

THE IMPACT OF TRADE BARRIER, MARKET DEMAND, AND CONSUMER BEHAVIOUR ON BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE (SME'S) DURING THE COVID-19 PANDEMIC

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ABSTRACT

The purpose of this study is to investigate the impact of government trade barriers, consumer behaviours, and market demand on the business performance of small and medium-sized enterprises in Malaysia during the COVID-19 pandemic. The pandemic outbreak and subsequent lockdowns took a heavy toll on SME's, affecting the economy, society, health, and the life cycle. SMEs have faced problems such as a labour shortage, a drop in demand, a shortage of raw materials, changes in consumer behaviour, and trade barriers imposed by governments through the movement control order (MCO). The data is gathered through the distribution of questionnaires, and the sample size is 107 respondents in the most affected states by the COVID19 pandemic. This study employs a quantitative approach, and it is analysed using regression. According to the findings of this study, changes in market demand have had a significant impact on the business performance of SMEs. It demonstrates that a drop in customer demand has resulted in a decrease in profit. The implications of this research are to encourage business actors to shift their market focus to satisfy demand and requirement changes, as well as to urge more severe measures to improve the performance of SME's.

Keywords: *COVID-19; small and medium enterprise; performance*



INTRODUCTION

COVID-19 has affected the sustainability and the performance of SMEs in an unprecedented way. As the virus has spread more quickly around the world and people need to adhere to certain hygiene rules to reduce the COVID-19 virus (Atalan, 2020) have put tension among SMEs in various industries. The COVID-19 pandemic has had a significant economic impact on the country (Fernandes, 2020) all over the world and even cause famous brands' industries to go bankrupt when the movement control orders (MCOs) have begun in most of the country (Donthu & Gustafsson, 2020). The global data of COVID-19 cases in March 2022, shows that there have been 440,807,756 confirmed cases of COVID-19, including 5,978,096 deaths, reported to WHO and spread across nations (World Health Organisation, 2022). The increasing number of cases forces certain countries to announce the MCO and shut down the economies with the consumers who have been forced to stay at home. Many companies have had to close because of the COVID-19 pandemic, an unprecedented trade disorder in most industries (Donthu & Gustafsson, 2020).

The outbreak has been challenging across industries and sectors, affecting many and even giving economic hardship to small and medium enterprises. Even though SMEs are not particularly a backbone of the Malaysian economy, however, the total number of SMEs in Malaysia was 1,151,339 or 97.2% of total business establishments and the contribution of SMEs' GDP eased to 38.2 percent in 2020 (Department of Statistics Malaysia, 2020). A key sector that contributed to the country's economic growth is small and medium-sized enterprises (SMEs) (Yunoh & Ali, 2015) and this signifies that SMEs assist the country's economy to grow. As a result of the small economy of scale, SMEs are mostly dependent on product sales and will suffer huge losses, if the country's economy closes (Fitriasari, 2020) and find it difficult to run their business since suppliers did not fulfill their stocks (Ren *et al.*, 2020).

As the pandemic is so intense recently, most countries imposed a lockdown and Movement Control Order (MCO), to prevent the virus from fast spreading. Thus, SMEs of all types has experienced immediate effects of the lockdowns on their upstream and downstream activities. However, while reduced volume consumption represents one key challenge, demand-

side effects pose a more severe risk. Indeed, most consumer-focused, stand-alone SMEs operate in industries characterised by elastic demand. With consumers facing employment uncertainties and financial constraints, many of these SMEs have experienced a sudden decline in demand resulting from long unoperated business (Juergensen, Guimón & Narula, 2020). This is proven by the report issued by the Organization for Economic Cooperation and Development (OECD) in 2020, showing that lack of demand, a limited number of suppliers, and an inability to pay their employees arise during the MCO. In fact, Malaysia's small and medium enterprise (SME's) GDP has fallen tremendously due to the pandemic COVID-19, SMEs may be unable to achieve the GDP due to the country's weak economic condition (Malaysian Reserve, 2020).

SMEs are more likely to face extreme resource constraints than larger companies, making it more difficult for them to survive when the COVID-19 crisis hits. During or after a crisis event, SME typically suffers from financial losses, decreased sales volume, inability to meet contract terms, cash flow issues, a reduction in the number of employees, and even the organisation's closure (Shafi *et al.*, 2020). According to this statement, this will be one of the factors influencing sales toward SMEs because they want to cut costs while also making a sale. SMEs' business routines are heavily reliant on sales, and they typically have a small number of customers (Williams & Schaefer, 2013). If they do not have sales, it will be difficult for SMEs to continue operations, and they will run out of stock (Abanis *et al.*, 2013).

Most SMEs have progressively shifted their business practices from behavioural consumers to online purchases (Omar *et al.*, 2020), to sustain their business in years to come. The SMEs, on the other hand, improve the quality of their products and services while planning business strategies and promoting their products or services through digital marketing (Winarsih *et al.*, 2020). Due to the SMEs' business is based on the sale of goods, this sector will be the most vulnerable to the economic crisis caused by COVID-19 (Fitriasari, 2020).

