, this is largely due to government stimulus measures, which are likely to have a short-term impact, ADB chief economist Jong-Wha Lee said at a news briefing in Singapore.

The crisis is an opportunity to look at longer-term issues to sustain Asia's economic rise, he said, adding however that the process of rebalancing growth may take more than 10 years. 'Public policy has an important role to play,' the report said.

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SMEs unfazed by slump, see expansion in next 12 months

Business Times. September 16, 2009

THEY may be called small and medium enterprises, but the economic turmoil has not caused SMEs to stagger backwards when it comes to growing their business, a survey has found.

Branding and retail strategy consultancy AS Louken Group (ASL) said 79.6 per cent of the 152 respondents to its survey expect to grow in the next 12 months.

The telephone survey of senior managers was conducted over five weeks in June and July. All respondents are members of the Association of Small and Medium Enterprises (ASME), mostly from sectors such as wholesale trading, business services and manufacturing.

Top areas in which companies hope to grow in the next year include the expansion of operations, branding, marketing and advertising and capital.

Asked about areas in which they would like to grow, 25.6 per cent of respondents who expect their companies to grow in the next 12 months want to expand current operations, while 16.5 and 14 per cent want to do more for branding and increase capital, respectively.

With companies realising the importance of differentiating themselves from competitors, about 8 in 10 respondents said branding is important. Of these, 72.8 per cent said they plan to invest in branding in the near future.

Overseas expansion is also on the cards for a significant number of SMEs surveyed.

Among the 34.9 per cent of SMEs that currently do not have an overseas presence, two in five plan to venture overseas in the next 12 months, mainly spurred by available distributorship.

Training, too, is a priority for most SMEs, with 84.2 per cent of those surveyed saying it is important, and just 2 per cent saying it is not. Of the types of training that SMEs feel are important, product and technical knowledge came in tops, with 47.7 per cent of respondents viewing this as important.

Some SMEs, however, do not seem to know what their competitive advantage is - a situation that ASL calls 'worrying'. 13.8 per cent are unsure where their competitive edge lies. Respondents also provided feedback on how ASME can further assist members, with 38.8 per cent of interviewees hoping it will organise more training, talks, courses and seminars.

Also, 30.9 per cent said they hope to see more networking and business opportunities from ASME. In response, ASME's executive director Bryan Teh said: 'In the current economic environment, more should be done for them to help find new markets and cut the cost of doing business. The survey results are useful for the association in charting our future activities to meet our members' needs.'

ASL was established in 2001 to provide banking, intellectual property management, design and other advisory services.

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Small firms, big ideas: Why SMEs need to open up

The Sunday Times, September 13, 2009

Bosses of smaller firms must do more to spread the message that big is not always best when it comes to choosing where to work. Companies are missing out on talent because young people do not always appreciate the career opportunities in the small and medium-size enterprises (SME) sector, says Stephen Alambritis, head of public affairs at the Federation of Small Businesses (FSB).

"If you join a large corporation you rarely get close to the CEO, but in a well-run local company you become part of the decision-making process earlier. You also experience parts of the business such as operations, sales and marketing, which can be invaluable to your future career."

Alambritis wants Britain's SMEs to find informative, relevant and inspiring ways to introduce people to work. He says the recession provides an opportunity as many large employers mothball their trainee schemes. "SMEs can exploit this by taking their message to schools and colleges to tease out talented young people." The FSB wants to get the role of employer governor included alongside parent governor on school governing bodies to raise the profile of smaller businesses.

Along with the British Chambers of Commerce, the CBI and the Institute of Directors, the federation is behind the Make Your Mark campaign, which advises entrepreneurial youngsters. Enterprise clubs are run in 390 schools and colleges and, in May, a survey revealed that 5% of 16- to 24-year-olds had started a business and 51% had considered becoming their own boss.

Christopher Snowden, vice-chancellor at the University of Surrey, believes that universities have an obligation to bring SMEs and students together. Among the companies Surrey works with is the independent classical-music label Signum Records, which offers placements to music students. "More people are electing to take placements in SME businesses, especially in the performing arts where organisations tend to be smaller," says Snowden. Students can opt for a year of professional training in industry, which counts towards their academic degree.

"They mature, gain experience and professional insight, while the host organisation benefits from having an extra pair of hands and the wider support of the university," claims Snowden. "The link with SMEs helps students to network and about 97% find employment within six months."

