The Impact of COVID-19 Outbreak on SMEs in Malaysia

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Abstract
Coronavirus (COVID-19) outbreak has been declared as a global health disruption, and at the same time affecting the global economy. As the phenomena are unprecedented, there is a lack of studies on the impact of COVID-19 on businesses, especially in Malaysia. For preventing the virus transmission to the plethora of people, the Malaysian government declared Movement Control Order (MCO) on March 18, 2020, in which the citizens are ordered to practise ‘social distancing’ to avoid the further outbreak of COVID-19. Therefore, the study aims to identify the impact of COVID-19 transmission on Small-Business Enterprises (SMEs) businesses in Malaysia. This study employed an online survey system using a self-administered questionnaire that was distributed all over the country through social media. Findings indicated that the spreading of COVID-19 in Malaysia has significant impacts on SMEs businesses, which affected almost 87% of business owners when their business is experiencing loss. Only 13% of business owners in this study are not affected as they have an online business. The findings reveal that 76% are affected by the COVID-19 outbreak as they need to shut down their physical premises and plants during MCO. The remaining of the respondents are still operating their business as they are of the ‘food and beverage’ sector.

Keywords: SMEs Community, SME business, COVID-19, Movement Control Order, Global health, Online Store

Introduction

A global public health emergency that is triggered by the coronavirus (COVID-19) outbreak has led to economic depression as well as economic recession across the world. The numbers of infected and death cases rise sharply. Recovery from the pandemic remains slowly even in developed countries such as China, Italy, Spain, Germany, Europe, and the U.S. (American Library Association [ALA], 2020; McKinsey analysis, 2020). At the time this article is being written, the World Health Organisation (WHO) has declared COVID-19 as a pandemic that has infected 177 countries all over the world (Craven, Mysore, Singhal, Smit, & Wilson, 2020). The countries that have been affected by this pandemic can be seen in Figure 1. COVID-19 has spread worldwide despite containment efforts. Moreover, this situation has caused financial collapse in almost all countries in the world. Therefore, WHO has declared this outbreak as a public health emergency for international concern to coordinate international responses to the disease (McKinsey analysis, 2020).
Malaysia is one of the countries in Southeast East Asia with the highest number of COVID-19 infected cases. As shown in Figure 2, as on March 17 2020, Malaysia is ranked as the number one in South East Asia affected by the spread of COVID-19 with the total number of cases of 673 including 2 deaths. By April 15 2020, the total number of confirmed cases has increased to 5,072 with 83 deaths. Even though the total number of recovered patients is increasing daily, the chain of the outbreak should be broken to avoid the spread from becoming worsen. Moreover, no one knows how long the COVID-19 outbreak will last, how far it will spread, and how many more lives it will claim. Therefore, the Malaysian government has taken responsibility by implementing Movement Control Order (MCO) to break the chain. For preventing the virus transmission to the plethora of people beginning on March 18 2020. The MCO execution requires all Malaysian citizens to stay at home and practice social distancing. Therefore, all shops business operations have been ordered to shut down. Consequently, this has impacted a plethora of businesses in Malaysia, especially Small-Medium Enterprises (SMEs).

The SMEs' business is one of the important contributors to the economy of the country. In Malaysia, SMEs are also considered as one of the important contributors to the economy of the country, and they contributed around 38.3% to Malaysia's Gross Domestic Product (GDP) in 2018. According to SME's report (Small-Medium Enterprise Corporation Malaysia [SME], 2019), there are three categories of SMEs: (1) micro-enterprise is a company less than five employees or sales turnover is less than RM300,000, (2) small-enterprise is a company more than 5 and less than 75 employees and sales turnover is more than RM 300,000 to R.M. 3 million, and (3) medium-enterprise is a company more than 75 and less than 200...
employees and sales turnover is more than R.M. 3 million to R.M. 20 million. In this article, the researchers focus on the first category of SME namely micro-SME, as this category is the one that has been most affected by the COVID-19 outbreak during the implementation of MCO (Small-Medium Enterprise Corporation Malaysia [SME], 2019). SMEs' business, including sectors such as car distributors, travel agencies, and food and beverage, operate all over the country. SMEs' revenue in Malaysia is the most profitable and contribute to 2/3 job opportunity (Department of Statistics Malaysia [DOSM], 2020). Nevertheless, SMEs businesses are seen to be impacted by the transmission of COVID-19 outbreak in the country as people are ordered to stay at home for the obvious safety reason. However, the number of available literature focused on the impact of COVID-19 in Malaysia is minimal. Therefore, this study aims to identify the impact of COVID-19 transmission on SME businesses in Malaysia. Moreover, the purpose of this article is to discuss four issues: (1) how the MCO has affected SMEs in Malaysia, (2) the methodology to design the study for data collection and data analysis, (3) the findings and statistics on the impact of COVID-19 transmission on SME businesses in Malaysia, and (4) the implications and limitations of research in this study.

