Co-Creating Value for ASEAN SME Ecosystem

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SMEs are Significant to ASEAN Economies

<table>
<thead>
<tr>
<th>Total Establishments</th>
<th>Total Employment</th>
<th>Share of GDP</th>
<th>Share of Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs makeup 92% - 99% of all commercial enterprises</td>
<td>Employing 58% - 97% of the domestic workforce</td>
<td>SME account for 22% - 37% of GDP of most ASEAN countries</td>
<td>SMEs exports share is 30%</td>
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</tbody>
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Source: ASEAN SME Policy Index 2014 Report by Economics Research Institute for ASEAN & East Asia (ERIA) and Organization for Economic Co-operation & Development (OECD)
ASEAN SME Ecosystems Face Complex and Varied Challenges

- Information asymmetry – MNCs vs SMEs especially for regional and international trade
- Different and complex regulatory requirements and trade policies
- Lag in adoption of technology
- Limited access to credit - collaterals, complicated procedures, lending policies, etc
Significant Growth Potential Exists for ASEAN SMEs…

**Regional Trade**

ASEAN accounted for 9.3% of world supply chain trade over the period 2009-2013

**Production Networks**

In five ASEAN countries, e-commerce represents <1% of total retail sales

**Role of Large Firms and SMEs in Supply Chains**

- **SMEs in supply chains as a percentage of all SMEs**
- **Large firms in supply chains as a percentage of all large firms**

**e-Commerce**

**Share of World Supply Chain Exports, 2009-2013 (%)**

- **Malaysia**: 2.7%
- **Thailand**: 2.0%
- **Singapore**: 1.7%
- **Viet Nam**: 1.1%
- **Philippines**: 1.0%
- **Indonesia**: 0.8%
- **Cambodia**: 0.2%
- **Myanmar**: 0.0%
- **Lao People’s Dem. Rep.**: 0.0%
- **Brunei Darussalam**: 0.0%

**Source:** SMEs Internationalization and Finance in Asia, Asian Development Bank Institute

**Source:** Frost & Sullivan, A.T. Kearney Analysis
...But Growth is Hampered by Lack of Financing and Financial Services

- **SMEs rely on internal financing rather than financial institutions.** The major source of finance came from internally generated funds. Specifically their own savings or loans from relatives.

![Major Sources of Finance](image)

*Source: Gearing Up For ASEAN Economic Community: Small And Medium Enterprises’ Response And Preparedness To Regional Market Integration, ASEAN Studies Center*

- **e-Payment penetration is low.** Only 2 to 11% of digital buyers use online payments in ASEAN (outside of Singapore). e-Payment regulations are not harmonized at a regional level to promote “non-cash” transactions.
Digital Financial Service Platform for
ASEAN SME Ecosystem

ASEAN MSME Ecosystem e-Financing

- Offer alternatives such as peer-to-peer financing and crowdfunding

ASEAN E-Payment Platform Integration

- Connect existing payment ecosystems to ASEAN e-Payment Platform

ASEAN Wide e-Logistics Services

- Streamline and unify business processes across the entire supply chain
How to Co-Create Value for ASEAN SME Ecosystem?

Commitment from Regulators & Leaders – to support the change to ASEAN digital economy landscape

Use of Disruptive Technology – to differentiate ASEAN in the digital arena

Right Technology Partner – who is aligned to ASEAN’s digital transformation and can realize the vision
THANK YOU!

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