HRDF
HUMAN CAPITAL
REPORT
Issue: Sep 1/2019

SMEs in Malaysia:
Training Landscape among SMEs
SMEs in Malaysia: TRAINING LANDSCAPE AMONG SMEs

98.5% BUSINESS ESTABLISHMENTS IN MALAYSIA ARE SMEs.

Contribution of SMEs in GDP and exports for 2018 have increased 6.12% and 3.43% respectively.

The contribution of SMEs employment to total employment increased every year with average of 0.73% increment per year due to the increased in number of SMEs in Malaysia.

Employment by SMEs from 2014 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>63.8%</td>
<td>64.5%</td>
<td>65.3%</td>
<td>66.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Statistics Malaysia (DOSM)

Small and medium enterprises (SMEs) is categorised based on business sales turnover or number of full time employees.

**Manufacturing**

- **Medium**: Sales Turnover: RM15 mil ≤ RM50 mil OR No. of Employees: 75 ≤ 200
- **Small**: Sales Turnover: RM300,000 ≤ RM15 mil OR No. of Employees: 5 < 75
- **Microenterprises**: No. of Employees: < 5

**Services and Other Sectors**

- **Medium**: Sales Turnover: RM3 mil ≤ RM20 mil OR No. of Employees: 30 ≤ 75
- **Small**: Sales Turnover: RM300,000 ≤ RM3 mil OR No. of Employees: 5 ≤ 30
- **Microenterprises**: No. of Employees: < 5

Source: SME Corporation Malaysia (SMECorp), 2019

The highest number of SMEs are located in Selangor (19.8%).

The highest concentration number among SMEs is in Selangor, followed by Kuala Lumpur, which made up of more than one-third of the total SMEs. Based on HRDF Database, Computer Industry (12.6%), Freight Forwarder (6.7%) and Engineering Support & Maintenance (6.6%) are among the subsectors with the highest number of HRDF registered employers in Klang Valley.

Source: Economic Census 2016, Department of Statistics Malaysia (DOSM)

Quick Takeaways and Highlights

20,612 establishments are Medium and 192,783 are Small.

Source: Economic Census 2016, Department of Statistics Malaysia (DOSM)

Information and statistics of SMEs are important in measuring the performance of small and medium scale firms for assisting the government in future developments on SMEs.

Putrajaya, WP Labuan and Perlis are the states with the lowest number of SMEs with 01.1%, 0.3% and 0.8% respectively.

Source: Economic Census 2016, Department of Statistics Malaysia (DOSM)
SMEs in Malaysia: TRAINING LANDSCAPE AMONG SMEs

OUT OF 907,065 ESTABLISHMENTS IN MALAYSIA, THE HIGHEST NUMBER OF SMEs ARE FROM SERVICES.

MAJORITY OF SMEs WERE NOT REGISTERED UNDER HRDF IN 2016 AS 76.5% ARE MICROENTERPRISES.

Majority of the SMEs were microenterprises, constitute of 76.5% at which mostly are business operators with less than five full-time employees and predominant across the Services sector. Further, based on the total establishments 907,065, not all were subsectors covered under PSMB Act 2001.

SMEs REGISTERED UNDER HRDF INCREASED EVERY YEAR.

Malaysia’s SMEs GDP recorded a strong growth for 2017 at 7.2% as compared to 5.2% recorded in 2016 resulted in the growth of number of SMEs registered with HRDF for the past three (3) years:

Trend of HRDF Registered Employers and Employees under SME category in 2016 - 2018

- No. of Employers
  - 2016: 558,880
  - 2017: 1,839,800
  - 2018: 2,556,090

- No. of Employees
  - 2016: 14,208
  - 2017: 18,398
  - 2018: 22,572

The number of Small category of registered employers are higher than Medium with 48.23%.

Top five (5) SMEs registered with HRDF according to Small and Medium category as at July 2019

Food Manufacturing & Beverage Industries dominated the number of SMEs registered under HRDF under Manufacturing sector while Hotel industry has the highest number of registered employers in Medium category and Sale and Repair of Motor Vehicles under the Small category of Services sector.

Quick Takeaways and Highlights

There are low in number of registered SMEs under HRDF compared to the number of establishments reported by DOSM which might due to the criteria of at least 5 local employees is not fulfilled.

Sale and Repair of Motor Vehicles is among the subsector under Services with the high number of both Small and Medium employers.

Source: Source: HRDF Internal Database 2019
QUICK TAKEAWAYS AND HIGHLIGHTS

SMEs in Malaysia: TRAINING LANDSCAPE AMONG SMEs

SHARE OF FINANCIAL ASSISTANCE APPROVED FOR SMEs INCREASED FOR THREE (3) CONSECUTIVE YEARS (2016 – 2018) COMPARED TO LARGE.

It is assumed that training activities has reduced in numbers for Large employer category due to slower growth in Malaysia’s economy caused by the cancellation of large infrastructure projects and dimmer trade and export prospects (World Bank, 2018).

SMEs WERE FOCUSING MORE ON JOB BASED TYPE OF TRAINING COMPARED TO INDUSTRY BASED AND PERSONAL EFFECTIVENESS TRAINING.

TYPES OF TRAINING APPROVED IN 2018

<table>
<thead>
<tr>
<th></th>
<th>SME</th>
<th>LARGE</th>
</tr>
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<tbody>
<tr>
<td>Industry Based Programme (IB)</td>
<td>40.0%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Job Based (JB)</td>
<td>45.3%</td>
<td>54.7%</td>
</tr>
<tr>
<td>Personal Effectiveness (PE)</td>
<td>40.7%</td>
<td>59.3%</td>
</tr>
</tbody>
</table>

TRAINING PARTICIPATION BY SMEs AT THE HIGHEST IN YEAR 2017.

PRIVATE INSTITUTION OF HIGHER LEARNING IS THE MOST ACTIVE SMEs AMONG THE OTHER 63 SUBSECTORS.

The activeness of the subsector is measured based on the number of training participation and the number of employees covered under HRDF.

SMEs were increasingly active in training partly due to the various incentives given:

HRDF WAS ACTIVELY SUPPORTING SMEs IN 2017 VIA SPECIAL INITIATIVES.

<table>
<thead>
<tr>
<th>1. SME Upskilling &amp; Reskilling Programme</th>
<th>2. SME Skills Upgrading Programme</th>
<th>3. SME Minimum Wages Training Fund Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>353</td>
<td>523</td>
</tr>
<tr>
<td>Functional</td>
<td>648</td>
<td></td>
</tr>
<tr>
<td>Ad-hoc</td>
<td>1,846</td>
<td></td>
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</tbody>
</table>

INITIATIVES FOR SMEs in 2018.

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<th>158 SME development programmes</th>
<th>28 innovation and technology-related programmes</th>
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<tr>
<td>RM14.3 billion</td>
<td>RM217.33 million</td>
</tr>
</tbody>
</table>

WHAT’S NEXT FOR HRDF?

Product Services team is recommended to promote more training and HRDF ready initiatives in future as SMEs are the backbone in supporting the overall economy.

Source: Source: HRDF Internal Database 2019

Source: SME Corporation Malaysia (SMECorp), 2018
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