

Public Policy Response During COVID-19 Pandemic for SME's survival in Malaysia

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Abstract

The paper aims to analyze the extent public policy measures formulated are in line with or match the business challenges experienced by Malaysian SMEs (Small Medium Enterprises) during the COVID-19 pandemic. Through the documentary reviews, this paper analyzes the common problems that SMEs face, the impact of the ongoing COVID-19 pandemic on SMEs' business performance and the policy responses to address this situation. The findings revealed that policy responses in Malaysia, in certain respects have addressed most challenges faced by SMEs, so there is some encouragement in ensuring that businesses remain viable. As such, this paper further discusses the way forward for SMEs to survive in the post-COVID-19 pandemic, which requires government policies support.

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INTRODUCTION

The outbreak of COVID-19 became a catastrophic global issue in and throughout 2020 to the present day. It has caused great impact to the world economy, forcing governments to implement harsh business, community and whole-of-society lockdowns and social distancing/isolation orders, full movement control orders (MCO) to curb the spread of the coronavirus. Almost all SMEs became the most vulnerable business sector affected by this disease. The Malaysian government recognized the enormity of the pandemic's damage to SMEs with 89.9% drop in sales during the first phase of the MCO that was instituted in March 2020 (SME Corp, 2021). Nearly one-third or 33.3% of SMEs had only enough cash flow for March 2020 while 37.8% would last till April 2020 (SME Bank, 2020). During the second and third MCO, as surveyed by the Department of Statistics, Malaysia reported that most SMEs had to rely on their savings for operating costs and working capital, while others depended on loans and capital injections (DOSM, 2020a). The partial or full economic closure has led to massively reduced incomes for SMEs, who still have to pay their debts and other fixed expenses, which resulted

in SMEs virtually having no or little income during the implementation of MCO (DOSM, 2020a). The inability of SMEs to absorb the financial shocks during this turbulent period had a snowball effect on social and economic stability, given that this sector represent more than 90% of registered businesses. In response to this devastating economic downturn, the Malaysian government like other countries implemented policies to ensure the SMEs remained strong and viable.

Various measures or stimulus packages were introduced by the Malaysian government for the SMEs because they play a significant role in the country's economy and make up 98.5% of total registered businesses (MEDAC, 2020). Table 1 demonstrates that SMEs' contribution to the overall gross domestic product (GDP) rose from 38.3% in 2018 to 38.9% in 2019. The majority of SMEs operate in the services sector which requires low entry costs, smaller working capital and mainly human-intensive processes. In terms of job creation, SMEs contributed 48.4% or 7.3 million people employed in Malaysia, denoting an increase by 0.4% from the previous year (2019). Further, the contribution of SMEs to total exports increased from 17.3% in 2018 to 17.9% in 2019, supported by a continued expansion

particularly in tourism-related industries and other services. Although the contribution of SMEs to Malaysia’s export value amounted to less than 20%, SMEs have long been the engine of economic growth and innovation for Malaysia. Apart from economic development, SMEs play an important role in sustaining the social wellbeing of a nation. The government encourages and provides support to the poorer communities to engage themselves as part of SMEs programs to overcome poverty issues and redistribution of wealth through entrepreneurship programs (MEDAC, 2020).

Table 1: The contribution of SMEs to the Malaysian economy, for 2018 and 2019

Years/ Indicators	2018		2019	
	%	value	%	value
GDP	38.3%	RM521.7B	38.9%	RM 552.3B
Employment	48.0%	7.1 million	48.4%	7.3 million
Export	17.3%	RM171.9 B	17.9%	RM 176.3 B

Source: MEDAC (2020)

The outbreak of COVID-19 and subsequent lockdowns cast a heavy toll on SMEs. With the large number of SMEs being the key driver of the Malaysian economy, failure to curb the outbreak of the virus will inevitably affect national economic progress. The surge of the COVID-19 pandemic will have serious implications for future SME-based economic development. As stated in the National Entrepreneurship Policy 2030, the target of SMEs contribution by the year 2030 is 50% of GDP, 80% of total employment, and 30% of exports (MEDAC, 2020). Therefore, policy measures to safeguard the SMEs are deemed critical both to economic growth and jobs but this has now been upset by COVID-19. While various stimulus packages were introduced since the first wave of MCO, many SMEs are expecting to restructure how they operate while others will downsize to cope with these challenging times (SME Malaysia, 2020). Therefore, questions remain whether the policy measures introduced by the Malaysian government, to a certain extent are enough to turnaround the endangered survival of SMEs and the industries they work in. This problem has motivated this study to assess the challenges of SME businesses and policy measures taken by the government in combating the COVID-19 pandemic. The policy measures will be mapped utilizing

the framework of SME challenges that has been devised based on a review of the literature.

