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THE IMPACT OF PANDEMIC COVID-19: EXPERIENCES FROM MALAYSIAN MICROENTERPRISES

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Abstract:

Small and medium-sized enterprises (SMEs) are backbone of most economy worldwide. In Malaysia, more than 97% of the overall business establishments are SMEs and almost 80% of the SMEs comprise of microenterprises that operate with less than five employees. Despite its limited financial and human resources, microenterprises are however considered to be vital for the well-being of the rural communities and capable of reducing income gap between communities. Unfortunately, microenterprises were the most affected by the outbreak pandemic Covid-19 than other business establishments. In rural economy, such as in the state of Kelantan most sole traders operate the microenterprises to support their families' well-being. Affected income of microenterprises were definitely affected their families' well-being as well. This study was conducted among businesses in Rantau Panjang, Kelantan with the objective to identify the impact of Covid-19 experienced by them. The study also decided to investigate their readiness to shift to online business. This study applies qualitative approach utilizing structured face-to-face interviews. It was identified that all the participants suffered sales reduction due to Covid-19 leading to lower income or no income at all. Positively, Covid-19 has forced the microenterprises to quickly shift to alternative online platform to ensure the survival of their businesses. This study is considered to be important because the resilient and sustainability of these microenterprises would alert the well-being and economic status of their families in the post pandemic of Covid-19.

Keywords:

Businesses, Covid-19, Microenterprises, Resilient, Qualitative Approach

Introduction

Small and medium-sized enterprises (SMEs) are backbone of most economy worldwide including Malaysia. SMEs play a very important role in the economic growth (Saturwa, Suharno & Ahmad, 2021; Secinaro, Calandra & Biancone, 2020; Zaazou & Abdou, 2020). SMEs provide job opportunities and supply goods and services to its larger counterpart. (Shafi, Liu & Ren, 2020; Raja Kasim, Shahzad & Wan Ibrahim, 2020). In Malaysia, there are 1,151,339 SMEs representing 97.2% of the overall business establishments in 2020 (SMECorp, 2020). 78.4% (903,174 firms) of the SMEs comprise of microenterprises that operate with workers less than 5 and obtaining the sales turnover not more than RM300,000 (SMECorp, 2020).

Commonly, microenterprises are solely owned and undercapitalized (Eijdenberg & Masurel, 2013) leading to limited financial and human resources and technological incapability (Fazal et al., 2019). Due to these distinctive features microenterprises are less likely to be able to obtain bank loan than large corporations. Microenterprises primary sources of financing are mainly depending on their owners and employees (Ahmad & Jamil, 2020). However, according to Lateh et al. (2017) and Rahman (2016) microenterprises play a significant role in eradicating poverty. Microenterprises can be easily established with minimum resources enable individuals to recognize it as an alternative for them to support the cost of living for themselves as well as their family. As such microenterprises are considered to be vital for the well-being of the rural poor (Hammawa et al., 2018) and capable of reduce income gap between communities (Fazal et al., 2019).

Unfortunately, the Corona Virus (Covid-19) disease outbreaks in late 2019 that severely claimed millions of lives worldwide had weakened all global economy. Malaysia with no exception had to also took drastic action by imposing Movement Control Order (MCO) that prolonged for several months beginning 18th March 2020. As a result, many businesses were affected and microenterprises were the most affected than other business establishments when the government imposed partial lockdown allowing only essential economy activities to continue in operation with strict procedures. Tucker (2020) mentioned that Covid-19 is likely to cause bankruptcy to many industries as consumers need to stay at home. Being financially fragile with weak and limited cash flow that would last for several weeks only, (Bartik et al., 2020) microenterprises were surely be the most affected. Annuar (2020) identifies that nearly 70% of SMEs had suffered more than 50% drop in their income.

In rural economy, such as in the state of Kelantan most sole traders operate the microenterprises to support their families' well-being. Affected income of microenterprises were definitely affected their families' well-being as well. The objective of this study is to identify the impact of Covid-19 experienced by businesses in Rantau Panjang, Kelantan and to investigate their readiness to shift to online business. In ensuring their ability to survive the impact of the pandemic Covid-19, their readiness to shift online business need to be investigated. This study

is considered to be important because the resilient and sustainability of these microenterprises would alert the well-being and economic status of their families also.