Many markets have vanished, particularly in the tourism and hospitality industries. All organisational roles are designed to prioritise and maximise expenditure while postponing activities that do not add value to the current environment. As a result, they may have to spend or use their

own money to cover the losses caused by the pandemic, and their sale may not meet the target. Indeed, SMEs are facing difficult problems due to a lack of funds and liquidity, staff, consumers, and technology, as well as a limited capacity to counteract the risks involved and afford costs incurred because of the market downturn. SMEs will not have cash inflow for three months during this pandemic and they also still need to continue paying the employees with a full salary, rental, and some material payments. Loss of the demand from the customers for small and medium enterprises affects their business (Organisation for Economic Co-operation and Development (OECD), 2020).

Due to the drop in revenue and the need to cover operating costs, the business will have a financial obligation to creditors and customers, and because SMEs rely on bank financing, if they are unable to raise other sources of funds on short notice, a liquidity shortage can turn into a solvency problem (Gourinchas *et al.*, 2020). The production capacity was slow due to a lack of demand; lack of demand was a top supply-side challenge when compared to other supply-side challenges (Dai *et al.*, 2020). As stated above, without a demand from the customer, SMEs will struggle to make sales because their sales are dependent on what the customer requires. Thus, the purpose of this study is to investigate the impact of trade barriers through MCO by the government, the changes in consumer behaviour impact and the changes in market demand on business performance among SMEs during pandemic COVID-19.

LITERATURE REVIEW

SME's contributes significantly to Malaysia's economy (Zalina *et al.*, 2016). SME's record 907,065 SME's establishments (SME's Corporation, 2019). Small and medium enterprises (SMEs) are defined as firms with a sales turnover of less than RM50 million or employment in the manufacturing sector with fewer than 200 employees (Omar *et al.*, 2020). Small and medium enterprises (SMEs) are companies with a revenue turnover of less than RM 20 million or a workforce of fewer than 75 employees in services and other industries (SME's Corporation, 2019). It would eventually influence diverse industries and national economic advancement in the case of an economic crisis and a business catastrophe (Omar *et al.*, 2020).

According to the Department of Statistics Malaysia (DOSM, 2020), 67.8 percent of a total of 4,094 Malaysian businesses stated that there was no sale or turnover during the MCO period as of 1 May 2020. SMEs have seen an excessively large decline in revenue, with over 75 percent of small and medium-sized enterprises reporting a decrease in sales by 2020. In this article, SMEs also said that more than half of their incomes have been lost and that the survey was unlikely to alleviate the situation. The outbreak impacted the sales of small and medium-sized businesses, as they were unable to cover their operating expenses during the pandemic (Warsame, 2020). According to the researcher, the income of SMEs has decreased by 89 percent. As a result, if the income of SMEs has decreased, they will be unable to cover their operating expenses due to a decrease in cash.

When neighbouring Singapore announced the first imported COVID-19 case from Wuhan, China on January 23, 2020, which was also the republic's first positive case, the threat of COVID-19 became more visible in Malaysia (Shah *et al.*, 2020). According to Elengoe (2020), the first case of pandemic COVID-19 was detected in Malaysia on January 25th, 2020, with three Chinese nationals who previously had close contact and had traveled to Singapore first before coming to Malaysia. Furthermore, this study stated that Selangor had the highest number of cases of pandemic COVID-19. The cases in Malaysia change from time to time.

The frontline must work harder to ensure that all the patients with COVID-19 continue to receive their medicines, particularly during the application of the Movement Control Order (MCO) during the COVID-19 pandemic (Ministry of Health Malaysia, 2020). Moreover, COVID-19 has changed people's daily lives greatly with the new standards. The economic breakdown of COVID-19 may have caused harm to SMEs but could have prepared the road for digital transformation as companies migrate the business to address office shutdowns, limited movement, and interruptions in supply.

The Factor Affecting COVID-19 on the Business Performance of SME's

Trade barriers by the government

Movement control, lockdown, quarantine, and social distancing are

examples of government efforts to protect unprecedented public health and economic responses (Craven *et al.*, 2020). As a result, in accordance with the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967, Malaysia implemented the MCO on March 31, 2020, which was later extended to April 14, 2020, to control the virus chain (Omar *et al.*, 2020). Due to the MCO, governments have erected trade barriers for SMEs. The order calls for the closure of all government, private, and commercial buildings except those that provide essential services (water, electricity, energy, telecommunications, postal, transportation, irrigation, oil, gas, fuel, lubricants, broadcasting, finance, banking, health, pharmacy, fire, prison, port, airport, safety, defense, cleaning, retail, and food supply (New Straits Times, 2020).

The world of globalisation is one of the ways to boost SME growth and competitiveness in today's globalising globe. Although unlike large firms, small and medium enterprises can adapt to changing market conditions more quickly, they confront distinct internationalisation obstacles that prevent or ban them from partaking in this process (Toulova, 2015). This illustrates that if COVID-19 is recorded, small and medium-sized enterprises (SME's), which are not able to export their goods to other countries, are confronted with trade restrictions. Baldwin and Freeman (2020) theorised in the early epidemic of COVID-19 that COVID-19 would also result in a decline in trade. At the beginning of the COVID-19 pandemic, Baldwin and Freeman (2020) hypothesised that the decline in COVID-19 commerce would also exceed the decline following the 2008 financial crisis since both the spread of the virus and generally recognised countermeasures put a tremendous stress on supply and requirements.

