

ICONSPADU 2021**International Conference on Sustainable Practices, Development and Urbanisation****COVID-19 CHALLENGES AND OPPORTUNITIES AMONG
BUMIPUTERA SME'S FOOD COMPANIES IN MALAYSIA**

Muzairihana Md Moid (a)*, Kamisah Supian (b), Nor Hasdalina Hasim (c),
Nur Fauzana Yahya (d), Nafiza Mahayuddin (e), Norliana Ahmad Shah (f),
Sara Shakira Shari (g), Nurul Syafiqah Hirman (h)

*Corresponding author

- (a) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, hana84@unisel.edu.my
(b) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, kamisah@unisel.edu.my
(c) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, hasdalina@unisel.edu.my
(d) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, nur_fau@unisel.edu.my
(e) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, nafiza@unisel.edu.my
(f) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia, norliana@unisel.edu.my
(g) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia,
sarashakira.shari@gmail.com
(h) Faculty of Business and Accountancy, Universiti Selangor, Shah Alam, Selangor, Malaysia,
nsyafiqahhirman@gmail.com

Abstract

The outbreak of the Covid-19 pandemic had caused a stir across the globe. It was first detected in Malaysia on January 25, 2020, but until that point, only a few reported cases had been found. However, by March 2020, Malaysia shows a spark in the infection case. In curbing and slow the spread of the pandemic, many countries use stringent international travel restrictions, social and physical distance, contact tracing, and quarantine measures. Apart from the health sector, this new and challenging threat profoundly impacted many corporations and businesses. In Malaysia, 99% of the 920,624 businesses are small and medium enterprises (SMEs). Within a week of the Malaysian government's Movement Control Order (MCO) implementation, it was reported that a 50% drop in SME businesses. According to the situation, the government starts to offer some initiatives to encourage affected SMEs to sustain their business. This paper discusses the challenges and opportunities among Bumiputera SME's food companies in Malaysia during the covid-19 pandemic.

2421-826X © 2022 Published by European Publisher.

Keywords: Bumiputera food companies ,covid-19, challenges , opportunities

1. Introduction

In Malaysia, the Food and Beverage (F&B) Industry is one the most important contributors to the national economy, which generated revenues of roughly €22.12 billion in 2018, with the annual rate rising at 7.6 per cent throughout the period (Flanders Investment & Trade, 2020). At the present pricing, the expected Gross National Income (GNI) in 2019 was €302 billion, up from €286 billion in 2018 with €9,255.95 estimated GNI per capita. Thus, Malaysians can afford higher quality but more expensive imported goods since their purchasing power increases (Flanders Investment & Trade, 2020). The total of F&B businesses in Malaysia is 920,624 establishments, with more than 98% are accounted for small and medium-sized (SMEs) (SME Corp. Malaysia, 2018). Also noteworthy are the multinational businesses (MNCs) based in Malaysia, both domestic and foreign-owned. The high demand for imported F&B products from the domestic consumer drives the government to create a loosen trade and provide incentives. Thus, it allows Malaysians to have a vast variety of locally produced and imported food and beverage products

The Department of Islamic Development's (JAKIM) Halal-certified food and beverage services have a larger market because of the country's large Muslim population (60 per cent). The F&B distribution market is highly fragmented because of numerous similar items and market competitors. Retailers of all sizes (from hawkers to supermarkets to hypermarkets) use the channel of distribution to sell their products, as well as a variety of e-commerce platforms (like online shopping platforms) that are becoming increasingly popular, especially during the COVID-19 period (e.g., hawker centres).

The operations of several key industries in Malaysia, including food and drinks, were impacted by the 14-day movement control order (MCO), which started on March 18, 2020, and continued up to the sixth extension (Saari, 2020). Malaymail (2020) also reported that F&B businesses suffered from sales loss of up to 90% during the MCO compared to previous year. F&B manufacturing sector experienced many issues during the pandemic, which mostly covers supply chain disruption, digitalisation, reconstruction of business capital, operations, and other unintended consequences (Telukdarie et al., 2020). Since Malaysia's f&b items, animal feeds, and raw materials largely depend on imports, the government has been forced to address food security concerns during the pandemic (Flanders Investment & Trade, 2020). Food companies face major reductions in consumption and supply chain disruptions (Pieters, 2020). The effects of MCO on SMEs, particularly in the food industry, are divided into operational issues, including the interruption of operations and supply chain as well as fore sighting future company orientation. Additionally, SMEs are also facing financial problems such as inconsistencies in cash flow, access to incentive plan packages, and the risk of bankruptcies (Omar et al., 2020).

