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Budget 2017: How best to help SMEs go digital

SMEs, Singapore's top job providers, can boost their growth by embracing technology – and the government is going all out to help them. BY FAIZAL BIN YAHYA

THE government's latest efforts to help SMEs use digital technology to grow should be a welcome initiative. Last year, almost half of the 1,100 businesses polled by the Singapore Business Federation said that they would like to see increased support for technological change. Only 39 per cent of businesses polled after last year's Budget said that they had embarked on some form of technological change or adaptation in their business models.

In his 2017 Budget Speech, Finance Minister Heng Swee Keat announced the SMEs Go Digital Programme. This has three components. First, through the sectoral Industry Digital Plans, SMEs will receive advice on how digital technology can raise their productivity. Second, through a new SME Technology Hub established by the Infocomm Media Development Authority (IMDA) and 12 SME Centres supported by Spring Singapore, SMEs could be introduced to off-the-shelf technology solutions. Third, SMEs that are ready to adopt new IT solutions could receive funding support.

How these initiatives will be implemented is key. Here, some lessons can be drawn from previous government initiatives targeted at our SMEs.

One, there should be a clearly articulated process for obtaining advice and funding support. According to a survey conducted by the Association of Small and Medium Enterprises (ASME) for their Budget 2017 recommendations, the SMEs polled found the Productivity and Innovation Credit (PIC) scheme to be most useful, with the majority of companies having applied for it.

On the other hand, the companies felt that the Innovation and Capability Voucher (ICV) scheme was less useful. The ICV seeks to incentivise companies to develop their business capabilities and strengthen their core business operations through consultancy in the areas of innovation, productivity, human resources and financial management. The iSPRINT programme, introduced in 2010 to support SMEs' use of technology, has also not found traction among the SMEs polled, with 60 per cent not having even applied to it.

Why was PIC most useful? According to the SMEs, the disbursement of PIC funds was fairly straightforward. (This suggests that SMEs did not have to expend limited resources applying for the grants but this might also have contributed to reported cases of abuse of the scheme.) For the ICV, the SMEs polled indicated that some of the hurdles that they faced included the lack of information on the schemes and their complexity, the arduous and long audit process, the requirement that businesses pay upfront, and the long approval and reimbursement process.