Cross-border commerce in products and services is a vital source of economic growth and of relevance to small open economies (Büchel *et al.*, 2020). The researcher also predicts that, in the first two quarters of 2020, export losses due to a substantial decrease in consumer trust and exports are strongly related to COVID-19 trade partner-specific infection rates, but almost the rigorous nature of containment actions in the country. In fact, some governments have specifically prohibited and used the export of these products by other countries, including export permit legislation, to endanger a licensed local producer of such products, if they continue to export and require a governmental agency to purchase all local production (Evenett, 2020). In the article stated by Hopewell and Tafel (2020) several countries

resorted to shortages by establishing export restrictions to enhance their own domestic supply, while governments can do their utmost to protect their residents, export limitations impair global health systems and eventually undermines attempts to combat the corona virus.

Thus, people need to adopt new conventions to lock themselves at home and maintain a social distance and it modifies the behaviour of citizens automatically. People are beginning to be nested, cultivate new talents, and better care where they live, such as how to bake, try to fit, make a puzzle, or read more (Donthu & Gustafsson, 2020). Due to the change in customer behaviour, the sales of SMEs have decreased because they have brought the products, they strive to manufacture themselves. Changes in consumer behaviour impacted not only food stores, convenience stores, cafeterias, and restaurants, but also their suppliers (Laato *et.al.*, 2020). Most notably, outbreaks have had an impact on two types of human activity: consumer behaviour (Miri *et.al.*, 2020) and behaviour that mitigates the condition of health risk (Miri *et al.*, 2020; La Torre *et.al.*, 2009).

The report emphasized how current global preparedness gaps would amplify the effects of a potential pandemic, which would destabilise national security and have a negative impact on the global economy and trade due to changing consumption behaviour (Mehta *et al.*, 2020). According to the findings of this study, consumers' spending habits have shifted, altering the consumer shopping experience. The search for, purchase of, use of, evaluation of, and disposal of goods and services is a significant and ongoing decision-making mechanism for consumer behaviour (Valaskova *et al.*, 2015).

The change in consumer behaviour

According to a study by Arora *et al.* (2020), the pandemic COVID-19 has influenced consumer behaviour in the shift to value and essentials, with consumers expecting to shift their spending primarily to essential items, such as food and household goods, and reduced discretionary categories. Furthermore, this study found that consumers continue to focus their spending on necessities, even though some categories in Asia are shifting in a positive direction. Small and medium-sized enterprises (SMEs) would suffer if consumers were unable to afford or purchase services and products, and vice versa (Tanveer *et al.*, 2020). In addition, a consumer does not have enough money to spend due to being jobless, and contracts are suspended (Tanveer *et.al.*, 2020).

As customers take preventive measures against the virus, their health, financial issues, and behavioural changes will continue to have a significant social and economic impact. This is due to drastic changes in consumer behaviour; nine out of ten customers have switched from traditional habits to online purchases, and nearly six out of ten customers are concerned about going to the store because they are afraid of becoming infected (Chauhan & Shah, 2020). Overall, 56 percent of customers tend to spend less and given the current environment, only buy what they need (Tam, 2020). It demonstrates that consumers must reduce their spending to survive the COVID-19 pandemic, which will have a significant impact on small and medium-sized businesses (SMEs). Aside from the fundamental need for SMEs to migrate to online platforms due to changed customer behaviour, they should have a plan to create new or modify existing products to open new markets, or at the very least to cater to current demand (New Straits Times, 2020).

The COVID-19 pandemic, as well as mandates for lockdown and social distancing, have disrupted customer purchasing and shopping patterns, and consumers have learned new habits that, rather than being brought, they can instantly do with themselves (Sheth, 2020). During times of crisis and uncertainty, the general tendency is to postpone the purchase and use of disposable goods or services, according to the researcher. Because of the pandemic COVID-19, consumer behaviour, the essence of commerce, industry, and even the way of life has changed (Bhatti *et al.*, 2020). According to Botti and McGill (2011), 'the customer is subjected to systemic stress in this sense of economic, social, and political uncertainty, which is perceived loss of control over his/her environment.' The stress defines him/her to either save money to acquire resources that will provide him/her with comfort or engage in impulsive behaviour by purchasing goods that he/she deems necessary (Durante & Laran, 2016).

The Change in Market Demand

During the COVID-19 pandemic, consumers are advised to stay at home, which will result in the bankruptcy of many branded stores across many industries, as well as the closure of economies (Tucker, 2020). Even though some businesses fail, others thrive. When analysing economies, it is commonly assumed that they are static, which is a logical inference given that they appear to shift slowly (Donthu & Gustafsson, 2020). The researcher

also mentioned that the COVID-19 outbreak provides a rare opportunity to research how markets are created and how they vanish in a very short period. It will also be important to investigate whether one solution for a market business can be replaced by another if it disappears.

