

Accelerating SME Digitalisation in Malaysia

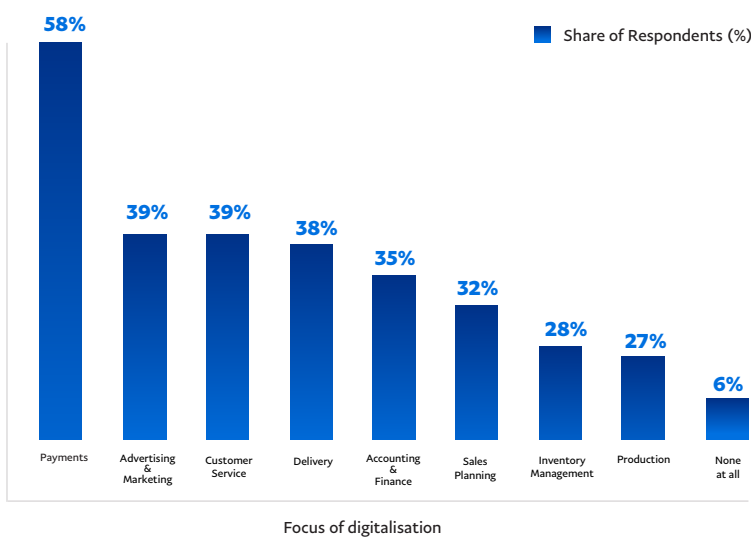


Malaysian small and medium-sized enterprises (SMEs) are the backbone of the Malaysian economy, constituting 97.2% of all business establishments in the country and employing nearly half of all workers in Malaysia in 2020. However, during the COVID-19 pandemic, the rapid shift of economic activities to digital channels and e-commerce was a major challenge for many SMEs. This, coupled with the consequent lockdowns across Malaysia, led the Government to place digital transformation at the forefront of policy efforts to sustain and develop the SME sector, not least because Malaysian businesses also have been lagging behind their international counterparts in digital adoption.

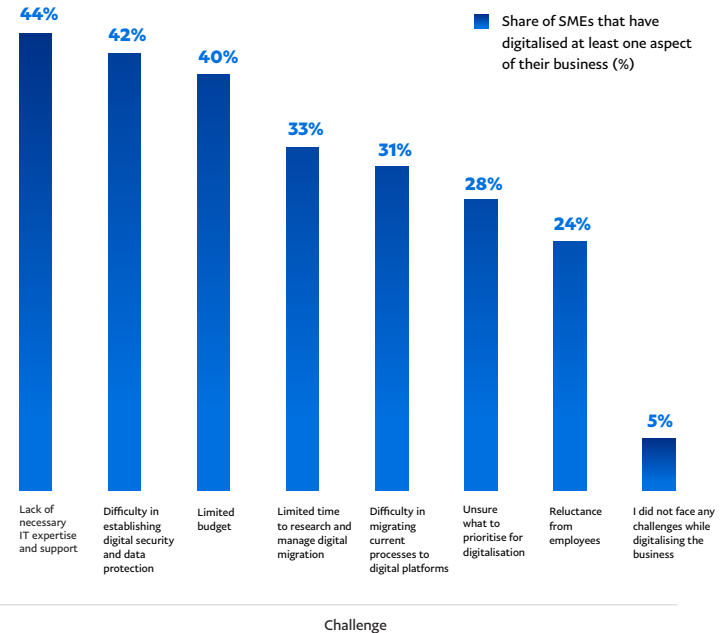
PayPal has conducted this study, including a survey of 1,000 SME owners across Malaysia, to examine the digital readiness of SMEs, to analyse and understand the progress that has been made in the digitalisation of these enterprises, the impact that digitalisation has had on their ability to sell cross-border, and to identify solutions to address challenges as well as to capture new opportunities.

Snapshot of SME Digitalisation

Areas of respondents' business that have been digitalised. (More than one option is allowed).

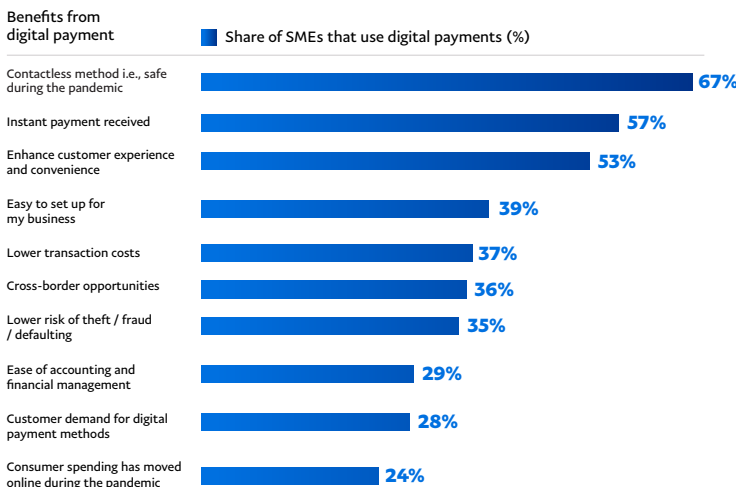


Challenges faced by Malaysian SMEs in their digital transformation journeys. (More than one option is allowed).

