

SME TECHNOLOGY DILEMMA

DRIVING ICT IN THE KNOWLEDGE ECONOMY
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SME

SME AND MALAYSIAN ECONOMY

Small and Medium Enterprises (SMEs) are often the main driver for a country's economic growth, and in Malaysia, SMEs are a large and important component in Malaysia's economy. According to the Department of Statistics, SMEs contributed 35.9% to Malaysia's Gross Domestic Product (GDP) in 2014.

SME Corp Malaysia projected that by the year 2020, SMEs could be on track to contribute 42% to national GDP, 62% employment and 25% of Malaysia's exports. The figures underline the significance of SMEs to the country's manufacturing sector and to the future of Malaysia's digital economy.

Local small and medium enterprises (SMEs) need to really adopt information and communications technology (ICT) in order to stay competitive. The Adoption of ICT by SMEs in developed countries is easily around 50 per cent, whereas in Malaysia it is reportedly at just around 10 per cent. There are more than 600,000 SMEs in Malaysia but the percentage of SMEs owners who believe in ICT is relatively small.

MALAYSIA'S SMEs CHALLENGES

SME faces various challenges including challenges in retaining their competitive edge, limited access to finance, lack of conducive business environment and inadequate capacity to comply with standards and certification. SME's are still hesitant to engage in e-commerce practices due to underdeveloped legal policy for electronic payments and security issues. All efforts must therefore be made to protect this sector from cyber attacks.

WHY ADOPT TO TECHNOLOGY?

GOING DIGITAL : THE PROMISE AND PERIL

The signing of TPP agreement is aimed at promoting economic integration to liberalize trade and investment as well as spur economic growth and social benefits. More than 90 % of the economic gains will attribute to lower non tariffs measures. And it is expected to create new opportunities for workers and businesses, which will contribute to raising living standards of 800 million people, benefit consumers, reduce poverty and promote sustainable growth. The Small and Medium Enterprises (SMEs) of the 12-member grouping of the Trans Pacific Partnership can look forward to the support of all the governments to break entry into global value chains. This calls for urgent actions to be taken to address the technology dilemma amongst the Malaysian SMEs. SMEs form the backbone of the economic growth and provides 50% of job opportunities. SMEs must keep up with the changes in the business landscape, lifestyle patterns and the Gen Y purchase habits so as to remain in business. Capacity-building in terms of exports, co-operation, information-sharing will be addressed, while dedicated website will also be set up to help SMEs adjust to trading bloc (without borders). The Government is providing various capacity-building programmes to prepare the players to improve standards to enter the global market.

The Eleventh Malaysia Plan, 2016-2020 emphasizes on driving ICT in the knowledge economy through innovation and productivity to enhance competitiveness and focuses on the development of digital content under content and media subsector and software solutions and services. These are potential areas for wealth creation and participation of local companies. The growth of the ICT industry will, in turn, drive the demand for robust digital infrastructure, fundamental to Malaysia's competitiveness, while accessibility and affordability are equally critical in uplifting the economy and narrowing the socio-economic gap through digital opportunities. It is important to equip the workforce with specialized skills to facilitate growth in the various sectors, including R&D of ICT products and services. This will ensure the nation not only benefits from but also contributes to global ICT advancements. The Government's new framework acts as a facilitator and catalyst for SMEs through its supportive policies including improvement in government delivery, higher domestic demand and tourism, focus on farmers and small contracts factors. The framework goals are to increase business information, expand the number of high growth and innovative firms, to raise productivity and to intensify formalization.



SMES DILEMMA

ADOPTING TECHNOLOGY

It is the perennial Malaysia problem on how to get SMEs which makes up more than 90% of the businesses registered in Malaysia, but contributing only 33% to the nation's GDP and to adopt technology to boost their efficiency, productivity and competitiveness. It seems a hard sell within the SMEs, because even if they see the potential returns technology can offer, many SMEs lack the resources, both financially and skilled human resources in order to adopt technology.

Poor communications infrastructure results in limited access and higher costs. Most advanced ICT products are designed for larger firms and not for SMEs. Adopting ICT is an adaptive challenge, not a technical challenge. Limited ICT literacy of SME owners hinders their ability to choose the appropriate technology and understand the concrete benefits it can bring to their business, while limited ICT literacy of employees in SMEs hinders ICT adoption.

Lacking of financing options limits SMEs ability to purchase ICT. Plus the lack of financial and legal infrastructure is also a critical contributing factor why SMEs do not engage in ICT practice as widely as the larger companies.

Cybersecurity is a great concern and in the SME category, Malaysia ranked fifth among nations most worried about cyber attacks. A Zurich's survey reveals that SMEs greatest fear is loss of customer data and damage to their reputation.