According to Costa Dias *et al.* (2020), in the immediate political response to the pandemic, all sectors of the economy, including non-essential retail, hospitality, and leisure industries, were forced to close, even though air travel was effectively halted due to travel restrictions. As a result, there has been a sharp drop in market demand in many sectors of the economy, as well as an initial acute shortage of market in others. When the COVID-19 pandemic struck the world at the beginning of 2020, the price also fell, and most countries in the world shut down most of their economic activity (Gerlagh *et al.*, 2020). As a result, large price fluctuations caused by current demand shocks should be avoided.

According to Ernst and Young (2020), nearly half of large and small, and medium-sized enterprises (SMEs) cited a decline in demand as their main challenge. Lesser-developed countries' stock market returns are correlated with fewer return decreases for every increase in the number of COVID-19 cases per million (Erdem, 2020). In other words, the corona virus's negative effects on market stock are lower in freer countries. Due to the limitations imposed by the distribution context, demand began to fall because of coronavirus infection, and business activities slowed (Razumovskaia *et al.*, 2020). This study also mentioned that the SME market activity index dropped to its lowest value in April 2020.

The economic impact of the COVID-19 pandemic would be reduced demand and supply shortages, harming developing countries that rely heavily on commodities (Pazarbasioglu, 2020). Sharp drops in demand, excess capacity, and increased price sensitivity are convergent in many industries, from air travel to durable goods, to drive down prices and destroy quality (Abdelnour, Babbitz & Moss, 2020). Furthermore, many consumers seek contract discounts and renegotiations, while some competitors use aggressive pricing. National lockdowns, when combined with behavioural changes caused by pandemic fear, not only caused production delays but also contributed to the greatest fall in demand for company performance since the Great Depression (Gourinchas *et al.*, 2020). As a result, even if

sales are declining, businesses must still meet their financial obligations to creditors and suppliers, as well as cover their operating costs.

METHOD

Malaysia first announced the MCO on 18 March 2020 until 3 May 2020 and as the cases became serious the government announced a lockdown from 1 June 2021 until 28 June 2021. The series of MCO and lockdowns have happened across Malaysia since then. Recently, the Malaysian government announced the National Recovery Plan (NRP) on 15 June 2021 - 31 December 2021. From the first MCO to total lockdown until the NRP planned have affected the SMEs in the various industry in Malaysia. Thus, many studies have considered certain inclusion and exclusion criteria in their research fields.

Thus, in this study, the questionnaire is collected in June 2021 whereby the first total lock is announced by the government i.e., after June 2021. The data is collected using an online questionnaire. The questionnaire link will be sent to respondents online in two ways, first through text messages such as WhatsApp, and secondly, posted on social media such as Facebook and Twitter. More often, most quantitative surveys are made up of checklists and rating scale types of questions, as it helps to simplify and quantify respondents' attitudes or behaviour. To achieve the objective of measuring the effect of COVID-19 on the business performance of small and medium enterprises (SMEs).

The target respondent for this study will be the owner or manager of the company in Selangor. The surveys involving small business owners as the unit of analysis are the most used in conducting this research (Punch, 2003). This is because the owner or manager is the one who manages the operation, and management financials of the company. Hence, the owner or manager has the capability to answer the questionnaire based on their knowledge and experience when they manage the business. SMEs in Selangor will be the population for this research. According to SME Annual Report 2016/2017, there are 179,271 SMEs in Selangor which is the biggest number in Malaysia as they consist of 19.8% of SMEs in Malaysia.

In this study, the researchers selected only 100 SMEs as sample surveys under random sampling and used non-probability sampling which is judgemental sampling to collect the data. A desirable method of sampling is judgemental sampling. Judgemental sampling is a non-probability sampling methodology in which the researcher chooses sample units based on their knowledge and professional judgement. Using the Raosoft database i.e., sample size calculator for a survey, the number of samples is selected based on 150,000 population, 5% confidence level, and 10% margin of error the number of samples is estimated to be 96. The sample size of 107 is considered the appropriate number of samples.

To generate a high-quality questionnaire that is understandable and capable of optimising answer rates, the 5 Likert scale questionnaire has been developed by the researcher by referencing previous research. Before the questionnaire is distributed, it is screened through a pilot test conducted by sending the questionnaire to five friends to assess flexibility, grammatical errors, and appropriateness. Afterward, the questionnaire is reviewed and arranged to avoid misunderstanding of the questions. All the questions used are closed-ended, as the closed-ended questions are easiest to code and analyse the data.

Regression Model

The dependent variable is a categorical variable ordered from 1 to 5, the probit model which is widely used in previous literature (Midingoyi *et al.*, 2019), to estimate factors affecting business performance during the COVID-19 pandemic. This model is designed to handle the condition that the explained variable consists of sorting data (Hassen, 2018). While Alexopoulos (2010) suggests that multiple regression analysis is a statistical method for investigating the linear relationship between an independent variable and dependent variables by estimating coefficients for the equation and a straight line. In this study, multiple regressions will be used to analyse the three independent variables that the effect COVID-19 on the business performance of small and medium enterprises. Thus, the setting of the research model formed for this study is:

$$BP = \beta_0 + \beta_1 TR + \beta_2 CB + \beta_3 MD$$

Whereby,

BP = Effect COVID-19 on the business performance (dependent variable)

TR = Trade barriers by the government

CB = Change in consumer behaviour

MD = Change in market demand

The interview questionnaire is designed based on the dependent variable which is business performance during COVID-19. The measurement of business performance is either an increase or decrease in sales and profit. For the independent variable, three factors are tested which are i) trade barriers by the government; ii) change in consumer behaviour; and iii) change in market demand is the independent variable tested in this study. The independent variables of trade barriers are measured by the effect of government announcements over the MCO that affect the raw material shortages, supply chain disruptions, and logistics disruptions. The business also considers facing greater contract breach risk, very expensive material, and extra cost of delay. The shortages of stock or inventory to the clients or customers and the dropped of sales if the government tightens MCO.

