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Building a robust digital economy

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Govt recognises need for integrated policy for SMEs

TECHNOLOGY

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PETALING JAYA: The government together with the World Bank has recognised the need for an integrated policy and institutional support framework in digitalising small and medium enterprises (SMEs).

Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed said the government also acknowledges the need to reform the digitalisation agenda by further strengthening monitoring and evaluation to improve the government's support programmes and address talent shortages, among others.

"The integration of various policies and coordination among different ministries and agencies will be key in this agenda to further unlock the potential of the digital economy.

"The Economic Planning Unit and MyDIGITAL Corp will be supporting the National Digital Economy and 4IR Council (MDE4IR), chaired by the prime minister, to deliver our goals of successful digital technology adoption and a robust digital economy," he said.

He believes this will bring the country close to the target of being a high-income nation by 2025.

Mustapa was speaking at the launch of Digitalising SMEs To Boost Competitiveness report by the World Bank yesterday. The report analyses the opportunities and challenges for Malaysian SMEs to better leverage digital tools and platforms with aims to increase their productivity and competitiveness.

It is structured around three analytical pillars – digital business landscape diagnostic, institutional and policy mapping, and digital market regulations assessment. Its key find-

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ings include the need for a more integrated policy framework, although the government has been committed to SME digitalisation.

Mustapa said the report would aid the implementation of MyDIGITAL Blueprint and provide vital inputs toward the country's goal to transform micro, small and medium enterprises, as the government conducts the mid-term review of the 12th Malaysia Plan (12MP) that would begin in the next couple of weeks.

"Due to the centrality of SMEs in our economy, which comprise more than 97% of firms operating in Malaysia, it is clear that productivity gains will be quite sizeable if more firms embrace digitalisation.

"Under the 12MP, we are aiming to raise SME contribution to gross domestic product (GDP) from 38% to 45%," he added.

Meanwhile, Mustapa said that in 2020, the digital economy contributed 22.6% to Malaysia's GDP and the government is aiming for it to reach 25% by 2025.

On the regulatory front, Mustapa believes there is a need to strengthen safeguards for users with increased data protection, have more robust legislation on cybersecurity, have laws on competition that better reflect the dynamism of the digital economy and address the limitation of the current Open Data framework.

He said the government has started addressing some of the report's recommendations and more reforms are on the way such as robust protection of personal data.

This is to instill greater user confidence, with a view to further facilitating SME involvement in the digital economy, he said.

"We take note of the gaps identified by the World Bank such as the risk of overlaps across a number of government support programmes and the sparing use of monitoring and evaluation of the aforementioned programmes," he said.

World Bank country director for Brunei, Malaysia, the Philippines and Thailand, Ndiame Diop said while the Covid-19 pandemic has further accelerated the digital economy trend, the depth and breadth of SME digitalisation, has remained limited, suggesting a growing risk of a digital divide in the country.

"The key finding of the report suggests that while Malaysian SMEs are enthusiastic about digital technology, their capacity to make the most of these digital tools remains limited.

"The acceleration of uptake of digital technology that we have seen during the pandemic was mostly for customer-facing functions among SMEs such as sales and marketing," Diop said.