

EXPLORING THE IMPACT OF COVID-19 MOVEMENT CONTROL ORDER (MCO) ON MICROENTERPRISES IN RANTAU PANJANG, KELANTAN, MALAYSIA

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Abstract: Corona Virus (COVID-19) is a pandemic outbreak that severely claimed millions of lives worldwide. Among the actions taken by the Malaysian Government to prevent further spread of COVID-19 was to impose travel restrictions and Movement Control Order (MCO). Most activities including economic activities were weakening along the duration of MCO. Businesses in Rantau Panjang, Kelantan are among the microenterprises that were massively affected. Rantau Panjang which is known as one of the popular attractions in Kelantan is highly affected when MCO and CMCO were imposed because it had disapproved inter-state and inter-district travel. Since the businesses require face-to-face trading activities, MCO would definitely affect the businesses enormously. This study embarked after almost a year of the pandemic outbreak with an objective to explore the extent to which COVID-19 MCO inclusive of RMCO and CMCO has affected microenterprises in Rantau Panjang, Kelantan. This study applies qualitative approach utilizing structured face-to-face interviews. It was identified that more than 80% of the participants experienced reduction in sales with 67% stated that they experienced sales dropped of more than 50% while 7.4% notify that they suffered 100% sales dropped indicating that they had no sales at all through the MCO, CMCO and RMCO period. This study is considered to be important because the resilient of these microenterprises would reflect the sustainability of these places as Kelantan's tourist attraction that boosts economic activities.

Keyword: COVID-19, Microenterprises, Movement Control Order, Qualitative

Introduction

Corona Virus (COVID-19) is one of many disease outbreaks that occurred occasionally throughout history. Disease outbreaks such as Avian influenza pandemic (H1N1), MERS-CoV are among the outbreaks occurred in the earlier years. However, COVID-19 received enormous attention globally since it severely claimed millions of lives and the number continue to rise. It requires drastic action for prevention since the vaccines are nowhere to be found at the moment of outbreak in 2019. As such, many countries globally impose travel restrictions and Movement Control Order (MCO). Malaysia with no exception declared its first 14-days MCO beginning 18th March 2020. Then the MCO was dragged further for almost three months followed by Conditional Movement Control Order (CMCO) and finally Recovery Movement Control Order (RMCO) which was further extended to 31 December 2020.

During the first phase of MCO, people were in a partial lockdown and required to stay at home. Even government premises, universities and schools were forced to temporarily close down during this period. Most activities including economic activities were weakening in the effort to prevent up rise infections of COVID-19 in Malaysia. Consequently, many businesses were affected with microenterprises would be the most affected. Tucker (2020) mentioned that COVID-19 is likely to cause bankruptcy to many industries as consumers need to stay at home. Bartik, Bertrand, Chullen, Glaeser, Luca & Stanton (2020) notify that many small businesses are financially fragile with weak and limited cash flow that would last for several weeks only. Annuar (2020) identify that nearly 70% of SMEs had suffered more than 50% drop in their income. Most businesses that operate in their physical 'brick-and-mortar' were definitely affected since MCO prevented the businesses to operate as usual.

Businesses in Rantau Panjang, Kelantan which was known as shopper's paradise by Malaysian are among the microenterprises in Kelantan that were massively affected by the MCO. Kelantan which is located in the north-eastern corner of the peninsula Malaysia can be reached by plane, train and other

land transports and Rantau Panjang which is located near Malaysia-Thailand Border is one of the popular attractions for those visiting Kelantan. Usually, those shops in Rantau Panjang were bursting with customers during school holidays as well as during the weekends approaching to festive seasons such as *Eid al-Fitr*. Unfortunately, Rantau Panjang which is known as one of the popular attractions for those visiting Kelantan is highly affected when MCO and CMCO imposed to prevent the outbreak of COVID-19 had disapproved inter-state and inter-district travel.

Furthermore, due to the pandemic COVID-19, several entrepreneurs mentioned that they barely got RM300 daily as compared to more than RM1,000 previously (Malaysia Reserve, 2020). Most businesses in Kelantan are popularly operated in their physical ‘brick-and-mortar’ premises. *Rantau Panjang, Pengkalan Kubor, Wakaf Che Yeh Market, Siti Khadijah Market and Bazar Buluh Kubu* are among the popular places that attract visitors from all over Malaysia as well as tourists. Due to their nature of operations that required face-to-face trading activities, MCO would then definitely affect the businesses enormously similar to what have been experienced by enterprises in Rantau Panjang. Applying qualitative approach, this study embarked after almost a year of the pandemic outbreak in Malaysia with an objective to explore the extent to which COVID-19 movement control order (MCO) inclusive of RMCO and CMCO have affected microenterprises in Rantau Panjang, Kelantan. This study is considered to be important because the resilient of these microenterprises would reflect the sustainability of these places as Kelantan’s tourist attraction that boosts economic activities.

