

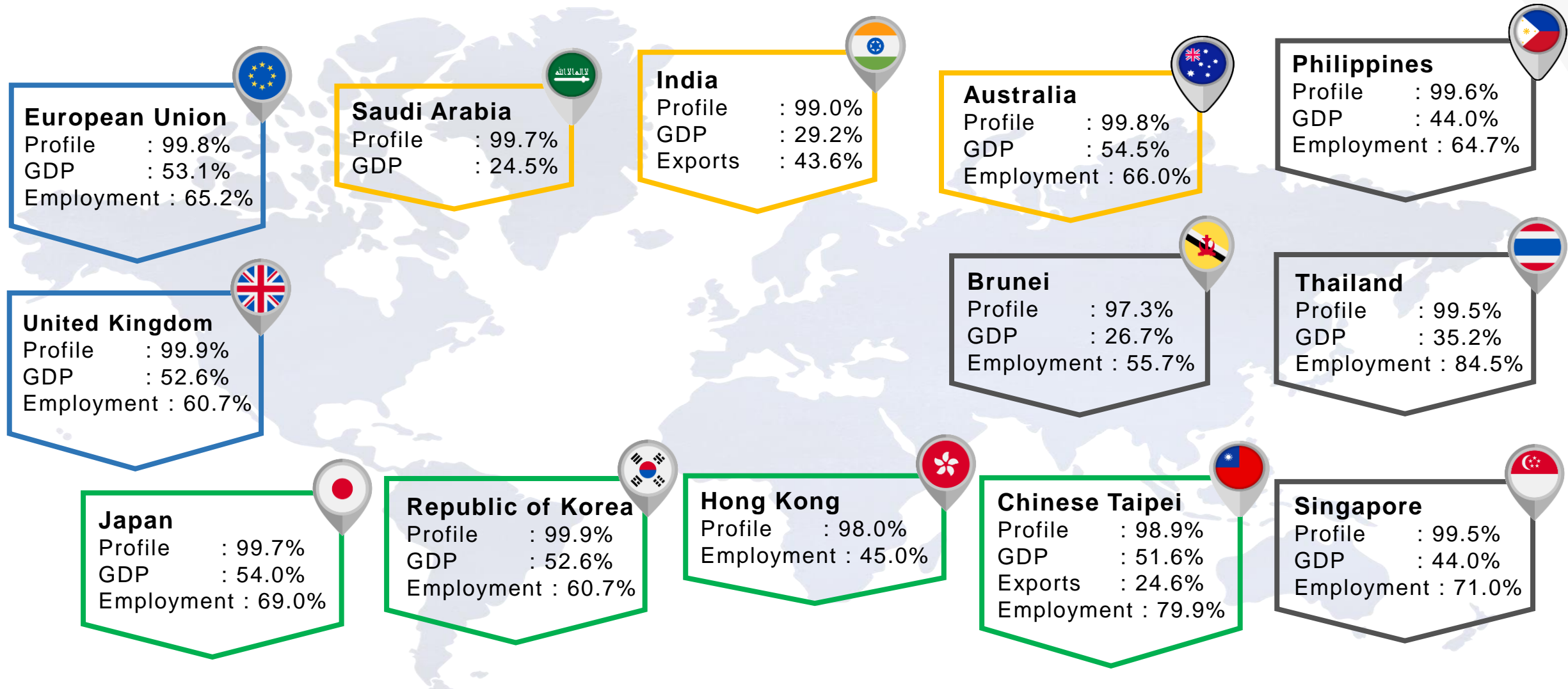


# **MSME Participation in Global Value Chain - Challenges & Programmes**

## *The Case for Malaysia*

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**SME Corporation Malaysia**