Literature Review

The Outbreak of Pandemic COVID-19 in Malaysia

The coronavirus pandemic (Covid-19) is an ongoing global pandemic with more than 157 million cases have been confirmed as of 8 May 2021 and more than 3.27 million deaths attributed to Covid-19 at that date (Wikipedia 2021). The virus was first identified in December 2019 in Wuhan, China and shortly after that the World Health Organization (WHO) had declared a Public Health Emergency of International Concern regarding Covid-19 on 30 January 2020, and later on 11 March 2020 declared the virus as pandemic due to its quick and widespread and high fatality. Due to the transmission nature of Covid-19, social distancing, wearing face masks in public, ventilation and air-filtering, hand washing, covering one's mouth when sneezing or coughing, disinfecting surfaces, and monitoring and self-isolation for people exposed or symptomatic are among the preventive measures recommended.

In Malaysia the spread of Covid-19 started on 23 January 2020 when three Chinese nationals who entered Malaysia via Johor were confirmed positive for Covid-19 (Berita Harian, 2020). Positive cases increased rapidly over a period of seven (7) weeks with a cumulative number of 553 cases on 16 March 2020 before the Malaysian government following most other countries worldwide had decided to implement a Movement control order (MCO). The MCO in Malaysia began for two weeks starting from 18 to 31 March 2020 (Berita Harian, 2020). The first phase of MCO was extended for each two-week period for two months until May, 12 with some restrictions as presented in Table 1 below. Then the MCO was removed and replaced with Conditional Movement Control Order (CMCO) and finally Recovery Movement Control Order (RMCO) which was further extended to 31 December 2020.

Table 1. Period of MCO, CMCO and RMCO and Restrictions on Economic Activities

Date	Period	Restriction
18 March - 12 May 2020	MCO 1.0 (8 weeks)	<ul style="list-style-type: none"> All business sectors were closed except 10 essential services namely food, banking services, health services, energy, communication, water, logistics, security and defense, e-commerce and waste management/sewerage which were allowed with limited operation hours. No inter-state and inter-district travels.
Source: New straits Times (16 March, 2020)		
4 May – 9 June 2020	CMCO 1.0 (5 weeks)	<ul style="list-style-type: none"> Almost all economic sectors and business activities were allowed to operate subject to conditions and SOPs set by the government excluding cinemas, karaoke outlets, reflexology centers, entertainment outlets, night clubs, theme parks, Ramadan bazaar, Aidilfitri bazaar, sales carnival as well as all forms of conferences and exhibitions. Only inter-district travels were allowed.
Source: MKN Telegram		

10 June – 20 Nov 2020	RMCO 1.0 (24 weeks) 6 months	<ul style="list-style-type: none"> Almost all social, education, religious, business activities to resume their operation on June, 10 excluding pubs, nightclubs, entertainment outlets, reflexology centres, karaoke centres, theme parks, mass religious parades, weddings celebration, open houses and activities which is difficult to maintain SOPs. Both inter-state and inter-district travels were allowed. <p>Source: New Straits Times (7 June, 2020)</p>
21 Nov - 6 Dec 2020	CMCO 2.0 (2 weeks)	<ul style="list-style-type: none"> CMCO period of three states in Kelantan namely Kota Bharu, Machang, Tanah Merah and Pasir Mas was extended to December 20, 2020. Only 3 persons per car was allowed. No inter-state and inter-district travels. <p>Source: MKN Telegram</p>
7 Dec 2020 – 12 Jan 2021	RMCO 2.0 (5 weeks)	<ul style="list-style-type: none"> All business activities proceeded as usual with new norm SOP excluding entertainment activities, sports and recreation which involved international athletes, tourism activities to CMCO and EMCO. Number of passengers based on car's capacity. Both interstate and inter-district travels were allowed between RMCO to RMCO and CMCO. <p>Source: New straits Times (5 December 2020)/ MKNTelegram</p>
13 Jan – 26 Jan 2021	CMCO 3.0 (2 weeks)	<ul style="list-style-type: none"> All business activities proceeded as usual with new norm SOP. Number of passengers based on car's capacity. No interstate travel was allowed. <p>Sources: MKN Telegram</p>
22 Jan – 18 Feb 2021	MCO 2.0	<ul style="list-style-type: none"> All business sectors are closed except essential services including; <ul style="list-style-type: none"> Food supply – take away/drive through/ delivery only from 6.00 am to 10.00pm Retailers and convenience store from 6.00am to 10.00pm Hospital/clinic for 24hours Pharmacy from 6.00am-10.00pm Petrol station from 6.00am-10.00pm Daily market/farmers market/public market/weekly market from 7.00am to 2.00pm Night market from 4.00pm to 10.00pm Wholesale market from 12.00am to 6.00am or 11.00am to 4.00pm Pet clinic from 6.00 am to 10.00pm Laundry and eyeglass store from 6.00am to 10.00pm Self-service laundry with the presence of employeeand SOP Only 2 persons was allowed to get necessity goods within 10KM. <p>No inter-state and inter-district travel were allowed.</p>

