



## **How SMEs Benefit from Competition Law?**

K. Karunajothi  
Deputy CEO II  
SME Corp. Malaysia

**HELPING SMEs UNDERSTAND THE COMPETITION LAW**

**14 NOVEMBER 2016  
SME CORP. MALAYSIA**

# Outline

---



Background of  
SMEs



Policies to  
promote SMEs

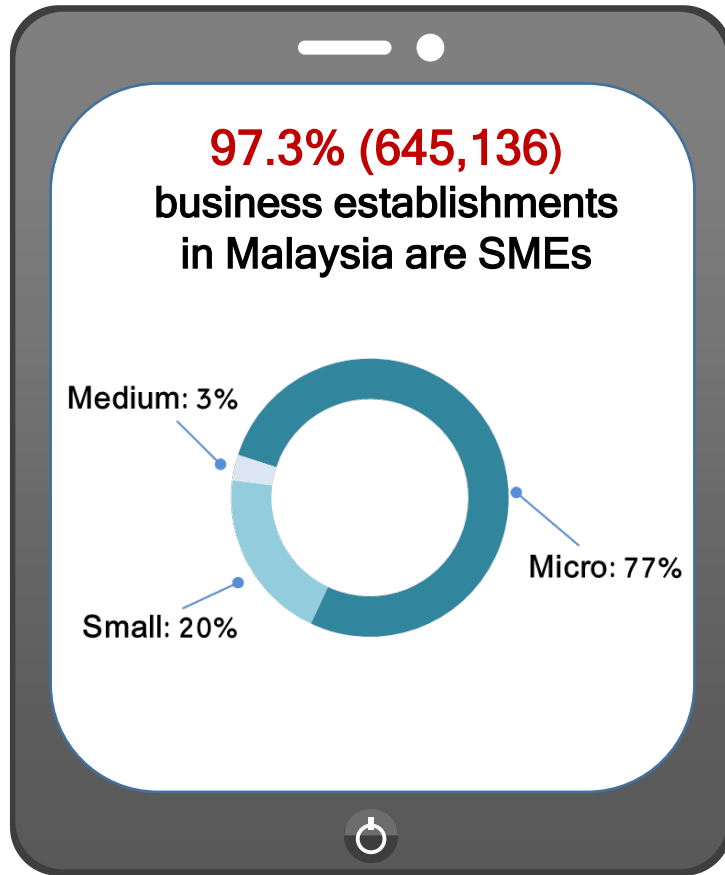


Importance of  
Competition Act and  
Current Status of SMEs



Development policies  
to promote  
competition

# SMEs are the backbone of the economy



## Quick facts

1. Registered firms:
  - **Manufacturing:** Sales turnover  $\leq$  RM50 million OR full-time employees  $\leq$  200 workers
  - **Services & other sectors:** Sales turnover  $\leq$  RM20 million OR full-time employees  $\leq$  75 workers
  - **Not affiliated to large firms**
2. **77% are microenterprises**
3. **90% of firms in the services sector**
4. **Contribute 36.3% to GDP, 17.6% to exports & 65.5% to employment**

# Pro-growth policies to promote SME development since 2004



## National SME Development Council (NSDC) was

established in 2004:

- Chair: Prime Minister,
- Members: 14 Ministers & Heads of key agencies
- Secretariat: SME Corp. Malaysia
- Supported by High Level Task Force, chaired by Chief Secretary to the Government



