

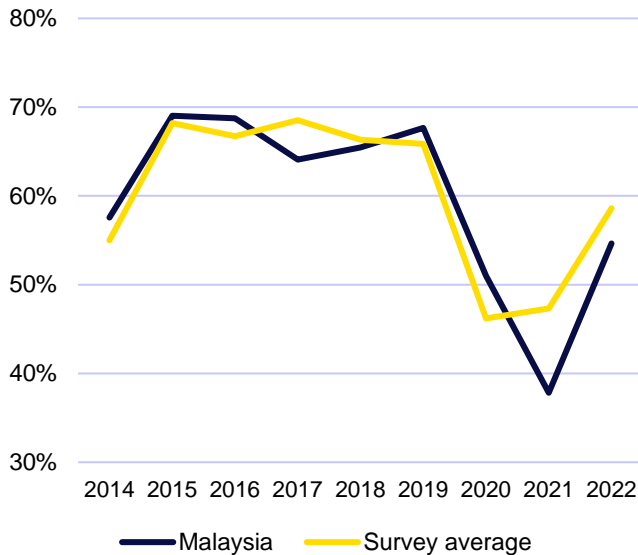
CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Malaysia market summary

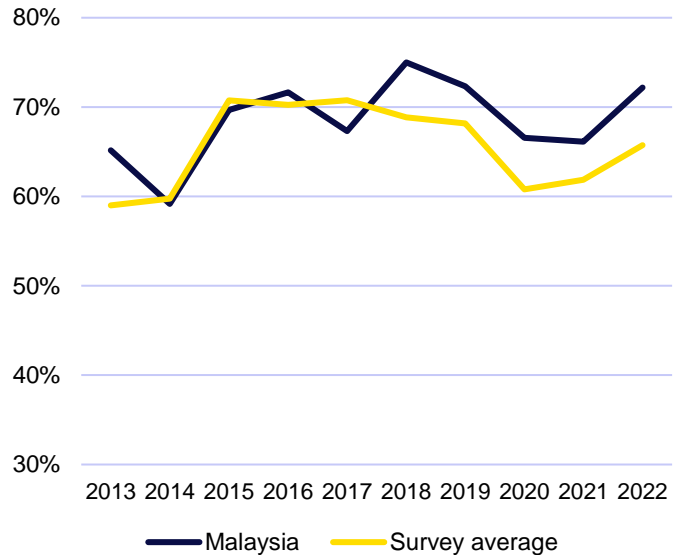
Malaysia

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 2022 | Survey average 2022 | Rank 2022 | Malaysia 2021 | Rank 2021 | Malaysia 2020 | Malaysia 2019 | Malaysia 2018 |
|--|---------------|---------------------|-----------|---------------|-----------|---------------|---------------|---------------|
| Businesses that grew in the last 12 months | 54.6% | 58.6% | 7/11 | 37.8% | 7/11 | 51.0% | 67.7% | 65.5% |
| Businesses that expect to grow in the next 12 months | 72.2% | 65.7% | 5/11 | 66.1% | 5/11 | 66.6% | 72.3% | 75.0% |
| Businesses that expect the local economy to grow in the next 12 months | 72.5% | 62.5% | 4/11 | 59.5% | 6/11 | 68.2% | 55.3% | 69.1% |
| Satisfied or very satisfied with the financial return of the business¹ | 51.2% | 68.9% | 9/11 | N/A | N/A | N/A | N/A | N/A |

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

2022 was a noticeably stronger year for Malaysia's small businesses than 2021. 54.6 per cent grew last year, rebounding from a record low of 37.8 per cent in 2021. The result was better than fellow ASEAN member Singapore (33.7 per cent), but lower than Indonesia (76.8 per cent), the Philippines (74.8 per cent) and Vietnam (78.2 per cent).

2023 is expected to be an even better year for Malaysia's small businesses. 72.2 per cent of businesses expect to grow, which is higher than the survey average of 65.7 per cent.

There are many positive aspects of the results from Malaysia. Many Malaysian small businesses have characteristics strongly associated with growth, including a focus on:

- innovation
- e-commerce
- technology.

Malaysia's small businesses are positive about the economy. Nearly three quarters (72.5 per cent) expect the local economy to grow this year, beating the survey average of 62.5 per cent.

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.