This study advances the literature at least in three ways. First, this study is probably among the few that present a critical analysis on policy measures by evaluating the match between these measures and challenges facing SMEs. The issues experienced by SMEs throughout Asia in facing economic and market crises had received inadequate attention in the literature. Only 18.8% of published research has investigated SMEs in Asia, while 75.4% of studies reported on the situation concerning SMEs in Europe (Eggers, 2020). Second, for the Malaysian context, some studies merely explored the challenges faced by SMEs during the pandemic, without associating them with policy measures (see Ambad, Andrew, & Amit, 2020; Fabeil, Pazim, & Langgat, 2020; Omar, Ishak, & Jusoh, 2020). The ability of SMEs to survive in and beyond this crisis period very much depends on a policy framework that a country’s government has established (Shafi, Liu, & Ren, 2020), however, it is challenging because the crisis has unfolded with extreme speed (Baker, Bloom, Davis, & Terry, 2020). Thus, more discussion and study on this phenomenon is required. So, this study will enrich the literature on the role of public policy in supporting the survival of SMEs during COVID-19, specifically among SMEs in Malaysia and other countries. Finally, the findings presented in this paper contribute insights into the current challenges faced by SMEs and provide timely and valuable input for policymakers to ensure that SME can survive. As viruses know no borders, the impacts will continue to spread and the COVID-19 outbreak poses a significant challenge to SMEs and government policies concerning SMEs’ sustainability.

This paper comprises six sections. The first section, in order, introduces the significant role of SMEs in Malaysia, the study motivation and significant contributions to enrich the entrepreneurship literature. Then the second section elaborates the common challenges and problems of SMEs, drawing from literature discussion. These common challenges then serve to devise the framework analysis regarding the match between the challenges of SMEs and government policies. Following this, the third section highlights the impact of COVID-19 on SMEs in four main areas. Section four discusses policy measures that offer support and assistance to SMEs during the COVID-19 pandemic. Section five is concerned with the findings of the analysis and suggests ways forward to rebuild SMEs in the post COVID-19 era. This paper ends with a conclusion in section six.

2.0 THE CHALLENGES OF SMES

SMEs in Malaysia can be classified into two broad sectors, manufacturing and services. Each sector has different thresholds of sales turnover and number of employees that qualify a business that can be categorized as an SME. SMEs in manufacturing are defined as having yearly sales turnover not exceeding RM50 million and full-time staff not exceeding 200 persons, while SMEs in services and other sectors have yearly sales turnover not exceeding RM20 million and full-time staff not exceeding 75 (SME Corp, 2020). Drawing from sales turnover, the SMEs definition is broken down into medium-sized, small and micro businesses. This definition reflects the smallness of resources available to SMEs both in terms of human resources and finances. This situation makes them vulnerable to market shocks like sudden drops in sales caused by external factors such as the outbreak of COVID-19 (Eggers, 2020).

Although SMEs represent more than 90% of registered business in most countries, this sector now faces a variety of challenges. Four main issues have been acknowledged in the Small and Medium Enterprises Working Group (SMEWG) Strategic Plan 2017-2020 by the Asia Pacific Economic Cooperation (APEC). They refer to financing for business expansion and development, an increasingly digitized economy that encourages entrepreneurship and innovation, an 'ecosystem' to support business growth and market access.

2.1 Financing for business expansion

The operations of SMEs can be badly affected during a crisis because of difficulty in accessing resources and inadequate liquidity (Eggers, 2020). While the difficulty in accessing financial support may abate during the COVID-19 pandemic due to governments' stimulus packages that offer loans at reduced interest rates, liquidity is a serious issue for SMEs. Lower or no revenue streams were reported among SMEs during the MCO, yet they have fixed or rising operating costs to pay such as salaries, rentals, utilities etc (DOSM, 2020a). This is in fact a longstanding issue among SMEs and prior to the pandemic, small business was generally having financial issues such as inadequate working capital, liquidity of cash flow and getting a loan or other form of financial assistance (Ambad et al., 2020). Much of this was due to weak financial records management and not meeting the prerequisites for funding such as a bank loan.

