

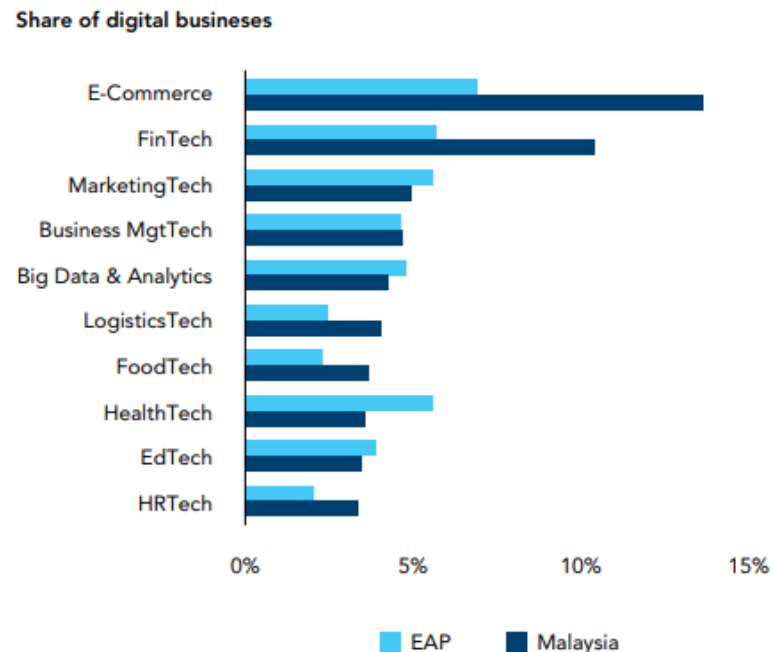


The Asia Foundation

Improving Lives, Expanding Opportunities

E-Commerce In Malaysia

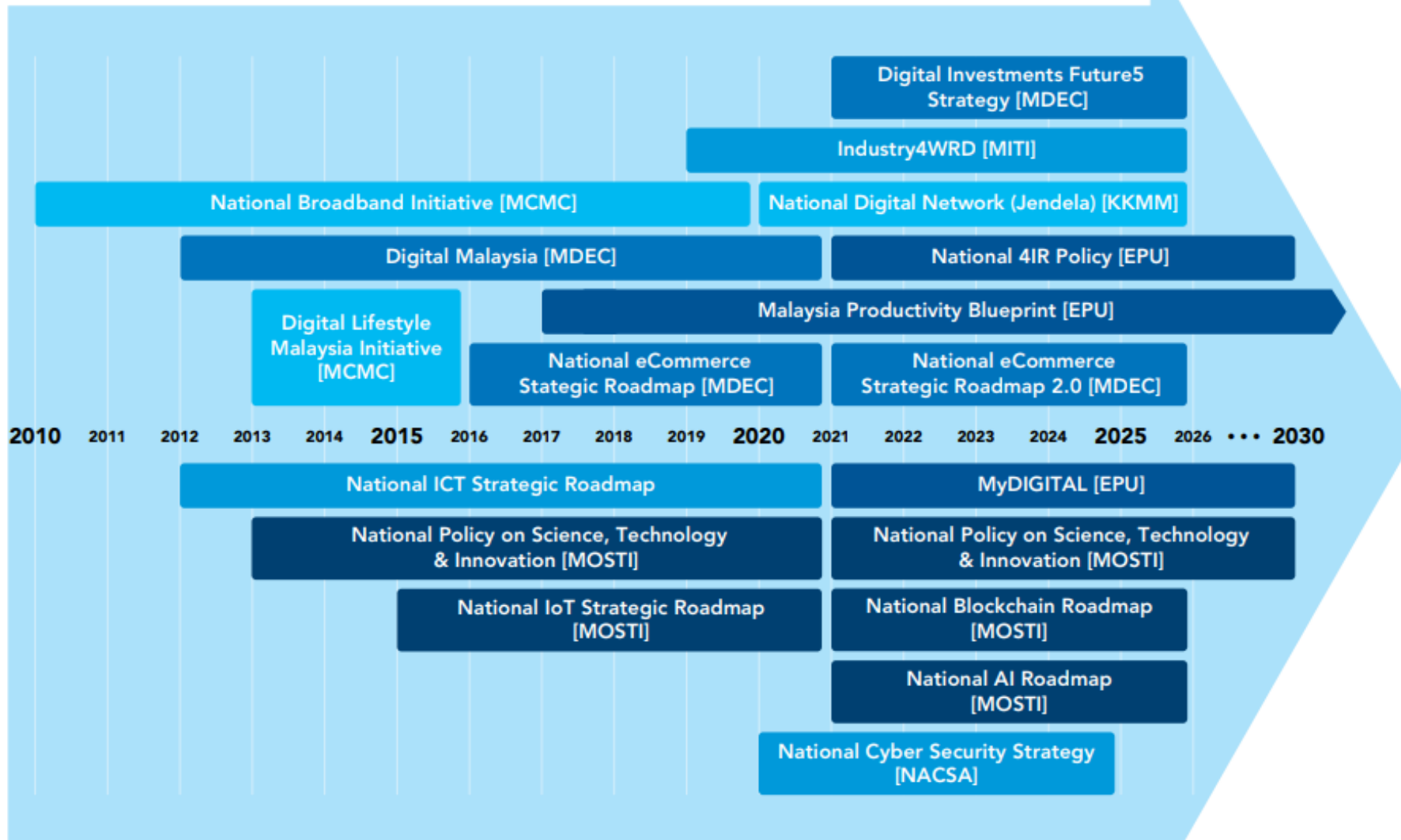
Figure 2.5: Top 10 digital business subsectors in Malaysia and EAP



