

Facilitating E-commerce in Malaysia: Understanding Barriers confronting SMEs in selected services.

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Abstract:

In 2018, it was estimated that 98.5 percent of the business establishments in Malaysia are micro, small and medium enterprises (SMEs). Given the domestic orientation of the SMEs, the government has initiated numerous initiatives to facilitate SMEs to penetrate the export market. For example, the SME Masterplan (2012-2020) that was launched in 2012, targeted to increase the share of exports of SMEs to 23.0 percent by 2020. E-commerce is promoted by the government as a platform to facilitate exports since it can reduce the fixed costs incurred for exporting by removing the need to establish a physical presence in export destinations. The presentation will be based on a survey conducted by the authors on identifying the key barriers faced by SMEs in ecommerce adoption in retail and food services in the Klang Valley. The wholesale and retail trade, food and beverage (F&B) and accommodation sub-sector which accounted for 62.3 percent of SME value-added in the services sector, grew at the fastest pace of 7.5 percent in 2017. More importantly, growth was underpinned by retail trade and motor vehicle segments. Facilitating the SMEs in retail services to adopt e-commerce can expand their market opportunities as retail sales from e-commerce is estimated at about 2 percent, which is much lower to China's 10 percent, the US at 9.2 percent and South Korea at 16.3 percent. The findings of the survey provides recommendations for policy purposes in a sector which is increasingly important in Malaysia.