

A Survey on the Impacts of Pandemic Covid-19 Among SMEs and the Survival Strategies Adopted

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KEYWORDS	ABSTRACT
<p>SMEs Pandemic Covid 19 Survival Strategy Descriptive Analysis Initiative</p>	<p>The Covid -19 pandemic that hit the world has already entered its second year. As in Malaysia, it is no exception to receive the great blow of this pandemic which has affected various industries. The pandemic has led many countries to enforce movement control and travel restrictions. When the government declared the Movement Control Order (MCO) for the first time started on 18 March 2020 (phase 1) and keep extended with no sign of ending, small businesses with limited resources, gain experienced business cancellation, breakdown of the supply chain, and disruption of operation. The impact of pandemic is uneven across sectors. SMEs engaged in services are the worst affected especially those related to accommodation and travelling. On the other hand, some businesses found a benefit on it especially those related to digital and innovation technological businesses. For survival strategies, SMEs is seen to be prepared to adopt new norms, including changing business operation from physical shop to home based and online platform. Therefore, this paper aims to study the impact of the pandemic Covid-19 as well as the survival strategies adopted by small businesses. To achieve this objective, data collection has taken place through an online questionnaire survey, which was carried out among small businesses in Kemaman, Terengganu. Data were analyzed using Microsoft Excel and SPSS. The outcome revealed that SMEs financially and operationally suffered due to pandemic Covid-19. Most SMEs were aware of Government's initiative through SME Corporation Malaysia. However, they were unsure the initiatives provided guaranteed long-term business survival. Thus, the finding provides insight information on the benefit of the government initiative to assist SMEs in sustaining their business survival.</p>

1.0 Introduction

The world has been rocked by the Novel Coronavirus (Covid-19) since 2019 until to-date. Started with the only viral flu outbreak, now it has become a global pandemic. The virus was found in Wuhan, China in December 2019 and later World Health Organization (WHO) declared the Covid-19 as a global pandemic on 11 Mac 2020 [1]. The pandemic not only become a public health crisis but has also affected the global economy. A significant economic impact has occurred across the globe such as unemployment, bankruptcies, trade disruption, and drop in the stock market. To break the chain of infection, many countries enforce movement control order (MCO) for a specified duration of time as well as travel restrictions.

As in Malaysia, the first case of Covid-19 was reported on 25 January 2020 when it was detected on 3 Chinese nationals arriving in Johor via Singapore [2]. The outbreak then emerged in late February and early March 2020 when the largest cluster at that time that linked to religious gathering lead to a massive spike of local cases. The world economy faces the worst ever economic recession due to the outbreak of the Covid-19 [3]. Not excluded, the Malaysian economy has also been impacted by the pandemic due to the government's movement control order (MCO).

Malaysian government declared the Movement Control Order (MCO) for the first time which started on 18 March 2020 (phase 1) [4] and keep extended until to date (May 2021). The MCO has required the closure of all businesses except those providing essential services and items. The closure of the non-essential business has led to many impacts on the economy, society, lifestyle, and education. SMEs are at high risk for permanent closure because they cannot pay for their expenses while being shut down [5]. Some SMEs cannot survive beyond one month because of cash flow issues. Furthermore, restrictions on production and consumption activities arising from the nationwide Movement Control Order (MCO) had caused supply shocks and a plunge in demand [6]. The survey conducted by Department of Statistics of Malaysia on 4094 companies during Phase 2 to Phase 4 MCO revealed that more than two-thirds of respondents (67.8%) reported no revenue during this period [7]. The unexpected situation as no company was likely prepared for COVID-19 affections, irrespective of business size and industries. To be specific the pandemic has impacted small businesses around Malaysia. After nearly a year of facing uncertain economic conditions due to the pandemic and movement control order, SMEs are increasingly distraught and restless.

