MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH

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STRENGTHENING MALAYSIA'S MSMEs SUPPORT ECOSYSTEM

MIER welcomes the Prime Minister's announcement of a RM200 million Geran Sejahtera MADANI to assist hawkers, small traders, night-market operators and mothers running home-based businesses, together with an additional RM1 billion in microfinancing, bringing the total allocation for 2026 from RM5 billion to RM6 billion. These measures provide timely support to segments of the micro-enterprise community that often face greater difficulties in accessing formal financing.

The increase in the annual revenue threshold for mandatory e-Invoice implementation from RM1 million to RM3 million is a positive development for small and medium enterprises. Exempting businesses with annual revenue not exceeding RM3 million will reduce compliance costs and administrative requirements for many entrepreneurs.

In the longer term, the key challenge is the fragmentation and overlap of support programmes across ministries, government agencies and financial institutions. While substantial funding is available, better coordination is needed to simplify access, reduce duplication and ensure that support reaches the right businesses at the right stage of development.

There is also a need to place greater emphasis on outcomes rather than disbursement. While quantum-based funding targets may satisfy institutional KPIs, effectiveness should increasingly be assessed through indicators such as business survival, productivity, income growth, employment creation, and the ability of micro-enterprises to achieve sustainability or, where appropriate, graduate to larger-scale financing and markets.

A more integrated "one-stop" information approach could enable entrepreneurs to identify and access relevant financing, grants, guarantees, digitalisation assistance, advisory services and skills development through a more coordinated system.

Importantly, a more organised funding ecosystem can strengthen the quality of assessment, monitoring and business support. Government agencies and private financial institutions have different capabilities in assessing business viability and potential. Effective assessment and follow-up, however, often require sector-specific knowledge that goes beyond standard eligibility and financial checks. Not every institution has the capability to provide ongoing support or help businesses address operational difficulties.

Better coordination would also allow data, experience and institutional knowledge to be consolidated over time. A roadside stall, for example, may succeed because of location, while an experienced entrepreneur may have the instinct to identify such opportunities. Elements of this practical knowledge can nevertheless be formalised through better data, monitoring and analysis, covering areas such as location assessment, competition, pricing, cash-flow management, accounting and customer demand.

The funding ecosystem can therefore serve not only as a source of capital, but also as a platform for capability building. Entrepreneurs should have access to basic knowledge needed to assess opportunities, manage their businesses and make informed decisions.

Going forward, Malaysia's MSME policy should move beyond expanding the quantum of assistance towards building a more coordinated, accessible and outcome-oriented ecosystem. The objective should be to provide the right assistance at the right stage of development, while building institutional knowledge and capability and maximising the economic and social returns from public resources.

MIER believes that greater dynamism, resilience and capability among Malaysia's MSMEs will strengthen their contribution to economic growth and create a more diverse, competitive and resilient economy for the future.

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1 September 2026

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