# MSMEs represent majority of businesses worldwide, contributing significantly to the economic well being of a nation



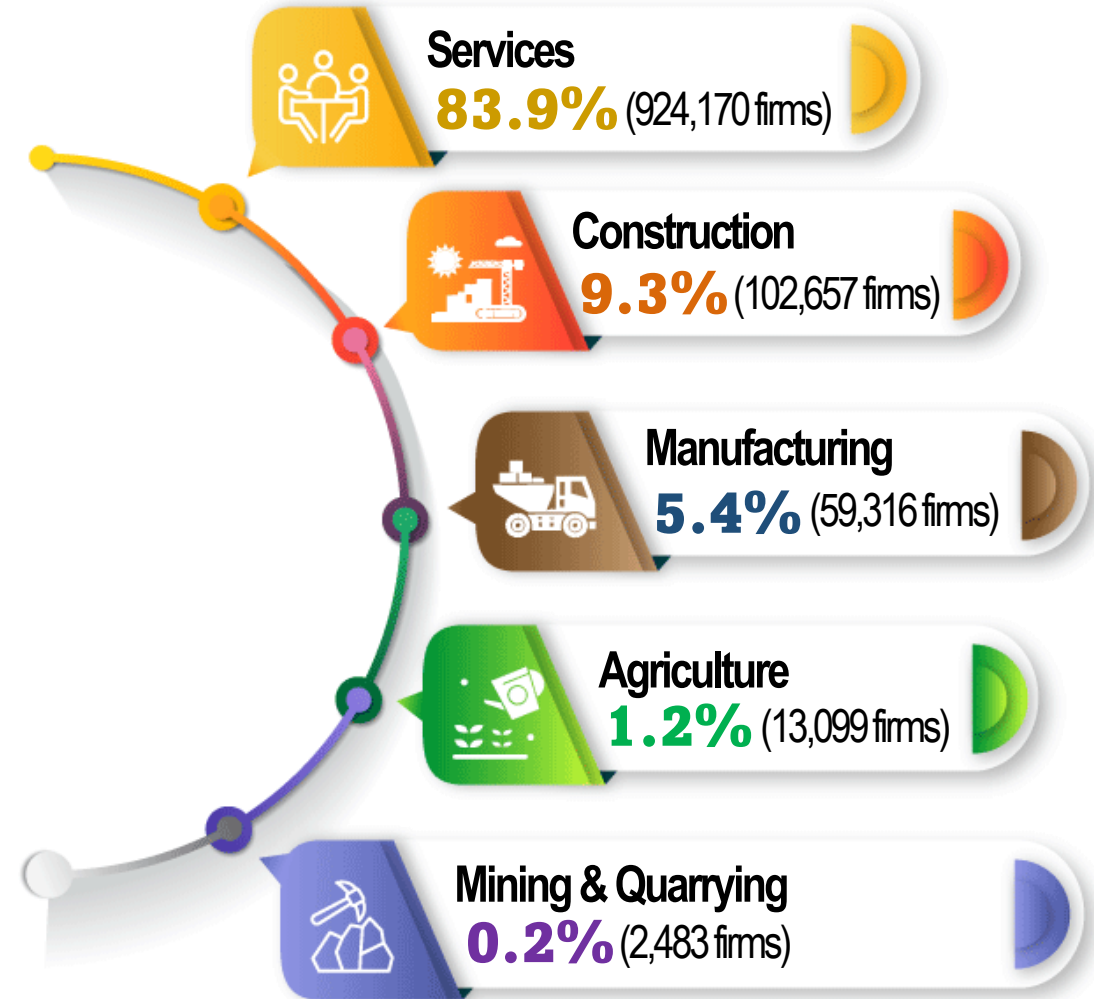
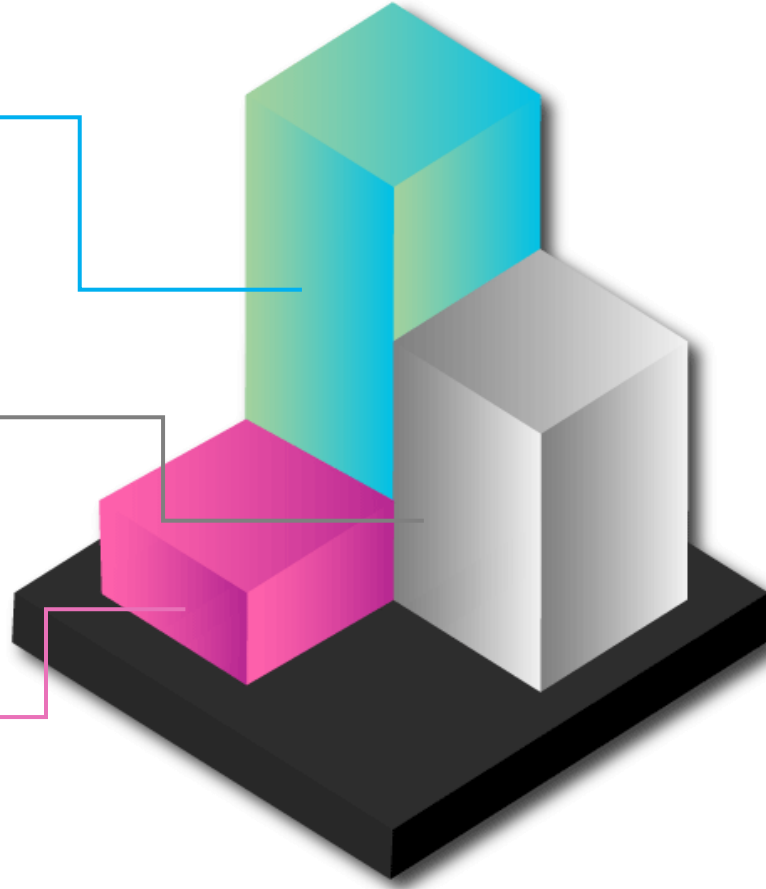
In Malaysia, MSMEs represent majority 96.9% of overall establishments in the country