The COVID-19 epidemic in 2020 spurred Malaysia's government to take more serious measures to address food security concerns and supply chain disruptions caused by the country's overwhelming reliance on imports. The epidemic has fueled the growth of the e-commerce industry, as an increasing number of customers prefer to shop online rather than a traditional brick and mortar establishments. This pattern has also prompted Malaysian retailers to change and embrace digital marketplaces. Many small and medium-sized enterprises (SMEs) struggle to take advantage of this new trend. The inability to take advantage is because they cannot execute efficient production performance, which is seen as the primary

cause of inefficient local production and consequently affects the cost of goods and services (Lasuin & Omar, 2020).

2. Problem Statement

COVID-19 has had a global economic impact unlike any other calamity in human history. It triggered a global lockdown and economic closure, making the recovery process extremely challenging. Demand, supply, production, and consumption have all been impacted to the point that the economic development cycle has reached its rock bottom. COVID-19 has also affected the economic and social sustainability framework, triggering a chain reaction of crises, with developing countries bearing the brunt of the consequences. According to Lasuin and Omar (2020), businesses are partially closed or shut down due to COVID-19, forcing people to lose their jobs and lose a reliable source of income. They also added that the disease suffocated small and medium firms (SMEs) worldwide, especially Malaysia, causing them to lose their economic viability and capacity to compete in the red ocean market. For example, during the pandemic lockdown and movement control order, Bumiputera-owned SMEs have difficulty preserving their business livelihood.

Hence, the impact of the Covid-19 pandemic on them has had a massive influence on SMEs. Small and Medium Enterprises Association (SAMENTA) reported that compared to 2019, a total of 34 per cent of SMEs recorded a major sales drop of more than 20 per cent in 2020 (Vaghefi & Jo-yee, 2021). Department of Statistics Malaysia (2021b) reported that SMEs GDP of the services sector declined to 41.0 per cent from 42.7 per cent the previous year, mainly to the food & beverage, wholesale & retail trade, and accommodation sub-sector. However, the same report stated that SME employment in the year 2020 posted an increase of 1 per cent in the food industry.

Meanwhile, SME Corp. Malaysia (2021) revealed that only 1.7% of respondents reported a rise in sales, primarily in the F&B industry, while 3.1% indicated no notable change in sales. Furthermore, the report also cited the food and beverage industries, entertainment, and tourist industries, are all concerned about the drop in consumer confidence. The biggest concern for the manufacturing and food and beverage industries is supply chain vulnerabilities.

The 14-day movement control order (MCO) in Malaysia, which began on March 18, 2020, and is now on its sixth extension, has impacted the operations of several key industries, including food and drinks (Saari, 2020). Malaymail (2020) also reported that during the implementation of the Malaysian Movement Control Order (MCO), food and beverage establishments saw a 90% sales loss compared to the previous year. Due to the pandemic, F&B manufacturers faced various issues such as operations and safety, supply chain, emergency responses, incident management, digitalisation and reconstructing business models (Telukdarie et al., 2020). Therefore, the pandemic has pushed the government in addressing food security concerns, as Malaysia is overly dependant on imported products, especially F&B items, foods for poultry and livestock, and raw food ingredients (Flanders Investment & Trade, 2020). Food companies face major reductions in consumption and supply chain disruptions (Pieters, 2020). The effects of MCO on SMEs, particularly in the food industry, are divided into operational issues (i.e., disruption of operations, supply chain disruption, and fore sighting company orientation) and financial

issues (i.e., cash flow imbalance, access to stimulus packages, and risk of bankruptcies) (Omar et al., 2020).

Therefore, this research is critical to meet two major objectives. The first is to provide an insightful overview of the Covid-19 epidemic and MCO's issues to SMEs, particularly in the food industry. Second, amid a pandemic crisis, discover the potential for survival strategies among SMEs.

3. Research Questions

The research questions are as follows:

- i. What were the challenges faced by Bumiputera SMEs food companies during the Covid-19 outbreak?
- ii. What opportunities does the Covid-19 situation present for Bumiputera SMEs in the food industry to improve their business performance?

4. Purpose of the Study

This conceptual study discusses the insight overview of the challenges Bumiputera SMEs food companies face during the COVID-19 pandemic and the opportunities present as discovering the potential for survival strategies in their businesses.

5. Research Methods

Data were collected through a literature search on challenges and opportunities among Bumiputera SMEs, especially food companies in Malaysia during COVID-19.

6. Findings

6.1. Bumiputera SMEs food companies challenges during COVID-19 pandemic

Findings from the literature identified three major challenges faced by Bumiputera SMEs in the food industries during the COVID-19 pandemic.

