



## The Resilience of SMEs in Fighting COVID-19 through Online Business Acceleration



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## 1. Introduction

The COVID-19 pandemic has been an unanticipated global phenomenon that has taken the world by surprise, brought chaos to the economy, and effectively caused commerce to grind to a halt. It has affected most businesses, especially small and medium-sized enterprises (SMEs), which comprise a noteworthy 98.5 percent of Malaysian businesses (SME Report, 2021). Many studies have been conducted on how COVID-19 has negatively affected SMEs and caused business failures (Gourinchas, Kalemli-Özcan, Penciakova, & Sander, 2020) yet there is a lack of studies focusing on the positive effects of the pandemic on the business world. It is known that the e-commerce or online business industry has continued to flourish in 2021, experiencing accelerated growth due to the COVID-19 pandemic. This phenomenon has helped many businesses in Malaysia, especially SMEs, stay afloat (Bernama, 2021). During these troubled times, online business has been doing well and has recorded high profits in Malaysia, and is considered the engine that will drive the recovery of the economy (MIDA, 2021). This notion is supported by facts; the Department of Statistics, Malaysia (DOSM) reported that Malaysia's online business income surged 23.1 percent to RM801.2 billion in the first nine months of 2021 (Vinesh & Meghna, 2021). Numerous factors have played into the success of online

businesses during the pandemic. One is the fact that the middle class in the country, which has the highest percentage (88%) of digital natives in Southeast Asia, spends close to nine hours online each day and plays a key role in driving the growth of Malaysia's online business sector (DOSM, 2021). The significance of online business in assisting the faltering economy and the convenience it provides people by allowing essentials to be purchased during lockdown cannot be denied (Vinesh & Meghna, 2021). Acknowledging the importance of online business, the government of Malaysia has been offering considerable support by encouraging SMEs to pursue online business. Various grants and other forms of assistance have been introduced. Therefore, this paper aims to investigate the phenomenon of the surge in online business and how it offers solutions to address the business difficulties faced during the COVID-19 pandemic in Malaysia.

## **2. Literature Review**

### *2.1. COVID-19 and its Impact on Business in Malaysia*

The COVID-19 pandemic has been one of the most significant transmissible disease outbreaks to hit Malaysia in history. Malaysia was hit by several waves, and the later waves had bigger impacts than the earlier ones. The government of Malaysia took extreme measures, such as a Movement Control Order (MCO) lasting as long as two months, to contain the epidemic; these measures had a severe economic impact. During the MCO period, Malaysia lost RM2.4 billion a day, amounting to an accumulated loss of RM63 billion over the 2 months of MCO (Hashim, Adman, Hashim, Radi, & Kwan, 2021).

The severity of the impact of COVID-19 on Malaysian business has been unforeseen. Falling demand, supply chain disruptions, weak financial activities, and troubled travel and tourism and employment sectors have led to a weak economy. A study by Keshavarzi et al. (2021) reported that nearly one-third of Malaysian firms were significantly affected by the COVID-19 pandemic. In terms of severity, 42 percent of firms reported a small impact with some difficulties in business operations but overall stability, 32 percent were severely impacted and were hardly able to maintain operations. Surprisingly, 6 percent said they had no significant difficulties while 5.3 percent noted that the pandemic had provided them with new development opportunities. Theoretically, in most cases, an industry's decline will have "spillover effects" on related small-scale businesses; for instance, low consumer demand to dine in because of MCO restrictions caused seafood restaurant closures, resulting in a 50 to 70 percent drop in seafood prices due to oversupply. The worst-case scenario here is that fishermen end up losing their income. The Malaysian Investment Development Authority (MIDA) reported that 33 percent of jobs were lost in this sector, and sadly these individuals are in low-income (B40) groups.