Provides direction for comprehensive development of SMEs across all sectors

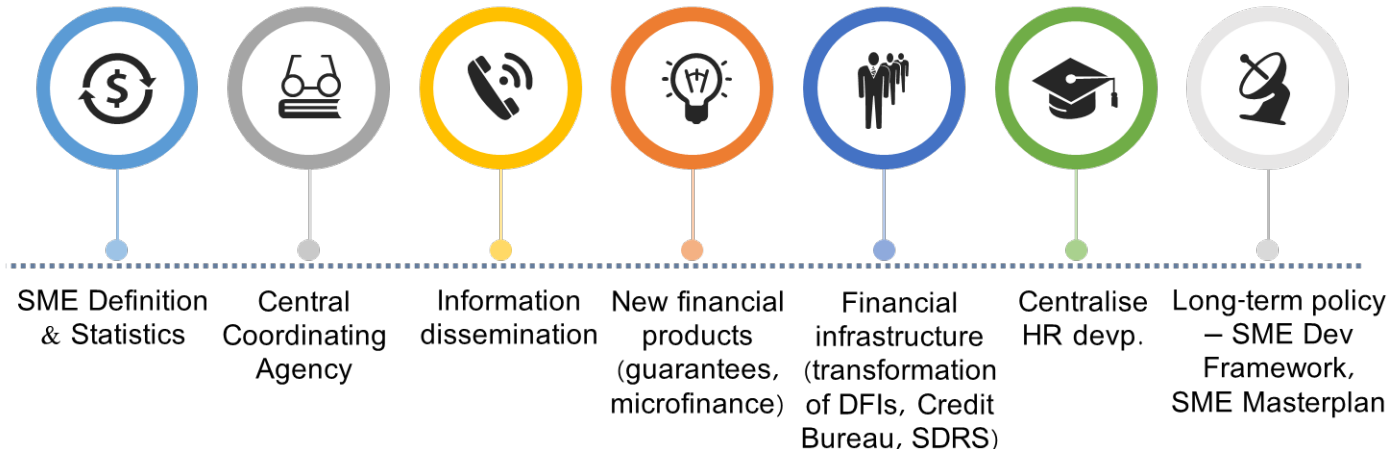


Formulates broad policies and strategies

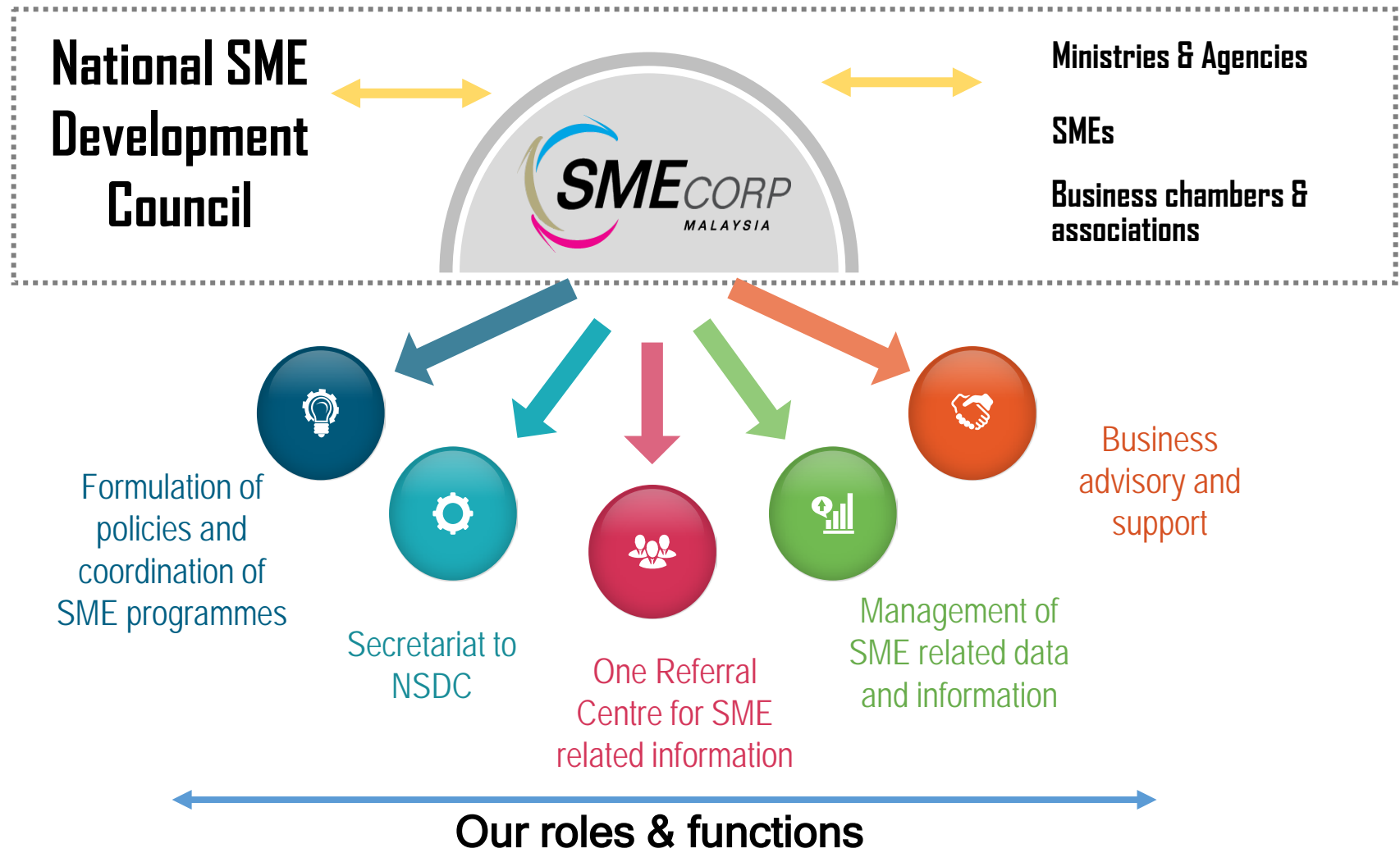


Oversees coordination and ensures effectiveness in policy implementation

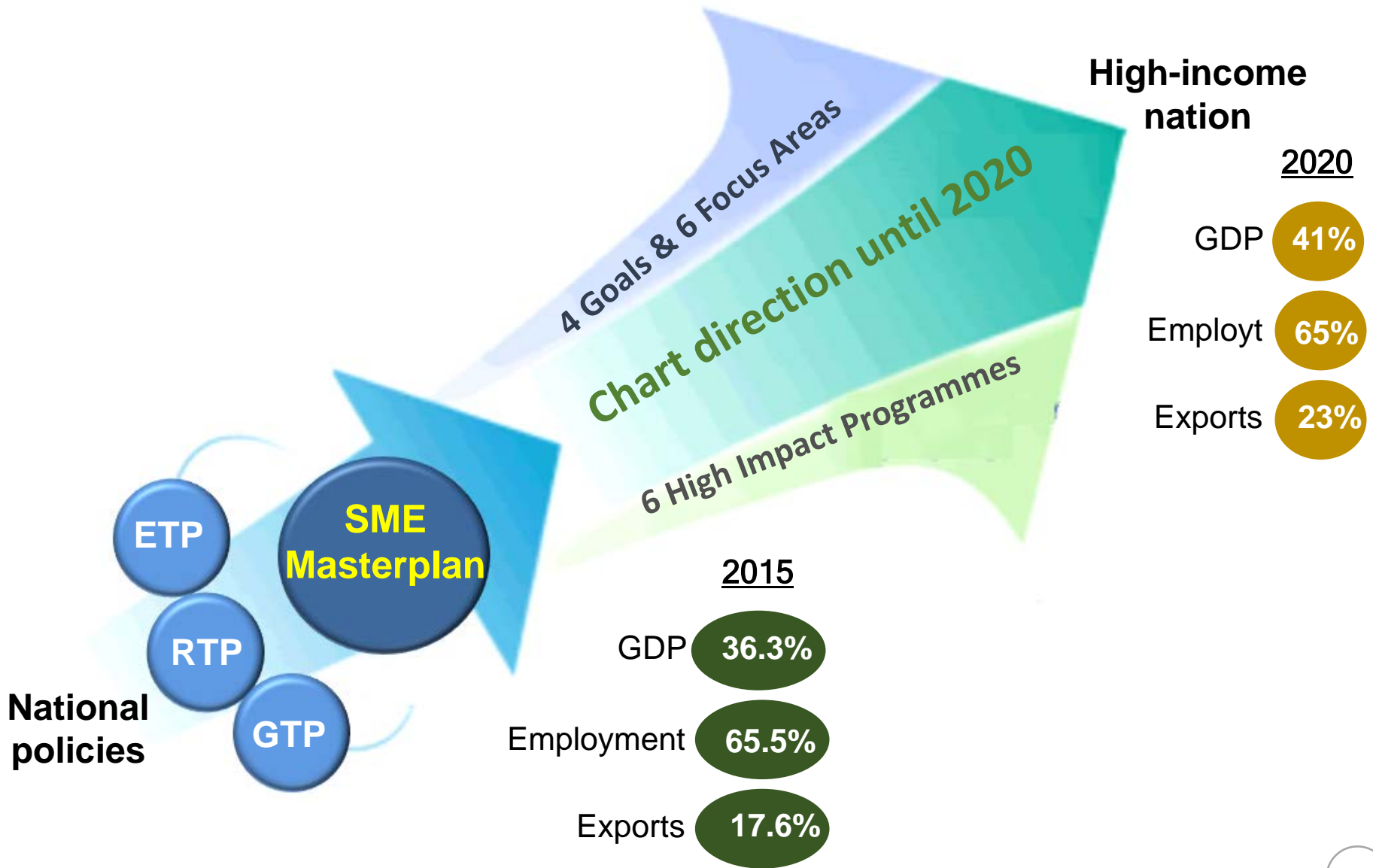
## Progress



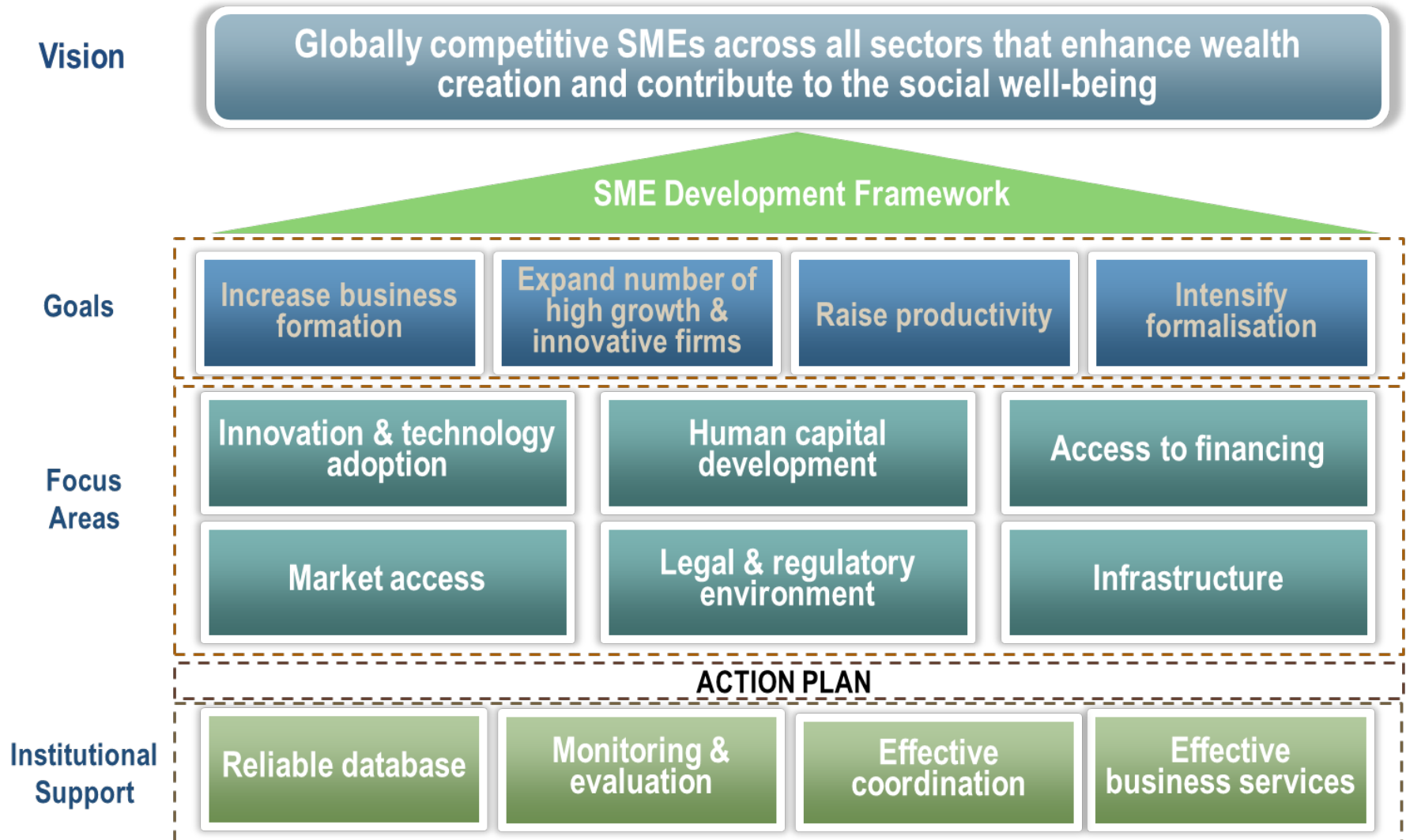
# Role of SME Corp. Malaysia in ensuring SMEs remain competitive in the open market



# Long term policy under the SME Masterplan (2012 - 2020)



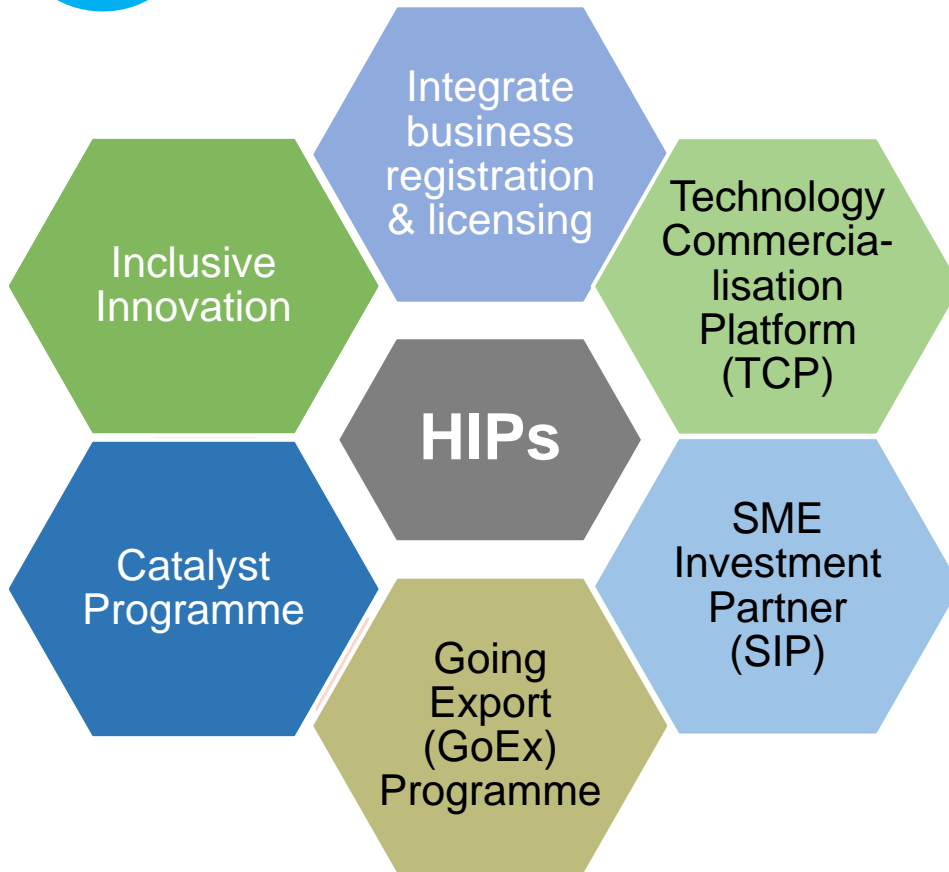
# Holistic approach focusing on productivity & innovation



# High Impact Programmes & supporting initiatives to enhance competitiveness of SMEs

1

## 6 High Impact Programmes (HIPs)



2

## 4 Thematic Measures

- Resource pooling & shared services
- Create demand for SME products & service
- Reduce information asymmetry
- Building capacity & knowledge

3

## East Malaysia

- Improve connectivity & basic amenities
- Review restrictive laws & policies
- Ease market access