How MCO has Affected SMEs in Malaysia

The lockdown or Movement Control Order (MCO) has been practised by many countries all over the world such as Europe, Italy, French, and Germany once COVID-19 was declared as causing global public health disruption and would result in a collapse of the global economy. There is no exception to Malaysia as well. Due to the contagious of COVID-19, the Prime Minister of Malaysia announced the MCO on March 16, 2020, that started on March 18, 2020, for the first phase (Prime Minister’s Office [PMO], 2020). At the time this article was being written, MCO was in phase two and on its 29th day. MCO has led to a rapid shut down of all businesses in cities and states as the government announced 'stay-at-home policy' and 'social distancing' to control the spread of COVID-19. In this sense, this situation would result in a major downfall to businesses, especially the micro-SMEs. For example, if customers decide to 'stay at home' and cook for their households, the 'food and beverage' sector is likely to face shut down. The relevant companies are forced to furlough their staff as the companies' cash flow is declining as the customers do not spend their money on buying food and beverages. Studies in China, Spain, and the U.S. have found that besides businesses shut down, cancellations and postponements of public activities have also drastically reduced consumers' spending across the countries (McKibbin & Fernando, 2020; Wren-Lewis, 2020; Yue et al., 2020). Another study in China in the tourism sector revealed that all flight tickets were cancelled. Consequently, this sector faces a tremendous threat as the economic slowdown causing postponements of tourism activities (Hoque, Shikha, Hasanat, & Arif, 2020).

MCO has also restricted the mobility of goods and people, and restaurants, movie theatres, and retail have been closed all over the country. This situation has certainly impacted SMEs. A study in the U.S. and Europe found that COVID-19 has affected supply chains, disrupted manufacturing operations, and forced thousands of companies to temporarily shut down operations (Haren & Simchi-Levi, 2020). In Malaysia, the implication of MCO to SMEs is witnessed through the statistic announced by the National Department of Statistics. The statistic shows that a total of 2,041 employees of hospitality industries have been terminated due to economic depression as a result of MCO. Meanwhile, a total of 9,773 employees have been given unpaid leave, and a total of 5,054 staff are facing up to 50% of salary reduction until the economies stable. Moreover, approximately 190,000 micro-SMEs businesswomen who involve in the services sector have also been affected by the COVID-19 outbreak (Department of Statistics Malaysia [DOSM], 2020). This implication is not only occurring in Malaysia, but a study conducted in the U.S. and Europe also revealed that the COVID-19 outbreak had affected their organisations as their operations are facing shut down and the possibility of termination of their staff (Koonin, 2020).
Government Initiatives to Help SMEs Businesses in Malaysia

The government is committed to helping SMEs that have been affected during the MCO. The Prime Minister of Malaysia, Tan Sri Muhdyidin Yassin has announced several initiatives, including an additional of RM10 billion economic stimulus package to help SMEs in Malaysia (BERNAMA, 2020). Based on (Department of Statistics Malaysia [DOSM], 2020) report, two strategies were highlighted by Malaysia’s Prime Minister in this package. First, the government will increase the wage subsidy of RM600 monthly for employers from RM5.9 billion to RM13.8 billion, an additional RM7.9 billion. Under this additional initiative, the government emphasises all SMEs that local employees with the salary less than RM4,000 are eligible for wage subsidy that starts from RM600 to RM1,200. The number of employees in that organisation should not be more than 200, and the aid will be subsidised for three months. This aid comes with the condition that employers must retain their staff for at least six months. Second, a total of RM2.1 billion to establish the new special grant for micro-SMEs. Every company will be given a special grant of RM3,000 that will benefit around 700,000 micro-SMEs nationwide. This group is offered a maximum loan limit of RM10,000 per micro-SMEs with a 0% interest rate by the National Entrepreneur Group Economic Fund (Tekun Nasional) for all the loans under the Credit-Micro Scheme. However, micro-SMEs businesses must comply with the government’s condition, which is they must register with the Inland Revenue Board (IRB). The government will also obtain a list of eligible micro-SMEs from local authorities and the Companies Commission of Malaysia. However, there is a lack of studies on the impact of COVID-19 on SMEs, especially in Malaysia. Therefore, the study aims to identify the impact of COVID-19 transmission on SMEs businesses in Malaysia.