Understanding the challenging situation especially to small, medium, and enterprises in the face of this pandemic, the Malaysian Government has immediately launched PRIHATIN Economic Stimulus Package on 26 Mac 2020 [8]. It is estimated about RM3.3 billion has been allocated to aid small, medium enterprises in retaining domestic business, employment, and investment operation. In addition, the government has also introduced an additional package under the Additional SME Economic Stimulus Package (PRIHATIN SME+) amounting to RM10 billion in considering the hardship face by SMEs [9].

Therefore, this paper aims to study the impact of the pandemic Covid-19 on SMEs specifically on the operation and financial and the survival strategies adopted by SMEs to mitigate the impact of Covid-19 on their business. The rest of the paper is organized as follows. The next section explained methodology for this study. Then, results and discussion are presented. The last section presents the conclusion of this study.

2.0 Methodology

This descriptive study aims to get meaningful insights on the impact of pandemic Covid-19 on SMEs businesses and remedial strategy used by the SMEs in Kemaman, Terengganu. Kemaman is one of the developing districts in Terengganu. The existence of Kemaman Supply Base has provided many business opportunities to residents around Kemaman.

A questionnaire was the main instrument in this study. The questionnaire has been developed and divided into two parts. Part A was used to gain information on the business profile of respondents. Part B was designed for operational and financial impact as well as survival

strategies carried out by the business. Six (6) sub-questions for operational impact and survival strategies and five (5) sub-questions for financial impact were developed in Likert Scale form. Five rating scales were developed (1 to 5; strongly disagree to strongly agree) to assess impact, opinion, and appropriate suggestion among the respondent.

The respondents were among SMEs in Kemaman, Terengganu. The lists of 72 SMEs were obtained from SME Corporation Sdn Bhd. The questionnaire has been distributed online from early May until mid-June 2021 and respondents were contacted through email, telephone calls, and WhatsApps. From 72 SMEs, only 23 of them responded to the questionnaire distributed. While another 49 listed SMEs did not reachable. This was due to the given list not being contactable as it was not updated. There was also a probability that the company has temporarily ceased business due to the impact of the pandemic. SME which run the business with limited capital and financial resources might contribute huge financial implication when any unexpected events happened [10]. Out of 23 contacted respondents, only 18 were completed the survey.

The data from the survey were analyzed by using SPSS and Microsoft Excel. Reliability analysis and descriptive statistics were used in this study.

3.0 Result and Discussion

3.1 Business Profile Information

The result of the descriptive statistics analysis in Table 1 (Business Profile Information) shows 94.4% of SMEs were affected by the Covid-19 pandemic. Even 72.2% of businesses with start-up capital above RM50,000 and business sales revenue at least more than RM300,000 per year for both sectors of manufacturing and services had also been affected by the pandemic. No company was likely to have prepared for Covid-19, irrespective of business size [11]. 55.6% of SMEs were operating for more than 7 years and 72.2% are located in Chukai, Kemaman. Table 1 shows they operated in cut across various sectors. The Professional, Scientific and Technical Activities sector was most featured with a percentage of 27.7%, followed by Accommodation, & Food Service Activities and Manufacturing (22.2%), Construction and Education (5.6%) and Other Service Activities (16.7%).

Table 1: Business Profile Information

Business Profile of Companies	Frequency	Percentage (%)
Business years:		
Less than 2 years	2	11.1
More than 2 and less than 5 years	4	22.2
More than 5 and less than 7 years	2	11.1
More than 7 years	10	55.6
Position:		
Manager	7	38.9
Administration	3	16.5
Managing Director	1	5.6
Owner	4	22.2
HSE Department	1	5.6
Procurement	1	5.6
Inspector/ Accessor	1	5.6
Business location:		
Binjai	2	11.1
Chukai	13	72.2
Kijal	1	5.6
Teluk Kalong	2	11.1
Business sector:		
Accommodation & Food Service activities	4	22.2
Construction	1	5.6