6.1.1. Restricted Cash Flow

Implementation of Movement Control Order (MCO) in Malaysia during the covid-19 pandemic caused restricted cash flow among SMEs, especially those with insufficient cash flow and savings. Findings by Zainuddin (2020) found that 81 per cent of respondents responded that they have only enough cash flow to continue operations if the situation lasts less than three months, and less than one per cent can last more than a year. Furthermore, COVID-19 Business Impact Survey done by the International Trade Centre (ITC) from April to June 2020 showed that the pandemic and accompanying containment measures have had a strong impact on 55% of respondents, including 4,467 enterprises from 132 countries. Compared to roughly 40% of large enterprises, nearly two-thirds of SMEs claimed that the pandemic severely impacted their business operations. One-fifth of SMEs claimed they were at the risk of

closing permanently (IISD, 2020). In addition, 34%, 33%, and 31% of the F&B, entertainment & tourism, and advanced manufacturing industries respectively only able to stay afloat for three months due to their financial and business capability during this pandemic (Monash University, 2021). However, Putri Noorafedah et al. (2021) found that situation was different for SMEs with enough business savings and raw material stocks. In contrast, they were not facing too many problems regarding cash flow. Having enough cash reserves is important to ensure no cash flow is restricted.

6.1.2. Less Sales

In 2020, global output fell by 3.4 %. According to the OECD's survey of more than 180 SMEs in 32 countries since February 2020, 70-80% of SMEs had experienced a significant decline in revenues (between 30% and 50%) or sales since the start of the pandemic (OECD, 2021). The Department of Statistics Malaysia (2021a) had performance a special survey in understanding the impact of COVID-19 on the economy and companies. It was conducted during phases 2 – 4 of the MCO, from April 10 to May 1, 2020. The poll consisted of 4,094 businesses, with the division of micro, small, medium-sized and large businesses at 43.4%, 40.4%, 9.1%, and 7.2%, respectively. According to the study, 67.8% of the respondents had no revenue during MCO, 12.3% made revenue from online and less than 10% could make sales in physical stores. Additionally, Monash University Malaysia, with the collaboration from Monash Malaysia R&D Sdn Bhd, conducted a survey entitled "Business in Turbulence: Impact of COVID-19 on Malaysian Businesses", which indicated varying levels of worry depending on the industries respondents work. The food & beverage (F&B), entertainment & tourism, and agriculture businesses are all concerned about declining client confidence. Meanwhile, supply chain vulnerabilities are causing worry in the manufacturing, food, and beverage industries. Due to their financial status and business competence to withstand the pandemic's impact, around one-third of the F&B (34.0%), entertainment & tourist (33.3%), and advanced manufacturing (31.0%) industries stated they could only remain their business for one to three months (Monash University, 2021).

6.1.3. Supply Chain Disruption

A survey entitled "A COVID-19: Business Impact Survey" was undertaken by Ernst and Young between April 27 and May 19 2020, with 670 responses from large and listed companies and SMEs. The survey looked at the important issues from five perspectives: financial, supply chain, customers, technology, and people. Additionally, respondents mentioned the delays in deliveries (41%) and payment to suppliers (28%) as their main concerns, and nearly half of SME respondents chose cost-cutting techniques to manage their finances. Under the supply chain element, findings revealed that the biggest issues for SME enterprises are delays in fulfilment and delivery (42%) and receiving supplies (32%). Therefore, SMEs requested that cross-border and service taxes be waived, as well as greater credit facilities from banks (Ernst & Young, 2020). In addition, findings from Putri Noorafedah et al. (2021) also revealed that most SMEs in food industries face the biggest challenges to ensure their stocks and supplies are adequate to meet the increased demand in a bigger volume since MCO rather than before.

6.2. Opportunities gain by Bumiputera SMEs food companies during the COVID-19 pandemic

6.2.1. Boost start-up rates, especially for innovative new ventures

Start-ups were among the most affected and susceptible SMEs at the pandemic's beginning. For instance, dedicated start-up packages have been launched in many nations such as Austria, Canada, Denmark, Germany, France, Italy, Malaysia, the Netherlands, Portugal, Switzerland, and the United Kingdom (OECD, 2021). During the transition from emergency to recovery support, the government should focus on stimulating (innovative) entrepreneurship rather than only providing start-up financing (Potter, 2020).