4

## Other Measures

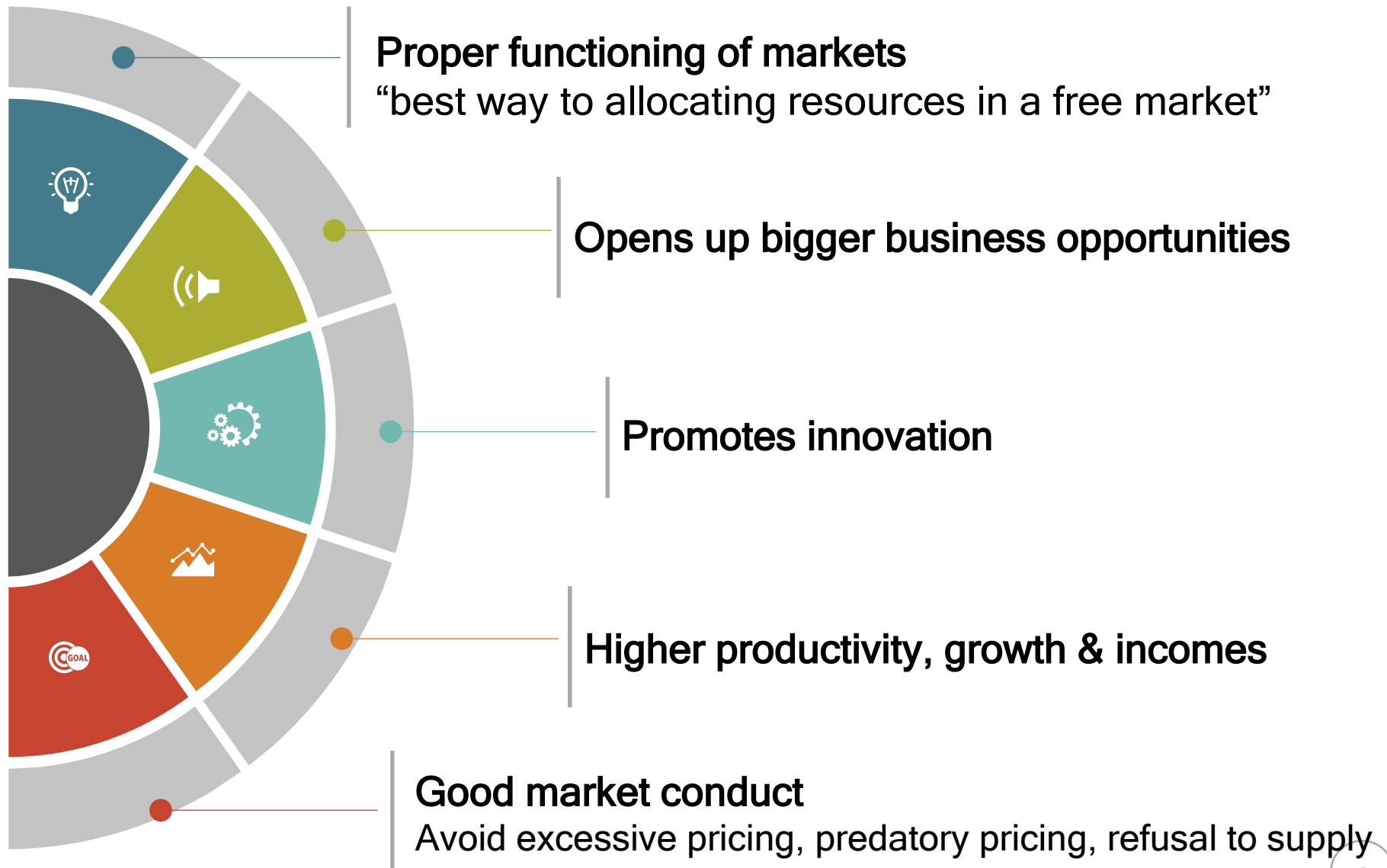
- Completion of Integrated trade system (single window)
- Bankruptcy Law to give entrepreneurs 2<sup>nd</sup> chance
- Review SME taxation policy
- Synchronise measures on productivity enhancement



