

## ***Digital Progress but Uneven Adoption: Raja Poobalan and the SME Digitalisation Challenge in Malaysia***

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### **Abstract**

This case examines a strategic decision faced by Raja Poobalan, Executive Chairman of GraceTrade, within the context of Malaysia's rapidly expanding digital economy. National indicators report strong progress in digital connectivity, e-commerce expansion, and SME digitalisation targets, suggesting widespread participation in the country's digital transformation. However, GraceTrade's internal observations reveal a different reality. Many small and medium enterprises located in rural and suburban areas remain only partially integrated into digital commerce despite favourable national statistics. The case situates Raja Poobalan within a specific organisational and temporal context as he prepares for a board discussion on how GraceTrade should allocate its resources in response to this uneven participation. Background information on Malaysia's digital economy, SME participation patterns, and operational constraints faced by rural businesses is presented as decision inputs. These include issues related to connectivity reliability, logistics coverage, digital capabilities, and the higher risks associated with sustaining online operations outside urban centres. The case concludes at the point where Raja must determine whether GraceTrade should prioritise commercially attractive urban markets, invest in expanding digital participation among rural and suburban SMEs, or pursue a hybrid strategy balancing growth and inclusion. The case is designed to stimulate discussion on digital divide dynamics, SME participation in digital platforms, and the strategic trade offs between efficiency and inclusive economic development.

**Keywords:** Digital Economy, Small and Medium Enterprises, Rural and Suburban Development, E-commerce

## Compact Case Narrative

### Introduction

In November 2025, Raja Poobalan arrived early at the GraceTrade office in Kuala Lumpur to prepare for an upcoming board meeting. The meeting agenda had one item highlighted in bold. It concerned the company's strategic priorities for the next twelve months, particularly how GraceTrade should respond to uneven participation among small and medium enterprises in Malaysia's digital economy.

Outside the office, Kuala Lumpur reflected many of the transformations associated with digitalisation. Food delivery riders moved between restaurants and residential areas, mobile payment logos were displayed at shopfronts, and online orders were processed continuously through digital platforms. Yet Raja was aware that this image represented only part of the national picture. Reports prepared by his team suggested that many SMEs located in rural and suburban areas were not benefiting from digital commerce in the same way as their urban counterparts.

As Executive Chairman of GraceTrade, Raja had overseen the company's growth as a digital commerce ecosystem builder. He now faced a decision that would shape how the organisation positioned itself amid increasing policy attention on inclusive digital growth.

### The Decision Maker

Raja Poobalan is a Malaysian technology entrepreneur widely recognised for his role in building digital commerce platforms. He founded TX Strong in his early twenties, which later became one of Southeast Asia's major digital payment and distribution companies. His leadership trajectory attracted attention in Malaysian business media, particularly when he became one of the youngest chief executives of a publicly listed company.

Following his exit from TX Strong, Raja shifted his focus toward creating a broader digital ecosystem that could support merchants across different levels of digital readiness. This vision led to the establishment of GraceTrade, where he serves as Executive Chairman. By 2025, Raja's role extended beyond his company. He had been appointed to the board of the Malaysia Digital Economy Corporation, an agency responsible for advancing the country's digital transformation agenda. While this appointment did not alter his responsibilities at GraceTrade, it placed him closer to national discussions on digital inclusion and SME development.