According to the DOSM, in their 2020 survey on the impact of COVID-19 on businesses, three key challenges or issues were identified: employees' pay, a lack of customers, and rental payments. It was reported that the issue of employees' pay dominated primarily in Private Limited Companies, whereas lack of customers and problems with rental payments were associated with Sole Proprietorship and Partnership firms, respectively. Their respondents consisted of 43.4 percent micro-sized firms and 40.4 percent small-sized companies, while medium- and large-sized companies represented only 9.1 and 7.2 percent, respectively. On the other hand, the Bumiputra companies participated the most, about 52 percent. The findings of the DOSM were supported by the study carried out by the World Bank Group in Malaysia. Their findings stated that the nationwide MCO and the subsequent easing of restrictions under a Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) clearly impacted business operations and sales in Malaysia. It further described how large-share firms had operated partially, at about 49 percent, during the MCO period. However, the post-MCO period saw businesses reopen, with more than 90 percent either fully or partially open. Nevertheless, they discovered that small firms and firms situated in East Malaysia were significantly more likely to remain closed. On another note, Malaysian firms seem to be recovering faster than their regional and global counterparts. Revenues earned in October were 7.5 percent lower on average than in the previous year, of which the worst impact was on smaller firms in the services sector.

Similarly, liquidity or cash flow is the crucial problem as stated earlier; the study found that a median firm has only 2 months of cash flow available, while 60 percent of firms are either already in arrears or at risk of falling into arrears within the next 6 months. Two main reasons for the issue were firms' unwillingness to borrow, for fear of repayment risks, and the fact that sellers were less willing to grant suppliers credit. Therefore, having a low level of liquidity means that direct support is much needed; in such a situation, extending payment deferrals could help firms survive. DOSM reported that 83.1 percent of firms required financial assistance or even subsidies from the government. Further aid was given in the form of company tax reductions or any other related taxes up to 67 percent. About 39.1 percent of businesses also requested deferment of loan repayments, and 30.6 percent requested that the government amend policies and related laws. On the subject of implementation, the top priorities were to expedite approvals and disbursements of *PRIHATIN/PENJANA* loans or grants. From a policy perspective, improving the Standard Operating Procedure (SOP) regulations and instructions for business operations during the various phases of movement restrictions was crucial.

The situation was so severe, especially for SMEs, that the government announced that RM 250 billion *PRIHATIN* Package assistance would be introduced to support micro, small, and medium-sized enterprises

struggling to retain their employees (Shah et al., 2020). Furthermore, RM 40 million was allocated to SMEs in the food production and agriculture sectors, while grants of RM 1000 were given to 10,000 e-commerce entrepreneurs, and an allocation of RM 20 million was given to the Malaysian Digital Economy Corporation to transform rural internet centers (Pusat Internet Desa) into e-commerce hubs (Shah et al., 2020).

**2.2. Small and Medium Enterprises in Malaysia**

SMEs, also known as micro, small and medium enterprises, are the pillar of the national economy in Malaysia and account for 48 percent of national employment, 38.2 percent of overall GDP, and about 13.5 percent of the nation’s overall exports. They constitute 97.4% of all businesses, with 1,226,494 SMEs in 2021. Micro-enterprises dominate the total number, with 78.6% or 964,495 firms across all sectors. Small and medium-sized enterprises constitute 19.8% (242,540 firms) and 1.6% (19,459 firms), respectively (SME Report, 2021). SMEs can be divided into two sectors: manufacturing and services and other sectors. The two criteria of sales turnover and number of full-time employees are used to define SMEs. The services and other sectors account for 62.1 percent of businesses, while the manufacturing sector accounts for 20.70 percent (Kuriakose & Tiew, 2022). Table 1 presents the definition of SMEs in Malaysia.

**Table 1.** Definition of SMEs in Malaysia.

Size	Micro-Enterprise	Small Enterprise	Medium Enterprise
Manufacturing	Sales turnover of less than RM300,000 OR employees of less than 5	Sales turnover from RM300,000 to RM15 million OR employees from 5 to 75	Sales turnover from RM15 million to RM50 million OR employees from 75 to 200
Services and Other Sectors		Sales turnover from RM300,000 to RM15 million OR employees from 5 to 30	Sales turnover from RM3 million to RM20 million OR employees from 30 to 75

Source: SME Report (2021).