SMEs with limited capital generally cannot afford to get the latest technology or be innovative in their business processes (Adam, Hassan, & Abdullah, 2021). These limitations have created difficulties for SMEs to survive during the COVID-19 outbreak because revenue shrinks, fixed costs must be paid, and business operations are more restricted. Most SMEs are then more vulnerable and not viable in situations the revenues are smaller than operating costs.

2.2 Business digitalization

Generally, adoption of technology by SMEs lags behind that of large corporations. Although various initiatives have been implemented by the government, the SMEs' participation in the digital technology is still limited. Among SMEs that utilize technology, most of them are limited to simple applications such as promoting or selling products on social media platforms without advanced knowledge on digital marketing strategies and data analytics. Thus, it limits SMEs' ability to leverage the potential of digital business methods. SMEs' minimal participation in digital business is due to their preferences of doing business in traditional ways and they did not consider digital platforms as necessary (SME Corp, 2019). This limitation has created huge challenges for SMEs to quickly move from traditional ways of doing business to digital environments when movement controls or lockdowns take place. The growth of online market during the MCO has not been fully capitalized on by SMEs due to their invisibility on digital platforms. Without an online presence, SMEs cannot reap the benefits of using business data analytics to advance their business as customer purchasing trends change. This creates difficulties for a business to offer products and they cannot respond with the evidence-based solutions that the market expects. Digitalization of business offers huge potential to SMEs by enabling them to embrace digital and cashless transactions, work and sell goods/services in the context of online customer and supplier engagement.

2.3 Market access

Global market access is a major challenge encountered by SMEs. The Malaysian government is keen to increase how much SMEs export. Among the strategies to improve global market access, Malaysia has signed free trade agreements and is now a member of economic blocs such as The Regional Comprehensive Economic Partnership in 2020. This would improve global market access to SMEs in

Malaysia and they can expand their size, market share and target market beyond the domestic scene. In addition to government-to-government initiatives, SMEs themselves must be able to produce quality products that meet international standards.

Before the outbreak of COVID-19, SMEs in Malaysia like those in other countries faced global uncertainties such as changes in oil prices, international trade policies, and financial markets. However, COVID-19 since its eruption in China triggered large disruptions for SMEs. The whole supply chain has been disrupted and the implementation of full or partial lockdowns has interrupted the production and logistic activities of SMEs (ASEAN, 2020). Most international travel was banned and local travel was sharply restricted leading to a sudden sharp drop in customer demand in many industries.

2.4 Ecosystems support

SMEs encounter challenges in recruiting highly skilled and competent personnel and due to financial constraint, thus unable to offer attractive career package compared to a bigger company. The development of skills and knowledge among existing employees in SMEs is not encouraged or indeed possible due to the limited resources available. As a result, this scenario creates a challenge for all SME employees to embrace new technologies, given that digitalization leads to competitiveness for SMEs. Therefore, a continuous talent development program among SMEs employees is critical to ensure the sustainability of SME as a response to the rapid changes in the technology and business environments.

3.0 THE IMPACT OF COVID-19 ON MALAYSIAN SMES' BUSINESS

While there are many factors preventing SMEs from expanding in the normal course of business, the pandemic which escalated from a health crisis into an economic one resulted in a greater burden on SMEs.

For Malaysia, phase-by-phase MCO, inter-state travel restrictions, enforced business closures and restricted social activities to curb the virus spreading, led to unavoidable, damaging and widespread economic downturn. This section covers the severity of the impact of COVID-19 on Malaysian SMEs, focusing on the challenges as discussed earlier, which are summarized in Table 2 below.

Table 2 Challenges and related issues facing by Malaysian SMEs during the COVID-19 pandemic

Challenges	Issues
Financial for business survival	<ul style="list-style-type: none"> ▪ Sales and revenue drop sharply due to movement restrictions and business closures. ▪ Cash flow dries up in meeting operational costs. ▪ Less willing to borrow due to fear of repayment risks.
Business digitalization	<ul style="list-style-type: none"> ▪ Low participation in online platform resulted in plunge in sales.
Market access	<ul style="list-style-type: none"> ▪ Business is disrupted due to logistic and supply chain interruption. ▪ Logistic disruptions resulted in higher costs of operations.
Ecosystem support	<ul style="list-style-type: none"> ▪ Shortage of digital talent ▪ Low coverage of fixed broadband

Sources: adapted from (ASEAN, 2020), (DOSM, 2020) and Ernst & Young (2020)

