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SUSTAINABILITY OF MICRO AND SMALL ENTERPRISES DURING COVID-19 PANDEMIC

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1.0 INTRODUCTION

COVID-19 has had a significant impact not only on the well-being and health of people but also on the economy. Micro and Small Enterprises (MSEs) are an essential part of the economy in Malaysia (Bai, Quayson, & Sarkis, 2021). Global epidemics such as COVID-19 expose MSEs to different types of challenges that risk their existence in the market. From the time COVID-19 emerged, it has negatively affected both economies of many nations and human health. Various restrictions and conditions have been imposed in different countries to limit the spread of the virus. Such limitations comprise social distancing, quarantine, and travel restrictions (Bai et al., 2021). These conditions have resulted in a slowed system of demand and supply of goods and services in different nations. The effects of COVID-19 have been experienced across all sectors of the economy, including MSEs (Bai et al., 2021) This paper briefly explores various challenges that MSEs have faced during the COVID-19 pandemic and various strategies that have enabled these businesses to sustain themselves over this period.

2.0 CHALLENGES FACED BY MICRO AND SMALL ENTERPRISES (MSEs)

MSEs are experiencing various challenges and difficulties caused by the disease. The shorter time for business activities and movement prevention policies issued by the Malaysian Government in the country significantly impacts MSEs, such as interfering with their business operations, making their financial position weak, and exposing them to many risks financially. MSEs, which are an integral part of SMEs, have experienced challenges in the workforce and shortages of production inputs because of distortions that have changed their supply chains (Adam & Alarifi, 2021).

These challenges have also made SMEs unable to achieve their financial duties of paying their workers. The same problem has caused a decrease in consumer earnings and an extensive feeling of insecurity (Adam & Alarifi, 2021). This has rendered many MSEs unable to deal with the current situation. Therefore, many MSEs have ended their businesses and stayed closed from the initial months of the COVID-19 outbreak.

MSEs have not been able to endure the effects of economic crises resulting from the COVID-19 pandemic. These crises are associated with a lack of funds to cater to the increasing cost of running businesses, and limited technical and administrative capacities (Bai et al., 2021).

Scholars have claimed that MSEs are the most affected enterprises by the COVID-19 pandemic (Bai et al., 2021). This is because a socioeconomic crisis associated with people's health, such as the COVID-19 pandemic, is expected to directly affect MSEs since these businesses depend on the same people, either as customers or suppliers.

3.0 STRATEGIES ADOPTED

To safeguard this critical sector from collapsing because of the COVID-19 pandemic, the Government and non-governmental organisations (NGOs) have provided different forms of support to MSEs. For instance, the Malaysian Government has put in place various policies that lessen the adverse effects of the pandemic (Khan, Khan & Tan, 2021). The Government approved revenue and expenditure measures to fight the COVID-19 outbreak and decrease its adverse effects on the economy. Additionally, MSEs owners adopted various strategies and practices to confront the effects of the pandemic. For example, at the beginning of the outbreak, it was expected that many MSEs would major in the reduction of their financial expenditure, disaster management strategies, and digital technology (Khan et al., 2021).

3.1 Innovation

MSEs have adopted innovative practices to enhance their performance during the COVID-19 pandemic. Innovation is one of the primary necessities that should be adopted by all enterprises that need to survive in the current market of competition, technological changes, and recurring crises (Khan et al., 2021). New technologies and practices are used to manage an organization in order to attain the required enhancement in its operations. From the perspectives of Khan et al., (2021), innovation refers to the production of new products using new processes that address a customer's needs and profitability compared to previous ones. To sustain themselves during this period of COVID-19, MSEs have implemented effective solutions to the problems that they are facing. These comprise the appropriate implementation of new ideas relative to an organization's products, services, or processing, use of new methods in marketing the business, and new administrative practices of improving work and advancing performance.

3.2 External support

External support has enabled MSEs to survive the COVID-19 pandemic. External help offered them vital information and knowledge needed to raise their competitiveness and increase their chances for future prosperity (Azman, Zabri, & Kepili, 2021). The Government recommended various agencies and institutions to provide external support to MSEs. The approach has saved lives, promoted growth, encouraged invention, and enhanced their competencies (Azman et al., 2021); this has ensured that they make greater business contributions to the economy, especially during the pandemic.

3.3 Building resilience

The sudden emergence of COVID-19 has interfered with the way MSEs conduct their business. During the crisis, almost 80 percent of MSEs were forced to change their mode of operation (Azman et al., 2021). Additionally, those who had been operating under modified conditions have witnessed revenue reduction. Furthermore, the emergency of the COVID-19 pandemic has shown weakness in the supply chain of MSEs and a lack of contingency planning among the main MSEs (Azman et al., 2021). Therefore, MSEs have begun building their resilience; this is important because it has enabled these businesses to develop more outstanding preparation that has led them to respond to changes effectively.