Use of technology

| | Malaysia 2022 | Survey average 2022 | Rank 2022 | Malaysia 2021 | Rank 2021 | Malaysia 2020 | Malaysia 2019 | Malaysia 2018 |
|---|---------------|---------------------|-----------|--------------------|-----------|--------------------|--------------------|--------------------|
| More than 10 per cent of revenue came from online sales | 63.9% | 67.9% | 7/11 | 56.6% | 5/11 | 63.9% | 51.7% | 43.4% |
| Did not use social media for business purposes | 13.6% | 15.4% | 5/11 | 18.1% | 6/11 | 10.6% | 11.3% | 15.8% |
| Investment in technology by the business over the past 12 months has improved profitability | 53.0% | 55.2% | 6/11 | 39.5% | 7/11 | 42.4% | 45.7% | 41.4% |
| Technology the business invested in most heavily over the past 12 months | Mobile apps | Computer equipment | N/A | Computer equipment | N/A | Computer equipment | Computer equipment | Computer equipment |
| Consider the business likely to be cyberattacked in next 12 months | 48.0% | 47.2% | 5/11 | 38.5% | 6/11 | 46.7% | 41.7% | 45.4% |
| Reviewed the business' cybersecurity protections in past six months | 48.0% | 46.0% | 4/11 | 40.1% | 8/11 | 44.4% | 45.0% | 37.2% |
| More than 10 per cent of sales is received through digital payment options such as GrabPay, Touch 'n Go, Boost, iPay88, PayPal | 72.9% | 73.7% | 5/11 | 62.5% | 5/11 | 52.5% | 51.1% | 47.7% |
| Sought advice from IT consultants/specialists | 19.5% | 28.6% | 7/11 | 14.5% | 7/11 | 18.5% | N/A | N/A |

Business operation is frequently or very frequently affected by internet connectivity issues

| | | | | | | | |
|-------|-------|------|-----|-----|-----|-----|-----|
| 30.1% | 30.5% | 3/11 | N/A | N/A | N/A | N/A | 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. 63.9 per cent earned more than 10 per cent of their revenue from online sales in 2022. This is, however, slightly below the survey average of 67.9 per cent.

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. 72.9 per cent received more than 10 per cent of their sales through such technology.

Further, an overwhelming majority of Malaysia’s small businesses use social media. Only 13.6 per cent do not use social media in their business.

2022 saw a change in the type of technology Malaysian small businesses invested most in. “Mobile apps” became the most popular technology to invest in last year, taking over from “computer equipment”.

The strong returns generated by such investments are helping to drive this focus on technology. Over half (53 per cent) reported their investment in technology last year improved their profitability, up from 39.5 per cent in 2021.

Malaysia’s small businesses have a relatively strong focus on cybersecurity. 48 per cent reviewed their cybersecurity measures in the past six months, the same percentage that expect their business will be cyberattacked in 2023.

Business activity over the past 12 months

| | Malaysia 2022 | Survey average 2022 | Rank 2022 | Malaysia 2021 | Rank 2021 | Malaysia 2020 | Malaysia 2019 | Malaysia 2018 |
|---|---------------|---------------------|-----------|---------------|-----------|---------------|---------------|---------------|
| Increased employee numbers | 30.5% | 35.0% | 6/11 | 15.8% | 9/11 | 15.6% | 26.7% | 25.7% |
| Improved customer satisfaction had a major positive impact on the business | 18.2% | 27.0% | 11/11 | 17.1% | 7/11 | 25.2% | 40.0% | 41.8% |
| Improved business management had a major positive impact on the business | 16.6% | 22.0% | 8/11 | 19.1% | 5/11 | 21.2% | 29.0% | 28.3% |
| Increasing costs had a major negative impact on the business | 29.7% | 31.1% | 7/11 | 33.2% | 2/11 | 27.8% | 44.7% | 51.6% |
| Required funds from an external source | 73.2% | 62.5% | 4/11 | 51.6% | 7/11 | 54.6% | 52.7% | 39.5% |
| Sought external funds for business growth | 60.7% | 52.1% | 3/11 | 39.5% | 7/11 | 43.6% | 58.9% | 55.0% |
| Sought external funds for business survival | 50.4% | 44.3% | 4/11 | 54.1% | 4/11 | 45.5% | 25.3% | 35.8% |
| Found it easy or very easy to access external finance | 42.3% | 45.9% | 5/11 | 21.0% | 9/11 | 13.9% | 15.8% | 16.7% |
| A bank was the business' main source of external finance | 30.8% | 38.2% | 6/11 | 36.3% | 5/11 | 28.5% | 29.7% | 35.8% |
| Did not spend any time and resources on ESG practices | 29.1% | 21.4% | 5/11 | N/A | N/A | N/A | N/A | N/A |

Impacts of COVID-19

| | Malaysia 2022 | Survey average 2022 | Rank 2022 | Malaysia 2021 | Rank 2021 | Malaysia 2020 |
|---|---------------|---------------------|-----------|---------------|-----------|---------------|
| COVID-19 had a major negative impact on the business in the past 12 months | 44.0% | 36.7% | 2/11 | 65.1% | 3/11 | 66.9% |
| My business' major reaction to COVID-19 was to begin or increase its focus on online sales | 25.8% | 24.8% | 6/11 | 28.0% | 5/11 | 40.4% |
| My business' major reaction to COVID-19 was to increase investment in technology | 13.2% | 19.1% | 9/11 | 16.8% | 6/11 | 19.2% |