## 1,101,725 MSMEs in 2023

**Micro**  
**69.7%**  
(767,421 firms)

**Small**  
**28.5%**  
(314,465 firms)

**Medium**  
**1.8%**  
(19,839 firms)



# MSME performance continued to be resilient in 2023 with positive growth being recorded across key macroeconomic indicators

**GDP**  
in 2023



**GDP VALUE** **RM613.1 billion**  
(~USD140.3 billion)

**CONTRIBUTION** **39.1%** (2022: 38.6%)

**GROWTH** **5.0%** (2022: 12.3%)

**EXPORTS VALUE** **RM152.2 billion**  
(~USD34.8 billion)

**CONTRIBUTION** **12.2%** (2022: 10.6%)

**GROWTH** **4.5%** (2022: 17.2%)



**EXPORTS**  
in 2023

**EMPLOYMENT**  
in 2023



**NUMBER OF WORKERS** **7.86 mil workers**  
(2022: 7.59 mil workers)

**CONTRIBUTION** **48.5%** (2022: 48.2%)

**GROWTH** **3.5%** (2022: 3.8%)

# Despite the significant benefits it brings, there are several challenges that hinder MSMEs integration into the global value chains

## **BENEFITS** of integrating into GVCs

Improved product quality, operational efficiency and innovation

Enhanced cash flow and financial support

Knowledge transfer and access to high-end technologies

Improve credibility & trustworthiness

1

2

3

4

### **COMPETITION**



### **FINANCE**



### **TECHNICAL CAPACITY**



### **CERTIFICATION**



1

2

3

4

## **KEY HINDRANCE** of integrating into GVCs

Issues in competitive pricing and market relevance

Higher costs in adhering to foreign standards & regulatory requirement

Insufficient knowledge of foreign markets

Complex, time consuming and costly procedures



# Malaysian MSMEs mostly serve domestic market, with potential to be expanded to the Global Value Chain (GVC)

## CHALLENGES



MSMEs' linkage with large firms is still low. Only 1/4 supplying to large firms though in increasing trend from 19% (2021) to 26.2% (2024)



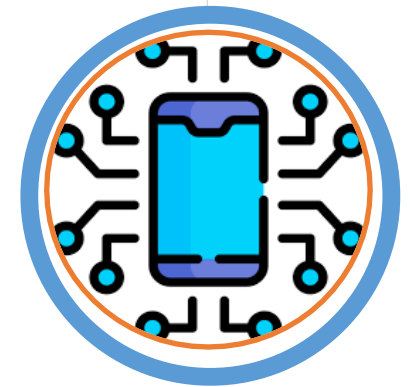
Almost 40% of MSMEs in wholesale & retail industry, operating in downstream of value chain, limits potential to be involved in high impact industries



MSMEs contribution to total exports is still low, despite a notable increase from 10.6% (2022) to 12.2% (2023)



Awareness on ESG increasing: 26% (2021) to 40% (2024). Adoption to be accelerated



Increase in back-end digitalisation & automation: 53.8% (2023) to 75.2% (2024). Capacity vs capability

# Global footprint of Malaysian MSMEs can be improved



**16.9%** of respondents are exporters (2023: 15.0%)



## FUTURE EXPORTERS

**57.8%** of current non-exporters plan to go abroad



## EXPORTS SALES

More firms earned 1-20% share of exports sales to total sales in 2023 i.e. 62.3% in 2023 vs 52.0% in 2022