Rather than concentrating on efficiency, many MSEs are now considering building their diversity and potentially restoring their production. This strategic approach is meant to improve the likelihood of overcoming the effects of the pandemic since MSEs have been hit badly financially because of their limited resources and expertise (Bai et al., 2021). Therefore, adopting a rethinking strategy has helped MSEs cope with the COVID-19 pandemic.

3.4 Circular Economy

The other reason MSEs have been able to endure the challenges related to COVID-19 is by transitioning to a circular economy because of the weakening of natural resources and disruption of the supply chain. A circular economy aims at reducing resource wastage, keeping materials and products in use, and regenerating natural systems (Bai et al., 2021); this is the opposite of the current linear consumption-oriented approach of taking materials, making things and disposing of them at the end of life.

3.5 Financial Stability

MSEs have been taking stock of their finances. As with large-scale endeavours, it is crucial as a business to understand the current resources and standing of the business before making a new decision; this comprises creating COVID-19 costs and balance sheets, as well as calculating the total cost of financial reserves and recurring expenses (Harun, Ahmad, & Sabri, 2021). Businesses are always advised to have six months of cash flow put aside for emergencies, where the COVID-19 pandemic period has been one of those times. However, it is hard for micro and small enterprises to amass that many reserves. Even larger companies experience difficulties when trying to meet their set targets; this is one of the main reasons MSEs experienced a hard hit from COVID-19 (Harun et al., 2021). They seem to lack the appropriate financial safety to enable them to withstand low-revenue months.

After surmising their financial situations, many micro and small enterprises embarked on activities that will enable them to decrease operation costs. Such programs comprise renegotiating the cost of rent with their landlords and speaking with the bank about the available programs for small businesses. The final step that MSEs have employed is scrutinizing every business cost on the balance sheet by eliminating anything that is not important during such a time when there is a pandemic (Harun et al., 2021). Instead, they looked for services and other products that bring the most money for the business then promoted them through advertisement; thus, focusing the business around what's moving the most units.

3.6 Going Digital

Micro and small enterprises have decided to go digital, especially during the COVID-19 pandemic. Going digital refers to the ability of the business to sell its products online (Lepore, Micozzi, & Spigarelli, 2021). These comprise services such as offering classes and consultations online through video conferences. Other digital services that MSEs have adopted include providing customers with financial support, such as discounts over the internet. MSEs have also created websites using platforms such as Wix and Squarespace. These website-building services help in creating sleek and modern sites. In addition, micro enterprises have also involved themselves in creating content for social media (Lepore et al., 2021). This is because potential customers engage with various brands over social media platforms such as Facebook and Instagram.

Other MSEs have started using email marketing to communicate with their customers about their products and services. This method is effective because it offers an opportunity for one to conduct direct communication with customers. This is about the available promotions, sending out helpful content, and keeping the customers updated about the reopening plans (Mustapa & Mohamad, 2021). Even though an online business might not replace the magic of an in-person community, it is an effective way of keeping business revenue coming in.

3.7 Stay Safe

MSEs during the COVID-19 pandemic have started building safe environments for both employees and their customers. However, customers' level of confidence will determine the

economy's rebound as they return to public spaces. Sometimes it might take a long time before people regain their confidence when shopping and living as they were doing before the pandemic (Mustapa & Mohamad, 2021). Therefore, the most appropriate thing that a business can do to speed this up is living by example when it comes to safety procedures. Many SMEs have invested in personal protective equipment (PPE) in community health. These comprise activities such as having enough hand sanitizers, face masks, plexiglass dividers, and enough floor markers for physical distancing (Mustapa & Mohamad, 2021). They also ensured that they placed enough posters communicating about the stringent COVID-19 safety measures. Therefore, having the right personal protective equipment (PPE) against the spread of COVID-19 will make customers desire to come and shop in such areas; making the business remain in operation even during the pandemic.

4.0 CONCLUSIONS

Conclusively, this paper has briefly explored the challenges that MSEs have faced during the COVID-19 pandemic. Some of these challenges comprise closing early which interferes with business operations. There have also been challenges with workforce shortages because of the distortion of supply chains. The paper has also briefly examined the various ways these MSEs have used to sustain themselves over this period. Some of these strategies comprise transitioning to a circular economy, going digital, and embarking on activities that will decrease their cost of operation. Other methods adopted by MSEs are rethinking their resilience, taking stock of their finances, and building a safe working environment for their employees and customers. Through these methods, MSEs have been able to sustain themselves in this period of the COVID-19 pandemic.

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