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Paving the Way Forward for SMEs with Digital Accounting and Digital Banking



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Paving the Way Forward for SMEs with Digital Accounting and Digital Banking

🕒 12 October, 2021 - 📁 [Teknologi \(https://ramarama.my/category/teknologi/\)](https://ramarama.my/category/teknologi/)

By Dr Premagowrie A/P Sivanandan

A rise in digital payments is seen as more enterprises embark on their digital transformation journeys. The Fintech Malaysia Report 2021 indicates Malaysia's digital shift accelerated by the COVID-19 pandemic. In 2020, online and mobile banking penetration reached 112.5% and 61.8% respectively, and mobile banking transactions worth RM460 million were made.^[1] This shows that the fintech industry is contributing positively towards the growth of our economy and simultaneously creating employment opportunities. In addition, according to *Bank Negara Malaysia*, an average Malaysian made an estimated 170 digital payments in 2020 as compared to 150 in 2019.^[2]

Fintech is expected to change the business and accounting world as artificial intelligence, big data, and machine learning gain prominence in business operations. Recognising the importance of financial inclusion, small and medium-sized enterprises (SMEs) need to start adopting digital transactions into their businesses if they want to appeal to the consumers of today and have a pie of the digital economy chart.

In 2020, a 7.3% decline was recorded in the contribution of SMEs to Malaysia's Gross Domestic Product (GDP), which is higher than the decline in Malaysia's GDP and non-SMEs GDP of 5.6% and 4.6% respectively.^[3]

Here are some ways in which SMEs can start to integrate digital accounting and digital banking into their existing financial models for long-term sustainability.

Incorporate Digital Accounting to Improve Efficiency per Transaction

In recent years, professional accounting bodies and regulatory bodies have published articles, blueprints, and guidance notes on preparation for the digital future. For example, the MIA Digital Technology Blueprint outlines five driving principles to steer accountants in Malaysia to respond to digital technology in an encouraging and appropriate manner.

Taking into serious consideration the long-lasting effects of the pandemic on business infrastructures, SME owners need to adapt to digital accounting solutions for their businesses to improve work efficiency while reducing human error. Accountants and

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SME business owners will experience a paradigm shift from focusing on manual and tactical tasks, to the strategic planning and decision-making of the business to nurture growth.

Moreover, digital accounting solutions allow real-time data analysis as business owners can keep track of their finances anytime, anywhere. This increases the ease of payments for SME owners, checking on financial reports and verification of important information related to investments. Along with improved efficiency and the intellect to make informed decisions, digital accounting platforms can manage a vast volume of payments, detect fraud or inconsistencies, and provide an added layer of security to sensitive financial information.

With a suite of services available at a mere click away, technology-enabled accounting platforms can become integral to SMEs' growth in the current landscape.

Explore Digital Banking as Means for Financial Expansion

While financial management is the core of any business strategy, several businesses are struggling with everyday issues such as cash flow, finding access to external finances and developing efficient payment systems. Research shows that 60% of SMEs in Indonesia, Malaysia, Philippines, Singapore, and Thailand lack sufficient knowledge about bank loans available for them while 50% of the SMEs are said to be underserved and unserved.[4] Thus, technology in the form of digital banking steps in as the enabler to bridge the gap.

According to the International Monetary Fund (IMF), digital banking in Malaysia has quadrupled in the last decade supported by 4G network coverage and affordable data. [5] With digital banking, SMEs will be guided on cash flow forecasting as well as emergency planning tools.[6] Through digital banks, awareness and education will be provided to SMEs on the loans and avenues available for them.

Furthermore, digital banks will allow businesses to secure microloans and have access to financial products that are not possible in a conventional banking setup. With efficient application processes and tools, digital banks also make access to microcredits easier for SMEs.

Today, there is an urgency for SMEs in Malaysia to be educated about the prospects of digital banking and how it can help businesses to flourish, especially in the current scenario with *Bank Negara* ready to issue digital banking licenses in Malaysia by early 2022.

Make room for Mobile Application Payments

In Malaysia, mobile applications form an important gateway for SMEs to interact with their vendors and customers. This is especially true for the younger generations, who spend a substantial amount of time on their devices to stay connected via social media, stream online content and play mobile games.

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By enabling mobile payments through app development, SMEs stand a higher chance to get noticed by their consumers, strengthen the chance of customer loyalty through easy-to-use applications and even increase the employees' level of productivity towards the business.^[7]

Another benefit for SMEs is the higher chance of having the business reach the right audience. This is because, mobile applications can be used as a means for SMEs to market their latest products and services as well as engage with consumers, at the right moment.

Switch to Cashless Transactions by Adopting e-wallets

The COVID-19 pandemic saw a staggering increase in the use of e-wallets in Malaysia. According to *Bank Negara*, e-payment transaction volume per capita reached 169.9 in 2020, representing a 13.5% increase from 2019.^[8]

Inevitably, e-wallets are here to stay as the usage trend among netizens increases following the ease and speed of transactions.

Besides, incorporating e-wallets for SMEs improves the overall customer experience for the brand, provides easy implementation to digital payments, makes omnichannel a possibility, and gives access to real-time data and analytics, making it easy for businesses to track payments. With a convenient, secure and efficient payment system in place, e-wallets act as an important enabler in the SMEs' journey to digital transformation.

For a country like Malaysia, with high mobile phone penetration and strong government support towards the digital economy, the call for businesses such as SMEs to shift from traditional processes to digitalisation is truly an urgent need to continue to be the driving factor for the Malaysian economy.

[1] <https://fintechnews.my/27070/malaysia/fintech-malaysia-report-2021/>
(<https://fintechnews.my/27070/malaysia/fintech-malaysia-report-2021/>)

[2] <https://www.thesundaily.my/home/covid-19-gives-e-transactions-a-boost-YH8108188> (<https://www.thesundaily.my/home/covid-19-gives-e-transactions-a-boost-YH8108188>)

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(<https://www.theedgemarkets.com/article/malaysian-smes-gdp-shrank-73-2020-more-overall-economys-contraction-56>)

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[5] <https://www.imf.org/en/News/Articles/2020/02/27/na022820-malaysia-a-flourishing-fintech-ecosystem> (<https://www.imf.org/en/News/Articles/2020/02/27/na022820-malaysia-a-flourishing-fintech-ecosystem>)

[6] <https://www.moneythor.com/2020/07/02/post-pandemic-digital-banking-for-smes/> (<https://www.moneythor.com/2020/07/02/post-pandemic-digital-banking-for-smes/>)

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[8] <https://www.theedgemarkets.com/article/ocbc-bank-ramping-digitalisation-efforts-during-pandemic> (<https://www.theedgemarkets.com/article/ocbc-bank-ramping-digitalisation-efforts-during-pandemic>)



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Dr Premagowrie A/P Sivanandan is the Head of Department for the School of Accounting & Finance, at Taylor's Business School, Faculty of Business and Law, Taylor's University. Taylor's Business School is the leading private business school in Malaysia, based on the QS World University Rankings by Subject 2021 edition.

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