Source: MKN Telegram

19 Feb – 14 April 2021	CMCO 4.0 7 weeks	<ul style="list-style-type: none"> All business activities resume their operation with new norm SOP. Negative lists are as follows: <ul style="list-style-type: none"> Entertainment activities (pubs and night clubs) and cinemas and concerts allowed on 5 March with SOP) Sports and recreation with the presence of supporters without approval from Ministry of Youth and Sports Tourism activities to CMCO, MCO and EMCO Operating hour: 6.00 am to 12.00am Number of passengers based on car's capacity. <p>No inter-state travel was allowed</p> <p>Sources: MKN Telegram</p>
16 April 2021 – 17 May 2021	MCO 3.0 - 1 month	<ul style="list-style-type: none"> All business can continue their business operation with enhanced SOPs. <ul style="list-style-type: none"> Restaurants/ food stall/ food truck were allowed from 6.00 am to 10.00pm (No dine-in) Retailers and convenience store from 6.00am to 10.00pm Hospital/clinic for 24hours Pharmacy from 6.00am-10.00pm Petrol station from 6.00am-10.00pm Daily market/farmers market/public market/weekly market from 7.00am to 2.00pm Bazaar Ramadhan/ bazaar Aildilfitri/Night market were not allowed Wholesale market from 12.00am to 6.00am or 11.00am to 4.00pm Pet clinic/pet food store from 6.00 am to 10.00pm Laundry/eyeglass store/car wash/barber shop/saloon from 6.00am to 10.00pm Self-service laundry with the presence of employee and SOP Number of passengers based on car's capacity. Negative lists are as follows: <ul style="list-style-type: none"> Economic activities – SPA and reflexology Entertainment activities – night clubs /pubs /theme parks/indoor cinemas Sports and recreation - sports and recreational activities that involve physical contact /tournament/the presence of supporters <p>No interstate and inter-district travels.</p> <p>Sources: MKN Telegram</p>

However, at point where Malaysian almost won its fight against Covid-19 in 2020, the infected cases began to rise again which left the government with no other choice but to reinforce MCO again in January 2021.

The Impacts of COVID-19 on SMEs

Shafi et al. (2020) alert that micro-enterprises or self-employed persons are more vulnerable than their larger counterpart during the Covid-19 outbreak. According to Fabeil, Pazim and Langgat (2020) small business -sector with the number of employees less than five persons is the one mostly affected directly by the MCO. As informed earlier there are 1,151,339 SMEs in Malaysia representing 97.2% of the overall business establishments in 2020 (SMECorp, 2020) in which 78.4% (903,174 firms) of the SMEs comprise of microenterprises that operate with workers less than 5 and obtaining the sales turnover not more than RM300,000 (SMECorp,2020). In Malaysia, SMEs are defined as firms with sales turnover not exceeding RM50 million or employment not exceeding 200 workers for the manufacturing sector. While, for the services and other sectors, SMEs are firms with sales turnover not exceeding RM20 million or employment not exceeding 75 workers (SMECorp,2020). For microenterprise, the sales turnover is not more than RM300,000 and the workers less than 5 both for manufacturing and service sector. Therefore, in Covid-19 crisis, majority of the business establishments in Malaysia are at higher risk of being impacted.