A survey by West Midlands-based recruitment specialist Grad Central shows that 76% of local SMEs do employ graduates in the region, from universities including Aston and Loughborough. About 44% say they bring new skills and a fresh perspective to a small business, which can produce a competitive advantage. "Graduates are realising that working in smaller companies can be inspiring," says project director Lucy Cheatham. "But it can be harder for an SME to get young people to listen to them than it is for a big bank when it comes to town."

Business internet service and leased line provider Easynet Connect runs Young Enterprise challenge days at schools in Somerset, Buckinghamshire and London. Its senior managers help students tackle a business project and it has worked with more than 500 pupils this year.

"It can seem like a huge undertaking to get schools and SMEs to invest time and effort in working together," says the company's marketing and sales director, Debbie Robertson. "Despite the effort needed to set things up, the projects feed off the enthusiasm of the kids. Often the pupils who are not the best at academic subjects come alive around a business task."

Construction business Lakehouse is on a mission to shatter the stereotype that the building trade is just about White Van Man. The company, based in Romford, Essex, employs more than 200 staff, and has visited 101 schools since 2005 to talk to youngsters about careers in construction.

"Children talk about law, finance, medicine or starting their own business, but have little idea of the opportunities in construction," says Jonathan Brookes, Lakehouse's corporate social responsibility manager.

"We run a two-day Regeneration Challenge, for example, where we take children from one school around regeneration sites and they put their own renewal plans together."

Since 2005, 29 trainees have been recruited by Lakehouse as a result of its education and community programme. Staff are encouraged to visit schools and Brookes says 86% of employees have learnt a new skill by being involved.

He adds that its involvement with education has helped the company win both refurbishment and new-build contracts. Despite the recession, it has seen a 68% rise in education construction projects this year. "Local authorities like to see suppliers adding value, and we keep head teachers on side by engaging with pupils."

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What SMEs really need...

The Business Times, Feb 16, 2009

Chen Yew Nah, Managing Director, DP Information Group

SINGAPORE has come a long way in five years. In 2003 one of the topics that dominated the financial press was the conundrum of SME financing. The problem was simple enough. For SMEs to grow they require funding, but many financial institutions were not geared up to lend to companies which were considered unacceptably risky. SMEs struggled to reach their full commercial potential because financial institutions were doing what they have always done - making commercial decisions.

So SME financing became a hot topic. To fully gauge what the SME community was thinking on this and a range of issues, DP Information Group conducted its first survey of the Singapore SME community - a survey which we now undertake on an annual basis. When asked to identify the main hindrance to growth, the SMEs' top pick was cashflow. In other words, the survey confirmed that in 2003, the biggest problem faced by SMEs was finding the funds to grow.

A series of initiatives by SPRING Singapore and other agencies, as well as a concerted effort by lending institutions, helped turn the situation around. The government and the private sector were so successful that in the latest survey, conducted in 2008, cashflow issues were ranked fourth and troubled only 20 per cent of SMEs, well behind increasing costs (58 per cent), competition (49 per cent) and manpower (39 per cent). On the specific issue of obtaining finance, only six in 100 SMEs said they were finding it a hindrance.

So five years on it is fair to say the problem had been successfully addressed. People stopped talking about it as an issue. That is, until a few months ago. In the last quarter of 2008 the game changed. The global economic crisis, the credit crunch, the spate of bank collapses have all created uncertainty in the minds of SMEs about whether their credit facilities are secure or if new credit lines are available. Anecdotal evidence suggests SMEs seeking financing are finding it tough.

It is important to remember that SMEs account for over 90 per cent of total enterprises in Singapore, employ over half of the workforce and contribute 42 per cent of gross domestic product. If they start having credit problems, the impact will be felt right across Singapore.

New approach needed

The government has already announced new initiatives and now is the time for the private sector to show what it can do. A new approach is required, based on the following principles:

* Traditional 'brick and mortar' collateral does not work today. Asset and equity prices are too volatile;

* Interpreting financial reports to understand SMEs' performance only provides part of the picture. Many SMEs do not need to file financial returns and SMEs with less than $5m turnover do not need their financials to be audited;

* Comprehensive and up-to-date information on SME behaviour is either hard to get or too costly;

* There is an urgent need for an effective mechanism to help lenders evaluate the credit risk of SMEs better.

DP Information Group believes the answer lies in establishing an SME Credit Reference Agency (SMECRA) which helps both SMEs and lenders better evaluate the risk of lending to individual SMEs.

