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Call to give matching ESG grants

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Allocate RM2bil as incentive to SMEs to achieve goals, govt urged

PETALING JAYA: To accelerate environmental, social and governance (ESG) efforts among small and medium enterprises (SMEs), the government has been urged to allocate RM2bil for one-to-one matching grants.

SME Association president Ding Hong Sing said such an incentive would help drive ESG investments, especially among SMEs in the manufacturing and export sectors.

He added that convincing businesses to embrace automation remained a challenge, primarily due to financial concerns.

He thus proposed increasing the existing grants for automation, digitalisation and smart farming to RM2bil and offering RM40bil in loans at interest rates below 2% to support projects in these areas.

Highlighting the urgency of automation and digitalisation, Ding cited pressing issues such as a shortage of foreign workers and the rising minimum wage.

He also called for loan policies similar to those in Singapore where businesses can access low-interest loans of up to 100% of the required amount, compared with Malaysia's current limit of 80%.

"Despite SMEs constituting 97.4% of Malaysian enterprises, less than 5% have embraced automation," he said when contacted.

Ding also urged the government to substantially support medium-sized companies engaged in export activities and offer one-to-one online coaching and grants of up to RM5,000 for micro-businesses and RM15,000 for SMEs to facilitate digitalisation.

National Chamber of Commerce and Industry of Malaysia (NCCIM) president Tan Sri Soh Thian Lai also proposed the establishment of a RM2bil ESG Fund.

He recommended centralising the national ESG strategy under the Investment, Trade and Industry Ministry and introducing an “ESG Assessment tool” to guide SMEs in evaluating their ESG practices.

Soh suggested prioritising companies with strong ESG adherence for government contracts and providing financial support for eco-friendly initiatives.

The NCCIM also recommends measures to enhance the global outreach of Malaysian SMEs.

It proposed a budget allocation of RM2bil for various financial aid programmes, including subsidy rationalisation, assistance for families coping with the rising cost of living, and specialised elderly care provisions, and RM400mil to bolster local production industries.

Soh said reintroducing the Goods and Services Tax (GST) with an initial rate of 4% could serve as a more stable revenue channel than the present Sales and Service Tax (SST).

The Federation of Malaysian Manufacturers (FMM) called for initiatives to enhance workforce skills, reduce dependence on foreign labour and provide vital support to SMEs for Malaysia’s long-term economic development and competitiveness.

It urged greater collaboration between the corporate sector and education institutions to offer work-integrated learning programmes, revamp the education system, and promote vocational and STEM (science, technology, engineering and mathematics) education to bridge the skills gap.

FMM also suggested using the foreign worker levy to train the local labour force, with a proposed allocation of 60% for a National TVET (technical and vocational education and training) Apprenticeship Fund and 40% for Automation and Industry 4.0 technology implementation.

The federation also called for the resumption of Free Trade Agreement (FTA) negotiations with the European Union to tap into opportunities for greater market access.

The chairman of the SMEs committee at the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), Datuk Koong Lin Loong, called for a reduction in corporate taxes from 24% to 20% to enhance Malaysia’s competitiveness with neighbouring countries.

“Thailand, Indonesia and Myanmar have a corporate tax rate of 20%. To attract foreign investments, Malaysia should lower its corporate tax rate.

“Simultaneously, we should optimise the Malaysia My Second Home (MM2H) programme to attract more foreigners.

“In the revised Budget 2023, the income tax rate was reduced from 17% to 15% on the first RM150,000 of chargeable income, effective assessment year 2023. We suggest raising this amount to RM1mil to provide SMEs with more cash flow.

“We also recommend increasing funding for the Human Resources Development Fund (HRDF) re-skilling and retraining scheme in next year’s Budget. Additionally, allocate funds for TVET to provide SMEs with a skilled workforce,” he added.

Koong also suggested the government consider incentives and tax exemptions for hiring retirees and local employees.

The government, he added, should reintroduce GST at a rate of 3% to increase government revenue.