The change in consumer behaviour is measured by consumers' spending, shopping/buying or home baking and cooking and changes in consumer shopping behaviour. Change in market demand is measured by the number of demands either remaining the same or increasing, the price is high compared to before pandemic COVID-19, and no problem in selling or providing the products and services to the customers during the pandemic.

RESULTS AND FINDINGS

Descriptive analysis is used to present the basic demographic characteristics of respondents using frequency and percentage. The questionnaire was distributed to the small and medium enterprises online. A total of 107 useable questionnaires were collected. The descriptive analysis in SPSS software was used to generate all the figures shown. The main objective of descriptive analysis is to comprehend the respondent's business profile.

Table 1: Business Industry

| | Frequency | Percentage % |
|-------------------------------|-----------|--------------|
| Food and beverage | 71 | 66% |
| Textile, leather, and apparel | 17 | 16% |
| Others | 19 | 18% |
| Total | 107 | 100% |

In this research, 107 questionnaires were distributed to the small and medium industries to see their business performance during pandemic COVID-19. Based on Table 1 is shown the business industry that is affected by COVID-19. Among 107 respondents the business are food and beverage and 17 are from textile, leather, and apparel while the rest 19 respondents are others. Other business industry is cosmetics, photography, and telecommunication.

Table 2: Number of Workers

| | Frequency | Percentage % |
|-------------|-----------|--------------|
| 1-10 | 87 | 81.3 |
| 11-20 | 12 | 11.2 |
| 21-30 | 4 | 3.7 |
| 31 and more | 4 | 3.7 |
| Total | 107 | 100 |

Based on Table 2 above, the number of workers 1-10 before COVID-19 consists of 81.3% which is the higher percentage among other groups. The 11-20 workers had 11.2%. The number of workers 21-30 and 32 and more had the same percentage which only 3.7% for both and the lowest percentage among all group workers. That means, most SMEs will not take workers of more than ten to run their business.

Table 3: Business Operation

| | Frequency | Percentage % |
|----------------------------------|-----------|--------------|
| Fully on side | 60 | 56.1 |
| Fully but remotely (teleworking) | 13 | 12.1 |
| Partially | 32 | 29.9 |
| Not operating | 2 | 1.9 |
| Total | 107 | 100 |

From Table 3, the business operation that is fully on the side is the higher percentage compared to others which are 56.1%. That means during the pandemic COVID-19 also the business of SMEs is still fully operations. The second higher of business operation is partially that had 29.9%. The business operation that fully but remotely (teleporting) had 1.9% and for businesses that not operating during pandemic COVID-19 is 1.6%.

Table 4: Change Business Operation

| | Frequency | Percentage % |
|-------|------------------|---------------------|
| Yes | 73 | 68.2 |
| No | 34 | 31.8 |
| Total | 107 | 100 |

Table 4 shows that most business has changed their operation and 68.2% of respondents answered, yes to protecting their business against pandemic COVID-19 while the rest is not changing their business operation 31.8%.

Table 5: Level of Financial Impact

| | Frequency | Percentage % |
|----------------|------------------|---------------------|
| High | 34 | 31.8 |
| Medium | 55 | 51.4 |
| Low | 13 | 12.1 |
| Not applicable | 5 | 4.7 |
| Total | 107 | 100 |

According to Table 5, the medium level of financial impact had a higher percentage compared to another level which is 51.4%. The high level of financial impact had 31.8% which is the second higher. The low level of financial impact had 12.1% while the rest is not applicable for the financial impact which is 4.7%.

Table 6: Own Funding

| | Frequency | Percentage % |
|-------|------------------|---------------------|
| Yes | 73 | 68.2 |
| No | 34 | 31.8 |
| Total | 107 | 100 |

Table 6 show that most of the respondents had their own funding which 68.2% of respondents said yes, while 31.8% of respondents do not have their own funding for their business.

Table 7: Time for Business to Fully Operation

| | Frequency | Percentage % |
|-----------------------|-----------|--------------|
| Less than 7 days | 24 | 22.4 |
| Between 8 to 30 days | 34 | 31.8 |
| Between 31 to 90 days | 32 | 29.9 |
| Over 91 days | 17 | 12.9 |
| Total | 107 | 100 |

Based on Table 7, the higher percentage for a time of business to fully operate is between eight to 30 days which had 31.8%. A time that less than seven days for a business to fully operate had 22.4% which is the second higher. The time between 31 to 90 days had 29.9%, the second-lowest percentage among the time group. The lowest percentage for the time of business to full operation is over 91 days which had 12.9%.