An SMECRA provides creditors with relevant information and analysis of a company's business transactions which is useful in determining the appropriate level of credit to be extended. The availability of a borrower's payment track record helps reduce 'adverse selection' for credit grantors and facilitates appropriate pricing decisions. It will also help lenders detect weak or bad debts in advance. In essence, the SMECRA will help lenders make better decisions and reduce the overall risk of lending to SMEs as a group. The more confident lenders are about the outcome of their decisions, the more likely they are to lend to worthy SMEs.

The number of SMEs far outnumbers the big corporations. Yet the information needed to assess the creditworthiness of these SMEs is by its very nature more complex and less standardised than that of consumers and larger institutions. A steady and continued flow of positive SME financing decisions is more likely if there is an effective mechanism for risk assessment.

So how does an SMECRA work? First, it needs to take into account both positive and negative information about an SME. Second, there must be sharing of information. For it to be successful the following is required:

* A commitment by SMEs to share customer credit data with the agency;

* Continual SME education - to help SMEs understand how decisions impact their credit score; and

* Mandatory contribution of data to the agency by lenders and borrowers in order to establish a comprehensive database and a level playing field among all lenders.

Many benefits

Once the SMECRA is up and running and the data is in, the benefits that will flow to SMEs are many. SMEs that are serious about doing business will understand that they need a good credit score to demonstrate to others that they have successfully managed credit previously. Having a good credit score can also reduce the cost of borrowing and make it easier for an SME to access funds.

Internationally, financial institutions offer preferable rates to companies with good credit standing, while those with poorer scores find the price of funds reflects the risk they represent to the lender. And because the credit assessment will be a more holistic assessment of the company, there will be a welcome shift away from collateral-based lending to transaction-based lending.

The financial institutions benefit from enhanced confidence in their lending decisions and improved allocation and pricing of credit. They can expect lower default rates due to better initial decision- making as well as the greater awareness and emphasis SMEs will inevitably have when it comes to managing their credit.

Another key benefit of an SMECRA is that it can be put in place fast. DP Information Group has in place an existing credit bureau where a closed group of corporates voluntarily share information of the payment patterns of SMEs.

DP's SME Credit Bureau has been operating for six years and can easily and quickly be transformed into a national SMECRA. We understand the depth of information required to evaluate SME lending and credit assessment.

The members of our existing SME credit bureau receive alerts of weak payment behaviour, as well as a better understanding of SME cashflows and trade volumes. Such information provides early warnings of trouble and allows a more accurate interpretation of SME behaviour which gives member companies greater confidence about extending credit terms to SMEs. The DP Credit Bureau points to the benefits of having a national SMECRA.

With the economic crisis again elevating SME financing to the front page of business papers, now is the time to examine the benefits of introducing a SMECRA in Singapore. Such a move would help both lenders and SMEs. It would also be another step forward in confirming Singapore's credentials as a world class financial centre with a thriving and effective credit and risk management sector.

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Becoming export-ready: What SMEs need to do

Written by CPA Australia, Wednesday, 03 June 2009

A LARGE proportion of businesses which export goods or services are classified as small- and medium-sized enterprises (SMEs) and many more of the smaller concerns can, with the right preparation, identify lucrative international markets. Before exporting, however, you should become export-ready.

Assessing your financial position

This requires you to prepare financial statements (profit and loss, balance sheet and cash flow statement) and budgets including cash flow forecasts.

These documents will allow you to assess your current and projected financial positions. While your financial position should not dictate your plan, it should be a vital consideration as you must realistically assess the resources, time, skills and commitment needed to building an export market over a sustained period of typically between 12 and 18 months.

Export plan

After you have matched your exporting ambitions with the reality of your financial position, you need to develop an export plan as part of your overall business plan, setting objectives, including financials, against which you can measure performance.

The first step is to conduct market research, which will vary in cost, time and complexity, depending on the product or service, the customers' needs, the country and on the information and experience already available to you.

Even though you may be able to do much of this research in your home country, you will still need to make visits to the market itself.

Other preparatory costs

Other potential outgoings you will need to budget for include the cost of participating in trade events, developing promotional material for different markets, developing a corporate and product profile, interpreting and translating services, any product customisation, due diligence on potential partners/agents, legal fees, etc.

