

MESSAGE

from YAB Prime Minister

The Government continues to stand committed towards the development of competitive and resilient small and medium enterprises (SMEs) as a key national economic strategy. Based on the Economic Census 2016, SMEs currently make up 98.5% or 907,065 business establishments in Malaysia. In 2016, SMEs contributed 36.6% to the national Gross Domestic Product (GDP) and 18.6% to the country's exports while providing 65.3% of total employment. By 2020, Malaysia aims to raise SME contribution to GDP to 41% and its share of the country's exports to 23%. Hence, it is important for SMEs to increase their efforts to remain as the main driver of Malaysia's economic growth.



Against a backdrop of external and domestic challenges, SMEs continued to outperform the overall economy, with SME GDP growth of 5.2% in 2016 supported by strong domestic demand, led by both consumption and investment as well as tourism activities. In 2017, SMEs are expected to register a higher growth than the earlier growth projection of between 5.5 - 6.0%, given the strong growth performance of the Malaysian economy in the first half of 2017 at 5.7%, whereby the overall GDP is expected to expand by more than 4.8% in 2017. The higher expected growth will be underpinned by domestic demand and stronger-than-expected improvement in global growth. Notwithstanding such positive developments, SMEs will continue to be assisted by the Government to face challenges, particularly in accessing finance, increasing productivity and enhancing the drive towards digital economy.

The global economic landscape is changing at an unprecedented rate. We are in the midst of a technological revolution that will shape future economies, business models and processes and ultimately impact the work style and lifestyle. The 4th Industrial Revolution or IR 4.0 brings technologies that will change the world of business as we know it today. IR 4.0 is a revolutionary concept that focuses on automation and digitalisation to shift into smart manufacturing through the adoption of integrated technologies that communicate and interact with each other. SMEs are at the very centre of this technological revolution and thus, it is imperative that they future-proof their business if they are to continue to stay relevant.

The opportunities brought about by digitalisation and new technologies cannot be underestimated. It is crucial for SMEs to be aligned with the Megatrends and IR 4.0 if they are to shape a successful future, hence, the theme for this year's SME Annual Report. Even as new challenges loom over the business horizon, these forces can also open new frontiers of opportunities for SMEs if they shift their business models towards the global trends. Quantum leaps being made in various fields of technology and innovation are the game-changer for business and the nation as a whole.



Realising technological competence as the way forward, the Government has increasingly been placing emphasis on innovation and technology adoption by SMEs. In 2016, for example, the Government continued to focus on High Impact Programmes (HIPs) of the SME Masterplan (2012 - 2020), such as the HIP 2: Technology Commercialisation Platform under which 125 projects were approved for integrated assistance and 22 innovations commercialised. Under HIP 6: Inclusive Innovation, 15 innovations are ready for diffusion and will benefit 620 people in 12 communities.

Over the years, the Government has been unwavering in its commitment to develop SMEs. In 2016, a total fund amounting to RM5.77 billion was provided to implement 133 programmes to assist 515,429 SME beneficiaries. For 2017, 148 programmes to assist 66,410 SME beneficiaries are being implemented through an allocation of RM2.50 billion. As access to finance is a perennial challenge for SMEs, a radical step was taken by Bursa Malaysia to launch, in July 2017, the Leading Entrepreneur Accelerator Platform (LEAP) Market, a private market governed by light-touch regulations for SMEs. With the LEAP Market, SMEs with strong growth potential now have another avenue to raise capital.

Another major reform aimed at making Malaysia a business-friendly nation was the enactment of the Companies Act 2016, as the Government aims to reduce regulatory burden to the minimal. The Act adopts the tenets of simplification, comprehensiveness and flexibility to create an integrated corporate legal framework that makes it easier to set up and operate business in the country while at the same time puts Malaysia in line with international standards of doing business. Also, as all of us are aware, the Government has launched the Malaysia Productivity Blueprint in May this year focusing at raising productivity at the national, sectoral and enterprise levels, including SMEs.

Time and again, Malaysian SMEs have demonstrated their resilience in the face of economic uncertainty and volatility. Going forward, the Government is fully committed to upscale the nations' productivity and equip SMEs towards aligning with the Megatrends and IR 4.0. The introduction of the Malaysia Productivity Blueprint, together with the introduction of the Digital Free Trade Zone (DFTZ) and other new initiatives by Ministries and agencies spearheaded and coordinated by SME Corp. Malaysia will ensure a smooth transition for SMEs towards higher productivity and increasing contribution in the digital economy.

Considering that business leaders have to navigate an increasingly complex and unpredictable globalised and highly connected environment, it is imperative that SMEs as the backbone of our economy, to be strategically agile to adapt and find new ways to grow. IR 4.0 must be on the agenda for SMEs if they are to grasp the greatest opportunities that comes with it. I am confident that SMEs have the ability to meet the new wave of technological change sweeping across the globe, to gear up to accommodate the opportunities, threats, risks and obstacles and to ultimately emerge stronger than before.



DATO' SRI MOHD NAJIB

Chairman of National SME Development Council
September 2017