Consequently, businesses closure had led to annual sales drop as well as annual income reduction (Al Fadly, 2020; Ojong-Ejoh et al., 2021; Ramli & Jamri, 2021; Takeda et al., 2022, Nik Wan et al., 2021). Tong (2020) reported that 70% of SMEs experienced a 50% drop in business within a week of MCO. With limited cash reserves and lack of funding, SMEs would suffer bigger losses when they still need to pay for their operational cost such as utilities, rental and salaries (Che Omar et al., 2020) regardless of their decreasing or might as well be no sales and revenues during the business closure due to Covid-19. Moreover, SMEs in specific line of businesses might experience further losses when their materials or inventories were damaged during the lockdown period (Kiram, Saputra & Fakhurrizi 2020).

Meanwhile, Ganaie, Zafar and Seth (2020) identify that 89% of SMEs in Pakistan faced financial difficulties due to COVID-19. Another survey by Kalogiannidis (2020) represented that multiple small businesses will tend to fail due to the financial crisis to revive the business. Al-Fadly (2020) in his study of SMEs in the hospitality and tourism industries in Kuwait discovered that many businesses were affected by reduced revenue. Revenues were dropped to 30 to 50% forcing the cash flow to come to a halt. Due to the businesses closure during lockdown caused disruption to the supply chain. Furthermore, one-fourth to one-half of the MSMEs studied by Takeda et al. (2020) experienced a temporary closedown during this period and one-third to two-thirds were facing a cash shortage at the time of the survey. However, a study carried out by Aderemi et al. (2020) on Nigeria's small and medium enterprises notified that the enterprises experienced only moderate reduction in production and sales during lockdown. The SMEs seem to not experienced a spike reduction in above operations due to their business' engagement in essential commodities and services.

Shafi et al. (2020) identified that over 94% of the micro, small and medium-sized enterprises (MSMEs) operating in Pakistan have been affected by the ongoing Covid-19

outbreak. The top five reported problems were financial (67.93%), supply chain disruption (47.83%), decrease in demand (44.02%), reduction in sales (38.04%) and profit (41.85%) (Shafi et al., 2020). Additionally, Sarker et al. (2022) find that SMEs in Bangladesh are facing several problems such as demand fall (92.96%), cancellation of orders (85.56%), liquidity crisis (74.30%), delayed transportation (72.53%), unsecured working environment (68.31%), raw material shortage (63.73%) and employees' absenteeism (62.67%). The SMEs face beyond 40% decrease in production volume against the pre pandemic year.

Strategies to Survive the Impacts of COVID 19

According to Amos (2020) digitalization is increasingly useful for small and medium enterprises to improve efficiency and competitiveness. This is evidenced when Amos (2020) reported that within a week of MCO online non-food shopping increased by 53%, online grocery shopping by 144% and online food delivery by 61%. Indriastuti and Fuad (2021) supported that the use of technology is the best solution to keep the sustainability of SMEs. The authors then suggested several steps that can be taken by SMEs to ensure sustainability namely:

- Using social media to promote products or businesses
- Manage cashflow optimally
- Re-budgeting
- Monitoring business transactions
- Monitoring of inventories

Consequently, Lestari et al. (2021) found that as compared to adopters of e-commerce, non-adoption of e-commerce caused small enterprises to experience a decline in income, which worsened due to restrictions of community activities. Therefore, to overcome this negativity, small enterprises were pushed to adopt e-commerce. However, according to Indriastuti and Fuad (2021) not all SMEs possessed digital knowledge and skills need to embark on digital marketing and online businesses. During the MCO about 84% of SMEs experienced difficulties with their connectivity and communications with customers and suppliers (Tong & Gong, 2020). As such, many other institutions should also play a role to assist SMEs to implement appropriate strategies to ensure they can survive through the impacts of Covid-19.