Method

This study utilises a quantitative methodology (Creswell, 2009), and descriptive research was employed to identify the impact of COVID-19 transmission on SMEs business in Malaysia. This study uses non-probability sampling with a snowball technique on that micro-SME business ownership. A set of questionnaire was distributed online via ‘Google Form’. The data were analysed using SPSS version 24. Frequency test was used to measure the frequencies of data, and descriptive analysis was employed to narrate the findings of the impact of COVID-19 transmission on SMEs business in Malaysia. The researchers used the frequency test to derive the frequency and percentage of the demographic profile of the respondents, characteristics of businesses, and performance of businesses. Data on gender, age, race, marital status, and monthly income were analysed using the descriptive analysis to narrate the findings. Thus, this has helped the researchers to view the frequent data and analyse if any data are out of range.

Findings

A total of 112 self-administered questionnaires with a snowball technique were collected from micro-SMEs business via an online survey system. The items covered demographic, characteristics of businesses, and performance of businesses during MCO.

Demographic of the Respondents

Descriptive analysis was performed to understand the profile of respondents and the history of SMEs’ businesses. The profile of respondents such as gender, age, race, religion, marital status, area respondents live in, monthly household income, and people live in a household. The demographic of respondents are explained and presented in the following figure. Figure 3 indicates the number of males which is 58 (52%), who participated in this study, more than females, which is 54 (48%). There were more male or 4 (10%) more than the female. The gender of the respondents in this study is dominated by the male, does not reflect the actual business situation in Malaysia. This situation might be because males have more time to answer the survey during MCO,
compare to the females who are busy with house chores. However, this data will be discussed in the 'discussion section'.

![Figure 3. Pie chart of gender](image)

Figure 3. Pie chart of gender

Figure 4 indicates 11 of the respondents are in the range of 15 years old and less than 24 years old, which is 9%. This finding is followed by 39 (35%) of the respondents aged between 25-34 years old and the age range of 35-44 years. Meanwhile, 21 (19%) respondents belong to the 45-59 years old. Only 2 (2%) of the respondents are in the range of 60 years old and above. The researcher has divided the range of age to the maximum of at least 60 years old because it is assumed that this range of age still has the capability and motivation to do business.

![Figure 4. Pie chart of age](image)

Figure 4. Pie chart of age

Figure 5 shows that is the Malay biggest percentage of the respondents in this study which are 94 (84%), followed by 'Others' which are 9 (8%). 7 respondents are Chinese (6%), while 2 (2%) are Indian. The Indian respondents are much lower than the actual racial composition due to their unwillingness to participate in the survey. The representation of Malay ethnic is higher compared to another ethnic due to the respondents being chosen based on the snowballing sampling method distributed in social media are mostly involving the Malays.
As shown in Figure 6, this pie chart shows the marital status of the respondents. Most of the respondents are married, which are 78 people (70%). This finding is followed by single, which are 31 respondents (28%), and the remaining are 3 people (2%) who are widows.

Figure 7 shows the highest number of respondents which are 59 (53%) who live in urban, followed by sub-urban with 28 respondents (25%). The last group consists of 25 people (22%) who live in rural. The majority of the respondents live in town businesses are conducted, and facilities such as banks, suppliers are available. Furthermore, demand for goods or purchasing power is high in urban areas.
Figure 7. Pie chart of the area live in

Figure 8 indicates the respondents with the highest monthly household income within the range of RM 3,000 to RM 5,000, which are 18 people (16%). In this sense, these respondents meet the criteria of micro-SMEs. Only 2 people (1%) who have the monthly household income within the range of RM 12,000 to RM 15,000 and the monthly household income within the range of RM 15,000 above which are only 5 respondents (4.5%). This group belongs to another category of SME, either small-SME or medium-SME.

Figure 9 shows that the highest number of people living in a household are 39 people (35%) (39) or more than 5 persons. The lowest percentage of the number of people who live in a household is 5% (6), belong to 1 and 2 person sectors.
Business Characteristics of the Respondents

Characteristics of businesses refer to types of business, commitment to the business, location of the business, and duration of business. The characteristics of business will be explained and presented in the chart below.