SMEs face various issues, obstacles, and challenges that affect their performance (Mohamad, Mustapa, & Razak, 2021). They are also struggling to remain competitive despite multiple incentives and forms of assistance provided by the government. However, the situation is similar in other countries as SMEs need to be resilient, innovative, and competitive, especially in the aftermath of the COVID-19 pandemic. In Malaysia, the government has taken several measures to support affected SMEs by providing additional assistance, such as financial and other support, to keep SMEs in operation, thus reducing the rate of unemployment. The pandemic has forced businesses to adapt and adopt digital tools to operate in the current environment (Kuriakose & Tiew, 2022). SMEs must be prepared to upgrade their knowledge, skills, and capabilities to adhere to new regulations and business norms. Because of the pandemic, SMEs were forced to invest in digital technologies and innovation (SME Report, 2021); hopefully, this will assist SMEs in increasing their productivity and performance.

SMEs must adapt to the current trends, and e-commerce is a lifeline to survive in a competitive environment (Hsien, 2020). Therefore, SMEs must utilize e-commerce. Furthermore, it is feasible and impactful to increase SMEs’ performance through branding, marketing, and networking (Jahanshahi, Zhang, & Brem, 2013).

**2.3. Online Businesses in Malaysia**

Online business got off to a slow start in Malaysia; however, there is a growing trend, especially in 2019, when the revenue for e-commerce platforms was USD3.7 billion, with more than 20 million users. There were various calls from the ministries for Malaysians to take up e-commerce as it is progressively contributing to the country’s GDP. At the same time, the participation and performance of Bumiputera entrepreneurs were alarming due to the challenges they face of a lack of access to financial assistance and a lack of knowledge to conduct market studies (Rahim, Kadir, Osman, Rosly, & Bakri, 2019). Despite the high potential growth of retail e-commerce and the continued interest in online shopping in Malaysia, there was also a continuing lack of understanding about the characteristics of online shoppers in Malaysia and how this would affect consumer marketing. Today, online shopping has become a dominant alternative shopping method that is difficult for conventional retailing to compete with. However, this method can be considered risky by those who have never done any online shopping before (Naseri, 2021). The study by MCMC (2018) also reported that only 48.8% of Malaysian consumers engaged in online shopping. This statement was supported by the Malaysian Communications and Multimedia Commission (MCMC), which found that 79.9% preferred to go to a physical store rather than shopping online. A study on young consumers that used Structural Equation Modeling Partial Least Squares (SEM-PLS) version 3.0 found that consumer risk perception of functional risk influenced their intent to purchase products and services while internet shopping (Hashim. et al., 2019).

An interesting phenomenon can be seen in Malaysia, where, due to the COVID-19 pandemic, online businesses experienced rapid growth, demonstrated by an increase of 28.9 percent in trading activities (Shaharuddin, 2021). This is because the pandemic shifted consumers to online stores to purchase products/services. The pandemic significantly accelerated the adoption of e-commerce worldwide, and the shift towards a more digital world triggered changes in online shopping behaviors that are likely to be long-lasting (UNCTAD, 2020). Online shopping experienced what could be described as a period of flourishing with the growth and associated benefits of online business. In Malaysia, online purchasing is gaining popularity among consumers. The convenience offered by websites in terms of practicality as well as reduced requirements of time and energy has strengthened buyers' intentions to make online purchases (Ratih, Ana, Asnul, & Thospon, 2020).

According to Abeam Consulting (2020), some retail businesses that handle food and daily necessities tried to induce customers to use electronic commerce by allowing them to place online orders for in-store pick-up. In a recent live poll conducted during a webinar for the retail sector, 70% of respondents shared that they were prioritizing online sales to improve their sales results in the immediate term (Naseri, 2021). Because COVID-19 is a deadly virus that has already taken the lives of many, the country's economic growth has slowed down, shaking up all types of business, including e-commerce, on a massive scale. Major retailers, including SMEs and online businesses, struggled with the situation due to low footfall. They were severely affected as many online businesses rely on China for up to half of their merchandise. A study found that when there was a lockdown in a country, all import-export activities were halted, affecting businesses at large (Hasanat et al., 2020).