Although the issue of business financing has been widely discussed in the literature, the pressure of this issue on SMEs is more prevalent during COVID-19. About two-thirds of SMEs could not survive if a lockdown continues for more than two months. Most SMEs have limited funds to pay rentals, salaries, and other overheads when their sales drop sharply due to the implementation of full or partial lockdowns (DOSM, 2020a). Liquidity also appears to be a pressing problem, the median firm has only two months of cash flow available. The impact of the economic lockdown on SMEs' sustainability is more severe than for bigger corporations, due to SMEs has having smaller reserve funds and assets and score lower on productivity levels (Vaghefi & Jo-ye, 2021). In effect, 60% of SMEs are either already in arrears and less willing to borrow due to the fear of repayment risks, and financial services are less willing to grant supplier's credit or loans for this reason (Kuriakose & Tran, 2020). Financial problems among SMEs forced them to lay off their employees, reduce wages, shorten the business hours or close temporarily. This has resulted in rising unemployment and underemployment in the first three quarters of 2020, when a working person spent less than 30 hours working each week (DOSM, 2020b). In this regard, the survival of SMEs requires the government to execute

quick and effective policy measures for both the short- and long-term.

With reference to business digitalization, Malaysian businesses still lag behind the global average as only 29% of businesses have a web presence while a meagre 5.2% were engaged in e-commerce in 2015 (The World Bank, 2018). For comparison, in 2014, 85% of SMEs in Singapore already used cloud computing (The World Bank, 2018). Lack of digitalization resulted in many SMEs being unable to implement a work from home policy or resort to e-commerce strategies during the pandemic period. The sudden change from physical to digital storefronts is that SMEs without an online presence suddenly find themselves cut off from markets and lose their sales as a result. Estimates from year 2018 suggest that this could have affected up to 56% of Malaysian SMEs when the pandemic first struck (Vaghefi & Jo-yee, 2021). These figures can be contrasted with those found in the digital context during the same period as online non-food shopping rose by 53%, online grocery shopping by 144%, and online food delivery by 61%. On the first day of the MCO alone, food delivery platforms GrabFood and Foodpanda witnessed a 30% increase in orders (Tong & Gong, 2020).

The contrasting trajectories between online and offline economic activities strongly suggest that it is crucial for SMEs to be part of the digital economy if they are to survive in the post-COVID world. However, in certain respects, SMEs that participate in digitalization could be considered a positive outcome of the coronavirus. In some cases, SMEs are forced to establish digital platforms to retain sales and generate income now that more customers are buying products and services through e-markets. Agriculture in the Cameron Highlands provides a perfect example. During the MCO, farmers were unable to sell their produce due to restrictions on logistics and transportation and had to dump all their produce due to storage constraints. However, by turning to e-commerce platforms (e.g. Lazada), 70 tons of produce sold online within 3 weeks (Tong & Gong, 2020).

The disruption to global trade and specifically borders closures and supply constraints imposed under the MCO likewise play some role. The outbreak has drawn attention to how closely countries are interconnected due to the processes of globalization, and the consequent risks and vulnerabilities. The largest economies in the world, i.e., the US, China and the EU countries, are the main ones reeling from the supply and demand shocks. These economies are also

ASEAN's main trading partners, capturing half (50.3%) of its total trade in goods (ASEAN, 2020). Certainly, the supply chains in Malaysia are affected since the country is a trade-dependent economy that generates large amounts of trade with the global markets. For a substantial number of small SMEs in Malaysia that largely rely on China, to stop their operations means cutting the supply chain in line with the travel ban (Tan, 2020). In this regard, Malaysian large and listed companies cited delays in receiving goods as the main supply chain challenge, while SMEs noted delays in fulfillment and delivery as their major challenge (Ernst & Young, 2020). The stricter lockdowns that have delayed shipping have driven up the costs for logistics and raw materials for SMEs, especially manufacturers (Vaghefi & Jo-yee, 2021). Consequently, this scenario has shrunk the size of business transactions and SMEs remain fragile and lack sufficient cash reserves to survive without government support.

The misconception of high cost when adopting technology, lack of understanding of digital technology, as well as shortage of digital talent in the workforce are longstanding issues for Malaysian SMEs (SME Corp & Huawei Technologies, 2018). A survey by Ernst & Young (2020) found that 48% of SMEs cited ill-suited employee skill sets, for example the need to develop sales and marketing, business management and IT technical skills among employees. These pose a major challenge to digitalizing their businesses. Besides front-end business processes such as e-commerce, also important are the digitalization of back-end processes such as accounting, administration, communications, data processing and document handling services. However, during the MCO, 84% of SMEs experienced difficulties with their online connectivity and communications with customers and suppliers (Ernst & Young (2020).