**Result-based approach** with monitoring & evaluation

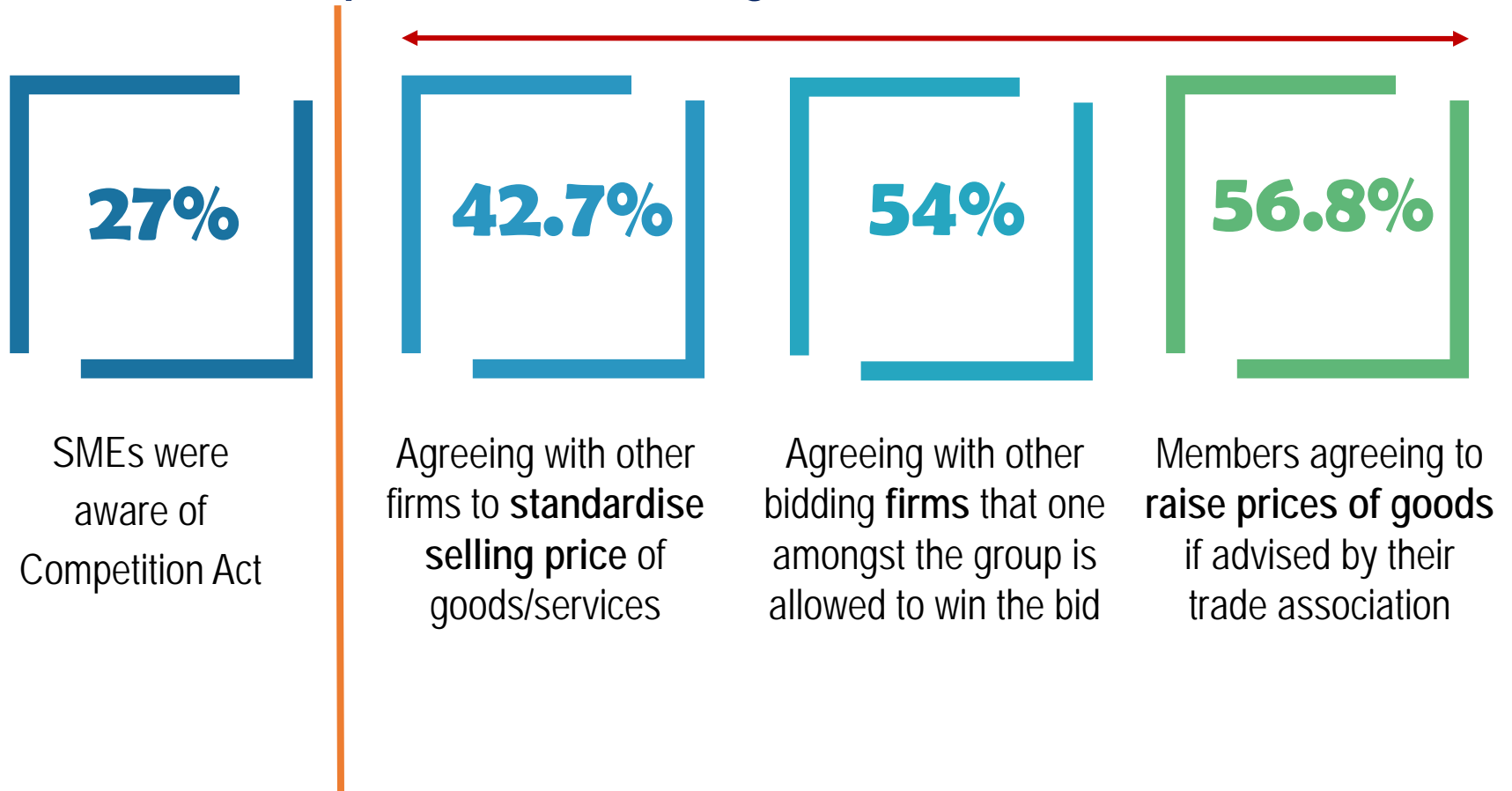


# Why Competition Policy is important for SMEs ?



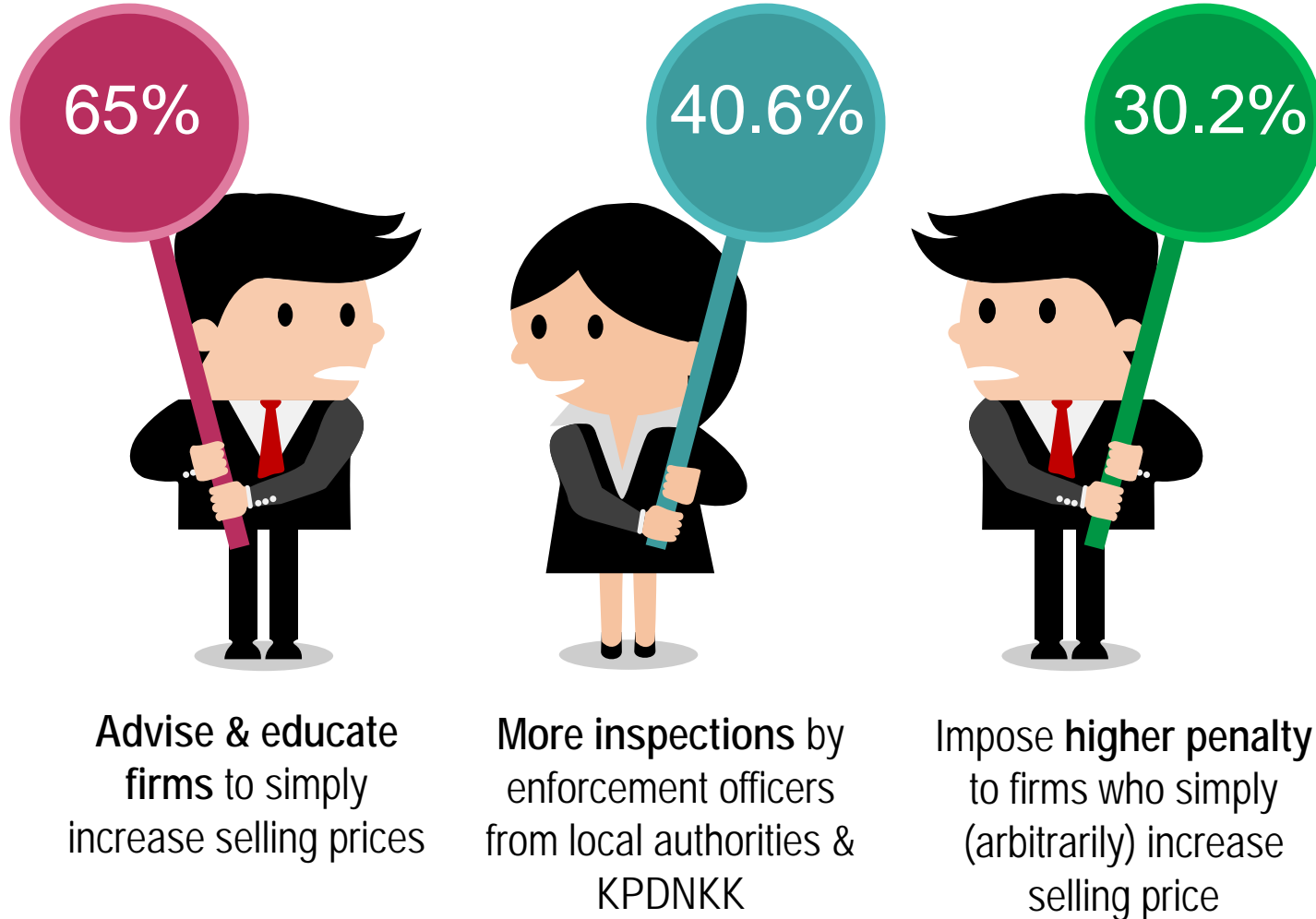
# SMEs have low level of awareness on Competition Act 2010

Survey shows that many SMEs are not sure on some of the current practices that are against the Act



# Almost half of respondents are aware of the Price Control and Anti-Profiteering Act 2011

## SMEs view in addressing profiteering among businesses



# Examples of lack of awareness leading to infringement of Act by engaging in price fixing - horizontal agreement

## Cameron Highlands Floriculturist Association (CHFA)



- ❑ Increase prices of flowers by 10%, eff. 16 March 2012
- ❑ CHFA instructed to (i) cease act of fixing prices; (ii) provide undertaking to refrain from any anti-competitive practices; and (iii) issue statement on above in mainstream newspapers

## Sib Confectionery Bakery Association



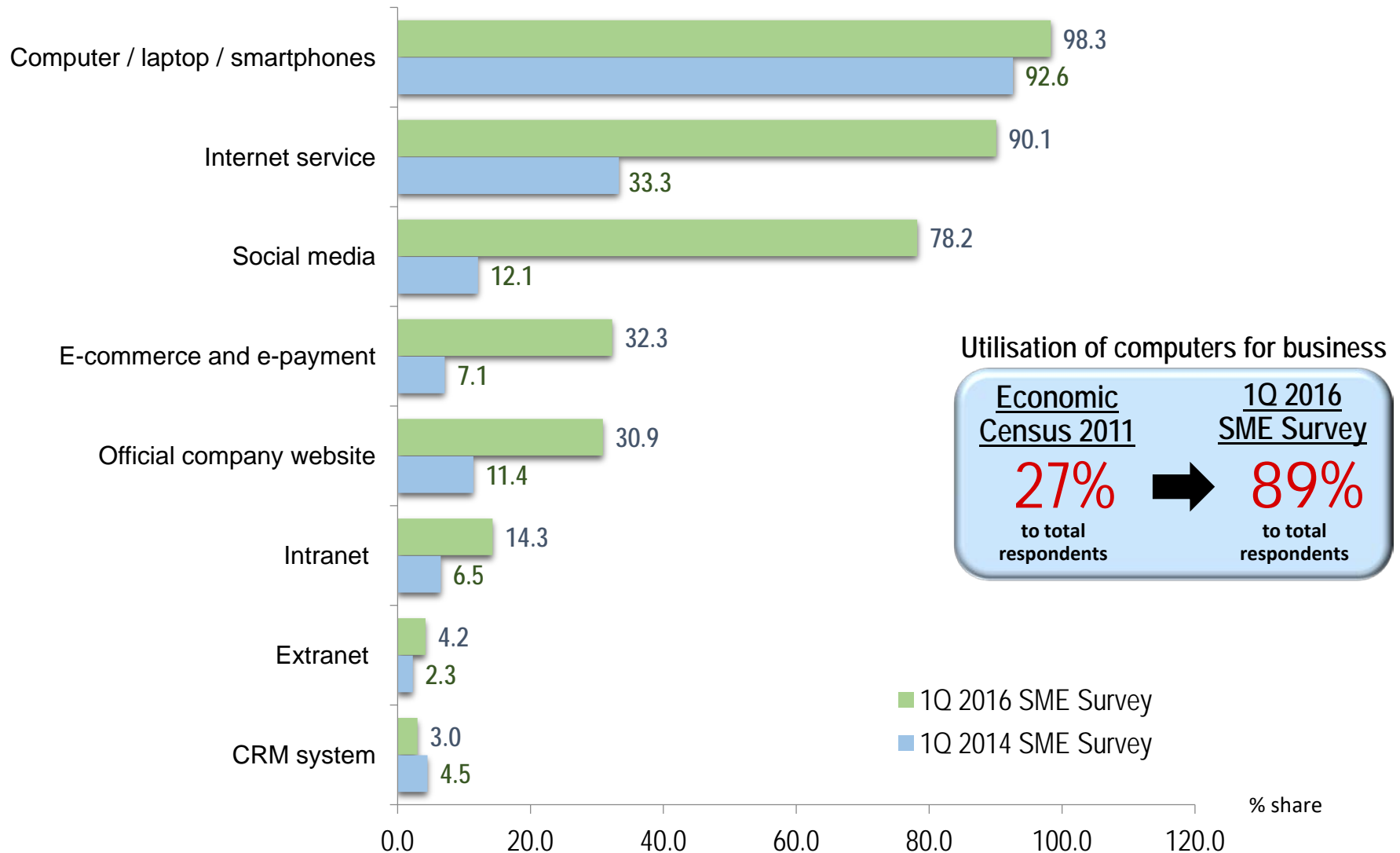
- ❑ Increase prices by 10-15%
- ❑ Financial penalties on 14 firms totalling to RM 247,730