Source: World Bank, FCI Global Digital Business Database (2020)

- According to a report by Google, Temasek and Bain & Company, the e-commerce market in Malaysia is expected to reach USD 30 billion by 2025, with a compound annual growth rate (CAGR) of 24%.
- Malaysia's digital businesses offer a wide variety of solutions, dominated by e-Commerce and FinTech.
- E-commerce is the sector of Malaysia's digital economy that has attracted the greatest interest from investors.
- E-commerce businesses have also raised funds faster than those in other sectors and have the highest total valuation, suggesting that investors consider this subsector to have a large growth potential.

Digital Economy Strategies in Malaysia



E-Commerce

-**National eCommerce Strategic Roadmap (NeSR)**: focus on public and private sectors to enhance and accelerate growth & innovation of Malaysia's e-commerce ecosystem

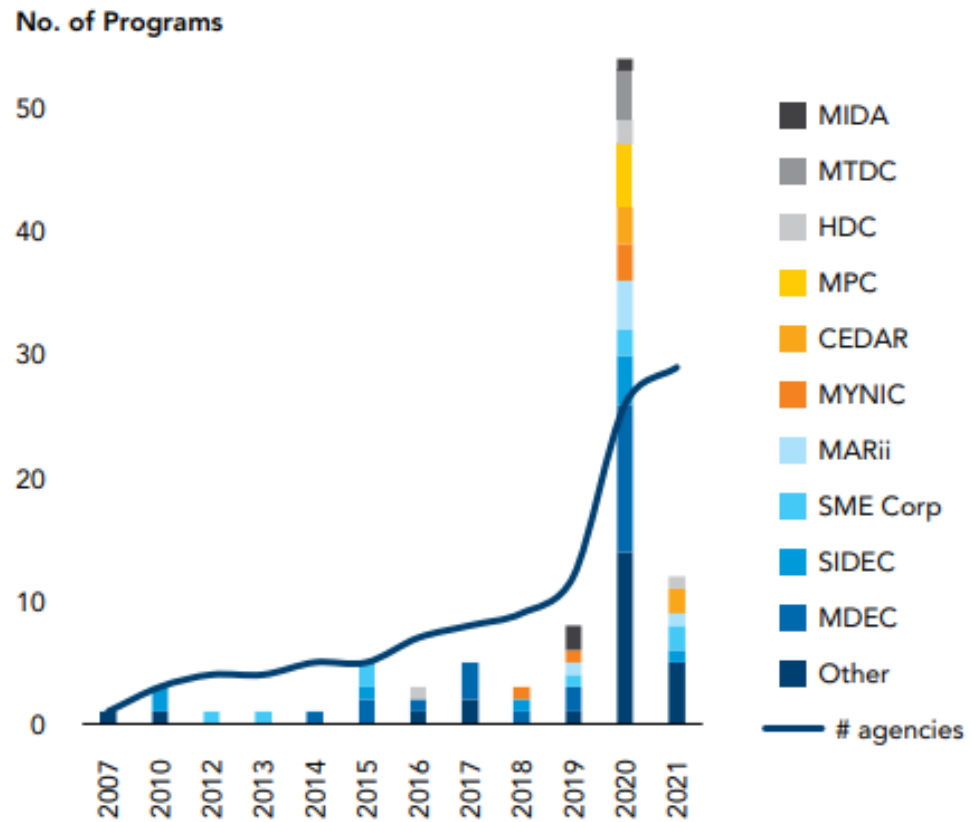
-**Malaysia Productivity Blueprint**: strengthen digitalization among SMEs through e-commerce and adoption of innovative technology.