In sum, cash flow disruptions were cited as the main challenge to SMEs. SMEs with smaller funds and resources have made this sector vulnerable to the drop in sales and increase in costs related to market changes. The supply constraints imposed under the MCO also disrupt global trade specifically border closures and continue to play an important role. The issues of lack of know-how, technological expertise and weak online connectivity have significant implications for SMEs' business performance and survival during the MCO.

4.0 THE POLICY RESPONSES FOR MALAYSIAN SMES IN COMBATING THE COVID-19 PANDEMIC

This section highlights policy responses implemented by the Malaysian government in 2020 and 2021 to preserve the economy and social cohesion during the COVID-19 pandemic. The government was decisive in crafting a '6R strategy' comprising Resolve, Resilient, Restart, Recovery, Revitalise and Reform. These strategies were associated with the budget release for each stimulus package. In 2020, five stimulus packages, at a value of RM320 billion were allocated, namely Prihatin Rakyat Economic Stimulus Package (PRIHATIN), PRIHATIN SME+, National Economy Recovery Plan (NERP or PENJANA), PRIHATIN Supplementary Initiative Package (KITA PRIHATIN) and Malaysian Economic and Rakyat's Protection Assistance Package (PERMAI). As well as these packages, an amount of RM60 billion was allocated in the 2021 Budget, under the Strategic Programme to Empower the People and Economy (PEMERKASA) and PEMERKASA Plus. The goal of these stimulus packages is to ensure people's wellbeing, business continuity and economic resilience. These stimulus packages address the issues and challenges faced by SMEs in finances, job retention, business digitalization and infrastructure development (SME Corp, 2021). The focus of analysis is on business continuity of SMEs, and the extent to which it has been directly or indirectly addressed by each stimulus package. Most part of the policy measures are derived mainly from the Prime Minister's Office of Malaysia Official and Ministry of Finance, Malaysia website, which are summarized in more detail below.

4.1 PRIHATIN

The PRIHATIN was announced by the Prime Minister of Malaysia on 27 March 2020, as enhancement from the earlier stimulus economic package that was announced on 27 February 2020. The package was worth RM250 billion, making it the largest economic stimulus ever devised in the country, and represented approximately 18% of Malaysia's GDP in 2019. The objective of PRIHATIN was to support business and especially SMEs (MOF, 2020). Multiple measures were formulated to cushion the negative shock of the pandemic on SMEs businesses are as follows:

- Wage Subsidy Program seeks to help employers keep their employees so that employers will continue to retain their staff and reduce the possibility of job retrenchment.
- Fund to assist SMEs. Funding provided to SMEs were increase in size of fund, reduced interest rates, ease loan requirements such as no requirement of collateral and wider coverage to include businesses including online ones.
- Help SMEs in managing cash flow. This initiative includes more cash-in-hand through deferment, restructure and reschedule of the employer's contribution to the Employee Provident Fund (EPF). Businesses were exempted from the levy known as the Human Resources Development Fund (HRDF). As well, businesses can postpone their tax installment and revise the amount of income tax.
- Adjustments of loans with banks and financial institutions including moratorium, converting of credit card balance to term loan, and loan restructuring. The moratorium was extended to loans from public agencies such as National Entrepreneur Group Economic Fund (TEKUN) and Majlis Amanah Rakyat or the Council of Trust for the People (MARA)
- Support was given to B40 (or the bottom 40% of income earners) entrepreneurs through a social financing program. This program aims to establish and develop businesses among the B40 in the form of financing and training on entrepreneurship and financial management.

4.2 PRIHATIN SME+

PRIHATIN SME+ or PRIHATIN Plus is an economic stimulus package announced by the Prime Minister on 6 April 2020. It was formulated to specifically address the hardships faced by the business community, notably SMEs. PRIHATIN Plus was a result of a series of consultations with stakeholders such as business associations like the SME Association of Malaysia. As such, the PRIHATIN SME+ is not only a modification of certain relief measures under PRIHATIN but increases the financial assistance to SMEs by RM10 billion. The key points of PRIHATIN Plus are as follows:

- Wage subsidy initiatives are extended in terms of budget allocated and companies eligible. This initiative can improve business cash flow and employees' retention.
- A special PRIHATIN grant was provided for micro businesses. This initiative would enable them to have extra inflow funding for business purposes.
- Encouraging private money lenders to provide moratoriums on loans and credit. This would enable businesses to reduce the cash outflows as their revenues shrank.
- The soft loan and zero interest business loans are provided to support microbusinesses.
- Waive or discount of rentals for premises owned by government agencies. The owner of private premises is also encouraged to do this. This initiative would enable businesses to cut expenses and use savings to cover critical costs such as salary expenses.
- The reduction in levy placed on foreign workers and enable businesses to reduce this part of their expenses.
- Allow extensions for businesses to submit statutory documents required by agencies like Companies Commission of Malaysia and Inland Revenue.
- To ease the process of businesses in applying for a loan by introducing a one stop website called IMSME.COM.MY.

4.3 PENJANA

On 5 June 2020, the Prime Minister unveiled a Short-Term Economic Recovery Plan (or "PENJANA" for Pelan Jana Semula Ekonomi Negara) worth RM35 billion. This allocation was a top-up of the earlier PRIHATIN stimulus package and added RM260 billion. In total, the stimulus measures introduced have now reached RM295 billion or about 20% of GDP. Following the 6R Strategy, PENJANA covers the fourth step known as 'Recover' which aims to buttress the Malaysian economy in the so-called "new normal". By addressing current issues through the three pillars, namely empowering people, propelling businesses, and stimulating the economy, 40 initiatives were

formulated, in which 14 were targeted to businesses, as summarized below:

- Improve the participation of businesses in online market and business digitalization. Businesses are facilitated to embark into online market. Campaign to encourage consumers to buy Malaysian products online was also launched. Grants were also provided to help businesses in adopting and subscribing to the services to support digitalization of their business.
- Online guidance provided through a virtual one stop center to support them in facing challenges during the COVID-19 pandemic.
- Financial assistance in the form of extra funding provided by banks, financing for tourism businesses, microfinancing for microbusiness, financial assistance for Bumiputera entrepreneurs, liquidity support to business to start a job awarded by the government.
- Support system for business in relation to financial stress such as accelerated payment terms for GLC and large companies, tax relief for COVID-19 expenses, extension of tax deduction and not incurring a late payment penalty.
- Financial support to encourage the establishment of social enterprises. This would encourage more public participation in finding innovative ways to solve community and social problems.
- Initiative provided for formation of new business entity such as tax relief and stamp duty exemption.

4.4 KITA PRIHATIN

On 23 September 2020, the Prime Minister announced additional stimulus measures under the Kerangka Inisiatif Tambahan Prihatin (or KITA PRIHATIN) worth RM10 billion to support the economy and people's well-being. This was on top of the earlier stimulus announced, such as PRIHATIN Stimulus Package of RM260 billion and PENJANA Stimulus Package of RM35 billion. In total, the stimulus measures introduced now reached a total of RM305 billion or about 20.7% of Malaysia's GDP in 2019. For businesses, this package is targeted to microbusiness as follows:

- Targeted Wage Subsidy Program help businesses such as tourism that are still affected during the Recovery.
- Reopen the Special PRIHATIN Grant to allow more microbusiness to apply and receive benefits to ease financial burdens.
- Allocation of additional cash assistance to people to start a micro business, participate in online business or acquire new types of skills.

4.5 PERMAI

PERMAI was announced by the Prime Minister on 18 January 2021 as a continuation of the 2020 stimulus packages. RM15billion of PERMAI's allocation brings the total amount RM320 billion or about 22% of Malaysia's GDP 2019 for stimulus packages since the start of 2020. A total of 22 initiatives were implemented under PERMAI to support SMEs are addressed as below.

- Continuous support to address employees' issues through s wage subsidy, self-employment social security scheme and employee insurance systems.

4.6 PEMERKASA

The 'Revitalise' stage started with the launch of Budget 2021 initiatives, and on 17 March 2021 the Prime Minister announced a further stimulus package named PEMERKASA that cost RM20 billion. The PEMERKASA scheme comprises a total of 20 strategic initiatives to boost economic growth, support businesses and provide targeted assistance to people and sectors still affected by the pandemic and/or movement control orders. The salient points of PEMERKASA that targeted SMEs' continuity are summarized below.

- Wage subsidy initiative extended with a more targeted approach specifically for tourism, trade wholesale and retail, gym and spa sports centers.
- Financial assistance taking the form of micro-credit financing facilities through programs under National Savings Bank (BSN), TEKUN, MARA and SME Corporation. One-off assistance for SMEs under Geran Khas Prihatin 3.0.
- Provide assistance via the SME and MicroSME e-Commerce Campaign, as well as the Shop Malaysia

These initiatives would ease the financial burden of businesses and help employers to keep their staff.

