

Development of SME-SAM for Analysis of Income Distribution in Malaysia

Topic: IO modeling: Computable General Equilibrium Modeling and Social Accounting Matrices

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Small and Medium Enterprises (SMEs) are observed to be an important sources for income generation, employment growth and income distribution in developing countries. Recent development of inter-industry model for income distribution analysis is unable to deal with dualistic aspects of production structures between SMEs and large sectors. Failing to recognize the dualistic production structures in the inter-industry models implying that homogeneity assumption in the macroeconomic models cannot be avoided. In particular, one might get a false impression that growth in some sectors will “trickle down” equally to benefit all sectors regardless the sizes. This paper aims to develop a unique database so-called Malaysian SME-Social Accounting Matrix (SME-SAM) that captures inter-industry linkages between SMEs and large sectors, and income distribution. In our SME-SAM, a sector is separated into small, medium and large sized sectors. In addition, labor and household are further disaggregated into several income classes by ethnic groups. Database from input-output table, economic census, household income and expenditure survey, and other sources are used to construct the SME-SAM for Malaysia. Based on this unique dataset, several analyses that specifically address the income distribution issue in Malaysia will be performed. For example, analyses are able to measure the extent to which the level of interdependencies between SMEs and large sectors is important in explaining the level of income distribution across income classes in Malaysia.