Education	1	5.6
Manufacturing	4	22.2
Professional, Scientific, and Technical Activities	5	27.7
Other Service Activities	3	16.7
Business start-up capital:		
Below RM10,000	3	16.7
Between RM10,000 - RM30,000	2	11.1
Between RM30,000 - RM50,000	0	0
Above RM50,000	13	72.2
Range of employees working in the business:		
Less than 5	7	38.9
Manufacturing: From 5 to less than 75 people	4	22.2
Manufacturing: From 75 to less than 200 people	0	0
Services & Other Sectors: From 5 to less than 30 people	3	16.7
Services & Other Sectors: From 30 to less than 75 people	4	22.2
Range of business sales revenue per year:		
Below RM300,000	7	38.9
Manufacturing: From RM300,000 to less than RM15 million	4	22.2
Manufacturing: From RM15 million to less than RM50 Milion	0	0
Services & Other Sectors: From RM300,000 to less than RM3 million	5	27.8
Services & Other Sectors: From RM3 mil to less than RM20 million	2	11.1
Business affected by Covid-19 pandemic:		
Yes	17	94.4
No	1	5.6

The question of the range of employees and range of sales revenue had been adopted from the definition of SMEs [12]. For the business which has less than five (5) employees and sales revenue per year less than RM300,000 for both services and manufacturing sectors, it is categorized as micro-enterprise [12]. The results show the majority of the SMEs have less than five (5) employees working in the business (38.9%). While for manufacturing and services & other sectors (from 5 to less than 75 employees) were (22.2%) and 16.7% for services & other sectors (from 5 to less than 30 employees).

3.2 Reliability Analysis

Table 2 depicts the result of the reliability analysis. The three factors and overall questionnaires showed Cronbach's Alpha value was more than 0.7 and categorized as good and acceptable [13]. This value indicated the scales of questionnaires are consistent and thus reliable for this study.

Table 2: Cronbach's Alpha

Items	Cronbach's Alpha
Operational Impact	0.925
Financial Impact	0.837
Survival Strategies	0.726
Overall	0.894

3.3 Descriptive Statistic

To assess impact, opinion, and appropriate suggestions among the respondent, they were asked to rate statements concerning operational impact, financial impact, and survival strategy adopted based on the Likert Scale of strongly disagree; disagree; uncertain; agree, and strongly agree. The five rating scales were then grouped into three main weightage of a percentage of responses with the lowest weight; a percentage of uncertain weight; and a percentage of responses with the highest weight [10]. The mean score for each statement is demonstrated in Table 3, Table 4, and Table 5. The descriptive statistic in Table 3 shows overall means score is 3.96. The figure can be said that the respondents tend to agree the pandemic Covid-19 has an

operational impact on business and it is associates with the movement control order (MCO) by the government t[14]. Restrictions on production and consumption activities arising from the nationwide Movement Control Order (MCO) had caused supply shocks and a plunge in demand [6]. The respondent also agrees their business has experienced a reduction in sales (mean score: 4.22), slower work activity (mean score: 4.11), lesser work contract (mean score: 4.0), supply chain disruption (mean score: 4.11), and operate at reduced scale due to pandemic Covid-19. However, the respondents tend to agree with the probability to reduce the number of staff due to a mean score of 3.33.

Table 3: Mean score for Operational Impact

Items	% of responses with the lowest weight	% of the uncertain weight	% of responses with the highest weight	Mean weight
Operational Impact				3.96
1. My business has experienced a reduction in sales due to pandemic Covid-19.	11.1	0	88.9	4.22
2. My business has experienced slower work activity due to pandemic Covid-19.	11.2	5.6	83.3	4.11
3. My business has experienced lesser work contracts due to pandemic Covid-19.	11.2	11.1	77.8	4
4. My business has experienced supply chain disruption due to pandemic Covid-19.	5.6	11.1	83.3	4.11
5. My business has experienced a reduced number of staff due to pandemic Covid-19.	33.3	16.7	50	3.33
6. My business has experienced operate at a reduced scale due to pandemic Covid-19.	16.7	0	83.3	4