- Allocation of special grant and microcredit scheme to inject funds into businesses facing declining revenue or help pay expenses or start a new business.
- Tax exemption, tax relief, and MARA loan rescheduling would reduce business expenses and ease financial stress.
- Rehabilitation scheme for bus and taxi hire purchase and extended exemption for inability to carry out contractual obligations.
- Support for utility expenses and exemption from the HRDF levy. These initiatives would help businesses cut costs.
- The implementation of the SME and micro- SME e-commerce campaign and shop Malaysia online campaign. Micro entrepreneurs will receive business coaching and on-boarding onto e-commerce platforms while buyers will enjoy savings through online shopping.

Online programs aimed at women entrepreneurs for them to access online markets and expand their businesses. The new PEMERKASA-NITA Microfinance Scheme by BSN was introduced to encourage women to venture into entrepreneurship.

- Encourage more SMEs and mid-tier companies to implement technology to improve their operational efficiency through Smart Automation Grant under the Malaysian Investment Development Authority (MIDA).

4.7 PEMERKASA Plus

The Government has rolled out RM40 billion financial aid package under PEMERKASA Plus on 1 June 2021. This time the stimulus package is aimed to not only sustain businesses during the COVID-19 pandemic, but provide a crucial lifeline for vulnerable individuals and small businesses. It has a total of 12 initiatives and summary for SMEs are laid out in PEMERKASA are as follows:

- Extension of the wage subsidy program for another one month.

- Relief for loan repayments that SMEs are liable for. Under the Targeted Relief and Recovery Facility set programs by Central Bank of Malaysia, the program provides relief for SMEs impacted by the lockdown at the financing rate is set at 3.5%. SMEs not allowed to operate according to the lockdown measures are given a choice to either take an automatic approval of a three-month loan repayment moratorium or take a 50% reduction in loan repayments.
- MARA entrepreneurs affected by the economic closure will be given a 30% discount on the rentals of business premises for May to July 2021.
- Postponing tax penalties. The Inland Revenue Board of Malaysia will consider appeals to postpone tax penalties to 2022 and will reschedule overdue tax payments for affected taxpayers and businesses.
- Financial assistance - additional payments for Prihatin Special Grant receivers and micro-credit working capital for micro-enterprises are provided by MARA, BSN, TEKUN and the SMEs Corporation with an interest rate of 3%.

Based on the initiatives provided in each stimulus package, Table 3 maps the salient points of the COVID-19 stimulus packages and SMEs' challenges. In short, economic stimulus packages successfully addressed major challenges in helping SMEs remain strong as the economy and market changed. The government has provided financial initiatives for SMEs and their industries in all stimulus packages. The focus on business digitalization was also given major priority. Unsurprisingly, such measures were formulated to tackle the impact for the SMEs to handle sudden and massive drops in revenue, inadequate cash flow to pay expenses, embark on online selling and digitalization of business operations. However, market access was given less consideration in the policy measures. Market access is expected to receive more attention after the post-COVID-19 pandemic when conditions are 'back to normal', and regional and international travelling are resumed. This support will facilitate more businesses becoming increasingly online that would change SMEs from the way they previously operated and the markets they traditionally targeted.

Table 3 Mapping the salient points of the COVID-19 stimulus packages and SMEs' challenges

Stimulus packages / SMEs challenges	Financial	Business Digitalization	Market Access	Ecosystem support
PRIHATIN	√	√	X	√
PRIHATIN SME+	√	X	X	√
PENJANA	√	√	√	√
KITA PRIHATIN	√	X	X	√
PERMAI 2021	√	X	X	√
PEMERKASA	√	√	X	√
PEMERKASA Plus	√	X	X	√

√ – has specific initiative to address the issue.
X – no specific initiative to address the issue, but it may behave an indirectly linked with other initiatives

5.0 DISCUSSION

Noted earlier, the measures have covered most of the issues among SMEs in responding to sudden changes in the economy during the COVID-19 pandemic, in particular financial, digitalization, supportive systems put in place but limited initiatives on the market access aspects. Financial distress experienced by SMEs was focused on to reduce this problem through a suite of strategies such as providing easy financial sources, restructuring existing debt, providing wage subsidies, and discounts on rentals of government-owned premises. The measures also have been taken to boost revenue among SMEs such as through providing e-wallets for people through online markets and campaigns to buy local products. The government supported the idea of businesses moving to online operations since most customers during COVID-19 pandemic also had to find new ways of buying goods and services. Although financial assistance in the form of soft loans, zero interest loans, and grants were provided to SMEs to ease their financial burdens, specific assistance to help these businesses participate effectively in online transactions is necessary. Since online business is one of fierce competition, so all necessary skills, hardware, software and strategy deemed essential must be offered, taught and implemented. Without a digital presence and the tools for data analytics, business owners will not be visible to consumers who have changed purchasing patterns.