Planned business activity over the next 12 months

| | Malaysia 2023 | Survey average 2023 | Rank 2023 | Malaysia 2022 | Rank 2022 | Malaysia 2021 | Malaysia 2020 | Malaysia 2019 |
|---|---------------|---------------------|-----------|---------------|-----------|---------------|---------------|---------------|
| Expect to increase employee numbers | 50.0% | 44.9% | 4/11 | 33.6% | 6/11 | 41.1% | 42.7% | 45.1% |
| Will introduce a new product, service or process unique to their market or the world | 34.1% | 34.4% | 5/11 | 25.3% | 6/11 | 26.5% | 21.3% | 29.3% |
| Expect revenue from overseas markets to grow strongly | 27.5% | 23.7% | 3/11 | 14.8% | 6/11 | 15.9% | 16.3% | 19.4% |
| Will seek external funds | 30.5% | 33.6% | 4/11 | 23.7% | 7/11 | 24.2% | 17.0% | 22.4% |
| Expect easy to very easy access to finance | 39.9% | 42.3% | 6/11 | 21.0% | 10/11 | 14.3% | 13.0% | 10.9% |

COVID-19

As in 2021, Malaysian small businesses considered COVID-19 their biggest challenge in 2022. 44 per cent selected this as their biggest barrier to growth, the second highest result among the markets surveyed. This was, however, a drop from the 65.1 per cent in 2021 and 66.9 per cent in 2020.

25.8 per cent of Malaysia's small businesses began or increased their focus on online sales in 2022 in response to COVID-19, slightly higher than the survey average. As the survey results show a strong relationship between online sales and business growth, this increasing focus on e-commerce will position many Malaysian small businesses for future growth.

Innovation

Malaysia's small businesses continue to have a reasonable focus on innovation, particularly in comparison to small businesses from Australia, New Zealand, Singapore and Taiwan. 34.1 per cent will introduce a new product, process or service to Malaysia or the world in 2023, the highest on record for Malaysia. This innovative culture should support long-term growth and improve the competitiveness of Malaysia's small businesses.

Employment

Reflecting a strong 2022, 30.5 per cent of Malaysian small businesses added to their employee numbers, up from 15.8 per cent in 2021.

The positive small business outlook for this year is reflected in expectations for hiring more employees. Half of Malaysia's small business respondents expect to increase employee numbers this year. This is higher than small businesses from Australia, China, Indonesia, New Zealand, Singapore, Taiwan and Vietnam.

Access to finance

Most Malaysian small businesses (73.2 per cent) needed external finance in 2022. This is up from 51.6 per cent in 2021. Reflecting that 2022 was a year of business recovery, 60.7 per cent sought funds for business growth, compared with 39.5 per cent in 2021.

Small businesses from Malaysia found accessing finance easier in 2022. 42.3 per cent found accessing finance easy or very easy, double the result from 2021.

Factors that had positive and negative influences on business

| Top four factors that had a positive influence on Malaysian small business in 2022 | Top four factors that had a positive influence Malaysian on small business in 2021 | Top four factors that had a positive influence on Malaysian small business in 2020 |
|--|--|--|
| Customer loyalty | Customer loyalty | Customer loyalty |
| E-commerce | E-commerce | Cost control |
| Cost control | COVID-19 | Good staff Improved business strategy [^] |
| Positive overall economic environment | Cost control | |

| 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 | Top four factors that had a negative impact on Malaysian small business in 2020 |
|---|---|---|
| COVID-19 | COVID-19 | COVID-19 |
| Increasing costs | Poor overall economic environment | Increasing costs |
| Fluctuations in the value of the local currency | Increasing costs | Increasing competition Poor overall economic environment [^] |
| Increasing competition | Cash flow difficulties | |

[^]equal rank

As in previous years, Malaysian small businesses found that “customer loyalty” had the most positive influence on their business in 2022. However, a stronger focus on “improving customer satisfaction” and “improving business management” could lead to higher numbers of Malaysian small businesses recording growth.

As in 2021, COVID-19 was the biggest barrier to growth for Malaysia’s small businesses in 2022, followed by “increasing costs”. Materials and foreign exchange rate fluctuations were the costs that caused them the most detriment.

Demographics

| | Malaysia 2022 | Survey average 2022 | Rank 2022 | Malaysia 2021 | Rank 2021 | Malaysia 2020 | Malaysia 2019 | Malaysia 2018 |
|--|---------------|---------------------|-----------|---------------|-----------|---------------|---------------|---------------|
| Respondent aged under 40 | 65.2% | 47.6% | 1/11 | 74.7% | 3/11 | 82.8% | 73.0% | 73.7% |
| Business established for less than 11 years | 65.9% | 61.1% | 4/11 | 55.9% | 5/11 | 66.2% | 64.0% | 61.5% |
| Respondent is the business owner | 50.3% | 36.9% | 5/11 | 56.9% | 4/11 | 51.0% | 51.3% | 55.6% |
| Business has 10 to 19 employees | 30.5% | 37.1% | 5/11 | 21.1% | 8/11 | 25.8% | 19.0% | 21.4% |

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, creating jobs, 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 access business advice from their adviser of choice.