To successfully adapt to the digital economy, SMEs have had to change and revisit their business models to ensure that they stay relevant by having suitable business strategies to support business transformation. Looking at online business adoption in Malaysia, back in 2015, Malaysia only recorded 5% of online business despite an internet penetration of almost 70 percent (Handley, 2016). However, the nation's e-commerce industry and online business have continued to grow steadily over the years, particularly once fuelled by the COVID-19 pandemic. In 2020, online business revenue in Malaysia reached a total of \$4 billion with 37% growth, and it is expected to reach \$12.6 billion by 2024 (International Trade Administration, 2021). Malaysia is now an attractive market for online business in Southeast Asia due to its strong and dynamic economy and developed infrastructure for digital technologies. The nation's GDP will increase with the promising development of online SME businesses in Malaysia. The MCO that was implemented boosted online businesses in Malaysia, as it forced SMEs to adapt and become more resilient, brave, and creative to survive in the current business atmosphere. Many SMEs have taken their businesses online to increase their sales revenue and spur business growth.

#### *2.4. Business Resilience*

In the business literature, resilience has mainly been associated with the ability of a business to respond effectively to natural and man-made disasters (Abdo & Edgar, 2021; Abubakar, Khalifa, Elbasset, & Alkharusi, 2022; Dahles & Susilowati, 2015; Iborra, Safón, & Dolz, 2020; Ortiz-De-Mandojana & Bansal, 2016) by making changes and improvements to enable the business to survive in harsh conditions (Korber & McNaughton, 2018). However, in their study, Hadjielias, Christofi, and Tarba (2022) identified business agility as an important feature of SMEs' business resilience in the face of the COVID-19 pandemic. Business agility is considered a firm's ability to promptly seize new opportunities and implement planned ideas for future development. A study by Saidi and Saidi (2021) found that business owners' efficiency and ability to take instant action illustrated efficient transformational leadership, for example, switching the business model from offline to online mode shaped business resilience during this challenging period. Therefore, it is deemed critical for SMEs to have business resilience and the technical ability to switch to online business as this has played a vital role during the COVID-19 pandemic.

### **3. Research Methodology**

A quantitative approach using the survey technique of a standardized questionnaire was chosen for this study. This was chosen because a survey enables the researcher to get a snapshot of the respondents' views with respect to the social phenomenon under study (Sekaran, 2003).

#### *3.1. Population and Sample Size*

The respondents for this study were SME owners in Malaysia that perform online business. It was deemed suitable to opt to use the single respondent approach as the owner of the enterprise is the key person and best able to represent the enterprise. After extensive exploration and investigation, it was concluded that there is no formal and complete data source for Malaysia's online businesses. Therefore, this study has chosen the data source of the Malaysian Internet Entrepreneurs Association (PUIM) as the population. The association has around 25,000 members, and a sample size of at least 378 was sufficient, as suggested by Krejcie and Morgan (1970).

### 3.2. Sampling Technique

Extensive deliberation led to the selection of the best sampling technique for this study, particularly regarding whether to employ non-probability or probability sampling. Initially, the probability sampling technique was favored as it would ensure the population had equal chances of being chosen; however, after considering the aspects of this study, it was deemed unsuitable as most online business owners can be considered unresponsive due to the commitments of their business. Therefore, a convenience sampling technique was chosen for this study as it was more likely to provide enough samples for the analysis.

### 3.3. Instrument and Data Collection

The questionnaire was adapted from [Rahim et al. \(2019\)](#) and was revised to suit the needs of this study. The questionnaire is divided into 3 sections, namely Section A (entrepreneur profile), Section B (business information before and after COVID-19), and Section C (online business during COVID-19). An online survey using Google Forms was distributed to the population through the assistance of PUIM, and a total of 720 valid responses were received.