Figure 10 represents the types of business in Malaysia. 'Food and beverage' sector is the biggest business sector in Malaysia. In this study, 49 (43.5%) of 'food and beverage' business owners participated, which is the most represented business sector. The sector that has the lowest number of respondents is multi-level marketing, which is at 0.9%. Thus, it can be concluded that the most preferred business among Malaysians is 'food and beverage' as this sector has a big market and requires lesser capital for business start-up compare to other sectors.

Figure 11 shows that majority of the respondents are fulltime in business with 74 (66%) of them run their business in the current context, these business is seen to have been adversely affected by MCO as most of their income comes from their business activities. Therefore, the role of the government is to tackle the SMEs issue by reducing the negative impact of the COVID-19 outbreak.
Figure 11. Pie chart of duration respondents commitment on business

Figure 12 shows the location of respondents' businesses. Majority of the respondents operates at their physical store, which is 39% or 44 business owners. Likewise, a similar number of respondents also said that they provide both physical and online stores to operate their business. In the current context, the most adversely affected business owners during this MCO is around 22% or 25 business owners. This group needs a user-friendly policy by the Malaysian government to increase its profit during the pandemic.

Figure 12. Pie chart of the respondents business location

Figure 13 shows the majority of the respondents or 55 people (49%) have experienced in business for about 1-5 years. This is followed by having less than 1-year experience or 13 people (12%). Meanwhile, 24 people (21%) of the respondents have business experience for more than 10 years. 5 years of experience in business is considered new. During this period, young business owners are still struggling to find the right model of business. Having more than 10 years of experience in business would put business owners in a stable condition, and is also the right time to venture and sustain the business. However, business owners should start to focus on business development as the capital when their capital has become stable. Therefore, the government should focus on helping the group who have less than 10 years of business experience. Priority should be given to businesses that have operated less than or at least 5 years as majority of the respondents belong to this group.
Business Performance of the Respondents

The performance of businesses explained the impact of MCO on business during the COVID-19 outbreak. The business performance of respondents will be explained and presented in the chart below. The performance of businesses in Figure 14 indicates 87% or 97 respondents have been affected by MCO as well as the COVID-19 outbreak when their business is experiencing loss. Two main factors that make them facing loss are they need to bear the debts to suppliers as their goods are destroyed and can no longer be sold. Their business cannot operate due to lack of stocks. Only 15 business owners or 13% are not affected by this virus outbreak because their business is still profitable as they have an online store as backup.

Figure 15 shows 76% or 85 of the respondents who have been affected by the COVID-19 outbreak as they need to shut down their business during MCO. The remaining respondents are still operating their business as they are in the ‘food and beverage’ sector.
Discussion

This study discusses the data in Figure 3 to Figure 15 on the impact of COVID-19 on SMEs in Malaysia. The data in this study are also supported by the literature on how COVID-19 affected countries over the world, such as the U.S., Europe, China, and Spain. Two factors how COVID-19 outbreak has affected business owners are loss of profit and supply chain issues. This section also discusses the implication of the study and the limitation of the study.

The most affected factor caused by the COVID-19 outbreak is the execution of MCO by governments all over the world. In the Malaysian context, some SMEs especially micro-SMEs in this study, have lost their revenue and need to stop their business operation due to the duration of MCO. These situations are shown in Figure 14 and Figure 15. Even though the Malaysian government have encouraged micro-SMEs to do online business, the business owners do not have enough knowledge and thus need a proper education through training to start an online store. This situation is one of the reasons the SMEs were forced to shut down their business. Another reason is the delivery charge of e-hailing to the 'food and beverage' sector, which is high and exceed 30% of the cost of the food they deliver to customers. This situation has prompted several cafés and restaurant owners to stop using e-delivery services to send food to the customers (Department of Statistics Malaysia [DOSM], 2020). These findings are consistent with another study in China by Jia (2020) who uncovered that the supply chain has been disrupted and will reduce by 0.1 to 0.2% as a result of global economic growth in 2020, especially in frozen consumption and factory output. These findings are also supported by Haren and Simchi-Levi (2020). They claimed that the COVID-19 outbreak is affecting supply chains and disrupting manufacturing operations in the U.S and Europe as they depend on factories in China for parts and materials.