## MAIN MARKETS

Main destinations for exports are Singapore, Indonesia and Thailand



## KEY HINDRANCE

- No market linkers
- Lack of exports-related training
- Unable to get financing



ONLY  
**6.2%**  
of respondents leverage on FTAs

*....particularly FTA ASEAN and FTA ASEAN - China*

## BENEFITS RECEIVED

Reduction / elimination of import duties

**64.5%**

Reduction of customs tariffs

**51.6%**

Penetration & expansion of markets overseas

**51.6%**

## WHY DID NOT USE FTAs?

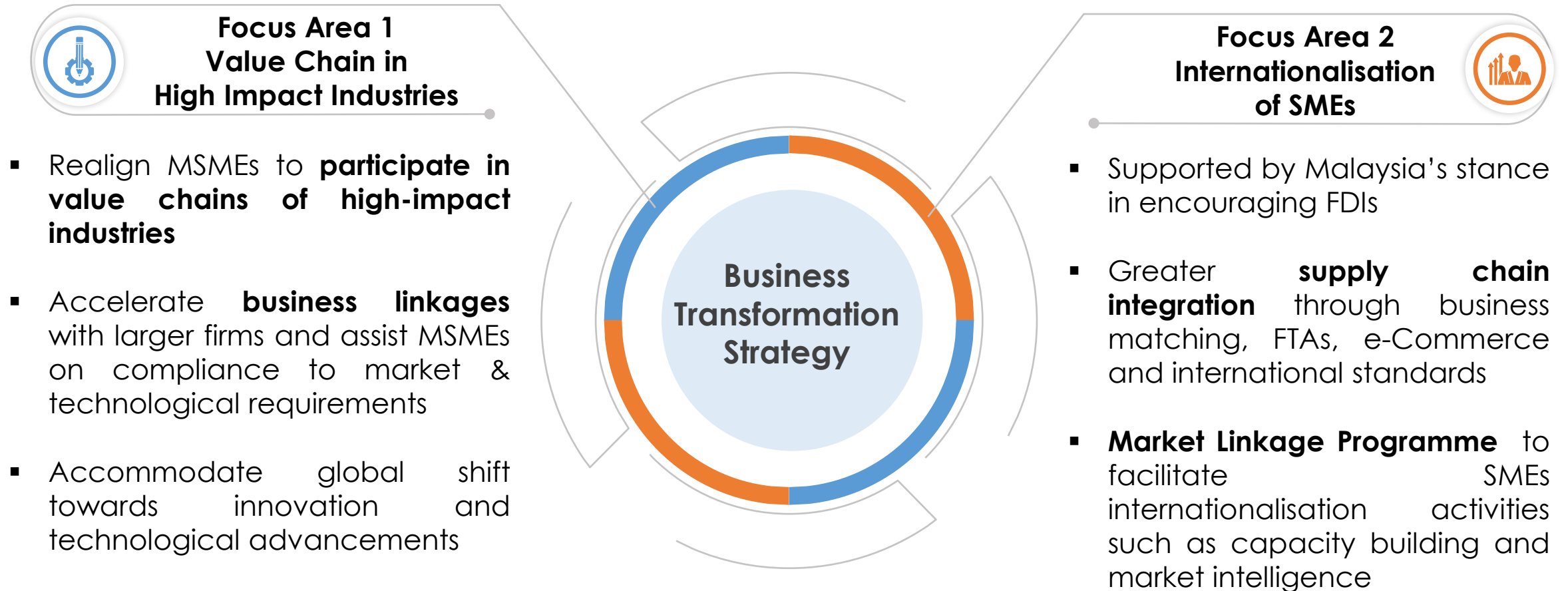
**75.1%**

Lack of knowledge about FTAs

**55.8%**

Do not know about the application procedure

# Hence, long-term strategies are proposed in 2 focus areas to accelerate MSME participation in global market

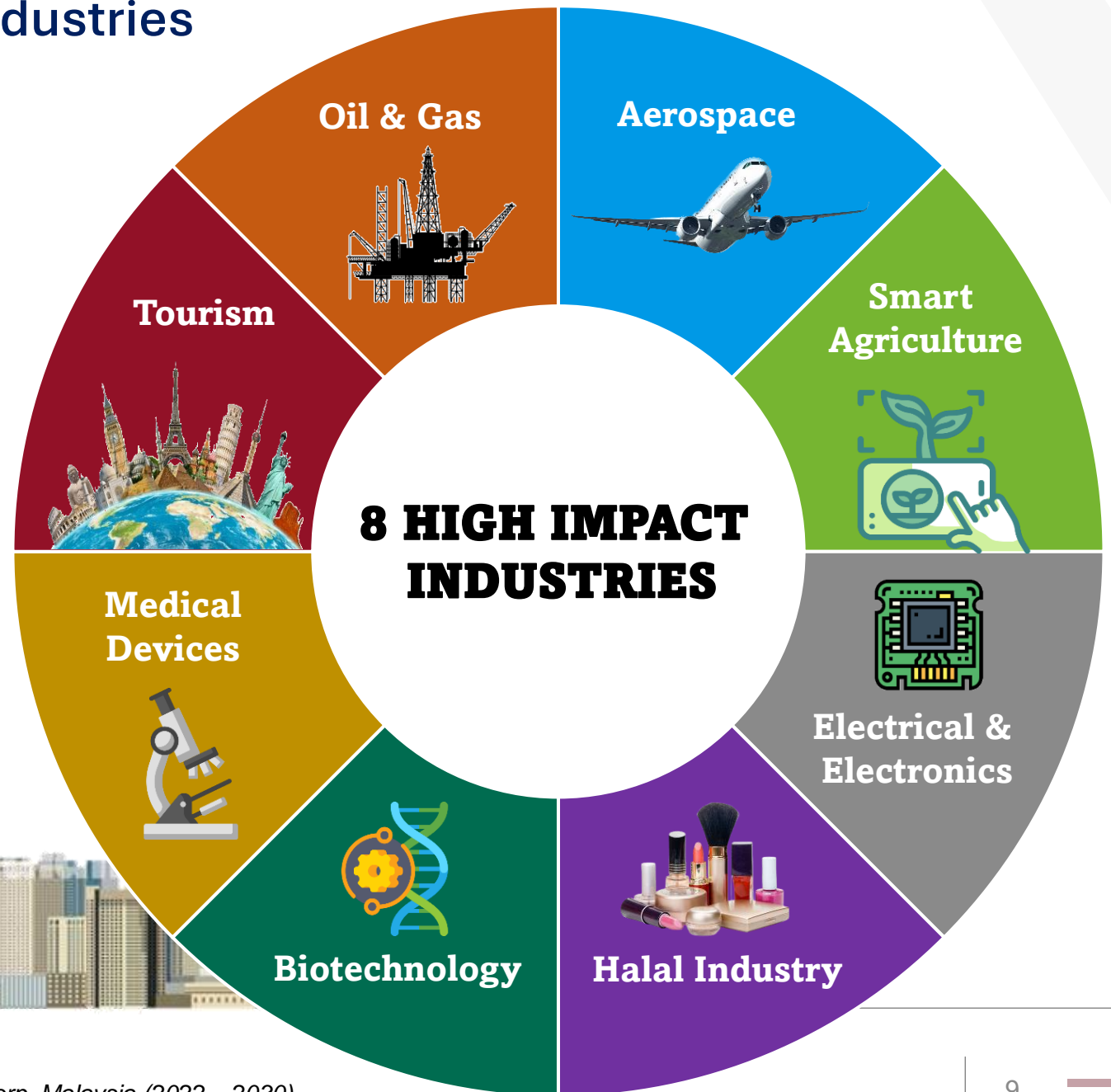




# Special emphasis on 8 high impact industries will serve as a powerful impetus for a quantum leap in GDP growth

...industries are **aligned with national policy documents** such as Twelfth Malaysia Plan and New Industrial Master Plan 2030 (NIMP2030)

- ✓ **high growth potential** and **significant spillover** effects to other industries
- ✓ exports through **supply to large firms**
- ✓ major industries in Malaysia's **free trade zones**



# These measures for MSMEs are guided by changing global trends based on 3 broad lenses namely consumer, market and technology



01 |

## **Global Supply Chain Integration**

Technological advancement in distribution and logistics services as enablers for increased supply chain efficiency and participation within GVCs



02 |

## **Conscious Consumerism Demanding Supply Chain Transparency**

Firms vulnerable to reputational risks and subject to transparency demands by consumers regarding its supply chain