## 4. Findings and Discussion

### 4.1. Descriptive Analysis

In Section A, respondents' personal information, including their age, gender, education, and information about their business, was successfully collected from 720 entrepreneurs. A descriptive analysis of the collected data is shown in [Table 2](#).

**Table 2.** Respondents' profile.

	Percentage (%)	Sample (n)
<b>Age group</b>		
< 25 years old	77.50%	558
≥ 25 years old	22.50%	162
<b>Gender</b>		
Male	23.61%	170
Female	76.39%	550
<b>Education</b>		
High School	8.61%	62
Diploma	23.89%	172
Degree	65.83%	474
Other	1.67%	12
<b>Business Status</b>		
Sole proprietorships	57.78%	416
Partnership	11.94%	86
Limited Liability Partnership	1.94%	14
Private Limited Company	17.78%	128
Others	8.89%	63
No status	1.67%	12

As [Table 2](#) shows, the survey was mostly answered by individuals aged 25 years old and below (77.5%); 22.5% of the respondents were above 25 years old. The majority of the respondents were female (76.39%); male respondents accounted for 23.61% of the sample. Moreover, the highest education level of most respondents was a university degree, with 65.83%, followed by a diploma and completed high school, with 23.89% and 8.61%, respectively. Only 1.67% of respondents had another education level, such as STPM or SKM Level 3. Besides that, 57.94% of the respondents' businesses were sole proprietorships, 17.83% were private companies, and 11.98% were partnerships. Only 1.95% and 8.94% had a limited liability partnership or other types of business status. There were also about 1.67% who did not declare any business status.

Based on [Figure 1](#), the business sector with the highest percentage of enterprises was retail with 27.78%, followed by 19.72% of the category "Others," which included handicrafts, food & beverage, fashion, oil & gas, and cosmetic products. 18.06% of the respondents ran a manufacturing business that uses components, parts, or raw materials to produce finished goods. There were also business owners who ran personal services (10.00%) while 10.28% were service providers. The construction category was represented by only 0.56% of respondents. 1.39% and 1.94% of the total number of respondents represented the agriculture and transportation/communications business sectors. Only 1.11% declared they had no business sector.

### Respondents business sector

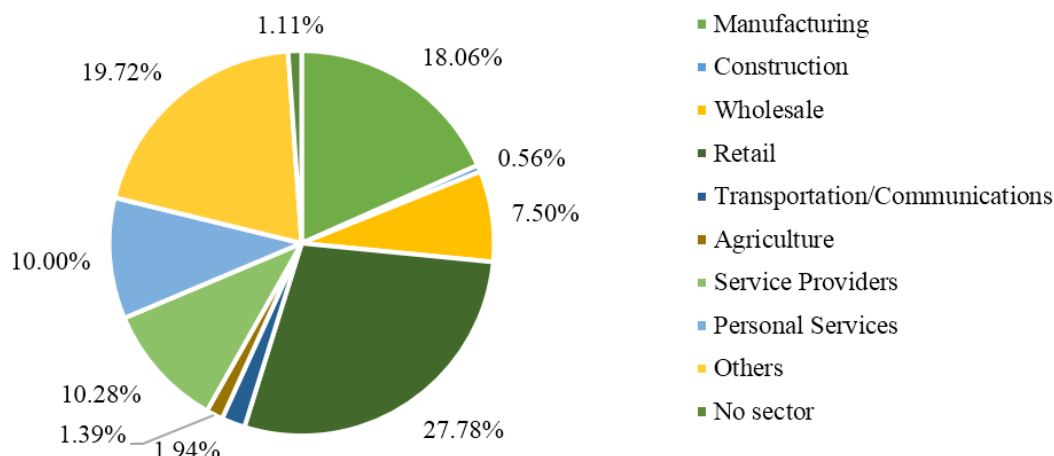


Figure 1. Pie chart of respondents' business sector.

Table 3. Comparison of year of business registration and the start of online business.