One of the impacts of the COVID-19 outbreak to all countries over the world is on the supply side. In this study, Figure 14 shows one of the factors related to the 'loss of profit' that business owners face is lack of stocks. These findings are consistent with another study in China by Jia (2020) who uncovered that the supply chain has been disrupted and will reduce by 0.1 to 0.2% as a result of global economic growth in 2020, especially in frozen consumption and factory output. These findings are also supported by Haren and Simchi-Levi (2020). They claimed that the COVID-19 outbreak is affecting supply chains and disrupting manufacturing operations in the U.S and Europe as they depend on factories in China for parts and materials.

The situations that occur in Figure 14 and Figure 15 are universal issues and involve many countries over the world. Many sectors in the world have also been affected by the pandemic. For example, a study on the tourism sector found the revenue has declined as no individuals are travelling to China due to
cancellations of all flights. Tourists also cancelled their programmes to visit China, and the Chinese have also been banned from flying abroad (Hoque et al., 2020). They further reveal that the pandemic has also caused the tourism sector to face a tremendous threat as well as the economic slowdown because this situation would impact sales and current achievements. These findings are also similar to the U.S. and Spain as (McKibbin & Fernando, 2020; Wren-Lewis, 2020; Yue et al., 2020) found that one of the impacts of COVID-19 is they need to shut down their operation due to lack of purchase from consumers in their shop, leading to lack of profit. These findings are also supported by Koonin (2020), who claimed that COVID-19 produces harmful impacts on businesses.

The implication of the Study

The implication of the findings would be helpful to educate SMEs community as the Malaysian government can reflect the impact of COVID-19 on businesses, then strategise the SMEs' plan to educate them, such as emphasising initiative to help the most affected SMEs community by encouraging online store launching via a proper education and training. These findings can also help the business stakeholders to predict the most affecting factors and find innovative and effective solutions before the economic depression become unavoidable. Thus, it would help the SME policymakers to understand what kind of support they should plan with their community as well as key personnel to make it possible for the business to operate during pandemic either in physical stores or online stores. The findings of this study are also useful to set a new goal for those who have just stepped inside a business career (Vlădescu, 2014). Moreover, these findings can help policymakers continual revision and refinement of current practices for SMEs in the future. It is hoped this study can be a guideline to educate SMEs community to choose which strategies should be number one focused, might be in providing training for the online store. Besides, this guideline is also able to help the ministry as well as policymakers to ensure all SMEs sustain in business no matter how long the pandemic occurred.

Limitation of the Study

There are several limitations to this study. First, the survey was conducted via an online survey system among business owners in Malaysia. Therefore, data collection procedures are likely to have constraints that influenced the outcome of the study. However, the online survey system is the best mechanism during the pandemic and comply with government instruction to 'stay at home' and practice 'social distancing'. Second, snowball sampling is using as the sample selection method for business owners who involve in SMEs. However, it is not an effective technique to select the sample that represents the selected population and meets the sampling criteria. However, this is an appropriate technique to reach large respondents with limited movement and time. Third, this study was limited to sample size and sample space. However, the accuracy of the results is highly dependent on the sincerity, openness, and cooperation of the respondents. Fourth, the respondents refused to answer the self-administrated questionnaires as the respondents' misinterpretation of the questions due to the absence of the interviewer. However, a self-administrated questionnaire is the best method during MCO as the researchers were not able to meet-up with the respondents.

Conclusion

COVID-19 is harmful to all sectors, especially SMEs businesses, either developed or developing countries. The outbreak could be over soon, but nobody could precisely predict the duration of economic depression that would be an aftermath to this pandemic. The end of the virus outbreak is unexpected, and it depends on the health sectors, countries’ policy responses, and citizens. The citizens should play their part by staying at home and practising 'social distancing' among family members. The virus outbreak would end when the vaccine is found. The intensification of the COVID-19 is impacting the SMEs of all countries for the long term. For preventing the spread of the COVID-19 among people, the Malaysian
government has implemented the MCO. However, the MCO has also impacted businesses, especially micro-SMEs. The MCO requires a higher demand for some sorts of online services. Still, business owners are not ready to do set up their business online as a lack of training. The government have also encouraged business owners to develop an online store to sustain their business during MCO. However, there is a lack of knowledge of online store implementation as no proper education implemented. However, instead of hoping for the government incentives such as the budget of 10 billion economic packages for SMEs, the SMEs should also plan and take action by setting up their online store as this is the only way to boost business during MCO.

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