Table 8: Online Business

| | Frequency | Percentage % |
|-------|-----------|--------------|
| Yes | 77 | 72 |
| No | 30 | 28 |
| Total | 107 | 100 |

From Table 8, 107 questionnaires were distributed in the small and medium industries to see their business marketing strategy; it shows that 72% of respondents have an online business, while 28% of respondents do not have an online business.

Using factor analysis, the output results were obtained from the validity test. Factor analysis is used to reduce or summarise data using a smaller set of components rather than testing hypotheses (Yong & Pearce, 2013). As a result, factor analysis can reduce many related variables to a manageable number before using these variables/items to analyse correlation or multiple regressions. The validity of the collected data explains how well it covers the actual area of investigation (Ghauri & Gronhaug, 2005).

Table 9: KMO and Bartlett's Test

| | | |
|---|--------------------|--------|
| Kaiser-Meyer-Olkin measure of sampling adequacy | | .673 |
| Bartlett's test of sphericity | Approx. chi square | 85.121 |
| | df | 3 |
| | Sig. | .000 |

According to Table 9 above, it was found the result Kaiser-Meyer-Olkin (KMO) is greater than 0.6 which is 0.673, which indicated that the sample size was enough to assess the factor structure. Furthermore, the significant value for Bartlett’s Test of Sphericity is .000, which is less than 0.5. Tabachnick and Fidell (2007) suggested that the factorability of the correlation matrix is assumed if the Kaiser-Meyer-Olkin (KMO) is greater than 0.6 and Bartlett’s Test of Sphericity (BTS) is significant at 0.05.

Table 10: Rotated Component Matrix

| | Trade Barriers by Government | Change in Consumer Behaviour | Change in Market Demand | Business Performance |
|---|------------------------------|------------------------------|-------------------------|----------------------|
| Your business has faced the problem of raw material shortages, supply chain disruptions, and logistics disruptions. | .744 | | | |
| Your business has faced a greater contract breach risk. | .721 | | | |
| Raw materials of your business are not in supply or have become very expensive disrupting operations. | .778 | | | |
| Your business will have faced the estimated cost of delay or losses if business remains the same (current conditions) for the next 14 days. | .819 | | | |
| Your business will be not enough to supply the current stock of finished goods or inventory to the clients or customers if no more production were possible and Malaysia tightens Movement Control Order (MCO) or lockdown. | .823 | | | |
| Your business sales have dropped due to unable to export the product. | .621 | | | |
| Consumers are expecting to spend less on shopping and eating out and more on savings. | | .586 | | |
| COVID-19 has impacted consumer shopping/ buying behaviour regarding the product or service. | | .556 | | |
| During COVID-19 consumers like to be baking and cooking at home. | | .695 | | |

| | |
|--|------|
| Consumers becoming more mindful of where they spend their money. | .670 |
| More than half percentage of global consumers have changed their shopping behaviour. | .664 |
| Consumers change their behaviour due to financial problem. | .601 |
| Consumer focus purchases more on essential products. | .605 |
| The number of demands remains the same during the pandemic COVID-19. | .733 |
| The number of demands is increasing during the pandemic COVID-19. | .778 |
| Major clients do not mind if the price is high compared to before pandemic COVID-19. | .724 |
| There has no problem in selling or providing the products and services to the customers. | .713 |
| Your business sales remain the same during the pandemic COVID-19. | .918 |
| Your business sales have increased during the pandemic COVID-19. | .877 |
| Your business profit has increased during the pandemic COVID-19. | .886 |

Based on the Table 10 rotated component matrix above, after the result was carried out, the result found that only a few questions have valid to the variable. Furthermore, these variables all relate to the respondent receiving clear information about this study which effect COVID-19 on business performance in small and medium enterprises (SMEs). Therefore, it is interpreted that Component 1 is 'trade barriers by the government'. This is the underlying trait measured by the business will be not enough to supply the current stock of finished goods or inventory to the clients or customers if no more production were possible and Malaysia tightens Movement Control Order (MCO) or lockdown which is highly correlated, and the first six rows refer to trade barriers by the government. Next, for Component 2 we interpret it as a 'change of consumer behaviour'. This is the underlying trait measured by during COVID-19 consumer like to be baking and cooking at home. Then, for Component 3 researcher interpret it as a 'change in market demand'. This is the underlying trait measured by the number of demands is an increase during pandemic COVID-19.

For Component 4 researcher interpret it as ‘business performance’. This is the underlying trait measured by the business sales have increased during pandemic COVID-19. The degree to which a simple structure is achieved is determined by the rotated component matrix.

Reliability Test

The reliability test is a method for determining the internal consistency of a scale. Cronbach’s alpha was used as an indicator to determine the degree of consistency. Cronbach’s alpha must be greater than 0.6 for all constructs/ variables. Ideally, Cronbach’s alpha should be above 0.7 (Pallant, 2001). Testing for reliability is important because it refers to the consistency of a measuring instrument's parts (Huck, 2007). The Cronbach’s alpha tests the consistency of respondents’ answers to all the items in a questionnaire (Kothari, 2004). It measures the degree to which question items are an independent measure of the same concept. Summary of the result as illustrated in Table 11 below.