### Organisational Setting

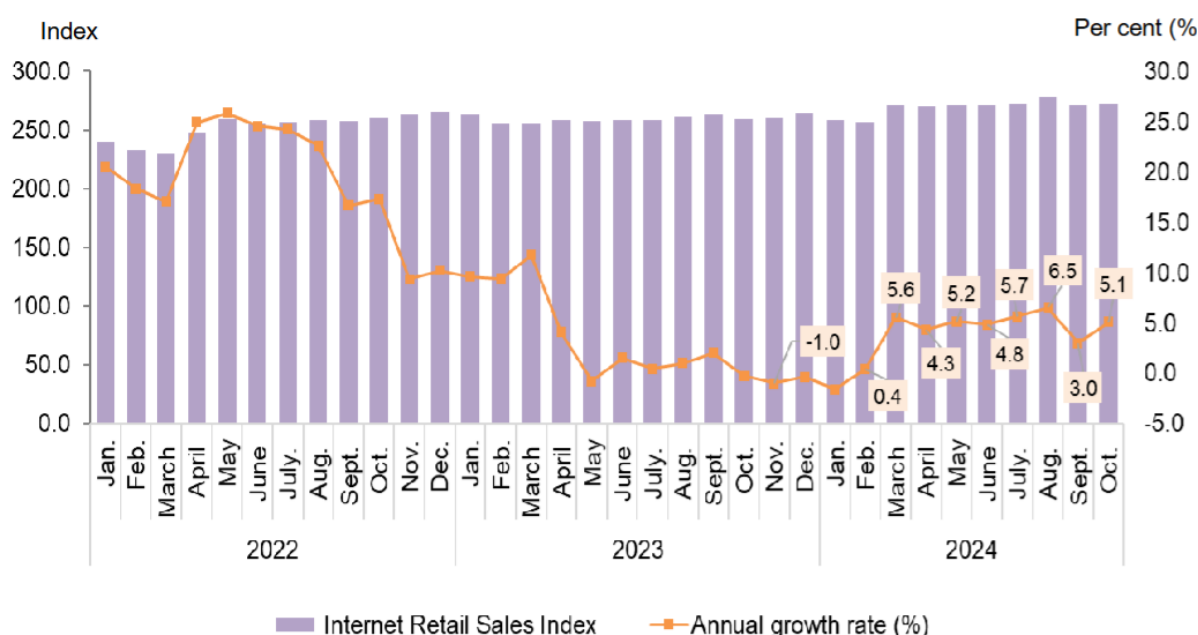
GraceTrade operates as a digital commerce ecosystem player rather than a conventional online marketplace. The company works with partners across payments, logistics, onboarding services, and merchant enablement. Its objective is to lower barriers for businesses seeking to participate in online commerce by providing access to tools, partnerships, and operational support.

The firm's activities span several Southeast Asian countries, with Malaysia representing a key market. GraceTrade maintains extensive records of SME participation across different sectors, including retail, food production, services, and small-scale manufacturing. Internally, the company tracks indicators such as merchant onboarding rates, platform engagement, and regional distribution.

Although GraceTrade does not publicly disclose detailed regional performance figures, internal briefings prepared for Raja showed a clear pattern. Merchant activity was concentrated in urban centres where infrastructure, logistics, and digital skills were more readily available. Participation from rural and suburban SMEs remained limited and more difficult to sustain.

### Malaysia’s Digital Economy Context

Malaysia’s digital economy had expanded steadily over the previous decade as shown in Figure 1. Government investment in broadband infrastructure, combined with widespread smartphone adoption, resulted in very high internet penetration rates (Kylasapathy et al., 2018). By the mid-2020s, digital services were deeply embedded in daily economic activity, from payments and retail to transportation and food services.



Source: Department of Statistics Malaysia (2025)

**Figure 1:** Index of Retail Sale Over the Internet

The pace of digital adoption accelerated during the COVID-19 pandemic. Movement restrictions forced businesses and consumers to rely more heavily on online platforms (Omar et al., 2020). Many SMEs experimented with e-commerce for the first time, supported by government initiatives offering grants, training, and digitalisation programmes.

By 2025, national reporting highlighted strong aggregate outcomes. E-commerce revenue for the first nine months of the year was reported at RM937.5 billion. Policy documents outlined ambitions for the digital economy to contribute 22.6 percent of GDP by 2025. Internet penetration was reported at more than 97 percent of the population, with tens of millions of active internet users.

These indicators were frequently cited as evidence of Malaysia’s digital progress. However, they did not reveal how participation varied across regions or firm sizes.

## **Selected National Indicators**

The board briefing prepared for Raja included a summary table of national digital economy indicators commonly referenced in policy and media discussions as shown in Table 1.

