



UNIVERSITI TEKNOLOGI MARA

**SME DEVELOPMENT AFFECTING MALAYSIAN
ECONOMY**

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ABSTRACT

SME stands for Small-Medium Enterprise, which shows improvement in their development where they focus on small businesses for growth. In fact, most of the research focuses on how this sector developed and the minor strategies that they gained from the previous study. Different countries implement different kinds of approaches in order to achieve their goals. Moreover, different countries will produce different products and the modalities will also differ from each other. This study was created because of the previous research are mostly about the process of SMEs and the small part of SMEs overview and this research actually focuses on how the contribution of SMEs can affect the growth or fluctuation of the Malaysian economy based on the previous study. In order to fill the gap, the study will use time series data to justify the relationship between the variables and growth. The main objective is to find the significance of the SMEs Performance contribution in Malaysian economy development. The positive relationship was found between these variables and giving the higher probability that these variables are factors in developing Malaysian Economy. In conclusion, SME Performance, Labour Productivity and Import Goods and Services are important for development of Growth Domestic Product.

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CHAPTER 1: INTRODUCTION

There are three sectors of economic activities that are called the three-sector model, which is divided into primary, secondary, and tertiary sectors (Mimi and Farid, 2021). The primary sector is defined as the contribution between the production or extraction of raw materials and the secondary sector, which is involved in the transformation of raw materials into finished goods, and the tertiary sector is defined as the contribution between the provision of services to other companies and the production or extraction of raw materials. (Mimi et al., 2021). The theory that is related with the service sector is defined by previous studies which include occurrence, procedure, and achievement (Zeithaml & Bitner, 2018). Literally, the service sector is an act that will be provided after the product is an intangible output (Mimi et al., 2021).

SMEs are defined as Small Medium Enterprises established since 2005 (Rohaizat, 2013). SMEs also have their own significance in developing and are consistent in Malaysia's growth (Ali and Nelson, 2006). SMEs reached 89.3 per cent of all establishments in the manufacturing sector in 2000 (SMIDEC, 2004). SMEs also helped the economic growth by contributing 29.1 per cent of output from manufacturing, 26.1 per cent to value added, 27 and 32.5 per cent in enhancing the employment rate in 2003 (Ali et al., 2006). The largest organisations, sometimes referred to as multinational corporations (MNC) are given the most attention in this section. When compared to small and medium-sized businesses, these corporations are widely acknowledged and recognised for having superior branding skills (Tock and Rohaizat, 2013). The latest 9th Malaysian Plan, according to a case study conducted by Fauziah and Baharun (2010), demonstrates that, despite the presence of commercial enterprises in the SME category, the brands continue to struggle in the global marketplace.

The government's commitment and concern for the development of SMEs was evident as early as 1971, when the New Economic Policy, which sought to improve people's welfare and reorganise ethnic economic disparities, was introduced. Since then, the government's commitment and concern for the development of SMEs has only grown stronger. (Ali and Nelson, 2006). Apart from that, the government's dedication to the development of SMEs can be seen in the second Industrial Master Plan (IMP2), which will be completed in 2005, and the third Industrial Master Plan (IMP3), which will be completed in 2006 and will align with the country's vision for 2020. (Ali et al., 2006).