Table 11: Reliability Test

| | Variables | Cronbach's Alpha |
|----|----------------------------------|-------------------------|
| IV | Trade barriers by the government | .779 |
| IV | Change in consumer behaviour | .746 |
| IV | Change in market demand | .739 |
| DV | Business performance | .754 |

According to the table above, all the variables have a Cronbach’s alpha coefficient above 0.7 which the variables have met the reliability. The higher the Alpha is, the more reliable the test is. The most reliable variable is trade barriers by the government which had a higher Cronbach alpha of 0.779 compared to other variables. The Cronbach’s alpha for change of consumer behaviour had 0.746 while for change in market demand had 0.739. Moreover, fa or dependent variable business performance Cronbach’s alpha coefficient is 0.754. It can conclude that all the variable items in this study are reliable and consistent.

Normality Test

The sample size distribution is determined by the normality test. This is necessary to determine whether the sample collected falls within

an appropriate range and the skewness of the sample. If the samples are normally distributed, the parametric technique will be used and if the samples are not normally distributed, the non-parametric technique will be used for subsequent tests. According to Hair *et al.* (2010) and Byrne (2010), data is considered normal if the skewness is between -2 and +2 and the kurtosis is between -7 and +7. A summary of the normality results is shown in the table below.

Table 12: Normality Test

| Variables | Mean | Standard deviation | Skewness | Kurtosis |
|----------------------------------|--------|--------------------|----------|----------|
| Trade barriers by the government | 2.7913 | 0.51094 | -0.661 | 0.963 |
| Change in consumer behaviour | 3.0050 | 0.41215 | 0.286 | 0.363 |
| Change in market demand | 2.8528 | 0.38777 | 0.737 | 0.655 |

As stated in Table 12, all the variables above which is trade barriers by government, change in consumer behaviour, and change in market demand had a skewness value between -2 and +2, which indicated these variables are normal. The kurtosis value is also between -7 and +7, which assumes this variable is in the normal distribution. The skewness and kurtosis value for trade barriers by government is (Skewness = -0.661, M = 2.79, SD = 0.511). Other than that, the skewness and kurtosis value for change of consumer behaviour is (Skewness = 0.286, M = 3.01, SD = 0.412) and for change in market demand skewness and kurtosis value is (Skewness = 0.737, M = 2.85, SD = 0.388). The highest skewness value is the change in market demand, which has a value of 0.737, followed by, a change of consumer behaviour which has a value of 0.286 and the lowest value of skewness value is trade barriers by government, which has a value -0.661. The skewness for change in market demand and change in consumer behaviour is a positive value. However, the skewness of trade barriers by the government is negative value it is validated. This is because -0.661 is still in -2 to +2. According to the kurtosis data, most of the items fall within the normal distribution range; thus, the parametric method will be used for the following analysis.

Multiple Linear Regression Analysis

Multiple regressions are a method for investigating the more

sophisticated and complex relationship between one dependent variable and several independent variables (Almalki *et al.*, 2022) More specifically, regression analysis enables us to understand how the typical value of the dependent variable changes when any one of the independent variables is changed while the other independent variables remain constant.

Table 13: Multiple Regressions Linear Analysis

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------|----------|-------------------|----------------------------|
| 1 | 0.708a | 0.501 | 0.496 | 0.3646 |

a. Predictors: (Constant), MEAN_MD, MEAN_TB, MEAN_CB

Table 13 provides the R and R2 values. R is a measure of the correlation between the observed value and the predicted value of the criterion variable. Dhakal (2018) highlighted that R can be regarded as one measure of the accuracy of the dependent variable’s prediction. In this study, the dependent variable is business performance. The result shows that the value of R is 0.708, which means 70.8% of relationships exist between multiple independent variables and dependent variables. The results also reveal that the independent variable shows that R2 is 0.501 (50.1%) of the variance in determining the effect of COVID-19 on the business performance of the small and medium enterprises (SME’s) was explained. The other 0.3646 (36.5%) were unexplained and this percentage is explained by other variables which are not mentioned in the research. That means there were other potential constructs that would affect business performance during COVID-19 on small and medium enterprises (SME’s). The adjusted 2 indicates how well the data points fit a regression line, indicating the percentage of variation explained solely by the independent variables that affect the dependent variable. The result of the adjusted R square for this study is 0.496 (49.6%) as stated in the table above.

Table 14: ANOVA of Multiple Regressions Linear Analysis

| Model | F | Sig. |
|------------|---------|-------|
| Regression | 105.285 | .000b |
| Residual | | |

a. Dependent Variable: MEAN_BP

b. Predictors: (Constant), MEAN_MD, MEAN_TB, MEAN_CB

If ‘Sig’ is greater than 0.05, we conclude that our model could not fit

the data. In this case, the value is .000 which is less than 0.05, so the model is significant at 5% and F -ratio is significant at 27.96. Based on ANOVA table above, shows that the regression model is fit for the data.