-**MyDigital**: emphasized driving digitalization and bridging the digital divide. Objectives include helping 800,000 MSMEs to digitalize and 875,000 MSMEs to adopt e-commerce by 2025

-**National eCommerce Strategy Roadmap 2.0**: an action plan for next phase of developing e-commerce ecosystem in Malaysia in line with My Digital aspirations.

Support Programs in Malaysia

Figure 3.4: Timeline of SME digitalization program introduction



Source: World Bank, SME digitalization support survey

Challenges: Financial Support



- Grants are by far the most common form of financial support provided to SMEs, well ahead of soft loans and other forms of support such as credit guarantees
- In the case of SMEs who expressed an interest in applying for larger funds, the fees to hire a consultant to assist with the proposal, the time required to pitch, and the lengthy approval process (sometimes up to one-year) were also cited as constraints.
- Complicated application processes, limited application support, prolonged grant disbursement timelines, and lack of transparency regarding applications as deterrents to applying to the support programs.
- Other identified constraints related to grant and program continuity, as when a program or grant runs out allocated funds, support ends, with SMEs having to wait until funds become available again.
- According to the ILO, women entrepreneurs in Malaysia are less likely to access the financial and banking system to fund their businesses, which often results in women-owned businesses being smaller in size or growing more slowly compared to male-owned businesses.

Other Challenges

- Logistics: ability to handle increasing volume of e-commerce transactions?
- Cybersecurity: increase in cybercrime
- Competition is also intense in the e-commerce market with large players such as Lazada and Shopee

Areas of Opportunities

- **The establishment of the MyDigital Corporation as the lead coordinating body for the 2021 MyDIGITAL Initiative is an opportunity for the government to strengthen the framework for SME digitalization**
- **Further strengthen program oversight mechanisms: the MyDigital Corporation and inter-agency coordination bodies could be tasked with conducting periodical reviews of the program landscape to identify duplications, synergies and gaps, and to assess their modalities, efficiency and impact.**
- **Develop and fully implement M&E framework**
- **Enhance application processes to facilitate greater access to public support program (access to funding and training)**
- **Customize support to create solutions appropriate to local conditions. Current programs may underserve SMEs in the Eastern States, Sabah and Sarawak. The modalities of cooperation between federal, state and local agencies could be reviewed to ensure that programs meet the specific needs of SMEs in these areas by addressing constraints such as limited connectivity and lack of familiarity with digital tools**

Digital Banking: Disruptive Force in the E-Commerce Ecosystem?

