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ABSTRACT

Small and medium scale industries in Malaysia have been receiving a lot of attention from the government ever since the Fifth Malaysia Plan (1986-1990). The recession the country went through in 1985-1986 made the government realise the importance of SMIs in generating output, employment and income. Ever since then, assistance for the development of SMIs in the form of finance and technology have been made available, both by the government and the private sector.

This research studies the importance of SMIs in generating output, income and employment. It seeks to identify the manufacturing sub-industries in which SMIs play an important role. At the same time, this research also studies the performance of Malaysia's SMIs in comparison to Japan's SMIs.

Although Japan's recent data on its SMIs was not available, the comparison of Malaysia's current SMI performance to that of Japan's in 1966 reveals that Malaysia's SMIs are about three decades behind the development of Japan's SMIs. Where the Japanese SMIs are already actively involved in the more capital intensive manufacturing industries, Malaysia's SMIs are still more involved in labour-intensive production. At the same time, Japan's large scale industries sub-contract from their SMIs. Industrial linkage between Malaysia's SMIs and large scale industries is still far from satisfactory.

However, although Malaysia's SMIs performance is still far behind that of Japan's, the study reveals that the fact that our SMIs are more labour intensive. As such,

there is the tendency to generate more employment opportunities. For the year 1994, Malaysia's SMIs were also able to generate income per capita higher than their large scale counterparts. It was only in the generation of output where the performance of Malaysia's SMIs was much less than that of the large scale industries. This is due to the fact that most SMIs still use more traditional methods of production.

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