Methodology

This study applies qualitative approach utilizing semi-structured face-to-face interviews with the micro entrepreneurs operate in the Rantau Panjang, Kelantan shopping area. Businesses in Rantau Panjang, Kelantan which was known as shopper's paradise are among the microenterprises in Kelantan that were massively affected by the MCO. Due to their nature of operations that required face-to-face trading activities, MCO would then definitely affect the businesses enormously. The interviews were conducted in February and March 2021 almost a year after the Malaysian government imposed the first MCO on 18th March 2020. The semi-structured interviews were constructed through review of the literature to clearly define and describe the key concepts and constructs in this study.

Preliminarily, the macro entrepreneurs were approached to build rapport and briefly learn about their background and ascertain their nature of businesses. Then using purposive sampling, eighteen (18) microenterprises were identified and interviewed for this study. To

truly appreciate their experiences, interviews were conducted and analyzed in Malay language and later then translated when necessary. To enhance reliability in this qualitative study, researchers shared their research process, findings and interpretations to maintain transparency and allow for external scrutiny that can prevent researchers' biases and inconsistencies. Thematic analysis is used to analyse these qualitative data to ensure patterns and themes were identified with the data and enable researchers to uncover and interpret the meaning, significance, and underlying concepts within the data.

Results and Discussion

Seventeen (94.4%) of the microenterprises in this study registered their businesses as sole proprietors while only one (1) registered as private limited company. As expected of microenterprises, seventeen (17) of them are owned by individual who is also the person who is mainly manages and operates the business. Therefore, due to owner-manager characteristics of the microenterprise, the interviews sessions were mostly conducted with the owner of the business who are truly experienced the challenges and difficulties faced by the businesses.

Almost all the participants (94.4%) in this study operated their businesses selling only one category of products meanwhile only one participant operated with three categories of products. The category of products is provided in Table 1 below.

Table 1 Category of Products

Category of Products	Number of SMEs	%
Clothing	9	45%
Food	4	20%
Bags and Shoes	2	10%
Comforter, Bedsheet, mattress	2	10%
Toys	1	5%
Accessories	1	5%
Cook wares and Kitchenware	1	5%
TOTAL	20	100%

Alike with most businesses globally, microenterprises in this study also experienced sales drop consequently due to the pandemic Covid-19. Most of the microenterprises were unable to operate as usual due to the repeated MCO and CMCO period imposed by the government since their category of products was not considered to be essential and necessity. Their businesses were more affected and experienced slow recovery when they were incapable of conducting their businesses online.

Participant M12 who own and operate two shop lots that sell women and children clothing for over 20 years in Rantau Panjang severely suffered from sales drop as her stores can only operate for not more than four months from June to October 2020 due to MCO. Her businesses experienced decline in sales from an average of RM700 per day before the MCO to RM150 per day after the MCO. Due to lack of digital skills Participant M12 was unable to do business online during the MCO period in order to increase sales.

“94% sales dropped after movement control order (MCO). Sometimes no single sales in a day. After MCO, sales were badly affected and the business was only opened on Friday to Sunday. Then, in a bad day, our business can merely earn RM15 even on peak time on Friday”.

(Translated/Participant M1_Accessories).

During MCO, the business cannot open and it affect our bread n butter. We need to be thrifter. We need to cut cost.... At the earlier stage of MCO, we are forced to throw away ice cream worth RM2,000. For post MCO, in terms of ice cream sales, it did not affect much since we can control the quantity of the ice cream stock”.

(Translated/Participant M2_Food).

The microenterprises in this study suffered reduction in sales revenue as well as losses to their operations due to several reasons. Firstly, they experienced sales drop when they were forced to temporarily closed down their businesses as a precaution to prevent the outbreak of Covid-19. Secondly, even after they were allowed to continue their operations, the number of customers who visited their premises has also reduced because people were still traumatized with the fatal effect of Covid-19. Thirdly, several microenterprises suffered losses when their inventories were damaged or expired due to the emergency announcement of MCO. Some of the microenterprises had to sell their products at a discount or at a lower price to prevent further losses if the products were damaged or expired.

