

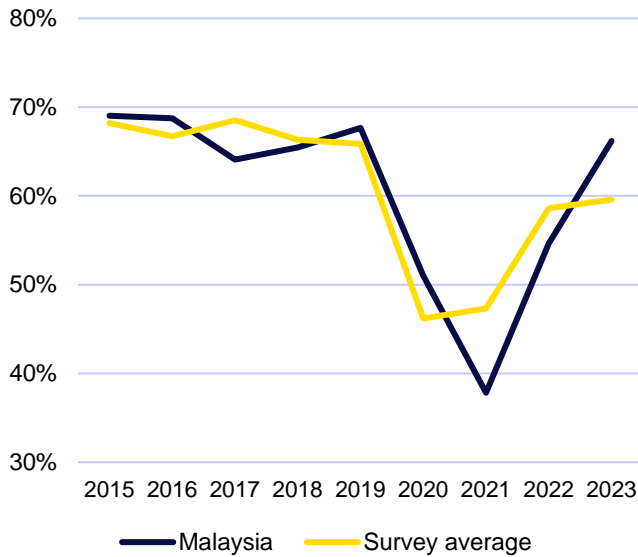
CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

Malaysia market summary

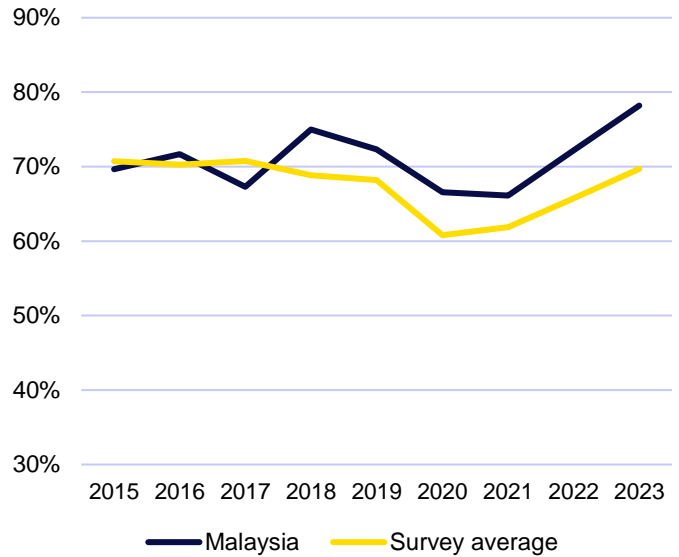
Malaysia

Business and economic conditions

Small businesses that reported growing in the previous 12 months



Small businesses that expect to grow in the next 12 months



	Malaysia 2023	Survey average 2023	Rank 2023	Malaysia 2022	Rank 2022	Malaysia 2021	Malaysia 2020	Malaysia 2019
Businesses that grew in the last 12 months	66.2%	59.6%	5/11	54.6%	7/11	37.8%	51.0%	67.7%
Businesses that expect to grow in the next 12 months	78.2%	69.7%	5/11	72.2%	5/11	66.1%	66.6%	72.3%
Businesses that expect the local economy to grow in the next 12 months	72.1%	65.0%	6/11	72.5%	4/11	59.5%	68.2%	55.3%
Satisfied or very satisfied with the financial return of the business¹	69.4%	65.3%	5/11	51.2%	9/11	N/A	N/A	N/A

¹ Limited to owner, director, CEO/managing director or principal.

2023 was a noticeably better year for Malaysia's small businesses than 2022. 66 per cent grew last year, up from 55 per cent in 2022. This is the best result for Malaysia since prior to the pandemic (2019). The result was better than fellow ASEAN member Singapore (47 per cent), but lower than Indonesia (80 per cent), the Philippines (71 per cent) and Vietnam (77 per cent).

2024 is expected to be an even better year for Malaysia's small businesses. 78 per cent expect to grow, the country's best result since 2012 and higher than the survey average of 70 per cent.

A major contributing factor to this positive result is the strength of the local economy. Nearly three quarters (72 per cent) expect it to grow this year, beating the survey average of 65 per cent. Other major contributing factors include the strong focus of many Malaysian small businesses on innovation and technology, including e-commerce.

Another likely contributing factor is the young age profile of Malaysia's small business owners. According to our survey, only 17 per cent of Malaysia's small business owners were aged 50 or over, compared with the survey average of 28 per cent. Our survey data shows younger owners are much more likely to run businesses that grow, and use technology such as e-commerce and social media in their business. They are also much more likely to innovate and export.

The satisfaction Malaysian small business owners have with the financial return they are receiving from their business largely mirrors the percentage that grew last year.