Financial projections

Your financial projections must reflect the full cost of establishing and operating in a market, including your time and the time of your employees in establishing and the ongoing management of the new market, so that an informed decision can be made.

Distribution channels

Once you have identified a target market, consider how best to distribute your product. Channels include direct sales, licensing, agents, distributors, etc.

Do a cost-benefit analysis of the various options. Part of your due diligence should include reviewing whether any potential partner has the resources (financial and otherwise) to perform the required tasks.

Pricing

While the cost of getting the product to market (including the cost of any modifications) and your required margin are not the only pricing considerations, they will be the most significant over the medium to long term.

While introductory prices are a tool to create interest and build market share, you should test how successful your product or service will be if it is priced appropriately, as this will be the price that you will want to sell at over the long run.

Pricing should consider the risks of currency fluctuation, commission/retainer payable to an agent and transportation cost. Forecast sales volume for given prices. Before finalising, put forth your preferred price and be prepared to negotiate. Do not chase any sale, but chase profitable sales.

Avoid a fixed price as this transfers all the risks only to you, and make sure you have the ability to pass through cost increases, and vice versa (for example, because of currency fluctuation).

Payment terms

The payment conditions should reflect not only the generally accepted terms of trade in that market but more importantly your cash flow needs. You should also arrange the terms against which you are going to be paid, such as cash in advance, documentary letter of credit, bills of exchange, open account or consignment.

Exporting issues?

Once you start exporting, you will have further costs such as promotional campaigns, after-sales service, insurance, transportation costs and modifying product or services and packaging.

Factor in lead times of getting the product to market and any minimum or maximum order requirements into production planning and cash flow forecasting. If there is a long lead time, the business may have to find additional sources of finance to meet any shortfalls. Consider whether you have the capacity to meet increased demand and if not, how you can increase such capacity. Another consideration is whether you will have to keep a reserve of your product — if so, this means that an increased percentage of your working capital is tied up in stock and you will have to factor in additional warehousing costs.

Risks

There are three main financial risks that potential exporters should be aware of. These risks are:

* Damage or loss of goods before payment

* Exchange rate risks

* Credit risk.

Risk of damage or loss of goods before payment can be mitigated by taking out marine or air-freight insurance. Credit risk can generally be mitigated through trade-financing facilities or other factoring products offered by banks and finance companies.

Businesses are able to mitigate exchange rate risks with a variety of market instruments, especially forward foreign exchange contracts (which will guarantee a fixed rate of exchange), currency swaps and currency futures and options.

Take steps to protect your intellectual property through trademarks and patents in your target export market.

Review

Once you have started exporting, you should review actual results against your budgeted projections. If you are well behind your projections, then you should seek explanations and, if necessary, update your forecasts.

If the updated forecasts show continued financial problems, then serious consideration needs to be given to abandoning exporting to the market. If you are well above forecast, then you may need to consider what additional capacity may be needed to continue to keep pace with demand.

Conclusion

Travel & tourism SMEs are running out of time. Every new crisis confronts them with ever more pressing survival issues. They cannot grow, leave aside thrive, in an atmosphere of continued “external shocks” and ceaseless turbulence.

Upon reading this report, the following should become obvious:

1) Governments, policy-makers, companies and international associations realise full well the importance and value of SMEs in their overall economies.
2) They are aware that SMEs have been very badly hit by the recurring crises.
3) There is no shortage of money, ideas and strategies to ensure the survival of SMEs in other export-generating sectors of national economies.
4) In spite of being a major export-income generator, job creator and poverty-alleviator, the travel & tourism industry has not been getting its fair share of assistance.
5) Owners and managers of Asia Pacific travel & tourism SMEs need to urgently need to find ways to rectify that deficiency and access that assistance, whether in kind or cash.
6) This will require them to underscore their importance to both national economies and ecological sustainability, work more closely amongst themselves, identify their specific requirements, press their case more strongly and create more networking opportunities.

Indeed, this is a perfect opportunity for international, regional and local trade organisations to work together and address this issue at a common level.

There is no better time than now to develop a solid campaign based on survival of the SMEs.

This can also involve addressing one of the major imbalances in the way travel & tourism has been approached so far. Public money needs to be redirected big time into training and human resources development

Well-trained and qualified SME entrepreneurs will develop their own networking resources, and take care of their own marketing efforts.

Water will find its own level.

Finally, the industry’s political masters may well find that a grateful electorate could reward them for their generosity and assistance come the next elections.

Ends