**Table 1:** Selected Indicators of Malaysia’s Digital Economy and SME Participation

<b>Indicator</b>	<b>Latest reported figure</b>	<b>Reference period</b>
E-commerce revenue	RM937.5 billion	Jan–Sep 2025
Digital economy share of GDP	22.6 percent target	2025
Internet penetration rate	97.4 percent of population	2024
Internet users	33.6 million people	2024
SME adoption of e-commerce	870,000 firms target	2025

Source: Ministry of Investment, Trade and Industry (2025); Ministry of Economy (2025)

The table provided a snapshot of national-level progress. It did not indicate how many rural or suburban SMEs were able to sustain online operations over time.

## **Uneven Participation Among SMEs**

GraceTrade’s internal reports suggested that the benefits of digitalisation were not evenly distributed. SMEs in urban areas often adopted digital tools more quickly and consistently. They benefited from reliable connectivity, dense logistics networks, and proximity to service providers.

In contrast, rural and suburban SMEs faced a different operating environment. Feedback collected through partner channels and field engagements highlighted several recurring challenges. Some business owners reported inconsistent broadband quality that disrupted online operations during peak periods. Others cited limited courier coverage, higher delivery costs, or longer delivery times that reduced customer satisfaction.

For many rural SMEs, digital adoption involved additional risk. Mistakes in inventory management, delayed deliveries, or negative online reviews could have immediate financial consequences. Without dedicated staff or specialised digital skills, some owners found it difficult to sustain the operational demands of online commerce.

As a result, onboarding alone did not guarantee continued participation. Some SMEs registered on platforms but reduced activity over time, returning to primarily offline sales channels (Tajudeen et al., 2025).

## **Internal Strategic Discussions**

Within GraceTrade, management discussions reflected differing perspectives on how to respond. One group emphasised commercial efficiency. They argued that focusing on urban SMEs allowed the company to scale more quickly, meet partner expectations, and maintain competitiveness in crowded digital markets. Urban merchants tended to generate higher transaction volumes and required less customised support.

Another group highlighted longer-term considerations. They pointed out that GraceTrade’s stated mission emphasised broad SME participation. Ignoring rural and suburban enterprises could limit the company’s relevance as policy and public attention increasingly focus on inclusive growth.

Both perspectives acknowledged that resources were finite. Expanding targeted support for rural and suburban SMEs would require investment in training, local partnerships, and

operational solutions adapted to infrastructure constraints. These efforts were likely to yield slower returns compared with urban expansion.

### Rising External Expectations

Raja's appointment to the board of the Malaysia Digital Economy Corporation added a new layer of complexity. Board discussions frequently addressed the challenge of ensuring that digital transformation did not exacerbate existing regional disparities. While these discussions were policy-orientated, they influenced how industry leaders were perceived.

GraceTrade's partners also sought clarity. Some partners prioritised volume and speed, favouring markets where adoption was already high. Others expressed interest in initiatives that could broaden SME participation beyond major cities.

Raja recognised that GraceTrade's strategic choices would signal how private digital platforms responded to the gap between national digital indicators and local realities.

### The Decision Context

As the board meeting approached, Raja reviewed the briefing materials once more. The contrast between headline digital progress and uneven SME participation was evident. National indicators pointed to growth and connectivity. Internal reports highlighted practical constraints faced by rural and suburban SMEs.

GraceTrade could pursue several paths. It could concentrate resources on urban markets where competition was intense but returns were clearer. It could commit to developing tailored approaches for rural and suburban SMEs, accepting slower progress and higher operational complexity. It could also attempt a hybrid approach, balancing limited pilot initiatives with continued urban focus.

Each option carried implications for growth, partnerships, and organisational identity. The board agenda framed the issue as a matter of priority rather than possibility.

As board members gathered in the meeting room, Raja prepared to open the discussion. The final agenda item was labelled simply as resource prioritisation for uneven SME adoption. The case ends at this point, with the decision unresolved.

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