Supporting the study by Che Omar et al. (2020) the microenterprises in this study also felt greater impact of pandemic Covid-19 due to limited cash reserves that they held. Participant M4 mentioned that MCO was really a challenging time because they did not have any other sources of income and they were fully depending on government assistance to survive and support themselves and their family. It was a stressful experience for them due to severe financial constraints when their micro businesses were the main sources of their income.

Few of the microentrepreneurs had to take loan to cover for their operating expenses and living expenses. This could impose prolong impacts if they failed to pay for the liabilities that they have committed.

“To survive during the pandemic, I need to take a loan to pay for the shop rent and others expenses. Luckily, we live at the second level of the shop floor, so our house rent can be saved”.

(Translated/Participant M6_Cookware)

“Most of the time the sales were zero. We have to take a loan or pawn my wife's gold accessory in order to survive”.

(Translated/Participant M8_Clothing)

Unfortunately, most microentrepreneurs in this study operate their businesses to support their families' well-being. Reduction in the sales revenues or even any day with no income were definitely affected their families' well-being as well.

“Not only life sustainability is affected but the emotional also affected. I have to think about what to eat, how to pay the shop rent, how to pay utilities and other expenses. We even have to pawn out gold accessory to survive”.

(Translated/Participant M7_Clothing)

Participant M5, a single mother personally struggled to survive and experienced the hardship to support her family due to the pandemic Covid-19.

In short, universally microenterprises that operated in their physical ‘bricks-and-mortar’ definitely experienced sales reduction since they are forced to shut down their businesses during MCO. Furthermore, MCO period in Kelantan took a longer time than most of the states in Malaysia. The businesses suffered even worse if they are microenterprises since microenterprises inherently are limited in financial and human resources. Due to the pandemic Covid-19 not only the businesses were affected but it also affected the well-being of the microentrepreneurs and their families as well.

Alternatively, Indriastuti and Fuad (2021) suggest the use of technology as the best solution to keep the sustainability of SMEs. Amos (2020) reported positive impact of digitalisation to improve efficiency and competitiveness of SMEs during the outbreak of pandemic Covid-19. However only four (4 /22%) out of eighteen (18) microenterprises in this study took the opportunities to shift to online business as a remedial action to sales reduction during Covid-19. Most of the microenterprises in Rantau Panjang, Kelantan are in operation for more than fifteen (15) to twenty (20) years in which the owners are mostly considered to be at older age. Despite of the benefits of digitalisation not many of the microentrepreneurs are capable and willing to start an online business.

Participant M2 who is selling ice cream, is not interested in doing online business due to the unsuitable nature of business. Meanwhile, participant M4 seems to be uninterested to operate an online business because of the necessity for him to go through trainings and courses to conduct online business. Suffering from lack of knowledge and necessary skills, not many of the microenterprises are not really keen to shift to online business. They considered that they are too old to go through trainings and courses to learn new knowledge necessary to conduct online business. Furthermore, the rustic location of the microenterprises caused delivery difficulties. Despite of the benefits of digitalisation and online business pronounced, not many microenterprises are capable and willing to easily shift to online business.

Conclusion

Covid-19 is one of many disease outbreaks that occurred occasionally throughout history. Covid-19 received enormous attention globally since it severely claimed millions of lives. Many countries globally impose travel restrictions and movement controls order (MCO) and Malaysia was no exception. Most activities including economic activities were weakening in the effort to prevent upsurge infections of Covid-19 in Malaysia. Consequently, many businesses were affected with microenterprises would be the most affected.

The objective of this study is fulfilled when the impact of Covid-19 experienced by businesses in Rantau Panjang, Kelantan is identified. It was identified that the macro entrepreneurs in Rantau Panjang, Kelantan suffered sales drop and reduction in revenue leading to cash flow

problems. Not only their businesses operations were affected but their life and their family's life and economic wellbeing were severely affected as well. Meanwhile, in investigating their readiness to shift to online business not all them ready to shift to online business. Even though digitalisation and online business were recommended to lessen the impact of Covid-19 not all microenterprises are capable and willing to shift to online business. Therefore, further investigation should be conducted among the microenterprises to identify their needs and necessities to undergo the recovery of Covid-19 impacts.

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