Literature Review

The Importance of SMEs

Globally, small and medium enterprises (SMEs) constitute more than 90% of businesses establishment. Undeniable, SMEs play a very important role in the economic growth worldwide including Malaysia (Saturwa, Suharno & Ahmad, 2021; Zaazou & Abdou, 2020; Secinaro, Calandra & Biancone, 2020). Despite of their size, they managed to provide job opportunities and support larger organizations by becoming suppliers of goods and services (Shafi, Liu & Ren, 2020; Raja Kasim, Shahzad & Wan Ibrahim, 2020). Throughout European Union, SMEs have been identified as essential drivers for economic growth and employment.

In Malaysia, there are 907,065 SMEs representing 98.5% of the total establishments with almost 700,000 constitute of micro enterprises (SMECorp, 2020). Malaysian SMEs are defined as firms with sales turnover not exceeding RM50 million or employment not exceeding 200 workers for the manufacturing sector. While, for the services and other sectors, SMEs are firms with sales turnover not exceeding RM20 million or employment not exceeding 75 workers (SMECorp, 2020). For microenterprise, the sales turnover is not more than RM300,000 and the workers less than 5 both for manufacturing and service sector as shown in **Figure 1**.

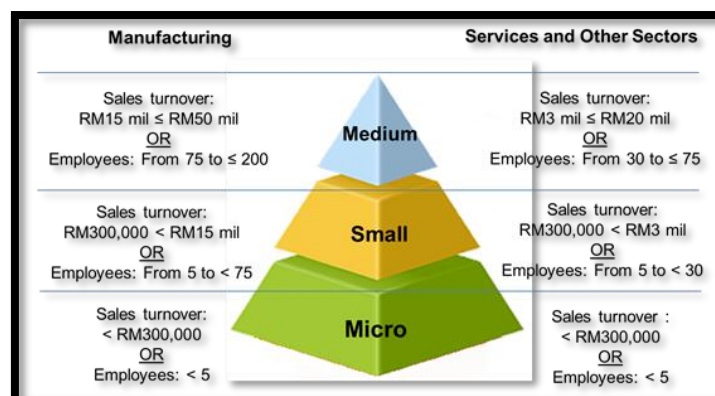


Figure 1. Definition of SMEs in Malaysia (Source: SME Corporation Malaysia Guideline for SME Definition,2020)

In 2019 Malaysian SMEs contributed 38.9 % of the nation's gross domestic product (GDP) and currently provides 7.3 million jobs to 48.4%% of Malaysia's workforce (SMEECorp,2020).

To achieve its mission to become an industrialized nation, the importance of Malaysian SMEs to support their larger counterparts is undeniable. Therefore, the survival and the sustainability of SMEs in Malaysia and around the world is very important for the economic growth and source of job opportunities for citizens. Consequently, in 2020 the Malaysian government had in place numerous schemes in form of financial assistance amounted to RM320 billion to ease the burden of SMEs that are impacted by the COVID-19.

The Outbreak of Pandemic COVID-19 and Movement Control Orders

The coronavirus pandemic (COVID-19) is an ongoing global pandemic with more than 157 million cases have been confirmed as of 8 May 2021 and more than 3.27 million deaths attributed to COVID-19 at that date (Wikipedia 2021). The virus was first identified in December 2019 in Wuhan, China and shortly after that the World Health Organization (WHO) had declared a Public Health Emergency of International Concern regarding COVID-19 on 30 January 2020, and later on 11 March 2020 declared the virus as pandemic due to its quick and widespread and high fatality. Due to the transmission nature of COVID-19, social distancing, wearing face masks in public, ventilation and air-filtering, hand washing, covering one's mouth when sneezing or coughing, disinfecting surfaces, and monitoring and self-isolation for people exposed or symptomatic are among the preventive measures recommended.

