



FMM Supports Prime Minister's Call to Grow SMEs and Urges More Capital for Industrial Upgrading

Kuala Lumpur, October 25, 2026 - The Federation of Malaysian Manufacturing supports YAB Dato' Seri Anwar Ibrahim's call to help Malaysian SMEs grow into key industrial players and compete internationally. FMM agrees that Malaysia's future economic success depends on enabling domestic enterprises to modernise, innovate and expand their capacity and capabilities.

Speaking at the Industrial Excellence Awards 2026, YAB Prime Minister emphasised: "If we can help tens of thousands of SMEs rise to become key players in industry, harness their resilience, innovation, and creativity, and successfully enter international markets, this will determine whether we succeed."

FMM welcomes the focus of Budget 2027 on SMEs and mid-tier companies and thanks the Ministry of Investment, Trade and Industry (MITI), led by YB Datuk Seri Johari Abdul Ghani, for advancing initiatives to strengthen their financing, research and growth. These measures provide a foundation for translating the Prime Minister's vision into stronger Malaysian enterprises.

The expansion of financing facilities and guarantees, extension of SJPP coverage to mid-tier companies, and combined RM2.1 billion through the NIMP Fund, KWAP's Dana Pemacu and Khazanah's MTC Fund are welcome steps. Affordable terms, accessible eligibility requirements and timely disbursement will be essential to turn these facilities into productive investment.

Leave More Capital with Industry to Finance Growth

To sustain this momentum, FMM calls for more capital to remain within productive businesses. SMEs need retained earnings to co-finance machinery, adopt technology, undertake R&D, develop workers and expand into new markets. Access to loans is valuable, but companies also need sufficient internal resources to undertake investment and manage the risks of expansion.

FMM welcomes the one percentage point reduction in SME corporate income tax rates under Budget 2027, providing savings of up to RM6,000 per eligible enterprise. However, these savings alone are insufficient to finance substantial technology investments or capacity expansion. FMM therefore urges a further review of SME corporate tax rates and a substantial widening of the income bands eligible for preferential rates, so that growing manufacturers can retain and reinvest more of their earnings.

Eligibility for SME tax treatment should also be aligned with the national SME definition, including removal of the RM2.5 million paid-up capital criterion. Capital-intensive manufacturers should be able to strengthen their capital base without unnecessarily losing access to development support. Greater reinvestment can generate higher productivity, better-paying jobs and stronger businesses, broadening the Government's revenue base over time.

Support Companies as They Graduate and Expand

FMM welcomes the Budget's recognition of mid-tier companies and calls for a modernised manufacturing SME definition, with thresholds of up to RM100 million in annual turnover or up to 300 employees, as proposed in FMM's Budget recommendations.

The objective must be to help SMEs graduate into competitive mid-tier and large local companies. Growing firms can face an abrupt loss of support when they cross existing eligibility thresholds, even while they still require assistance for technology upgrading, certification, talent development and market expansion. This can leave larger SMEs without the resources to progress and create incentives for smaller companies to remain within existing thresholds.

A revised definition, complemented by graduated support for companies moving beyond SME status, would provide a clearer path for expansion. Support should encourage productive investment and measurable improvements in capabilities, allowing companies with greater growth potential to contribute more to domestic investment, employment and exports.

Accelerate Technology Adoption and Smart Manufacturing

FMM echoes the Prime Minister's call to move beyond traditional development models. This requires further targeted assistance to help SMEs meet the upfront costs of automation, digitalisation and artificial intelligence, supported by workforce training and technical guidance.

FMM reiterates its proposed RM1.5 billion Smart Manufacturing Support Package for 2027–2030, comprising RM500 million for automation, RM750 million for manufacturing digitalisation and RM250 million for AI adoption. Complemented by enhanced capital allowances, affordable financing and fully subsidised On-site Smart Factory Assessments, this package would help firms identify suitable technologies and implement them effectively.

Strengthen RDICE and Domestic Direct Investment

Industrial upgrading also requires stronger Research, Development, Innovation, Commercialisation and Economy (RDICE) linkages. SMEs need accessible R&D incentives and closer collaboration with universities and research institutions to translate research into improved processes, commercially viable products and Malaysian-owned technologies.

FMM reiterates its proposed RM1 billion National Manufacturing Research and Innovation Endowment Fund, with Government and industry contributions, to provide sustained financing for industry-led research and commercialisation. Support for applied research, prototyping, testing and pilot production would help SMEs bridge the gap between a promising idea and a marketable product.

Leaving more capital with industry would also strengthen domestic direct investment (DDI). Reinvestment by existing Malaysian manufacturers deserves sustained policy attention alongside the attraction of new investment. Enabling local companies to

modernise and expand will build domestic capabilities and strengthen Malaysia's ability to capture value from investment flows.

Deepen Industrial Linkages and Supply Chain Resilience

SMEs are essential suppliers to large Malaysian companies and multinational corporations. Helping them meet technical specifications, quality standards, certification requirements and delivery commitments will deepen industrial linkages and create more opportunities for Malaysian firms in regional and global supply chains.

Geopolitical tensions and trade disruptions make these linkages increasingly important. FMM calls for stronger vendor development, local sourcing and partnerships between anchor companies and domestic suppliers, supported by its proposed RM100 million National Supply Chain Resilience Fund. Developing alternative sources of critical inputs and stronger local production capabilities would reduce vulnerabilities while generating new domestic investment opportunities.

FMM would continue to engage with the Government and MITI to build on Budget 2027's initiatives. The Prime Minister's vision requires a policy framework that enables SMEs to retain capital, invest, innovate and grow into strong Malaysian companies with wider market reach and a greater contribution to the national economy.



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FMM Advocates Transparency, Integrity, Accountability and No Corruption

About FMM

The Federation of Malaysian Manufacturing (FMM) (formerly known as Federation of Malaysian Manufacturers) has been the voice of the Malaysian manufacturing sector since 1968, advocating policies and initiatives that drive industrial growth, competitiveness and workforce development. Representing over 13,540 member companies (4,270 direct and 9,270 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-added services including training, business networking and trade opportunities as well as regular information updates.

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