



MEDIA RELEASE

“SME Growth to be Enhanced through Linkages with Large Firms in Targeted Industries”

Kuala Lumpur, 29 January 2019 – Almost half of the total output produced by SMEs flows back into the economy as intermediate inputs, thus indicating that SMEs are more domestically integrated compared to large firms. These were among the findings unveiled during the launch of the SME Input-Output Table publications by YB Datuk Wira Dr. Mohd Hatta Ramli, Deputy Minister of Entrepreneur Development today. The publications, comprising the main Table and its Analysis and Impact Report were prepared in collaboration with a team of researchers from the Institute of Agricultural and Food Policy Studies, Universiti Putra Malaysia and fully supported by Department of Statistics Malaysia (DOSM).

Looking closely at economic sectors which have the potential to drive the economy, the top domestic-linked SME industries that have the highest value-added creation and strongest inter-linkages with their domestic input suppliers include rubber plantation, livestock, grain mills manufacturing, oils & fats manufacturing, private education, private health, restaurants, water transport, other private services, as well as amusement and recreational services.

These industries have high spillover effect and are capable to positively affect other related industries across the supply chain. Therefore, the finding suggests that higher investments, exports and demands made to these industries will likely benefit the local economy as a whole.

As part of its aim to increase the contribution of SMEs to reach 41% of the national GDP as envisioned under the National Entrepreneurship Framework, the Ministry of Entrepreneur Development (MED) is in the midst of devising new strategies and policy interventions to drive SME growth particularly in key industries with high multiplier and linkages. Efforts will also need to be intensified to further enhance and strengthen the business linkages particularly between SMEs and large firms.

According to the Study, there is currently a weak linkage between SMEs and large firms. For instance, in acquiring inputs, SMEs are dependent on large firms but large firms do not rely heavily on SMEs, thus suggesting weak linkages. To push SMEs to the next frontier, new initiatives and strategic collaboration are needed to undertake

business matching and networking between SMEs and large firms in the future. Besides that, mandating Government-linked companies (GLCs), multinational corporations (MNCs) and public-listed companies (PLCs) to procure products and services from Malaysian SMEs is also necessary to jump-start SME contribution to the country.

The SME Input-Output Table publications were produced by utilising the Malaysia Input-Output Tables from DOSM as the main framework, whereby an extension of Input-Output table was further developed and broken down based on the firm's size i.e. microenterprises, small, medium and large firms; thus making SME Corp. Malaysia a pioneer in such project. The firm size is based on the current SME definition which took effect since January 2014. The SME Input-Output Table publications serve as a good reference point for policy makers, academia and researchers. As the data is presented at aggregated level by size and by sector, researchers, analysts and policy makers could potentially unearth new possibilities to promote SME growth.

Among the guests who attended the launch of the SME Input-Output Table publications were Puan Wan Suraya Wan Mohd. Radzi, Secretary General, Ministry of Entrepreneur Development; Dato' Sri Syed Hussein Al Habshee, Chairman of SME Corp. Malaysia; Dato' Sri Dr. Mohd Uzir Mahidin, Chief Statistician, Department of Statistics Malaysia; En. Noor Azmi Mat Said, Chief Executive Officer of SME Corp. Malaysia and Prof. Madya Dr. Mohd Yusof Saari from the Institute of Agricultural and Food Policy Studies, Universiti Putra Malaysia (UPM).

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Top 20 SME Industries with Highest Value-added Multiplier and Strongest Backward Linkages in the Economy

No.	Industry	Economic Sector	Value-added Multiplier	Backward Linkages
1	Rubber plantation (estate and smallholders)	Agriculture, Fishing & Forestry	0.896	1.065
2	Private Services (includes business services activities i.e. laundry & dry-cleaning, hairdressing & beauty treatment, pet care services, etc.)	Services	0.891	1.070
3	Private Education	Services	0.890	1.218
4	Grain Mills	Manufacturing	0.822	1.128
5	Oils and Fats (includes mfg. of crude palm oil, refined palm oil, palm kernel oil, coconut oil, vegetable oil, animal oil, compound cooking fats)	Manufacturing	0.805	1.245
6	Tobacco Products	Manufacturing	0.790	1.117
7	Restaurants	Services	0.782	1.324
8	Other Livestock (includes raising, breeding and production of cattle, buffalos, camels, horses, etc.)	Agriculture, Fishing & Forestry	0.745	1.296
9	Water Transport (includes operation of excursion, cruise, ferries, water taxis, rental activities, etc.)	Services	0.736	1.293
10	Amusement and Recreational Services	Services	0.735	1.349
11	Private Health	Services	0.708	1.211
12	Residential	Construction	0.704	1.202
13	Non Residential	Construction	0.685	1.430
14	Bakery Products	Manufacturing	0.669	1.405
15	Civil Engineering	Construction	0.646	1.288
16	Poultry Farming (raising, breeding and production of chicken, broiler, ducks, geese, quails, including their eggs production)	Agriculture, Fishing & Forestry	0.637	1.381
17	Paper & Paper Products and Furniture	Manufacturing	0.624	1.099
18	Leather	Manufacturing	0.545	1.187
19	Building & Repairing of Ships & Boats; Manufacture of Bicycles & Invalid Carriages	Manufacturing	0.529	1.467
20	Motorcycles	Manufacturing	0.495	1.124

Source: SME Input-Output Table, SME Corp. Malaysia 2019

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