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PETALING JAYA: It is key for local small and medium enterprises (SMEs) to invest some capital to scale up to the Fourth Industrial Revolution (IR4.0) capabilities, or else they risk being phased out of existence eventually.

Moving into IR4.0 would entail an upfront capital cost, but then this would be balanced out by lower labour costs over the longer term, since these technologies would be more efficient compared with human labour.

According to Federation of Malaysian Manufacturers (FMM) president Tan Sri Soh Thian Lai, there is a growing number of SMEs abroad that have already adopted IR4.0 technologies in their operations and processes.

"The government assistance through tax incentives or grants are also key to help these SMEs compete, but some similar initiatives that are present are still encumbered by high

bureaucracy," he said during the Malaysia-Japan IR4.0 Summit 2023 yesterday.

"What we are requesting from the government is a matching grant for SMEs – RM1 from the government then the SMEs will spend RM1. We lack this. There was the Smart Automation Grant (SAG) then but from our analysis this is not enough," added Soh.

The SAG that was offered through the Malaysian Investment Development Authority had seen an overwhelming interest and had been put on hold since June 2021.

"Even then, these are hampered by a lot of bureaucratic processes to get an approval.

"So the government needs to simplify this. Since they are offering such grants and if SMEs are sincere in their application, then the government should make it easier," he noted.

Furthermore, the ease of doing business is

an area that FMM is concerned with at present, he said, adding that "this standing must improve moving forward, otherwise the country can lose its overall competitiveness."

Soh also acknowledged the government's tight fiscal position as it wanted to reduce deficits.

However, he hopes that the move for grants would be implemented as a top priority as soon as the situation improves.

Meanwhile, the weaker local currency could be a hindrance for companies to scale up with IR4.0 since capital costs on this front would be higher, he noted.

FMM said many global IR4.0 solutions and service providers have already set up their regional headquarters and technical support centres in Singapore, Thailand, Vietnam and Indonesia.