Based on Table 4, the respondent tends to agree the pandemic covid-19 has an impact on the finances of the business with an overall mean score is 3.07. They experienced a high cost of operation (mean score 3.5) and difficulty paying creditors promptly (mean score: 3.67) due to the pandemic. However, with tight cash flow, they keep on paying full staff salaries and maintain rent space area (mean score 2.72) for the time being. Based on the survey by The Department of Statistics, Malaysia (DOSM) on 4094 companies during MCO Phase 1 to Phase 4, majority 68.9% respondents were depending on savings for operating costs and working capital, while 19.8% were depending on loans and 11.3% on capital injections [6]. The results in Table 4 also shown 44.4 % of businesses were uncertain about the risk of bankruptcy as unpredictable how long the pandemic will last. According to [6] survivability risks are greater for smaller firms, with 21% of SMEs reporting being at risk of a permanent shutdown. About 26% of youth-led businesses reported risks of shutting down permanently within three months compared with 18% of non-youth-led firms, indicating that the former is more susceptible to the impact of the pandemic and less able to cope due to insufficient experience, diversification, social networks and access to resources.

Table 4: Mean Score for Financial Impact

Items	% of responses with the lowest weight	% of the uncertain weight	% of responses with the highest weight	Mean weight
Financial Impact				3.07
1. My business has experienced a high cost of operation due to pandemic Covid - 19.	27.8	5.6	66.6	3.5
2. My business has experienced difficulty paying creditors promptly due to pandemic Covid - 19.	12.2	0	77.8	3.67
3. My business has experienced unable to pay full staff salaries due to pandemic Covid - 19.	55.5	5.6	38.9	2.72
4. My business has experienced a move to a lower rent space area due to pandemic Covid - 19.	55.5	16.7	27.8	2.72
5. My business has experienced the risk of bankruptcy due to pandemic Covid - 19.	38.9	44.4	16.7	2.72

To help businesses that are affected in terms of operational and financial, the Government has proactively introduced several measures under the PRIHATIN Economic Stimulus Packages, National Economic Recovery Plan (PENJANA), Pakej Bantuan Perlindungan Ekonomi & Rakyat Malaysia (PERMAI), Program Strategik Memperkasa Rakyat & Ekonomi (PEMERKASA) and Program Strategik Memperkasa Rakyat & Ekonomi Tambahan (PEMERKASA PLUS) which are aimed at cushioning the impact of COVID-19 and reinvigorating the country's economic growth[15]. The impact of the Covid-19 pandemic outbreak on the global socio-economy can be acute, and the recovery must be essential to survive in a new normal way of living [16]. Among the measure that has been introduced is Empower the People, Fund to Propel SME Business, National Technology and Innovation Sandbox (NTIS), Tax Reliefs; and Training & Skills Upgrading [15].

The measures then break into 31 initiatives [15] managed and controlled by various agencies to meet the needs of SMEs from various sectors. The result in Table 5 shows that 61.1% of respondent aware with the initiative or measure provided by government agencies to mitigate the impact of Covid-19 and 44.4% of them has assessed various initiatives provided. They also agree the initiatives manage to help their business to survive (66.7%). Out of 31 initiatives provided, only 9 of them were preferred and chose by the respondents as showed in Figure 1. Figure 1 shows the frequency and preferred initiative chosen by the respondent as financial aid to their business. Some respondents chose more than one initiative. Seven (7) out of eighteen (18) respondents did not choose any initiative due to the varied backgrounds of the respondents.

Besides assessing the initiatives provided by the government, other recovery strategies employed by the SMEs to ensure continuous operation of their business during pandemic were (i) apply diversification strategy (94.4%), (ii) apply online marketing (83.4%), and (iii) keep continue the same business line for the coming years (72.2%). However, only 33.3% agreed to adopt online platforms such as Shopee and Lazada to market the business as the majority of respondents are in the services sector (accommodation and food services activities, construction, and education). To ensure continuous earnings, entrepreneurs need to be more flexible and make important adjustments in their business. Variety approaches were also can be used to deal with the impact of the crisis, including the operation of the business from home, multi-channel sales strategy, and the penetration of the new market segment by selling emerging essential products [16]. The respondents agree that the government has done enough to curtail pandemic Covid-19 by introducing various incentives to SMEs. It just, no one can expect when this pandemic will end

and how SMEs will survive in long term conditions. The necessary strategies minimize the bankruptcy risk, and bad financial impacts (liquidity, profitability, leverage, etc) [17].