Table 15: Coefficient of Multiple Regressions Linear Analysis

| Factor | Unstandardised Coefficient Beta | Standardised Coefficient Beta | T Value | P Value Sig |
|----------------------------------|---------------------------------|-------------------------------|---------|-------------|
| (Constant) | 0.088 | | 0.299 | 0.766 |
| Trade barriers by the government | -0.043 | -0.043 | -0.518 | 0.605 |
| Change in consumer behaviour | -0.111 | -0.089 | -1.009 | 0.315 |
| Change in market demand | 1.039 | 0.784 | 8.376 | 0.000* |

Significant at *1%

According to Table 15, given that, the t -value and corresponding p -value are in the 't' and 'Sig.' columns respectively, in this result, the tests tell us that change in market demand is significant to the business performance during COVID-19 to small and medium enterprise (SMEs) because the p -value is $.000 < 0.05$ and the t -value also shows a greater value which had 8.376 for change in market demand. However, trade barriers by government and changes in consumer behaviour are not significant with the p -value of $0.605 > 0.05$ and $0.315 > 0.05$, respectively. That means trade barriers by government and changes in consumer behaviour is not significant in the model while the change in market demands significantly affects the small and medium enterprise business performance.

Change in market demand had the highest standardised coefficient beta value of 0.784. This indicated that trade barriers by the government contributed higher significance towards determining business performance than other variables such as a change in market demand and change in consumer behaviour. Whereas for the unstandardised coefficient beta, trade barriers by the government ($\beta=1.039$) also played the main role in the variation of the determinant of business performance to small and medium enterprises (SME's). The higher the beta value the more important the variable.

Overall, the regression coefficients reflected an equation that determines the relationship between independent variables (for trade barriers by government, change of consumer behaviour, and change in market demand) and dependent variable (determinant on business performance) will be formed as Determinant of Business Performance = -0.043 (trade barriers by the government; - 0.111 change of consumer behaviour; + 1.039 (change in market demand).

DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

This study distributed a questionnaire to SMEs in Selangor to determine the factor affecting business performance during the COVID-19 pandemic. There are three factors that had been tested in this study as this is the government announcement that affects the SME's the most. The model was applied to evaluate the result. This model is predicting that the trade barriers by government, changes in consumer behaviour, and changes in market demand affect business performance among SME's. However, the result shows that change in market demand significantly affected the business performance as compared to the factor of trade barriers by government and changes in consumer behaviour. However, the result of the study is not consistent with the study done in Indonesia indicates that the decline in the income of SME's is mostly caused by a drastic decrease in the number of sales of products and services because consumers, especially millennial consumers, experience changes in behaviour during the pandemic (Bintang Andhyka *et al*, 2022) which is explained as changes in consumer behaviour. While in the study done by Omar *et al*. (2020) showed that the impacts of MCO on SMEs are classified into operational problems and financial problems.

The result shows that in the active markets in urban and suburban areas such as Selangor the factor of change in market demand significantly affected the firm performance of SMEs, due to the supply chain in the small areas depending on market demand heavily to remain in the business. Since the prior literature has not tested the small area such as Selangor, this study provides evidence that the suburban and the urban area such as Malaysia the drastic changes in the market demand is affected firm performance as compared to trade barriers by government, changes in consumer behaviour that give impact bit later than the changes in market demand by the consumer.

Limitations of the Study

Due to time constraints, only 107 respondents participated in this study. More respondents could be obtained if the time allotted was extended. As a result, this research will be improved if there is enough time to collect and analyse more data. Furthermore, the study's limitation is that the samples were only collected in the Selangor area. The concentration of sample collection in Selangor may not be adequate in generating an exhaustive picture that reflects the whole business performance of SMEs during the pandemic COVID-19 population in Malaysia. The information obtained from respondents may then be inaccurate due to respondents' emotional status and willingness to contribute time to answer those questions, which may influence them to provide answers in a certain pattern. Furthermore, lack of prior research studies on the topic since pandemic COVID-19 is a current issue, there has limited sources.

Recommendations of Study

There are several aspects that can be improved to make future research on this topic more accurate and more meaningful to represent the whole population, the present study was conducted in Selangor and the respondents were focused on the SMEs located in this area. Different responses may be received if the questions are posed to SMEs located outside Selangor. The availability of export assistance programmed, as well as the complexity of the application process, may differ in the suburbs and rural areas versus the central area. As a result, such a study could yield a different result.

Furthermore, the emphasis on SMEs in Selangor may not represent the entire population. Previous research on this topic has also chosen respondents from other parts of the country to obtain a better overall score that is representative of the entire country. Due to time and resource constraints, this study was only conducted in Selangor. Respondents from other areas, such as Kuching, Penang, Malacca, Ipoh, Johor Bharu, Negeri Sembilan, Kelantan, and Kuala Terengganu, should be included in future research to represent the entire nation. Perhaps including respondents from other areas would produce more meaningful results. Furthermore, the number of respondents is an important factor to consider. In this study, only 62 valid questionnaires were used and analysed. More respondents should be included in future studies.

This research only involved three independent variables (trade barriers by the government, change in consumer behaviour, and change in market demand) and a single dependent variable (business performance). In future research, more variables can be added. These additional variables will improve the model's variance and identify which variables have a significant effect on performance and which do not. Furthermore, improvements in performance measurement are required in the future to improve the research results. As a result, it will improve the research findings and, indirectly, the study's implications for the parties involved.

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