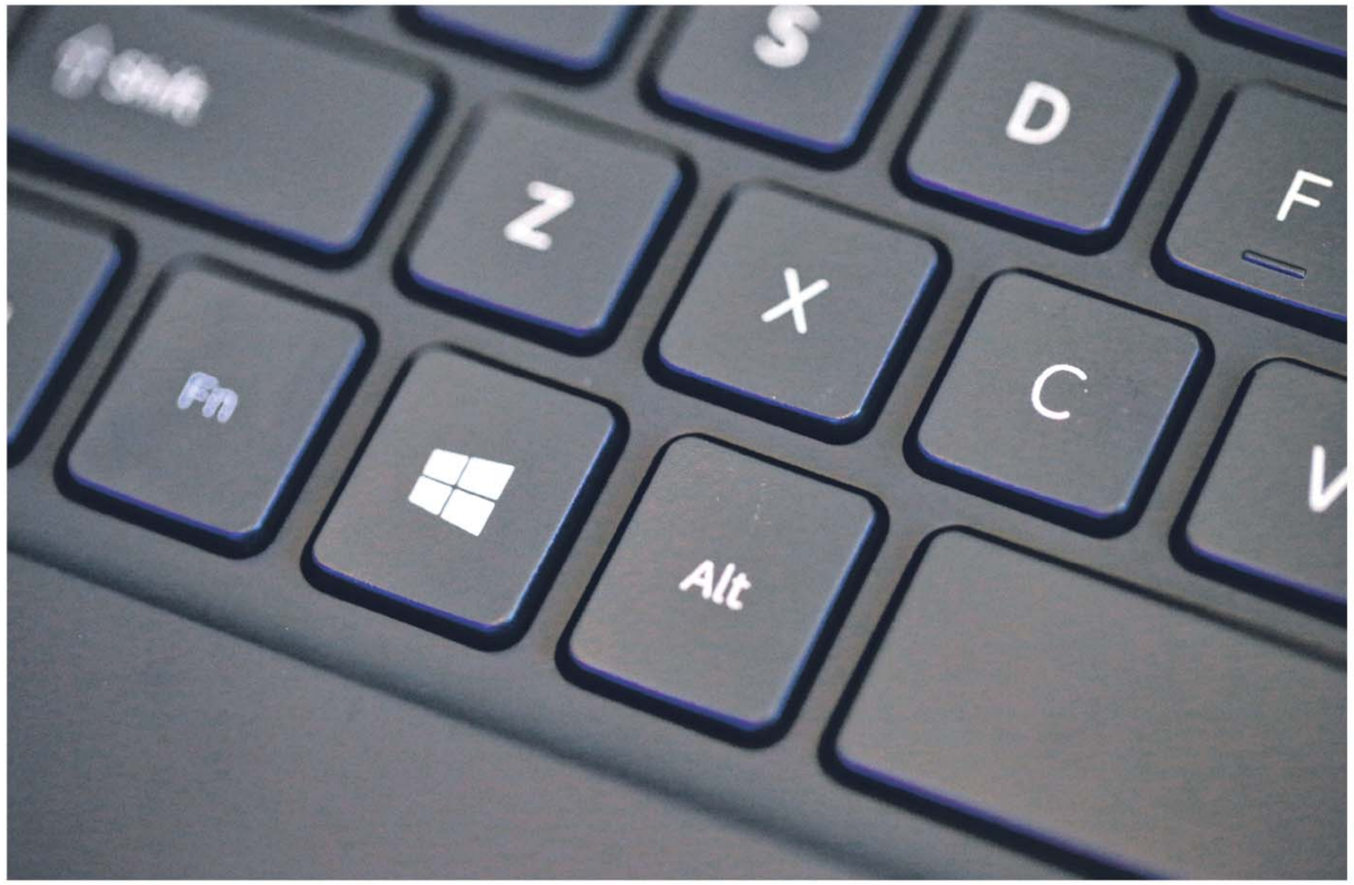
Two, the government should consider increasing grant amounts to make these schemes more attractive and gain profile. For example, for the ICV, instead of the current S$5,000, the government could offer higher amounts, up to S$20,000. This might help persuade SMEs to overcome any inertia or aversion to the application and audit process. In addition, some of the funding offered could be given upfront to successful applicants, replacing the current reimbursement arrangement. Given that SMEs often work on tight budgets and have cash flow concerns, upfront government grants could attract more interest.

Three, there should be a balance between safeguards against abuse and straightforward compliance requirements. While stringent audits are necessary, the compliance requirements and reimbursement process appear to be disincentives for companies. The government may wish to gather industry feedback and consider how it could simplify the processes, without compromising on the necessary safeguards.

This is where our trade associations and chambers such as ASME and the Singapore Chinese Chamber of Commerce and Industry (SCCCI) can come in. Indeed, they are meant to play a bigger role in ongoing restructuring efforts to transform industries, for instance, by using the Industry Transformation Maps (ITMs) developed for 23 sectors in Singapore. The ITMs offer integrated strategies for growth tailored to the needs of each industry; these strategies focus on investing in skills, promoting the internationalisation of companies and improving operational efficiency.

It is crucial for SMEs to thrive in an increasingly digitalised economy. The livelihood and well-being of Singaporeans hang in the balance, as SMEs are our top job providers. Indeed, buzzwords such as "transformation" and "disruption" are causing anxiety among some PMETs, who worry about the sustainability of the companies they work for, and see their once well paying professional jobs disappearing. They also discern that the landscape for new employment opportunities is rapidly being reshaped by technological advancement.

South-east Asia is still one of the world's fastest growing regions, and the Singapore economy has continued to grow despite the anaemic global economic recovery. If SMEs succeed in adopting digital solutions and innovate, they will be well-placed to tap regional and global markets. They would also be building up their resilience against potential industry disruptions caused by accelerated automation and connectivity.



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