In 2020, BNM issued a digital banking framework that outlines the guidelines and requirements for digital banking licenses in Malaysia. The framework sets out four types of digital banking licenses, which include:

1. **Full digital banking license** - allows the licensee to offer the full range of banking services, including deposits and loans, to retail and small and medium-sized enterprise (SME) customers.
2. **Restricted digital banking license** - allows the licensee to offer a specific range of banking services, such as deposits and loans, to retail and SME customers.
3. **Digital wholesale bank license** - allows the licensee to offer banking services to businesses and corporations.
4. **Digital investment bank license** - allows the licensee to offer investment banking services, such as underwriting and financial advisory, to businesses and corporations.

In April 2022, BNM announced the five digital banking licence winners:

1. Boost and RHB Bank
2. GXS Bank: Grab and Singtel
3. Sea Group and YTL
4. AEON Credit Service, ASEON Financial Service and MoneyLion
5. KAF Investment Bank

Focused on providing services to underserved and unserved: MSMEs and B50 segments

Ways in which digital banks could affect e-commerce ecosystem:



Increased competition and innovation



Greater financial inclusion



Enhanced payment options



Improved efficiency



Increased trust and security

FUTURE SKILLS ALLIANCE

A collective impact model where all partners contribute their unique assets and expertise to drive impact at regional scale.

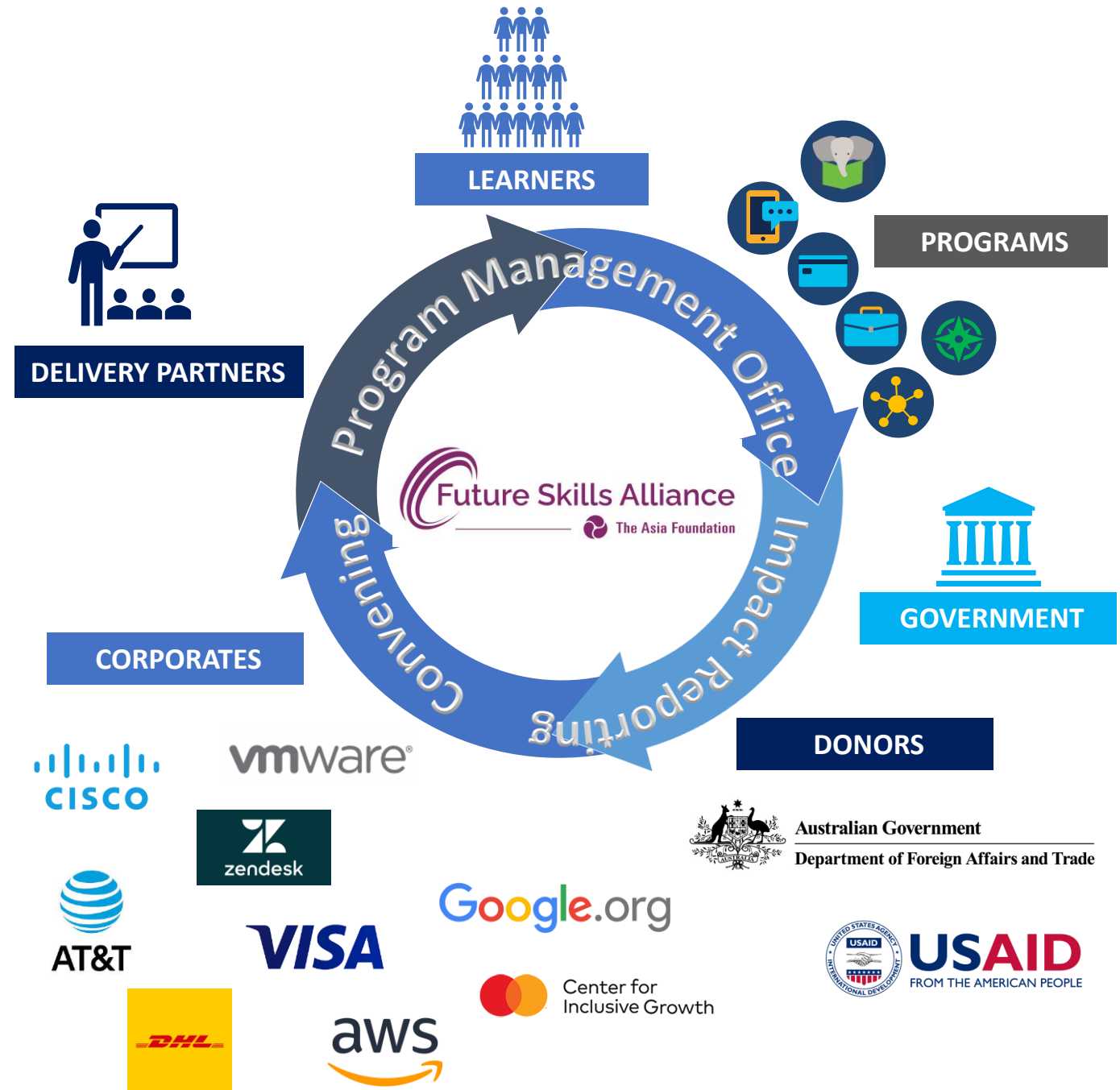
A portfolio of regional programs:

