
PRESS RELEASE

FOR IMMEDIATE RELEASE

Tuesday, September 20, 2022

Payments Remains a Key Driver for Digitalization of Small and Medium Enterprises While Facing Steep Challenges Ahead

Malaysia-specific research findings reveal the implications of the COVID-19 pandemic on SME preparedness for digitalization

KUALA LUMPUR, 20 SEP 2022 – The American Malaysian Chamber of Commerce (AMCHAM Malaysia) hosted the launch of PayPal’s latest report on [Accelerating SME Digitalization in Malaysia](#). The in-person event was attended by senior government and industry representatives featuring a panel discussion with Siobhan Das, CEO of AmCham Malaysia; Fabian Bigar, CEO of MyDIGITAL; Gopi Ganesalingam, Senior Vice President of Malaysia Digital Economy Corporation; Steven Chan, International Head of Government Relations at PayPal; and Raesa Sya, Founder and CEO of Orkid Cosmetics.

Small and medium-sized enterprises (SMEs) are the backbone of Malaysia’s economy, constituting around 97% of all business establishments in the country and employing nearly half of all workers in Malaysia in 2020. However, the COVID-19 pandemic, lockdowns and rapid shift to digital channels and e-commerce presented major challenges for many SMEs. The Malaysian Government placed digital transformation at the forefront of policy efforts to develop and sustain the SME sector, not least because Malaysian businesses also have been lagging their international counterparts in digital adoption.

PayPal has conducted a survey of 1,000 SME owners across Malaysia, to examine the digital readiness of Malaysian SMEs, analyse the progress of their digitalization efforts, assess the impact that digitalization has had on their ability to sell cross-border, and identify solutions to address challenges as well as to capture new opportunities. The report found:

- 57% of SMEs stated state that COVID-19 lockdowns influenced their decision to digitalize their business.
- 44% of SMEs faced challenges in IT expertise and support as the most common hurdle to digitalization.
- Over 70% of SMEs noted impacts on the bottom-line as benefits for digitalization.
- For those SMEs who have not yet gone online, 43% did not see a business need to digitalize.

Digital payments became the key driver for digitalization during the pandemic. While the report found majority of Malaysian SMEs are domestically focused, increasing

number of SMEs are pivoting to cross-border trade and internationalization for new customers, expansion, and growth.

- 67% of SMEs accelerated digital payments for health and safety concerns, 57% for instantaneous receipt of payments and 53% to enhance customer experience.
- 58% of SMEs had digitalized their ability to make and receive payments, followed by advertising/marketing and customer service.
- 92% of SMEs accept some form of digital payments from their customers.
- Over 40% of SMEs sell to international customers; Asia Pacific region has the highest share of cross-border sales for SMEs at 48%, followed by 42% global and 39% across Southeast Asia.
- For SMEs who conduct cross-border business, nearly 70% agreed having digital payment options enhanced trust and credibility of their brand and attracts international customers.

Notwithstanding, SMEs continue to face steep challenges towards comprehensive digitalization, including shortages talents and skills, resource constraints and gender disparity. It is estimated that only 25%¹ of Malaysian businesses and 20%² SMEs are women owners, even though women had surpassed men in educational attainment in recent years. The report reinforces the need to enable digital payments to accelerate SME digitalization and highlights the importance of enhanced coordination among different government agencies to streamline the understanding and communications of various SME support measures. It also calls for greater dedicated resources and support to empower women entrepreneurs.

Elaborating on why digitalization is important to build sustainability in the SME ecosystem, Siobhan Das, CEO of AMCHAM Malaysia, said, *“SMEs are an integral part of the ecosystem. They not only stand on their own providing products and services to the local economy, but are also a critical part of the global supply chain. MNCs rely on the resilience and growth of SMEs to ensure continuity and stability in their ability to deliver value to global clients. This requires predictability and standardization to ensure compliance. This can only be achieved if they adopt digital technologies.”*

Steven Chan, International Head of Government Relations, PayPal, added, *“Digitalization not only improves efficiency and competitiveness, but also helps SMEs make better decisions based on digital solutions to grow their business, network, and profit margins. It is an on-going process that involves different technologies to serve*

¹ <https://data.worldbank.org/indicator/IC.FRM.FEMO.ZS?locations=MY-SG-TH-VN-PH>

²

<https://www.smecorp.gov.my/index.php/en/resources/2015-12-21-10-55-22/news/3554-govt-spent-rm2-3-bil-on-women-entrepreneurs-in-2018#:~:text=She%20noted%20that%20in%20Malaysia.services%20sector%2C%E2%80%9D%20>



unique purposes and requires continuous optimisation. SME digitalization is key to long-term resiliency of Malaysia's growing digital economy and it requires a concerted effort and enhanced public-private partnerships between universities, non-profits, businesses, and policymakers."

To learn more, visit [here](#).

- END -

For press inquiries please contact:

Yvonne Miranda

Senior Manager - Partnerships & Engagement

T: +603 2727 0070 | E: yvonne@amcham.com.my

ABOUT AMCHAM MALAYSIA

The American Malaysian Chamber of Commerce (AMCHAM) was founded in 1978 as an international, non-profit, private-sector business association. It comprises more than 1200 members representing about 280 American, Malaysian and other international companies with strong ties to American business. The Chamber is a member of the AmChams of Asia Pacific.

Find us on:

amcham.com.my

facebook.com/AmChamMalaysia

twitter.com/AmChamMalaysia

linkedin.com/in/amchammalaysia

AMERICAN MALAYSIAN CHAMBER OF COMMERCE (Company No. 37216-W)

Level 10, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur

Tel: (60-3) 2727 0070 Fax: (60-3) 2727 0075 e-mail: info@amcham.com.my Web: www.amcham.com.my