Category	Business registration	Start of online business
Year		
2022	0.28%	0.28%
2021	28.61%	37.22%
2020	35.28%	38.61%
2019	13.61%	10.83%
2018	11.11%	6.94%
2017	3.61%	2.5%
2016	1.39%	0.83%

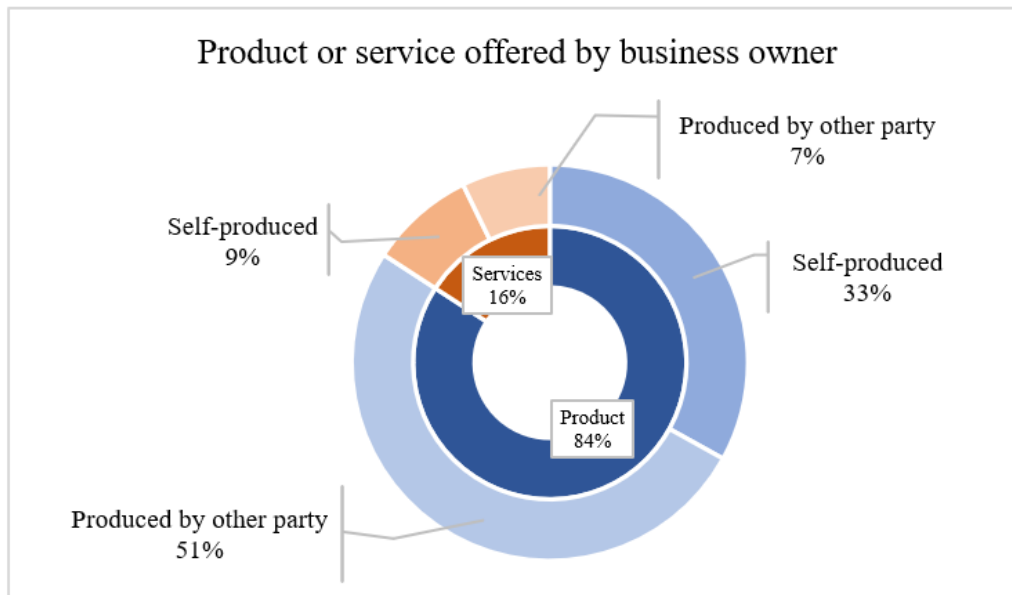
Based on the information in Table 3, most of the respondents registered their business in the year 2020 (35.28%), the first year of the pandemic, followed by the year 2021, with 28.61%. The result suggests that the pandemic increased the number of start-ups. Another interesting trend is that before the pandemic, enterprises were quite slow to adopt online business but this increased drastically after the start of the pandemic in 2020.

Table 4. Comparison of business information pre- and post-COVID-19.

Category	Before COVID-19	During COVID-19
<b>Number of permanent employees</b>		
Less than 5 employees	80.70%	91.11%
Between 5 and less than 75 employees	17.11%	6.94%
Between 75 and less than 200 employees	2.19%	1.94%
<b>Annual sales volume</b>		
Less than RM300,000	86.73%	92.22%
RM300,000 to RM15 million	12.39%	7.22%
RM15 million to RM50 million	0.88%	0.56%
<b>Key market segments</b>		
Local: Open market	96.15%	96.37%
Local: Government contracts	1.71%	1.12%
Local: Subcontract	1.71%	1.12%
Export market	0.43%	1.40%