In Malaysia the spread of COVID-19 started on 23 January 2020 when three Chinese nationals who entered Malaysia via Johor were confirmed positive for COVID-19 (Berita Harian, 2020). Positive cases increased rapidly over a period of 7 weeks with a cumulative number of 553 cases on 16 March 2020 before the Malaysian government following most other countries worldwide had decided to implement a *movement* control order (MCO). The MCO in Malaysia began for two weeks starting from 18 to 31 March 2020 (Berita Harian, 2020). The first phase of MCO was extended for each two-week period for two months until May, 12 with some restrictions. Then the MCO was removed and replaced with Conditional Movement Control Order (CMCO) and finally Recovery Movement Control Order (RMCO) which was further extended to 31 December 2020. However, at point where Malaysian almost won its fight against COVID-19 in 2020, the infected cases began to rise again which left the government with no other choice but to reinforce MCO again in January 2021.

The Impacts of COVID-19 Movement Control Orders (MCO) on SMEs

The pandemic outbreak of COVID-19 had hugely affected businesses worldwide. Small business - sector with the number of employees less than five persons is the one mostly affected directly by the MCO (Fabeil, Pazim & Langgat, 2020). SMEECorp (2019) also support the fact that many SMEs might be forced to terminate their businesses permanently if they failed to survive through this pandemic outbreak. It was reported by the Malaysian Entrepreneurship Development and Cooperative Ministry that a total of 32,469 Malaysian small medium and enterprises (SMEs) have shuttered since March 2020 when the MCO was first implemented (Tan, Sivanandam & Rahim, 2020).

When the Malaysian Government announced MCO beginning on 18th March 2020 many economic activities were affected. In following the requirements stipulated by the government, businesses other than those businesses considered to be essential services had no other choice but to temporarily close their businesses. Che Omar, Ishak and Jusoh (2020) notified that distraction to businesses operations are among the impact of COVID-19. Consequently, businesses closure had led to annual sales drop as well as annual income reduction (Ramli & Jamri 2021; Ojong-Ejoh, Angioha, Agba, Aniah, Salimon & Akintola 2021; Al Fadly, 2020). Lu, Wu, Peng & Lu (2020) mentioned that most SMEs in China had little or no available cash to continue their businesses if they were required to shut down more than one-month period.

Subsequently, not being able to be in business as usual for certain period of time would definitely drain the SMEs cash reserve since they still need to bear their operational cost such as utilities, rental and salaries (Che Omar et al., 2020) nevertheless the sales and income were dropped tremendously.

SMEs might also suffer further losses when they experienced damages to materials or inventories and unable to use business property (Kiram, Saputra & Fakhurrrazi 2020).

In addition to temporary closure, travel restriction imposed by most government globally including Malaysian government to restrain further spread of the pandemic COVID-19 had affected businesses as well. MCO imposed by the Malaysian government halted customers from visiting the businesses even though the businesses were allowed to operate as usual. Study by Shafi et al. (2020) identify top five reported problem faced by SMEs in Pakistan were financial (67.93%), supply chain disruption (47.83%), decrease in demand (44.02%), reduction in sales and profit (38.04% and 41.85% respectively). Meanwhile, Malaysian SMEs faced similar problems in finding customers because most customers are avoiding face-to-face meeting (Annuar, 2020). Furthermore, temporary closure coupled with travel restrictions give rise to difficulties to maintain the supply chains. Suppliers are also affected by COVID-19 and they are having similar difficulties in production and transporting their supplies (Al-Fadly, 2020).

Methodology

This study applies qualitative approach utilizing structured face-to-face interviews with the micro entrepreneurs operate in the Rantau Panjang shopping area. The interviews were done in February and March 2021 almost a year after the Malaysian government imposed the first MCO on 18th March 2020. Despite gathering the first-hand information on how the SMEs were affected by COVID-19 and MCO, site visits to their shop lots after a year of episodes of lockdown, closures and several other restrictions enable the researchers to observe and evaluate the real impacts of COVID-19 to the businesses in Rantau Panjang. 54 participants of this study were identified among the micro entrepreneurs using purposive sampling so as to provide a group of participants that could give rich information about the matters under study.

Results and Discussions

As expected of microenterprises, 96% of the participants registered their businesses as sole proprietorship in which the businesses are operated by individual who is also the owner of the business. 33 (61%) participants involved in the interview sessions are the owners of the businesses meanwhile another 13 (24%) participants are the owners' family members. The remaining 8 (15%) are the employees of the businesses. Having the opportunities to interview the owners of the businesses would provide greater input to this study since the information provided were their true experiences of how the COVID-19 affect their businesses as well as themselves as entrepreneurs.

Even though there are participants who apply diversification in the category of products that they sold, majority (83%) of them focus only on one category of products. Six (6) and three (3) participants sell two (2) and three (3) categories of products respectively. Only depending on one category of products can risk the enterprises even more if the products are inherently affected by numerous situations cause by COVID-19 such as business closures and movement control orders.