Table 5: Mean Score for Survival Strategies

Items	% of responses with the lowest weight	% of the uncertain weight	% of responses with the highest weight	Mean weight
Survival Strategies				3.74
1. My business is aware of the initiative to mitigate the impact of Covid-19 provided by government agencies.	11.2	27.8	61.1	3.82
2. My business has accessed the initiative provided by government agencies.	22.2	33.3	44.5	3.41
3. To survive a pandemic, the following statement reflects my business				
• The initiatives help my business to survive.	5.6	27.8	66.7	3.72
• Recruit back any sacked staff if business improves.	16.7	22.2	61.1	3.56
• Apply diversification strategy to survive.	5.6	0	94.4	4.33
• Apply online marketing.	16.7	0	83.4	3.94
• Adopt online platforms such as Shopee and Lazada to market products and/or services.	33.4	33.3	33.3	3.17
• Continue the same business line for the coming years.	11.1	16.7	72.2	3.94
4. The government has done enough to curtail pandemic Covid-19.	22.3	11.1	65.7	3.71

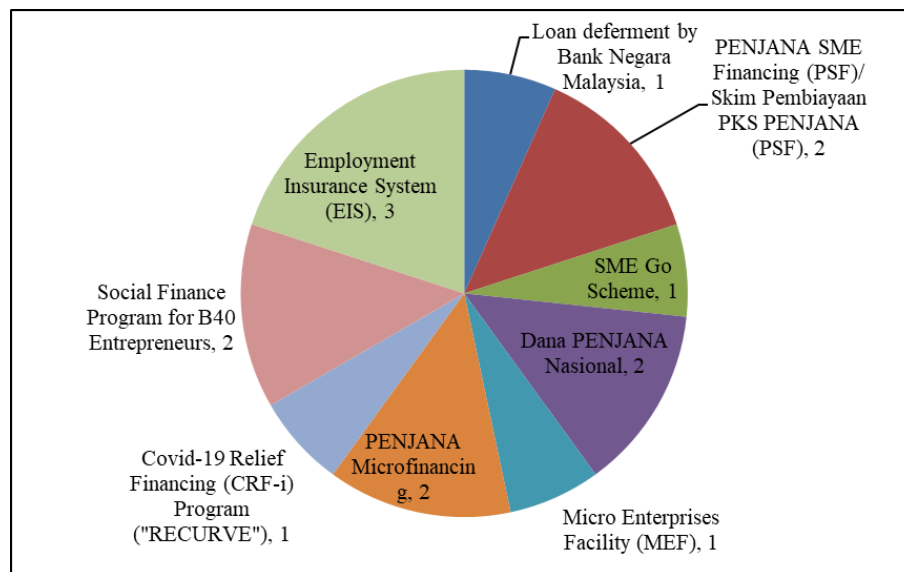


Figure 1: Initiative Preferences by SMEs

4.0 Conclusion

In conclusion, no one knows when this pandemic will end. It is expected to have a long-term impact on SMEs to survive. The full support of the government to ensure that SMEs continue to survive is needed to ensure that the country's economy can be recovered. Small and Medium Enterprises (SMEs) are the backbone of the country's economic growth in Malaysia. It is one of the industrial sectors in Malaysia and is seen to play an important role in the country's economic growth. This study has concluded that SMEs have been affected by pandemic Covid-19 in terms of operational and financial. They have to move to the best business continuity strategy to survive. By diversifying and digitalizing business and marketing as social distancing is currently an issue,

This study has a limitation in terms of respondent's feedback as some of the listed businesses were unable to be contacted through various means (email, telephone call and WhatsApps). Thus, number of respondents completed the survey was albeit small. However, despite the limitation, the researchers believe the outcomes of the study provided implication of valuable insights to assist the regulator and related agencies in conjunction with the crisis.

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