

DEFINITIONS FOR
SMALL AND MEDIUM ENTERPRISES IN MALAYSIA

(Approved for Adoption by National SME Development Council on 9 June 2005)

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1. RATIONALE FOR STANDARD DEFINITIONS FOR SMALL AND MEDIUM ENTERPRISES

- 1.1 Presently, there is no common definition of small and medium enterprises (SMEs) in Malaysia. Different Agencies define SMEs based on their own criteria, usually benchmarking against annual sales turnover, number of full-time employees or shareholders' funds. In addition, present definitions focus mainly on SMEs in the manufacturing sector.
- 1.2 The establishment and adoption of standard definitions for SMEs will facilitate better identification of SMEs across sectors, thus enabling more effective formulation of SME policies and implementation of SME development programmes, and provision of technical and financial assistance. It will also allow better monitoring of SME performance and their contribution to the economy.
- 1.3 The National SME Development Council has, on 9 June 2005, approved the common definitions of SMEs across economic sectors, for adoption by all Government Ministries and Agencies involved in SME development, as well as financial institutions. Details on the Council are provided in Appendix 1.

2. COVERAGE OF DEFINITIONS FOR SMEs IN MALAYSIA

- 2.1 For wider coverage and applicability, definitions of SMEs will be based on two criteria, namely:
 - 2.1.1 Number of employees; or**
 - 2.1.2 Annual sales turnover.**

Therefore, an enterprise will be classified as an SME if it meets either the specified number of employees or annual sales turnover definition.

- 2.2 The definitions will apply for the following sectors:
- 2.2.1 Primary Agriculture;**
 - 2.2.2 Manufacturing (including agro-based);**
 - 2.2.3 Manufacturing-Related Services (MRS); and**
 - 2.2.4 Services (including Information and Communications Technology).**
- 2.3 For consistency and comparability of data across sectors, the **working definition for SMEs in the mining and quarrying sector, and construction sector** will be based on the SME definition for the services sector (as per paragraph 3.3 below).
- 2.4 To ensure comparability of data from the various sources and to facilitate data harmonisation across the various providers of SME statistics, **classification of economic activities will be based on the Malaysian Standard Industrial Classification (MSIC) 2000 codes**. Appendix 2 provides the list of economic activities under the various sectors.
- 2.5 The following list of approved SME definitions is **not exhaustive** and may be amended or expanded by the National SME Development Council from time to time to reflect changes in operating and business conditions.

3. APPROVED SME DEFINITIONS

3.1 Primary Agriculture

General Definition

- 3.1.1 A small and medium enterprise in primary agriculture is an enterprise with full-time employees not exceeding 50 or annual sales turnover not exceeding RM5 million.

Specific Definitions

- 3.1.2 A micro enterprise in primary agriculture is an enterprise with full-time employees of less than 5 or with annual sales turnover of less than RM200,000;
- 3.1.3 A small enterprise in primary agriculture is an enterprise with full-time employees of between 5 and 19 or with annual sales turnover of between RM200,000 and less than RM1million; and
- 3.1.4 A medium enterprise in primary agriculture is an enterprise with full-time employees of between 20 and 50 or with annual sales turnover of between RM 1 million and RM5 million.

3.2 Manufacturing (including agro-based) and MRS

General Definition

- 3.2.1 A small and medium enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million.

Specific Definitions

- 3.2.2 A micro enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees of less than 5 or with annual sales turnover of less than RM250,000;
- 3.2.3 A small enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees of between 5 and 50 or with annual sales turnover of between RM250,000 and less than RM10 million; and

3.2.4 A medium enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees of between 51 and 150 or with annual sales turnover of between RM10 million and RM25 million.

3.3 Services (including ICT)

General Definition

3.3.1 A small and medium enterprise in services is an enterprise with full-time employees not exceeding 50 or annual sales turnover not exceeding RM5 million.

Specific Definitions

3.3.2 A micro enterprise in services is an enterprise with full-time employees of less than 5 or with annual sales turnover of less than RM200,000;

3.3.3 A small enterprise in services is an enterprise with full-time employees of between 5 and 19 or with annual sales turnover of between RM200,000 and less than RM1million; and

3.3.4 A medium enterprise in services is an enterprise with full-time employees of between 20 and 50 or with annual sales turnover of between RM1 million and RM5 million.

