Country Highlights

Malaysia 2015

The World Bank Group conducted face-to-face interviews with top managers and business owners of 1,000 enterprises in Malaysia from March 2015 through May 2016. The Enterprise Survey (ES) sample is representative of Malaysia’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

**Malaysian firms have smaller sales and employment growth rates than comparator economies**

Between 2012 and 2014 Malaysia’s private sector experienced anemic growth in real annual sales (0.2%). This is in contrast with the average growth of 2.7% in upper middle income economies. Large firms (100 or more employees) had the worst annual sales performance with negative annual sales growth (-13.2%) followed by medium sized firms (20 to 99 employees) with -3.1% annual sales growth. On the contrary, sales for small firms (5 to 19 employees) grew at 2.5% annually. Employment in Malaysia grew moderately at 2.8% annually, compared with 5.1% on average for the upper middle income economies. Employment in large firms grew slightly less than in smaller firms.

**Malaysian firms spend relatively little time dealing with government regulations**

Senior management of Malaysia’s private businesses spend relatively little time dealing with government regulations and obtaining licenses. In 2015, senior management spend, on average, 3% of their time dealing with requirements of government regulations compared to 6% in East Asia and Pacific (EAP) and 10% in upper middle income economies. Licenses for operation as well as permits for construction are obtained faster in Malaysia, in only 4 and 11 days respectively, compared with the average of 33 and 76 days for upper middle income economies and 20 and 31 days in EAP economies.

**Women are relatively well represented in top management**

In Malaysia, 26% of private firms are managed by a woman, higher than the average for upper middle income economies (20%) but lower than the average for the EAP region (33%). The gender gap is far stronger in firm ownership, as only 10% of firms have a majority of female owners. This is comparable to the average for upper middle income economies (12%), but substantially below the EAP average (29%). Across sectors, 11% of services firms have women as majority owners, compared with only 5% in manufacturing firms. On the other hand, the percentage of firms with a female top manager is similar across sectors.
Malaysian firms experience more corruption than firms in upper middle income economies

A substantial number of firms in Malaysia (28%) experience at least one bribe payment request across six transactions involving access to utilities, permits, licenses, and taxes (bribery incidence). This percentage is slightly lower than in EAP (30%) but more than double the upper middle income average (13%). Malaysia also fares worse than the average of upper middle income economies but is comparable to the EAP region in bribery depth: 22% of public transactions are reported to be accompanied with a request for a gift or informal payment, more than twice the average for upper middle income economies (10%) while the EAP region average is 24%.

Firms are less likely to train their workers than in comparator economies

Malaysian firms are less likely to train their workers compared to regional and income group peer economies. Training highlights firms’ investment in the skills and capabilities of their workforce. The percentage of Malaysian firms that offer formal training to their employees (incidence of training) is only 19 percent, well below the EAP average (32%) and almost half the rate (36%) of upper middle income economies. Malaysia also underperforms its comparator economies in the share of workers that receive formal training. The share of workers offered formal training is only 44% in Malaysia compared to 63% and 60% in the EAP region and in upper middle income economies respectively.

Informal competitors are the biggest obstacle to private firms’ operations

The ES asks business owners and top managers to name the biggest obstacle that they face in their everyday operations, out of a list of 15 potential obstacles. Informal competitors were identified as the top obstacle to private firms operations in Malaysia by 30% of firms. Despite the relatively short time it takes to obtain licenses and permits in Malaysia, this is still viewed as a top obstacle by many businesses: 11% of private businesses consider licensing and permits to be their biggest obstacle. Tax rates and tax administration are ranked 3rd and 4th (cited by 10% and 9% of businesses respectively).

For more information on the survey visit http://www.enterprisesurveys.org