## Ice Manufacturers



- ❑ Increase price of edible tube ice by RM0.50/bag & block ice by RM2.50/block; eff. 1 Jan 2014
- ❑ Financial penalties on 24 firms totalling to RM252,250

# Need to step up outreach & education...one way is through online & social media



# What does the Act means for SMEs?

Assist to remove **artificial & anti-competitive** market **barriers** by big companies and allow SMEs to **enjoy lower costs of inputs** that might occur in a more competitive environment



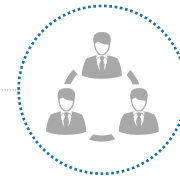
Ensure a more **level playing field** for SMEs in access to markets or being suppliers to bigger entities including GLCs



Protect SMEs by **detering bigger companies** from adopting abusive or other anti-competitive practices.



**Protect SMEs**, however **certain conducts** such as bulk purchase / consortiums or aggregation services by SMEs to benefit from **economies of scale** are **allowed**



**Allow** SMEs aggrieved by anti-competitive business practices to submit their **complaints** to an authority, the Competition Commission.



**Encourage** SMEs towards **innovation-led growth** as it prohibits firms from anti-competitive conduct (especially large players) on tech. devp.



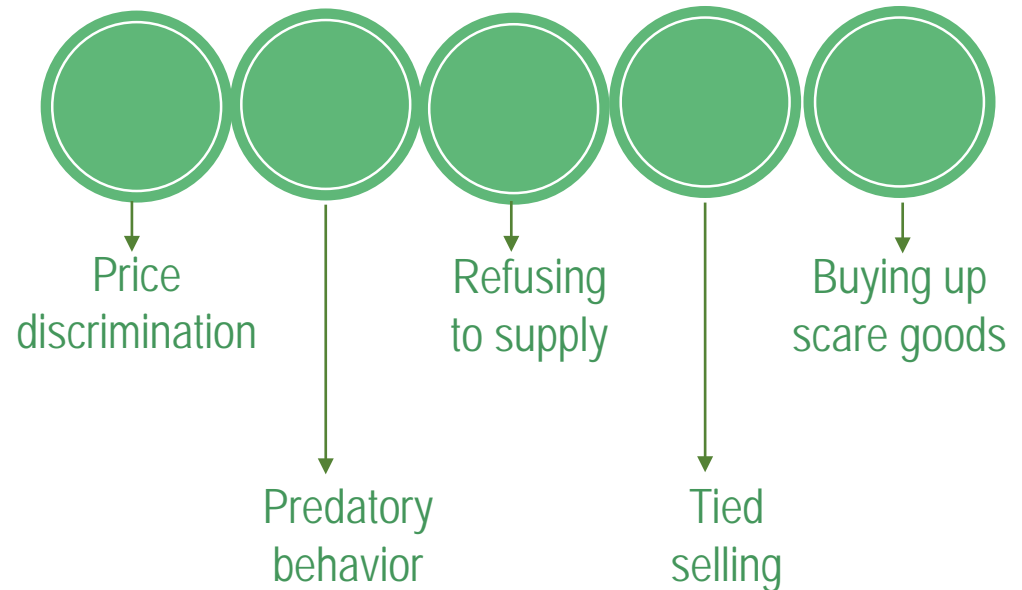
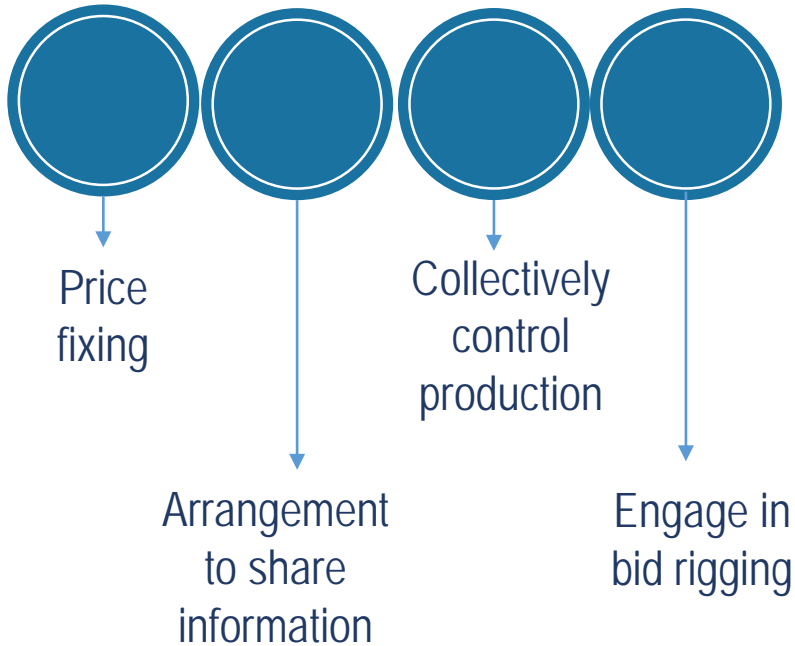
# How would SMEs infringe the Act?

