



Message from YAB Prime Minister

One of the new Government's pledged is to spur sustainable and equitable economic growth towards a better shared prosperity and to achieve this, we believe we need to develop and empower the SMEs. Comprising 98.5% of the total business community, this segment is definitely an important growth engine for Malaysia. Advanced economies like Japan, Korea and Taiwan have SMEs contributing more than half of their GDP. They assume a critical role in supporting the local big corporations.

In Malaysia, SMEs contribute more than one-third of our economy. In 2017, SMEs contributed RM435.1 billion to the economy with a higher GDP growth of 7.2% against 5.2% in 2016. As a result, GDP contribution of SMEs increased further to 37.1% from 36.6% in the previous year. SME employment also grew at 3.4% during the year, resulting in SME contribution to overall employment at 66.0% an increase from 65.3% in 2016. Despite recording an increase in the export value from RM155.1 billion in 2016 to RM167.4 billion in 2017, SME contribution to the total exports was lower at 17.3% (2016: 18.6%) due to higher export growth by large firms.

In 2017, a total of RM10.5 billion was spent to implement 168 SME development programmes which have benefited around 600,000 SMEs across all sectors. However, for our SMEs to be at par with those in the advanced economies much more needs to be done. For a start, the new Government has re-established the Ministry of Entrepreneur Development to help spur the growth of SMEs.

The Government is keen to increase the competitiveness of SMEs so that they can actively participate in the global value chain as well as the Industrial Revolution (IR) 4.0 and digitalisation. Today, digitalisation is re-shaping businesses by undermining conventional business operation. If you look at Alibaba which I visited recently, the giant online retail platform holds no inventory. Similarly, the world's largest ride hailing service, Uber, does not own a single vehicle. SMEs need to look at these new business models and re-position themselves to seize opportunities from the digital economy.

Moving forward, SMEs also need to accelerate adoption of e-commerce as the potential market size is huge. In 2021, e-commerce revenues worldwide are projected to reach USD4.9 trillion. Currently, Malaysian SMEs are still at the nascent stage of e-commerce and the Government is committed to provide the necessary support and the goal is to enable SMEs to expand their coverage, from targeting to serve the 16 million domestic digital customers, to reach out to the one billion digital customers worldwide.

Digitalisation will be the driver of future competitiveness and innovation. Hence, SMEs need to quickly adapt to the shifts in industry and the marketplace to continue remain relevant. Considering the profound impact of digitalisation on SMEs, the theme of the SME Annual Report this year which is **'A Connected World: Digitalising SMEs'**, could not be more apt.



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21 September 2018