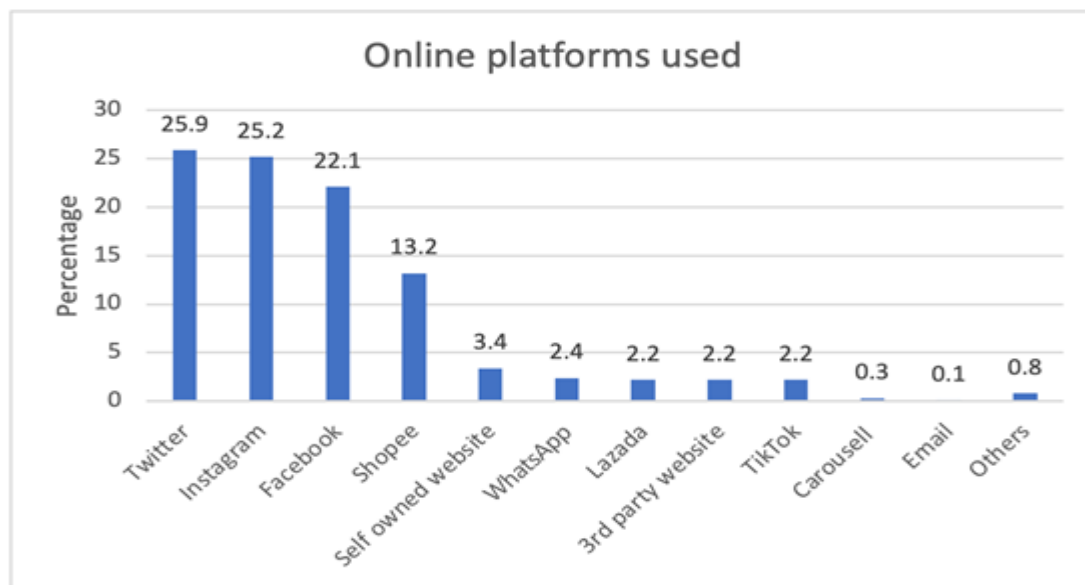
Table 4 displays the comparison of business information before and after the outbreak of COVID-19. The result shows an increase of 10.41% for enterprises with less than 5 employees, while there is a decreasing trend for enterprises with more than 5 employees. For annual sales, the result shows an increase in enterprises with sales of less than RM300,000. However, for annual sales of RM300,000 to RM15million and RM15million to RM50 million, there is a decreasing trend. The local open market segment remains the highest contributor to the key market segment, with a small increase during COVID-19, and the remaining respondents focus on the local government contracts, local subcontract, and export markets, with a decreasing trend. The results show that there is an increasing performance trend for small enterprises but a

decreasing performance trend for medium enterprises. This may be because, during the pandemic, survival was essential, and enterprises needed to be lean and cost-effective.



**Figure 2.** Multi-level pie chart of product/services offered.

Figure 2 illustrates information on the product or service offered by the enterprises during the pandemic. Only 16% of the entrepreneurs offered services (rather than products) during the pandemic. 7% of the services were produced by another party, and 9% were self-produced services. Furthermore, 84% of the respondents sold physical products, and 33% of them sold self-produced products. Meanwhile, approximately 51% sold products produced by another party. The enterprises focused more on tangible products than on services due to the human interaction restrictions during the pandemic.



**Figure 3.** Online platform used by enterprises during COVID-19.

Figure 3 represents the bar chart of social media platforms respondents used to market and promote their products/services during the COVID-19 pandemic. The most-used online platform was Twitter with 25.9%, followed by Instagram (25.2%) and Facebook (22.1%). Concerning the e-commerce platforms, Shopee was the preferred choice with 13.2%, while Lazada was used by only 2.2%. Self-owned websites and third-party websites accounted for 3.4% and 2.2%, respectively. Other online platforms used were TikTok (2.2%), Carousell (0.3%), e-mail (0.1%), and WhatsApp (2.4%).

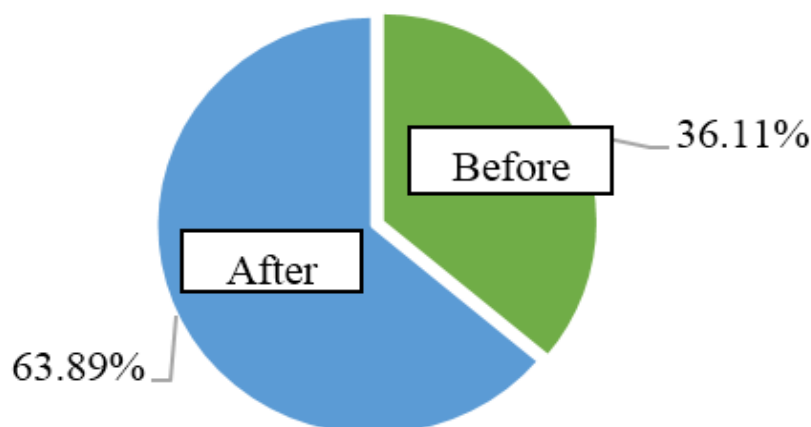


Figure 4. Percentage of respondents running their business online before or after the pandemic.