Anti-competitive agreements not significant if combined market share is <20% or individually <25%

SMEs generally don't have the size or scale to abuse a dominant position

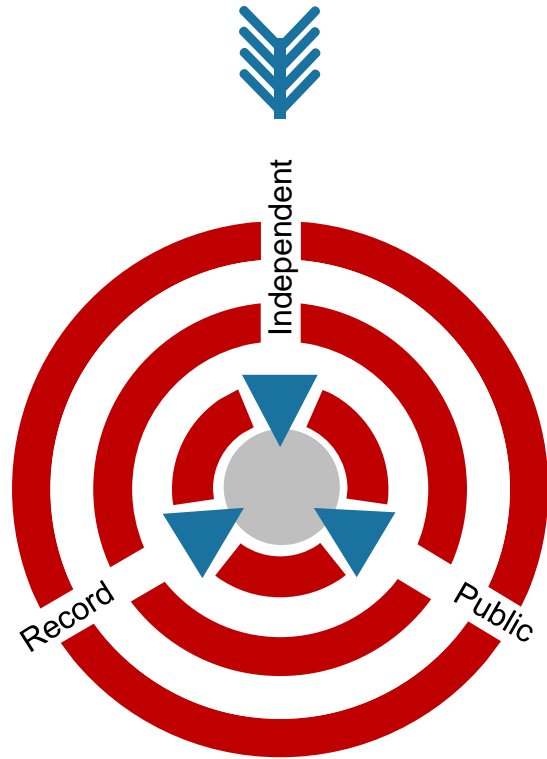
## ANTI-COMPETITIVE AGREEMENTS

## ABUSE OF DOMINANT POSITION



*Least likely*

# The 3 Do's by SMEs for compliance



- Make **independent** decisions on setting price of products or services
- Obtain information on competitors, businesses, and pricing from **publicly** available sources
- Ensure & **record** that commercial and strategic decisions are taken independently of competitors



# Moving forward, policy focus is on implementing the programmes under the SME Masterplan

## SME MASTERPLAN



### HIP 2: Technology Commercialisation Platform (TCP)

- 110 projects approved for integrated assistance
- 112 license deals
- 10 innovation commercialised



### HIP 4: Going Export Programme

127 companies from 12 sectors participated in the programme



### HIP 5: Catalyst Programme

- BioNext Initiative completed
- Successful market penetration
- 2016 - focus to create high growth SMEs in aerospace & medical devices



### HIP 1: Integration of Business Registration & Licensing

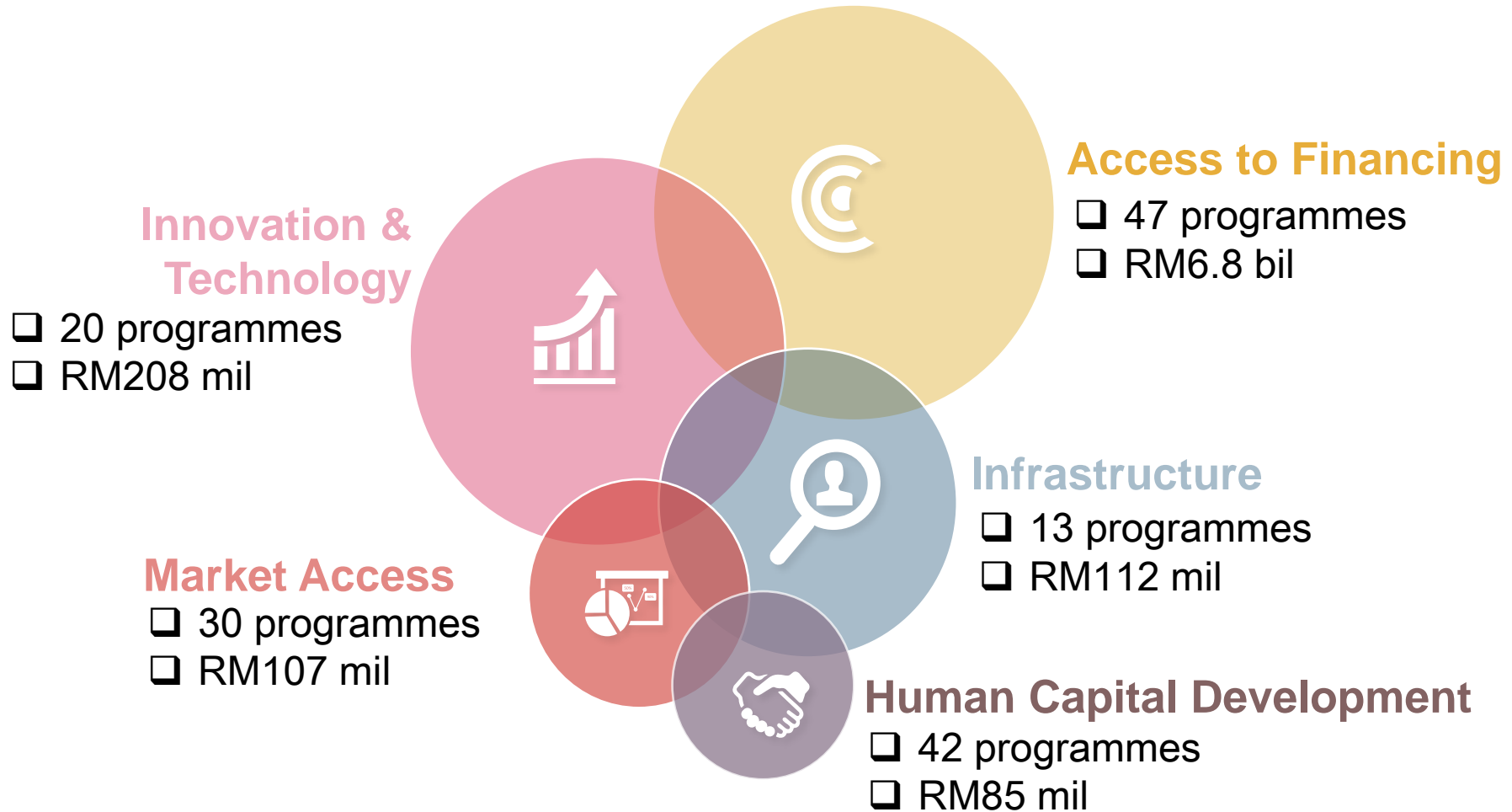
- 70% of 3,131 licenses uploaded in MalaysiaBiz info portal
- Pilot run through Govt. Online Services Gateway (GOSG)