As part of the Short-Term National Economic Recovery Plan or "PENJANA", the Malaysian government, under the Ministry of Science, Technology, and Innovation (MOSTI), introduced the NTIS or National Technology Innovation Sandbox in July 2020 (Kementerian Sains, Teknologi dan Inovasi, 2020). Through NTIS, start-ups and SMEs can test their business and delivery mechanism in a friendly environment, which means it has lenient regulatory requirements. In avoiding risks or hindrance in innovation, NTIS also include collaboration with regulators in helping these groups (Yee, 2020).

6.2.2. Bank and Government Incentive Plan

Many SMEs face a critical situation during this pandemic. The signing of a new regional trade agreement and favourable financing choices indicate that those who can pivot will benefit (Vaghefi & Jo-ye, 2021). Therefore, entrepreneurs were urged to take advantage of the assistance and initiatives offered by the government for SMEs, including wage subsidy programs, PRIHATIN special grants, financial facility assistance and bank loan moratorium to help ease the burden of entrepreneurs (Vaghefi & Jo-ye, 2021; Zainuddin, 2020).

Since the early implementation of the Movement Control Order (MCO) in March 2020, the government has taken proactive measures and established several economic stimulus packages, such as PRIHATIN, PENJANA, PERMAI for ensuring people's wellbeing, business continuity and economic resilience, the People and Economic Strategic Empowerment Programme or "PEMERKASA", and Program Strategik Memperkasa Rakyat & Ekonomi Tambahan (SMEinfo, 2021).

Besides, banks also had done their part in ensuring the continuity of SMEs through various financial aids. As of March 12, 2021, 24,819 SMEs had benefited from the assistance of Automation & Digitalization Facility (ADF), All-Economic Sector Facility (AES), Agrofood Facility (AF), and Special Relief Facility (SRF) funds by accepting a total of RM11.75 billion of SMEs Soft Loans applications by local banks. In addition, the PENJANA SME Financing programme had approved 7205 loans totalling RM1.36 billion. More than 9,400 Agricultural Micro SMEs got financial support totalling RM107.23 million as part of the Agrobank Micro-Credit Financing initiative (Department of Statistics Malaysia, 2021b). The PRIHATIN Economic Stimulus Package (Supplementary) would also provide salary subsidies ranging from RM600 to RM1,200 for enterprises with local employees earning less than RM4,000, involving over 200 to less than 75 employees (Zainuddin, 2020).

6.2.3. Digitalisation of SMEs and Entrepreneurs

The World Bank Malaysia stated that the adoption of digitalisation among SMEs shows a huge gap compared to larger businesses despite acting as the countries economic backbone. During the coronavirus outbreak, companies learned a valuable lesson about living in a new normal which rapidly adopted the latest technology. Businesses of small sizes must be aware of how they can seek assistance in modernising their business operations, sales, and market segmentation by making sure that technology is woven throughout the fabric of their operations.

A survey conducted in August 2020 by the SME Association of Malaysia found that a small number of SMEs (26%) choose digitalisation as their survival strategy post-pandemic. Additionally, 43% of SMEs had used digitalisation or e-commerce platforms, with nearly a third having failed and the remaining 57% planning to implement digital media in their business (Lim, 2021). Hence, an E-commerce campaign was introduced by Digital Economy Corporation, which will provide SMEs with e-commerce on boarding training and sales support. The campaign was co-funded by the Malaysian government and various e-commerce platforms (OECD, 2021). For small and medium-sized enterprises, the pandemic has served as a wake-up call; those dangers to their operations might come from various angles. Therefore, it's crucial to be flexible and quick to respond when things change.

7. Conclusion

This conceptual study expressed the insight overview of the challenges Bumiputera SMEs food companies face during the COVID-19 pandemic. This research concludes that issues such as restricted cash flows, fewer sales, and supply chain disruption were the key challenges most Bumiputera SMEs food companies faced during the MCO. Research completed by Nurjanah et al. (2021) indicates that SME entrepreneurs worldwide are affected because the Covid-19 epidemic is positively associated with the objective of this study. Therefore, assistance and support should continue to be provided to small entrepreneurs to ensure that they can survive and sustain their businesses before, during and after the epidemic spreads. Bumiputera-owned SMEs need to include social media and networks, namely Facebook, Twitter, Instagram and Snapchat because these platforms are an important part of the daily routine of Malaysians (Lasuin & Omar, 2020). Among the reason for the backwardness of their business, they do not formally register the business makes it difficult to obtain funds and business training. To address the issue, local authorities in Malaysia are very serious about increasing the number registered on the Official SME website (Lasuin & Omar, 2020). Bumiputera-owned SMEs need to engage in online training to prepare for a dynamic business environment. For the future of the study, the researcher hopes that studies on the empowerment of small-scale entrepreneurs can focus more on the formal sector despite the challenges of the current epidemic.

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