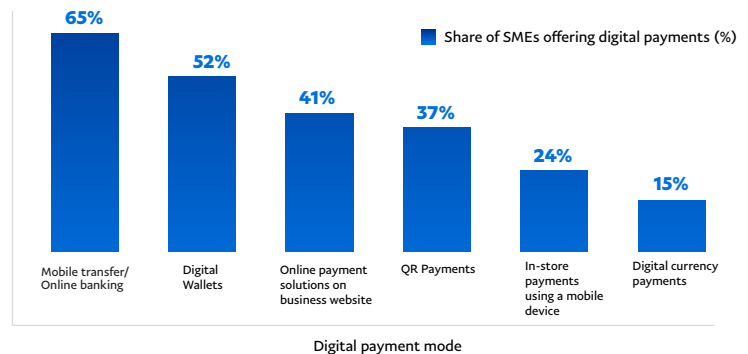


Snapshot of SME Adoption of Digital Payments

Reasons for choosing digital payments for business



Digital Payment Modes by Popularity of Use amongst SMEs



Five key recommendations

1: Enable digital payments as a stepping stone towards comprehensive digitalisation

- Digital payments can play an important role in digital transformation and can serve as a gateway to comprehensive digitalisation. Integration into a digital payment network or a payment platform enables SMEs to get comfortable with digital tools and gives them confidence in the benefits that digitalisation can bring to their businesses. Payment service providers can help by working proactively with the government to increase adoption and reducing barriers of access to their platforms.
 - Bespoke advice suited to individual business needs would help bolster development and implementation of their digitalisation efforts in a strategic manner. Government agencies such as MDEC, the private sector, institutes of higher learning, as well as chambers of commerce can provide diagnostics exercises to determine SMEs' current needs and available resources as well as the digital tools to help them achieve short-term and long-term goals.
 - Technology solution providers can help resolve challenges for non-English speakers seeking to digitalise by ensuring access to customer service, user manuals in local languages, and implementing language localisation for their websites and other interfaces.
 - Government agencies such as MDEC and SME Corp can work with financial institutions to utilise payments and transaction data to provide credit and working capital support for SME digitalisation initiatives, even in the absence of traditional forms of collateral.
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2: Enhance public-private collaboration to support the implementation of SME digital strategies

- The government can create a programme that enables businesses to self-assess their digital needs and readiness from anywhere and at any time, to access proven and cost-effective technology solutions, and expert consultants.
- The public and private sectors, together with educational institutions could collaborate on guidebooks and other resources on digitalisation for SMEs.
- The private sector, institutes of higher learning, as well as industry bodies and groups could work with government agencies such as MDEC to provide targeted technical and business support to SMEs through mentorship programmes, workshops, and on-site or virtual digital clinics.
- The public and private sectors could collaborate to build a repository of proven software solutions that have benefited SMEs in Malaysia with specific issues. They could also share their expertise in business continuity, training, and change management to help smooth out the digitalisation process.





3: Empower women entrepreneurs in the digitalisation of SMEs

- Feature more success stories of businesswomen in the media to provide motivation and allay the fears of other aspiring women entrepreneurs.
- The chambers of commerce in Malaysia could support aspiring women entrepreneurs and serve as a platform for networking and connection.
- Larger private sector firms, including technology solution providers, can partner with government agencies to provide dedicated training and workshops to help women attain additional digital and business management skills.
- The government could provide a community platform where women can seek ad-hoc advice and guidance from their peers.
- The government can work closely with payment service providers as well as digital credit platforms and accounting or financial software providers to develop channels for SME credit directed towards women.

4: Provide training and workshops on cybersecurity

- The government can work with various private sector and public interest stakeholders to ensure that cybersecurity is a key component of any mentorship initiative targeted at SMEs, given their vulnerability to cyber attacks due to limited resources.
- Provide SMEs with a directory of trusted vendors and service providers with reliable cybersecurity credentials.
- Institute clear guidelines for SMEs in the event of a cyber breach to strengthen resiliency of small businesses.



Citation: kkmm.gov

5: Enhance awareness and reach of government initiatives that support digitalisation

- Gather feedback from SMEs that have participated in government initiatives to understand and address the sub-optimal levels of awareness and adoption of these government programmes.
- Organisations like SMECorp and MDEC can work together to create an online grants and programmes finder. By grouping support initiatives by factors such as industry, support type, objectives, business stage and others, the tool makes it easy for small businesses to seek targeted support.
- Government agencies could connect with grant-eligible businesses by working with technology solution providers and vendors used by SMEs in their digitalisation journey, ensuring they receive the right financial support and other assistance for digital transformation.
- The government could consider providing financial assistance to newly digitalised SMEs such as subsidies, rebates or discounts from service providers to help ease digitalisation setup costs and transaction fees for a fixed time frame at the start of their digital journeys.
- Payment providers could help resolve technical difficulties and integration issues by providing step-by-step instructional guidelines which include information about customer service contacts to help with integration of payments systems into their existing websites or online platforms. Government agencies and small business advocacy organisations could help by making these readily available to SMEs.

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