3.4 The table below summarises the approved SME definitions based on number of full-time employees:

Sector Size	Primary Agriculture	Manufacturing (including Agro- Based) & MRS	Services Sector (including ICT)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 & 19 employees	Between 5 & 50 employees	Between 5 & 19 employees
Medium	Between 20 & 50 employees	Between 51 & 150 employees	Between 20 & 50 employees

3.5 The table below summarises the approved SME definitions based on annual sales turnover:

Sector Size	Primary Agriculture	Manufacturing (including Agro- Based) & MRS	Services Sector (including ICT)
Micro	Less than RM200,000	Less than RM250,000	Less than RM200,000
Small	Between RM200,000 & less than RM1 million	Between RM250,000 & less than RM10 million	Between RM200,000 & less than RM1 million
Medium	Between RM1 million & RM5 million	Between RM10 million & RM25 million	Between RM1 million & RM5 million

4. APPLICATION OF APPROVED SME DEFINITIONS

4.1 The approved definitions are to be adopted by all the relevant stakeholders dealing with SMEs. These include Ministries and Agencies at Federal and State levels (including Statutory Bodies and local authorities), as well as financial institutions.

4.2 The scope of application should, among others, encompass data collection; formulation of SME policies and programmes; and identification of eligibility status for SME financial assistance and support programmes. However, additional eligibility requirements can be applied based on specific development objectives of respective stakeholders.

4.3 For purposes of data collection, all relevant Ministries, Government Agencies and financial institutions should maintain data on companies and businesses **based on both annual sales turnover and number of full-time employees**.

4.3.1 However, stakeholders that are unable to collect and maintain data based on both criteria should notify the Secretariat on the criteria used, that is, either annual sales turnover, or number of full-time employees.

4.4 All stakeholders involved in SME development are required to harmonise their data collection procedures based on the size and sectoral classifications above.

This will enable comparability of data across institutions and provide valuable statistics to better understand the status, issues and development needs of SMEs across all sectors.

5. USAGE OF COMMON IDENTIFIER

- 5.1 For ease of verification and to facilitate cross-referencing across databases, all stakeholders should also adopt a common identifier, that is, **business or company registration number** in SME data collection and maintenance.

6. SECRETARIAT TO THE NATIONAL SME DEVELOPMENT COUNCIL

- 6.1 If you have any queries, please contact Cik Lim Hsin Ying at 03-2694 7342 or Cik Juita Jamaluddin at 03-2694 7349.
- 6.2 The address of the Secretariat to the National SME Development Council is as follows:

The Secretariat
National SME Development Council
c/o Development Finance and Enterprise Department
9th Floor, Block C
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

APPENDIX 1

NATIONAL SME DEVELOPMENT COUNCIL

NATIONAL SMALL AND MEDIUM ENTERPRISE DEVELOPMENT COUNCIL

1. The National SME Development Council (NSDC) was established in June 2004 as the highest policy-making body to chart the direction and strategies for comprehensive and coordinated development of SMEs across all sectors of the economy.

2. The objectives of the NSDC are:
 - 2.1.1 Formulate broad policies and strategies, as well as provide direction for comprehensive and coordinated development of SMEs across all sectors;
and

 - 2.1.2 Oversee and guide overall SME development initiatives to ensure effectiveness in policy implementation and outreach.

3. The Ministries and Agencies represented in the NSDC are:
 - I. The Prime Minister (**Chairman**)
 - II. Minister of International Trade and Industry
 - III. Minister of Domestic Trade and Consumer Affairs
 - IV. Minister of Entrepreneur and Cooperative Development
 - V. Minister of Agriculture and Agro-Based Industries
 - VI. Minister of Human Resource
 - VII. Minister of Finance II
 - VIII. Minister of Energy, Water and Communications
 - IX. Minister of Plantation Industries and Commodities
 - X. Minister of Science, Technology and Innovations
 - XI. Minister of Tourism
 - XII. Minister of Rural and Regional Development
 - XIII. Minister of Education
 - XIV. Minister of Higher Education
 - XV. Minister of Housing and Local Government
 - XVI. Minister in The Prime Minister's Department (Y.B. Dato' Mustapa Mohamed)
 - XVII. Governor of Bank Negara Malaysia