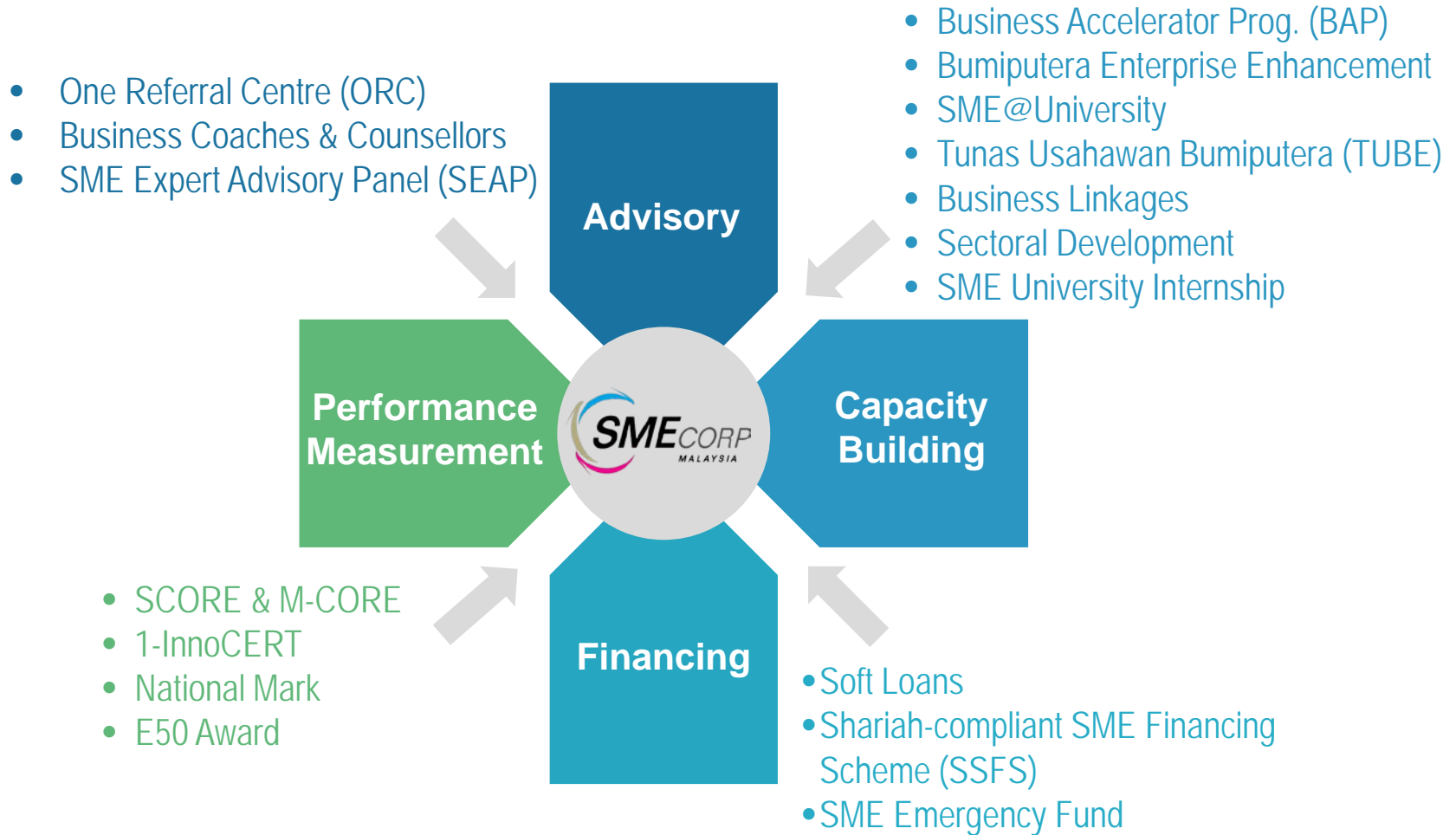
### HIP 6: Inclusive Innovation

- 503 innovations received
- 19 innovation short-listed
- 3 innovations ready for commercialisation

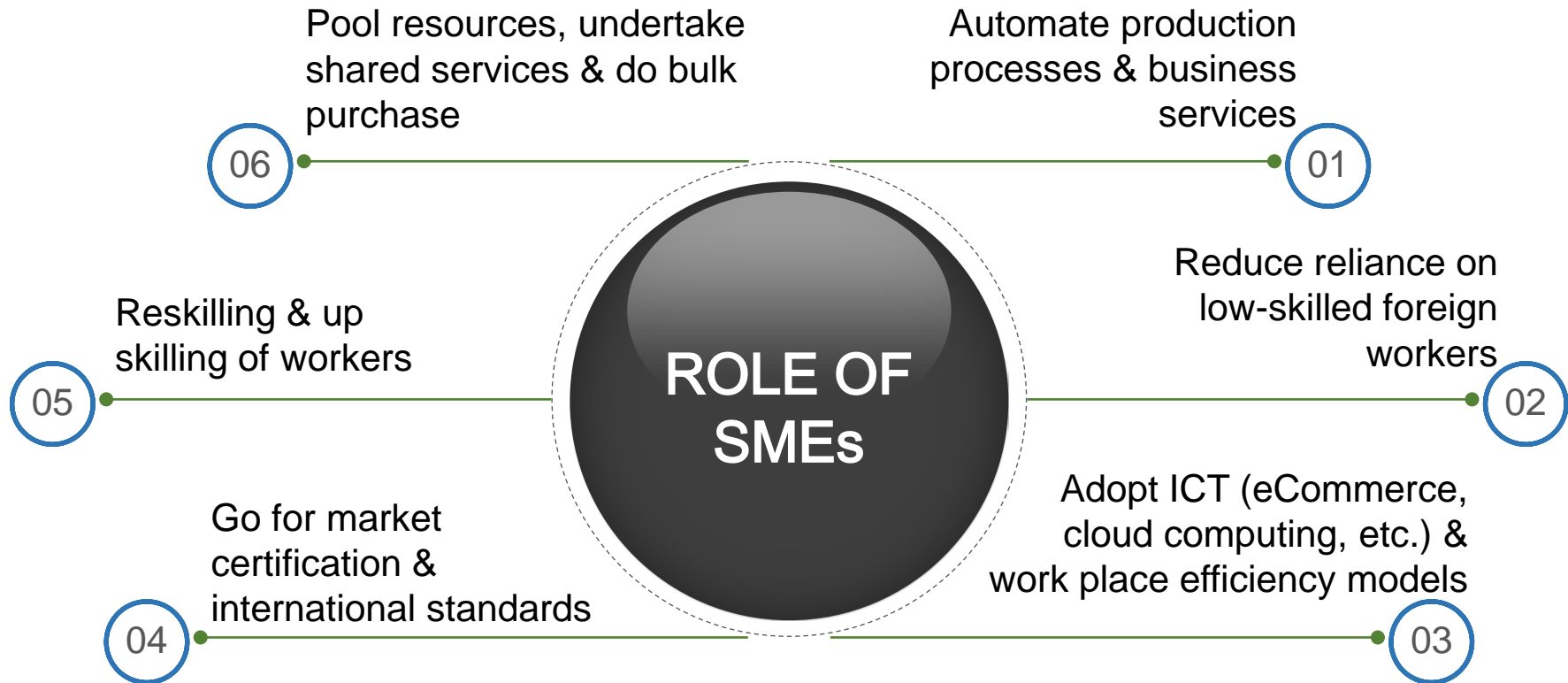
# ... and other programmes (152 totalling RM7.3 bil) to enhance SME competitiveness



# Specific programmes by SME Corp. Malaysia



# SMEs also need to adapt to changing business environment by upgrading way of doing business



---

**IT'S NOT A  
COMPETITION,  
IT'S A DOORWAY**

**MARY OLIVER**

---



THANK YOU

[jothi@smecorp.gov.my](mailto:jothi@smecorp.gov.my)