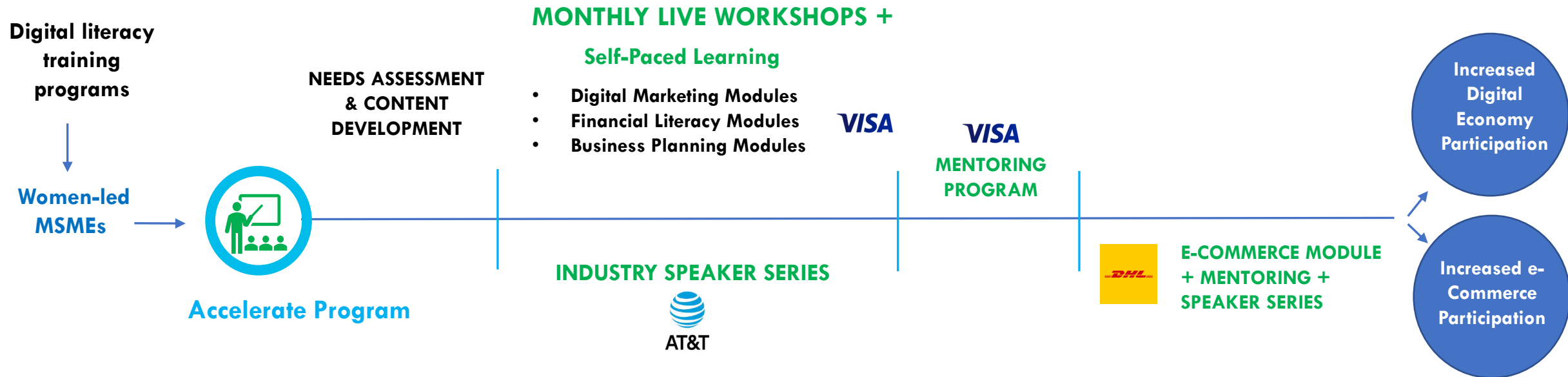
- Let's Read
- Go Digital ASEAN
- Explore Digital ASEAN
- Grow Digital ASEAN
- Accelerate My Business
- Skills2Work
- STEM ConnectHER
- Strive Malaysia

Corporations can apply their unique assets to maximize impact and create shared value via:

- Cash and technology grants
- Curriculum, Industry Certifications & Learning Resources
- Products & Services
- Employee Volunteering
- Marketing & Communications

The FSA creates a multiplier effect on donor investments in partnership with the private sector and civil society.





- **Program Overview:** Builds on existing digital literacy training programs to provide primarily women-led MSMEs with the next level of skills needed to better participate in the digital economy
- **Approach:** A hybrid model of live virtual workshops, self-paced learning and group mentoring
- **Corporate Partner Support:** Investment, Curriculum, Speakers & Mentors

Program Sponsors:





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