In addition to quick public policy response in strengthening the SMEs during the COVID-19 pandemic, the survival of SMEs requires long-term

policy support. Due to the changes in the market, post-COVID-19 policy support is unavoidable as SMEs are expected to fully resume their operations like before the pandemic but not in the same way. The ability of SMEs to fully recover is very much related to their innovativeness, adaptability to new changes and the quality of their non-financial resources such as human resources skills and training. Despite Malaysia having launched DKN 2030 in 2020, the unexpected COVID-19 pandemic and its swift surge has forced the government and business community to redesign the strategy for achieving economic objectives. Achievement of better SME performance in DKN 2030 has a pivotal role for Malaysia to achieve its status of a developed nation.

The initiatives to help SMEs gain market access are not the priority of SMEs which are struggling to generate income, pay bills, retain employees and make sure their business exists. Economic packages announced to combat the sudden effect of COVID-19 on business were not clear about how SMEs will get market access or simply new markets to operate in. SME Corp and Malaysia External Trade Development Corporation (MATRADE) are the agencies that established programs for SMEs to obtain global market access, and as such their efforts to strategize recovery is deemed important once the international economy is back to normal. Supporting business survival in the internet environment will ensure businesses to some extent can be innovative, shift and diversify via digital platforms (operational safety, business management and new e-commerce markets) and strengthen digital skills. These are the important aspects that should be planned by the relevant government agencies.

Similarly, supply chain management is now looking ahead to the medium- and long-term in improving market access. The restricted movement measures and border closures fundamentally changed how supply chains worked in the past, particularly during the pandemic so the likelihood is that many businesses will not recover for years to come. Government measures to diversify and rebuild Malaysia's economy are important for further recovery in the post-COVID era. This includes the establishment of national SME supply chains and reducing dependence on global intermediaries and suppliers and strengthening capacities based on Malaysia's (past) industrial linkage programs. Likewise, building supportive systems like business associations and digital supply quality networks should be considered.

There is no returning to the 'old normal', especially with indications that COVID-19 is likely to be followed by other disruptive changes such as new technologies, trade tensions as well as the continuing problem of climate change and other social upheavals. For this reason, the engagement of relevant government agencies and SMEs is necessary to ensure the effectiveness of government policies in dealing with the effects and after-effects of the MCO and COVID-19 are constantly reviewed. Doing so will help to facilitate dynamic and appropriate responses. Owing to the definition of SMEs as medium, small or micro establishments, different mechanisms for different settings and policies can be targeted. The various types of SMEs may not share the same kinds of issues that could dictate the nature of speedy recovery so that business operations are resumed. In the meantime, more studies on the impact of hardship of SME businesses to formulate effective measures are essential.

6.0 CONCLUSION

Drawing from the analysis regarding policy measures unveiled by the Malaysian government that correspond to the SMEs' challenges, this study concludes that such policy measures have addressed some of the critical issues encountered during the COVID-19 pandemic. Each policy as described has the potential to ease the burden of SMEs. However, the next issue is how effective the policy measures will be in rebuilding SMEs in a post-COVID-19 world so that these businesses are stronger and able to respond to economic disruption in the future. For the policy to be effective, the execution stage is as critical as planning. The strong engagement between relevant government agencies and SMEs, in particular on the issue of market access is deemed essential. Although this study has analyzed major policy measures taken by the Malaysian government, the findings of this study have limitations that create new opportunities for further research to explore. Analyzing policy measures that are not covered in this report such as the second half of the 2021 budget, and thus required in terms of detailed planning for long-term recovery measures is worth considering. In the meantime, the perspectives of SMEs on how responsive of such stimulus packages for their business survival, obtain from interviews is another promising subject that should be taken up in the future.

Author contributions

Yaacob, Z devised the main conceptual ideas and drafted the manuscript. While Radzi, R.M aided in analyzing the policy measures and worked out almost all the technical details.

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