

Structural Comparison of Small and Medium Enterprises in Malaysia and Thailand

Topic: Enterprise-related input-output analysis

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There is a growing concern globally on the importance of small and medium enterprises (SMEs) on the economic growth in developing countries. Composition of SMEs in developing countries is large, but the contribution to output and value added is found to be relatively lower than large firms. Empirical evidences indicate that weak linkages or low level of interdependencies between SMEs and large firms is crucial in explaining the low performance of SMEs. This paper attempts to compare production structures and the level of interdependencies of small and medium enterprises (SMEs) in Malaysia and Thailand. For both economies, SMEs represent more than 98% of the total number of establishments in 2015 and have emerged as a highly vibrant and dynamic driver for the economic growth. Results from the analysis would be able to determine whether SMEs in both countries having the similar structural problems. If that is the case, then a common international policy towards SMEs may be applied. For empirical analysis, we run two SME-input-output (SME-IO) tables that split sectors into SMEs and non-SMEs in both countries. We have constructed SME-IO for Malaysia and for Thailand, the dataset is developed by the Office of SMEs Promotion of Thailand (OSMEP). Using the databases, a novel empirical application is applied to assess the extent to which the production sectors with different sizes affect the economic growth.