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THEMATIC

In this report:

Malaysia – Another RM10bil to further support SMEs

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AmBank Research

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Another RM10bil to further support SMEs

A. Welcoming Measures

- SMEs and micro-businesses make up two-thirds of the workforce and contribute 40% of the GDP. Unlike the 2008 global financial crisis (GFC) where shops and restaurants could still rely on social interaction and foot traffic for business, Covid-19 has stripped that advantage away. This crisis demands a set of policy support measures that are both broader and longer term than those pursued in 2009. Otherwise, small businesses are certain to face a calamity.
- Thus, the latest additional stimulus measures worth RM10 billion to soften the impact of the movement control order (MCO) on SMEs and micro businesses are welcoming. Many are experiencing a tight cash flow due to zero or minimal sales revenue. But the tight cash flow is not just because of the MCO. Businesses are also affected by the slow and inconsistent implementation of policies and measures as well as trade wars and other domestic challenges in the past.
- Without these additional measures, even if the MCO is lifted, demand is expected to be weak for some time due to travel aversion and social distancing. Not every small business is equipped to survive this downturn. The drop in consumer and corporate spending will intensify the adverse chain reaction that will fuel the collapse of micro businesses, especially the younger and smaller businesses due to their highly vulnerable situation. Generally, the older and larger small businesses are more likely to withstand an economic crisis. Exports will stay weak from lockdowns. Commodity prices will be soft.
- And because small businesses contribute disproportionately to job loss during recessions, policy responses are necessary. Many SME businesses have been forced to close their doors, and some may not reopen. Apart from revenue loss, they will be impacted by poor credit standings.
- With the additional measures plus the increasing focus on micro businesses which make up a big share of the SMEs, the support will more likely help reduce bankruptcies and bad loans. There could be some relief on job losses which remain a major concern although these are expected to vary considerably according to the age and size of the small businesses.

B. Key Highlights

1. Allocation for the wage subsidy programme (3 months) will be raised to RM13.8 billion from RM5.9 billion. All SMEs (registered under the Companies Commission of Malaysia [SSM] or local authorities and Socso) with local employees paid under RM4,000 will receive:
 - RM600 of wage subsidy per eligible employee (maximum number of eligible employees is 200) for businesses with more than 200 employees;
 - RM800 of wage subsidy per employee for businesses with 76–200 employees;
 - RM1,200 of wage subsidy per employee for businesses with less than 75 employees.



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2. RM2.1 billion of special grant for qualified micro enterprises, and a RM3,000 special grant for each micro enterprise which will benefit 700,000 micro SMEs registered with the Inland Revenue Board (LHDN);
3. Licensed money lenders are urged to provide a 6-month moratorium to SMEs, beginning April 2020;
4. Abolishment of 2% interest rate for BSN's Micro Credit Scheme, amounting to RM500 million;
5. RM200 million will be provided in the micro loan scheme for micro businesses (also extended to Tekun Nasional) with a maximum loan limit of RM10,000 per company at no interest;
6. SMEs whose premises are in GLC buildings to be exempted from rental or given discount on rental. Private property owners will receive additional tax exemption if they give discount (at least 30%) to SME premises in their buildings for the April–June 2020 period;
7. Foreign worker levy cut by 25% for those with permits ending 31 December 2020. However, this is not applicable for domestic helpers;
8. 30-day automatic moratorium from the last day of of MCO for enterprises to submit statutory documents to the SSM.



Appendix: Economic Stimulus Package Highlights

Stimulus Package 1 (SP1)	Stimulus Package 2 (SP2)	Additional SP2 for SMEs
<ul style="list-style-type: none"> Bank Negara Malaysia (BNM) will provide a special relief facility of RM2 billion in working capital for small and medium enterprises (SMEs) at an interest rate of 3.75%, and an SME automation and digitalisation facility of RM300 million at 3.75% interest cost. BSN will allocate a RM200 million microcredit facility at 4% interest rate to affected businesses. 	<ul style="list-style-type: none"> Govt and BNM will set additional allocation of RM4.5bil for SME and micro entrepreneurs comprising five initiatives. Govt will pay the salaries borne by contractors involved in the services sector, such as cleaning services and supply of cooked food in government agencies. Human Resource Development Fund (HRDF) levy exempted for all sectors for six months starting April 2020. Federal government premises such as school canteens, nurseries, cafeteria and convenience stores exempted from rent for six months. Govt to subsidise RM600/month for workers earning below RM4,000 for three months, at companies whose income has more than halved since 1 January. Additional RM4.5bil for SMEs, micro entrepreneurs; deferment of income tax payment for SMEs for three months starting 1 April. Interest income of banks will only be taxed after the moratorium period. Moratorium on loans to be expanded to include loans from Tekun, Mara and cooperatives as well as govt agencies that grant loans to SMEs, starting 1 April. 	<ul style="list-style-type: none"> Allocation for wage subsidy programme (3 months) will be revised to RM13.8bil from RM5.9bil. RM2.1bil of special grant for qualified micro enterprises. RM3,000 special grant for each micro enterprise, to benefit 700,000 micro SMEs registered with LHDN. Licensed money lenders are urged to provide a 6-month moratorium to SMEs, beginning April 2020. Abolishment of 2% interest rate for BSN's Micro Credit Scheme, amounting to RM500mil. RM200mil will be provided in the micro loan scheme for micro businesses (also extended to Tekun Nasional) with a maximum loan limit of RM10,000 per company at no interest. SMEs whose premises are in GLC buildings to be exempted from rental or given discount on rental. Private property owners will receive additional tax exemption if they give discount (at least 30%) to SME premises in their buildings for the April–June 2020 period. Foreign worker levy cut by 25% for those with permits ending 31 December 2020. However, this is not applicable for domestic helpers. 30-day automatic moratorium from the last day of the MCO for enterprises to submit statutory documents to the SSM.

Source: Various sources/ AmBank Research



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