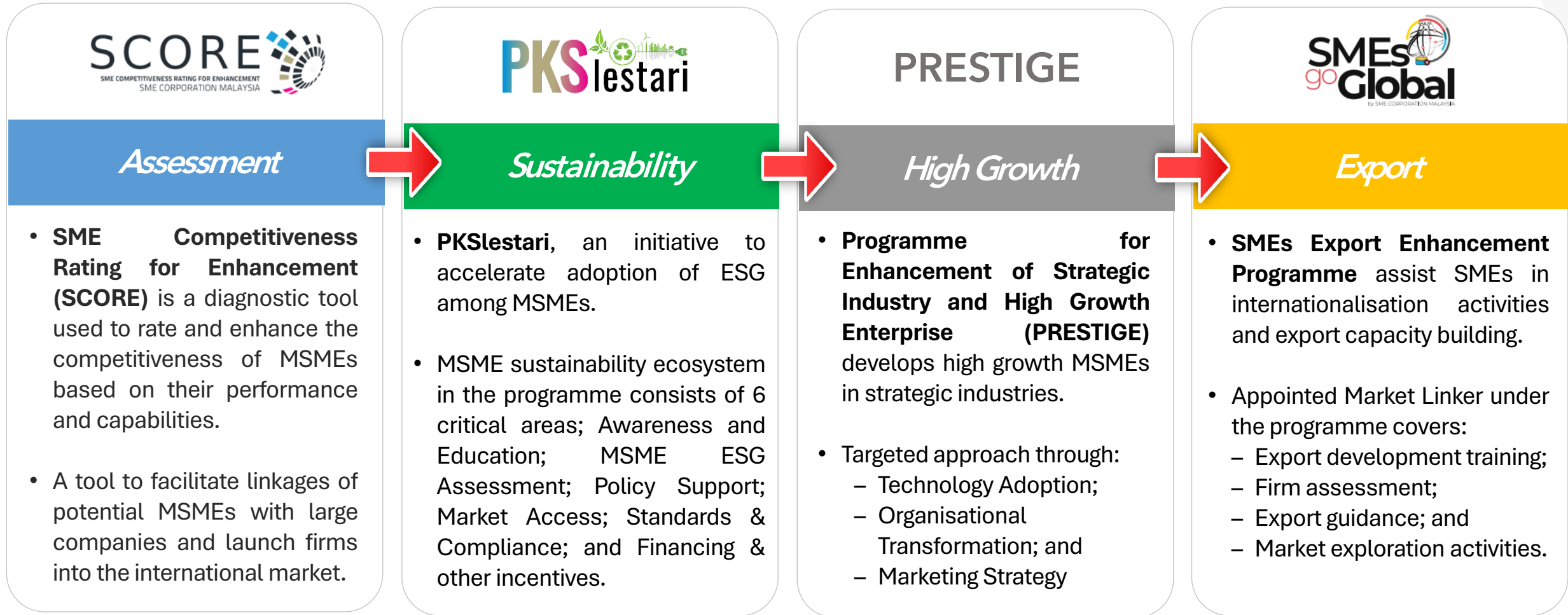


03 |

## **More Innovative Solutions for Alternatives to Scarce Resources**

Businesses to diversify sources of raw material for reliable and sustainable solutions should future unforeseen events of supply chain insufficiency

# Multipronged measures encompassing a holistic framework will be an added advantage for Malaysian MSMEs to be integrated in the global value chain



# A success story of MSME that is fully integrated in GVC

## COMPANY BACKGROUND

- Manufacturer of airframe and engine system components. Also supply aero structures parts to the tier-1 and tier-2 passenger aircraft parts (B787, A350, A380 and A400M).
- Serving industries mainly in aerospace, oil & gas, semiconductor, electronics and other industrial supplies.
- Extensive experience, has been in operation for almost 39 years, since 1985.

## PRODUCTS



Parts, Jigs & Fixtures



## MARKET PENETRATION



**65%** Domestic Market

**35%** Export Market

## SUSTAINABILITY



Firm has **ADVANCED** level in terms of ESG practice, with a score of 81%

Firm has ESG strengths in:

- Safety & Health; Risk Governance & Internal Controls; Labour Practices & Standards; Disclosure, Transparency & Data Protection; CSR.

## CERTIFICATIONS OBTAINED FOR MARKET ACCESS



ISO 9001



AS9100/EN9100



ISO 14001



ISO 45001



Chemical Processing

## CLIENTS



AIRBUS





# Key take-away points

1

MSMEs need to be part of GVCs to ensure long-term survival of the business and contribute significantly to the economic

2

A structured approach in Government intervention will further facilitate MSMEs integration into GVCs

3

MSMEs should invest in skills and technology to boost credibility and attractiveness to buyers

4

Effective supply chain management and staying adaptable to market trends are essential to meet GVC demands.





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