Figure 4 illustrates the timing of when respondents started their online business. 63.89% of respondents started running their business online during the COVID-19 pandemic; meanwhile, 36.11% had started their online business before the pandemic.

For the following section, the researchers wanted to better understand the phenomenon of starting an online business during the pandemic; thus, only eligible respondents that fell into this category answered this section (63.89%, n = 460).

Table 5. Respondent's information on online business during the pandemic.

Category	Percentage (%)
Reason for starting an online business	
Jobless	2.64%
Physical business sales are decreasing	16.30%
Seeing income-generating opportunities	81.06%
Business model	
Online only	56.14%
Online and physical	43.86%
Business sales during the COVID-19 pandemic	
Decrease	21.49%
No change	32.89%
Increase	45.61%
Number of employees during the COVID-19 pandemic	
Decrease	18.58%
No change	75.22%
Increase	6.19%
Business's ability to pay suppliers	
Decrease	21.78%
No change	53.33%
Increase	24.89%
Stability status of business	
Almost closed	19.91%
Still surviving and operating	80.09%
Impact of COVID-19 pandemic on business as a whole	
Negatively affected	33.92%
Positively affected	66.08%

The economic downturn during the COVID-19 pandemic caused almost all businesses, including SMEs, in Malaysia to struggle. Table 5 displays the respondents' feedback on their business conditions during the pandemic. The responses show that most of the respondents saw online business as an income-generating opportunity (81.06%), and 16.30% of them saw their physical business sales decreasing so they took the opportunity to market their business online. Only 2.64% started online businesses because they were jobless.



Next, this research found that 56.14% of respondents run their business online only, and the other 43.86% manage their business both online and physically. Most of the respondents found that their business sales increased (45.61%) during the COVID-19 pandemic, while 32.89% and 21.49% claimed their sales stayed the same and decreased, respectively. Concerning their number of employees, 75.22% of business owners had no change in the number of employees while 18.58% had to dismiss some employees during the pandemic. Only some of them hired new employees (6.19%).

Furthermore, 53.33% of the business owners saw no difference in their ability to pay their suppliers as they were able to make their payments as usual. However, 21.78% of the respondents developed difficulties in paying their suppliers, and, in contrast, 24.89% improved this ability. Fortunately, most of the businesses were still surviving and operating (80.09%) while the other 19.91% were nearly forced to close due to the challenges of online business during the pandemic. Lastly, 66.08% found that their online business was positively affected by COVID-19 while 33.92% found the contrary.

## 5. Conclusion

It is apparent that during the COVID-19 pandemic, enterprises, especially SMEs, faced difficulties. Many researchers have studied the negative effects of COVID-19 on businesses, and it was forecasted that COVID-19 would seriously disrupt the economy, causing a huge number of SMEs to fall into bankruptcy (Kalemli-Ozcan, Gourinchas, Penciakova, & Sander, 2020). However, there are two sides to the coin. This study has proved that amidst the undesirable consequences of COVID-19, there have also been some positives. The pandemic has increased the number of businesses registered and accelerated the adoption of online business among SMEs. Favorable outcomes can be seen as well, as a majority of the respondents reported that they were positively impacted and had increased their sales. It is, therefore, not surprising that more than 80% of them have found themselves able to maintain their business. The survival instinct of the entrepreneurs has enabled them to adapt and take advantage of the dire situation of the pandemic, turning it into an opportunity by venturing into online business. The results of this study contribute to the literature gap associated with the positive effects of COVID-19 on businesses in Malaysia, where it has accelerated the shift to online business as a way for business owners to survive during the pandemic. Further research should be conducted into the positive effects of the pandemic on businesses.

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