

## **Creating an environment to drive Malaysia's business forward**

THE rise in Covid-19 cases of the Omicron variant once again threatens the global economy.

According to the World Bank, growth prospects for 2022 in the emerging and developing economy is said to remain below pre-pandemic levels.

Apart from the resurgence of the evolving pandemic, the increase in food and oil prices, and the financial pressure in relation to higher debt commitment, as well as the fluctuation of commodity prices are expected to disrupt the ongoing process of economic recovery.

It is forecasted that the global growth will contract from 5.5 per cent last year to 4.1 per cent this year, and further decelerate to 3.2 per cent next year.

Despite the challenging economic environment, the Malaysian economy is projected to grow between 4.5 to 5.5 per cent on average for the next five years.

The recent 12th Malaysia Plan (2021-2025) predicated the recovery process on the resetting of both High Impact Industries as well as the micro, small and medium Enterprises (MSME), as the new catalysts for a prosperous and resilient economy.

The recalibration of government resources towards the development and sustainability of the MSME is necessary to assist local enterprises to regain from severe financial losses estimated at RM40.7 billion in 2020.

Secondly, MSME represents an important pillar of the economy due to its substantial contribution to income generation and employment.

Based on the statistics released by the **Department of Statistics Malaysia**, the MSME contributed about RM512.8 billion to the country's gross domestic product (GDP), with a net export value of RM117.8 billion, in 2020.

The economic activity for this sector involves 7.3 million employees, which accounts for about 48 per cent of the nation's total workforce.

Realising the potential of this sector, the government, through various ministries and agencies, has continued to implement direct and indirect policy responses to revitalise the domestic entrepreneurial ecosystem.

This includes the enhanced RM4.5 billion relief fund administered by Bank Negara Malaysia, which in addition to the existing financial allocations, raises the total available funds to RM11.2 billion.

The government has also introduced the Disaster Relief Facility (DRF) 2022 for affected MSME to rebuild operational capacity that has been damaged due to the recent floods.

Similarly, many countries around the world have called for immediate action through a wide range of policy measures for enterprises to stay afloat, and to avoid further business closures and job losses.

Besides financial assistance in the form of grants, loan guarantees, moratorium and tax cuts, governments have been pushing MSME to adopt digital technology to transform from the existing conventional business model, to a sustainable digital model.

The key to the successful implementation of these measures is highly dependent on the effectiveness of public delivery processes, as well as the enterprises' preparedness in embracing technological advances and new business practices to remain competitive.

The Organisation for Economic Cooperation and Development (OECD) Small- and Medium-sized Enterprises (SME) and Entrepreneurship Outlook 2021, for instance, suggests that the accessibility to government recovery funds varied between countries.

Japan, United Kingdom, New Zealand, Poland and Italy recorded higher funds accessibility that covered between 50 and 62 per cent of the SME, while the United States, Mexico, Turkey and Australia were reported to have lower accessibility rates ranging between 7.0 and 38 per cent of the SME.

In view of this, it is a mounting task ahead to ensure that the huge financial allocation, as well as non-financial initiatives, are tapped by as many MSME as possible in Malaysia.

The respective ministries and government agencies continue to play a critical role in providing seamless support to the impacted enterprises and paving the way for an economic rebound.

With substantial assistance, as well as a supportive economic environment, the MSME are targeted to increase their contribution towards the GDP and total export to 45 and 25 per cent, respectively, in 2025.

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