Among 45 participants that operate with only one category of products, 60% (27) are in clothing category meanwhile 18% (8) sell food related products. Three (3) participants involved in selling bag and shoes and another three (3) participants sell comforter, bedsheet and such. There are also two (2) of the microenterprises who sell toys. The category of products is provided in **Table 1** below.

Table 1. Category of products

Category of Products	Number of SMEs	%
Clothing	27	60%
Food	8	18%
Bags and Shoes	3	7%
Comforter, Bedsheet, mattress	3	7%
Toys	2	4%
Accessories	1	2%
Cook wares and Kitchenware	1	2%

TOTAL	45	100%
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All the participants stated that they strictly followed all the restrictions imposed by the government with regards to businesses' closures as well as working hours allowed. Unfortunately, even when the enterprises were allowed to operate as usual, restriction on inter-state and inter-district travel still hinder majority of their customers from visiting Rantau Panjang. The researchers had also observed the stated scenario during the interviews where not many customers were seen shopping there even during weekend and school holidays. Before the outbreak of pandemic COVID-19 the usual busyness at Rantau Panjang shopping areas started as early as a break of dawn but now it is still quite and seems desolate even at 10 am on weekends.

More than 80% (44) of the participants mentioned that they experienced reduction in sales when the numbers of customers attending Rantau Panjang shopping area have dropped tremendously due to restriction on inter-state and inter-district travel. Among them 67% (36) stated that they experienced sales dropped of more than 50%. Severely 4 participants notify that they suffered 100% sales dropped indicating that they had no sales at all through the MCO, CMCO and RMCO period. However, six (6) participants (11%) were unable to state indefinitely whether they were experiencing sales dropped or not due to sales not recorded accordingly.

Conversely there are four (4) participants that seems to be affected positively by COVID-19 MCO when they experiencing increase in sales. It was further identified that these participants unlike most SMEs in this study had enjoyed increase in sales when they started to shift from 'brick-and-mortar' conventional businesses to online platform. Few of them already maintained online platform mildly such as Facebook and WhatsApp before the outbreak of COVID-19. Therefore, when they experienced businesses closures due to MCO they can quickly shifted their focus and effort to the online platform. However, there is one participant that just began learning on matters related to online business in a way to overcome the struggle during business closure. Intrinsically, possibility for microenterprises in Rantau Panjang to recover from the impacts of COVID-19 via involvement in online trading are suggested for further study.

Conclusion

This study was conducted in March 2020 to April 2021, almost a year after Malaysian government announced its 1st MCO on 18th March 2020. Throughout the one-year period the microenterprises in Rantau Panjang, Kelantan have gone through series of movements control orders beginning from Movement Control Orders (MCO), Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) that required them to oblige to numerous restrictions. The objective of this study is to explore the extent of the microenterprises being affected by the abovementioned MCO. Undeniable that microenterprises in Rantau Panjang, Kelantan are also affected by the pandemic of COVID-19 as other small businesses globally as studied by Ramli et al. (2021), Ojong-Ejoh et al., (2021) & Al-Fadly (2020). However, their condition is worsened because of the inter-state and inter-district travel restrictions. This happened because Rantau Panjang is more popular among visitors and tourists rather than the local shoppers. Even though the microenterprises are allowed to operate as other businesses nationwide but the travel restriction still hindered customers to reach Rantau Panjang. Previously, being located near Malaysia-Thailand Border has provided several advantages to the entrepreneurs when they can obtain cheaper supply of goods as well as labor force. Unfortunately, due to MCO microenterprises are also affected by inter-country travel restriction where supplies of goods are very restricted and limited. This is true when study by Al-Fadly (2020) mentioned that suppliers are also face problem in transporting the goods. Some of the rented shops are close down for long period of time since the entrepreneurs also hold Thailand nationality and they are restricted from entering Malaysia as usual. Visits by the researchers have confirmed the gloomy and drowsy scenery of Rantau Panjang that was once known as shopper's paradise. In search for alternative to assist microenterprises in Rantau Panjang further in-depth interviews is suggested for future research to enable greater understanding on the impact of COVID-19 faced by these microenterprises and effective supports and incentives can be provided.

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Conflict of interests

The authors have no conflicts of interest to declare. All co-authors have seen and agree with the contents of the manuscript and there is no financial interest to report. We certify that the submission is original work and is not under review at any other publication.

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