Technology uptake

	Malaysia 2023	Survey average 2023	Rank 2023	Malaysia 2022	Rank 2022	Malaysia 2021	Malaysia 2020	Malaysia 2019
More than 10 per cent of revenue came from online sales	61.7%	62.2%	6/11	63.9%	7/11	56.6%	63.9%	51.7%
Did <u>not</u> use social media for business purposes	11.7%	15.4%	7/11	13.6%	5/11	18.1%	10.6%	11.3%
Investment in technology by the business over the past 12 months has improved profitability	49.4%	52.8%	8/11	53.0%	6/11	39.5%	42.4%	45.7%
Technology the business invested in most heavily over the past 12 months	Mobile apps	Computer equipment	N/A	Mobile apps	N/A	Computer equipment	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	46.1%	44.2%	6/11	48.0%	5/11	38.5%	46.7%	41.7%
Reviewed the business' cybersecurity protections in past six months	51.6%	49.5%	5/11	48.0%	4/11	40.1%	44.4%	45.0%
Lost time and/or money due to a cybersecurity incident in the past 12 months	38.0%	40.7%	8/11	N/A	N/A	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as GrabPay, Touch	68.3%	70.8%	6/11	72.9%	5/11	62.5%	52.5%	51.1%

n' Go, Boost, iPay88, PayPal								
Sought advice from IT consultants/specialists	22.1%	25.8%	7/11	19.5%	7/11	14.5%	18.5%	N/A

One factor driving the growth of Malaysia’s small business is their relatively strong use of digital technologies. Selling online is important for many Malaysian small businesses, with 62 per cent earning more than 10 per cent of their revenue from online sales in 2023. This is up from 52 per cent in 2019.

Related to e-commerce, most of Malaysia’s small businesses offer customers the choice of paying by new digital and mobile payment technologies, such as Grabpay, Touch ‘n Go and Boost. 68 per cent received more than 10 per cent of their sales through such technology, up from 51 per cent in 2019.

Further, an overwhelming majority of Malaysia’s small businesses use social media. Only 12 per cent did *not* use social media in their business last year.

“Mobile apps” were again the most popular technology for Malaysian small businesses to invest in last year. The good returns generated by such investments are helping to drive Malaysian small businesses to focus on technology. Almost half (49 per cent) reported their investment in technology last year improved their profitability.

Malaysia’s small businesses have a relatively strong focus on cybersecurity. 52 per cent reviewed their cybersecurity measures in the past six months. This is likely to have contributed to Malaysian small businesses being the fourth least likely to tell us that they suffered lost time and or money due to a cyber incident last year. Meanwhile, 46 per cent expect their business will be cyberattacked in 2024.

Business activity over the past 12 months

	Malaysia 2023	Survey average 2023	Rank 2023	Malaysia 2022	Rank 2022	Malaysia 2021	Malaysia 2020	Malaysia 2019
Increased employee numbers	28.2%	32.0%	8/11	30.5%	6/11	15.8%	15.6%	26.7%
Improved customer satisfaction had a major positive impact on the business	28.9%	28.6%	5/11	18.2%	11/11	17.1%	25.2%	40.0%
Improved business management had a major positive impact on the business	28.9%	23.5%	3/11	16.6%	8/11	19.1%	21.2%	29.0%
Increasing costs had a major negative impact on the business	49.7%	39.7%	3/11	29.7%	7/11	33.2%	27.8%	44.7%
Required funds from an external source	64.6%	62.7%	7/11	73.2%	4/11	51.6%	54.6%	52.7%
Sought external funds for business growth	58.8%	52.6%	4/11	60.7%	3/11	39.5%	43.6%	58.9%
Sought external funds for business survival	25.6%	39.7%	9/11	50.4%	4/11	54.1%	45.5%	25.3%
Found it easy or very easy to access external finance	31.2%	43.3%	8/11	42.3%	5/11	21.0%	13.9%	15.8%
A bank was the business' main source of external finance	46.2%	40.2%	3/11	30.8%	6/11	36.3%	28.5%	29.7%
Did not spend any time and resources on ESG practices	17.2%	19.9%	6/11	29.1%	5/11	N/A	N/A	N/A

Planned business activity over the next 12 months

	Malaysia 2024	Survey average 2024	Rank 2024	Malaysia 2023	Rank 2023	Malaysia 2022	Malaysia 2021	Malaysia 2020
Expect to increase employee numbers	42.5%	43.1%	7/11	50.0%	4/11	33.6%	41.1%	42.7%
Will introduce a new product, service or process unique to their market or the world	31.5%	28.7%	5/11	34.1%	5/11	25.3%	26.5%	21.3%
Expect revenue from overseas markets to grow strongly	21.1%	18.9%	6/11	27.5%	3/11	14.8%	15.9%	16.3%
Will seek external funds	27.6%	28.7%	7/11	30.5%	4/11	23.7%	24.2%	17.0%
Expect easy to very easy access to finance	26.2%	40.3%	8/11	39.9%	6/11	21.0%	14.3%	13.0%

Innovation

Malaysia's small businesses continue to have a good focus on innovation, particularly in comparison to small businesses from Australia, New Zealand and Indonesia. 32 per cent said they will introduce a new product, process or service to Malaysia or the world in 2024. This innovative culture should support long-term growth and improve the competitiveness of Malaysia's small businesses.