XVIII. Director-General of the Economic Planning Unit

XIX. Chief Executive Officer of the Multimedia Development Corporation

4. Bank Negara Malaysia serves as the Secretariat to the Council.

APPENDIX 2

CLASSIFICATION OF ECONOMIC ACTIVITIES ACROSS SECTORS BASED ON MSIC 2000

**Economic Activities under Broad Sectors
for Approved and Working SME Definitions**

Based on MSIC 2000 divisions and descriptions:

i. **Primary Agriculture:**

- Agriculture, Hunting and Related Service Activities
- Forestry, Logging and Related Service Activities
- Fishing, Operation of Fish Hatcheries and Fish Farms; Service Activities Incidental to Fishing

ii. **Manufacturing (including Agro-Based):**

- Manufacture of food products and beverages
- Manufacture of tobacco products
- Manufacture of textiles
- Manufacture of wearing apparel; Dressing and dyeing of fur
- Tanning and dressing of leather; Manufacture of luggage, handbags, saddlery, harness and footwear
- Manufacture of wood and products of wood and cork, except furniture; Manufacture of articles of straw and plaiting materials
- Manufacture of paper and paper products
- Publishing, printing and reproduction of recorded media
- Manufacture of coke, refined petroleum products and nuclear fuel
- Manufacture of chemicals and chemical products
- Manufacture of rubber and plastic products
- Manufacture of other non-metallic mineral products
- Manufacture of basic metals
- Manufacture of fabricated metal products, except machinery and equipment
- Manufacture of machinery and equipment n.e.c.
- Manufacture of office, accounting and computing machinery
- Manufacture of electrical machinery and apparatus n.e.c.
- Manufacture of radio, television and communication equipment and apparatus
- Manufacture of medical, precision and optical instruments, watches and clocks
- Manufacture of motor vehicles, trailers and semi-trailers
- Manufacture of other transport equipment
- Manufacture of furniture; Manufacturing n.e.c.
- Recycling

iii. **Manufacturing Related Services** (based on 5-digit MSIC 2000 codes):

- 73101 Research & experimental development services on physical sciences
- 73102 Research & experimental development services on chemistry and biology
- 73103 Research & experimental development services on engineering and technology
- 73104 Research & experimental development services on agricultural sciences
- 73105 Research & experimental development services on medical sciences and pharmacy
- 73109 Research & experimental development services on other natural sciences
- 60212 Factory bus services
- 60230 Freight transport by road
- 60300 Transport via pipelines
- 61102 Freight transportation by sea-going & coastal water vessels
- 61202 Inland water freight transport services
- 62109 Other scheduled air transport (e.g. helicopter services) n.e.c.
- 62209 Other non-scheduled air transport n.e.c.
- 63011 Stevedoring services
- 63020 Storage and warehousing services
- 63091 Activities of freight forwarding / forwarding agencies
- 63099 Activities of other transport agencies n.e.c.

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- 74950 Packaging services on a fee or contract basis
 - 74300 Advertising
 - 74130 Market research and public opinion polling
 - 74142 General management consultancy services
 - 74143 Public relations consultancy services
 - 74149 Other business consultancy and management consultancy services n.e.c.
 - 92201 Printed news supply services
 - 92209 Other news agency services
 - 22190 Other publishing
 - 71230 Rental of office machinery and equipment (including computers)
 - 71302 Rental of furniture
 - 90003 Industrial waste collection and disposal services
 - 37101 Recycling of tin
 - 37109 Recycling of other metal waste and scrap
 - 37201 Recycling of textile fiber
 - 37202 Recycling of rubber
 - 37209 Recycling of non-metal waste and scrap
 - 74212 Engineering consultancy services
 - 27310 Casting of iron & steel
 - 27320 Casting of non-ferrous metal
 - 28910 Forging, pressing, stamping and roll-forming metal; powder metallurgy
 - 28920 Treatment and coating of metals, general mechanical engineering on a fee or contract basis
 - 28999 Manufacture of other fabricated metal products n.e.c.
 - 29220 Manufacture of machine tools
 - 74220 Technical testing and analysis

iv. **Services:**

- Electricity, Gas and Water Supply
- Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods
- Hotels and Restaurants
- Transport, Storage and Communications
- Financial Intermediation
- Real Estate, Renting and Business Activities
- Education
- Health and Social Work
- Other Community, Social and Personal Service Activities

v. **Mining and Quarrying:**

- Mining of Coal and Lignite; Extraction of Peat
- Extraction of Crude Oil and Natural Gas; Service Activities Incidental to Crude Oil and Natural Gas Extraction Excluding Surveying
- Mining of Uranium and Thorium Ores
- Mining of Metal Ores
- Other Mining & Quarrying

vi. **Construction:**

- Construction