Employment

In 2023, 28 per cent of Malaysian small businesses reported an increase in their employee numbers, which is slightly lower than the 31 per cent recorded in 2022.

Reflecting expectations for a positive 2024, 43 per cent of Malaysia's small businesses predict they will add to their headcount in 2024.

Access to finance

Most Malaysian small businesses (65 per cent) needed external finance in 2023. Reflecting a noticeably more positive environment in 2023, 59 per cent sought those funds for business growth. There was also a large drop in the percentage that required those funds for business survival (26 per cent in 2023, down from 50 per cent in 2022).

Notably, there is a significant increase in the number of Malaysian small businesses expecting to seek external finance this year. 87 per cent stated they will or may seek external funding in 2024. This is the highest result among the surveyed markets.

Fewer small businesses from Malaysia found accessing finance easy in 2023. 31 per cent found accessing finance easy or very easy, down from 42 per cent in 2022.

Environmental, social, and governance (ESG)

Malaysia's small businesses have strong focus on activities linked to ESG. The survey showed only 17 per cent did *not* spend any time or resources on activities linked to ESG in 2023. The activities linked to ESG that Malaysia's small businesses were most likely to focus on were staff health and safety policies, supply chain sustainability and diversity and inclusion policies.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Malaysian small business in 2023	Top four factors that had a positive influence Malaysian on small business in 2022	Top four factors that had a positive influence on Malaysian small business in 2021
Customer loyalty	Customer loyalty	Customer loyalty
Cost control	E-commerce	E-commerce
E-commerce	Cost control	COVID-19
Good staff	Positive overall economic environment	Cost control

Top four factors that had a negative impact on Malaysian small business in 2023	Top four factors that had a negative impact on Malaysian small business in 2022	Top four factors that had a negative impact on Malaysian small business in 2021
Increasing costs	COVID-19	COVID-19
Increasing competition	Increasing costs	Poor overall economic environment
Poor overall economic environment	Fluctuations in the value of the local currency	Increasing costs
Fluctuations in the value of the local currency	Increasing competition	Cash flow difficulties

^equal rank

Malaysia’s small businesses once again selected “customer loyalty” as the factor that had the most positive impact on their business in 2023. This has been their top choice since 2015. A stronger focus on “cost control” in 2023 was no doubt a response to ‘increasing costs” being the biggest barrier to growth for Malaysia’s small businesses last year. “Materials”, “utility costs”, “staff costs” and “rent” were the costs that caused them the most detriment.

Entrepreneurship

Malaysia 2023	
Primary reason for starting their business	Be your own boss / independence
Biggest concern when first started a business	Uncertainty whether your business will succeed
Most common attitude and approach to managing business risk of owner	Risk averse

When starting their businesses, Malaysian entrepreneurs are most likely to be motivated by the desire to be their own boss. The biggest concern they had when starting their business was uncertainty whether their business will succeed.

The greater propensity for Malaysian small business owners to be risk averse may help explain their ongoing inclination to focus on customer loyalty. The survey data shows a stronger focus on improving customer satisfaction is likely to see more Malaysian small businesses turn into high growth businesses.

Demographics

	Malaysia 2023	Survey average 2023	Rank 2023	Malaysia 2022	Rank 2022	Malaysia 2021	Malaysia 2020	Malaysia 2019
Respondent aged under 40	60.7%	46.0%	1/11	65.2%	1/11	74.7%	82.8%	73.0%
Business established for less than 11 years	79.5%	61.1%	3/11	65.9%	4/11	55.9%	66.2%	64.0%
Respondent is the business owner	44.2%	37.4%	6/11	50.3%	5/11	56.9%	51.0%	51.3%
Business has 10 to 19 employees	40.3%	38.3%	6/11	30.5%	5/11	21.1%	25.8%	19.0%

One significant and enduring advantage Malaysia enjoys is the high percentage of people under 40 owning or filling important positions in small business. The survey results have shown over many years that businesses with younger respondents are more likely to be growing, innovating, using emerging technologies and exporting.

Policy suggestions

Policymakers should consider options for supporting Malaysia's young (and potentially inexperienced) small business owners. One way is incentivising them to seek business advice from their adviser of choice.