

SMEs Sustainability and Survival During MCO **Survey Report**

Conducted by SME Association of Malaysia via Online for the period 27 – 30 April 2020

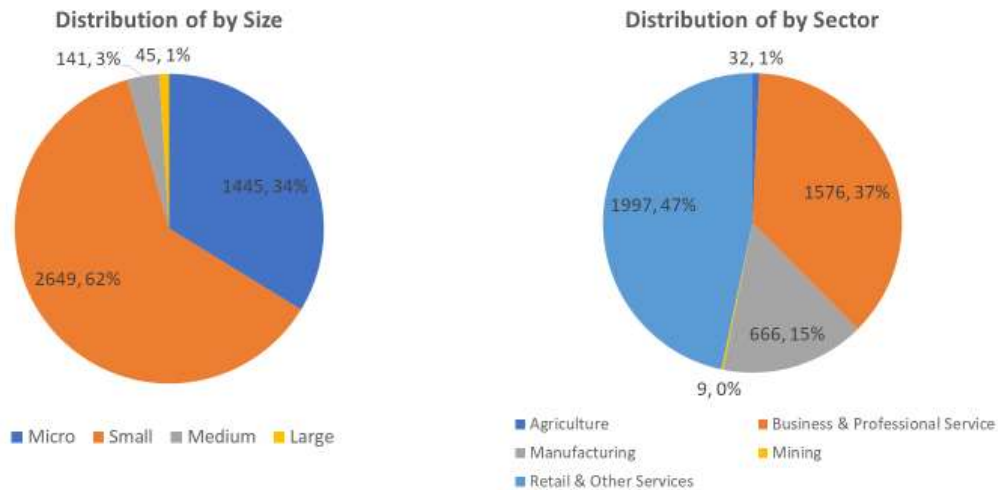
The objective of the Survey is to gather feedback on the Stimulus Package for SMEs, the measures taken by the SMEs to keep their business survive, and their plans for post MCO recovery.

Key findings:

- A sharp drop in revenue: 56.56% of the firms reported zero revenue during MCO.
- The most badly hit firms are Micro Firms and the most badly hit sectors are Business & Professional Service and Retail & Other Services.
- 61.26% of the firms would implement pay cut; 29.65% of the firms would ask employees to take unpaid leave.
- 48.34% of the firms applied for Special Relief Facilities (SRF). Of this, 71% is Small firms, and 47% is from Business & Professional Service. The approval rate is extremely low for Micro firms (3.75%) and Small firms (13.36%); while much higher for Medium firms (23.53%) and Large firms (21.05%).
- In terms of approval amount for SRF as applied for, it is skewed towards to Medium and Large firms: 65% of Medium firms and 50% of Large firms received approval for the amount they applied for. The percentage for Micro firms is as low as 36.84% and for Small firms is 47.18%.
- 68.89% of the total application was in process. The time frame needed for SRF application processing is rather long: 43% of the applications would take at least 4 weeks to be processed.
- For Micro and Small firms that did not apply for SRF, they sought for financing mainly from Internal Funding (38% for Micro firms and 52% for Small firms) and Loans from Friends (31% for Micro firms and 17% for Small firms).
- For Medium and Large firms that did not apply for SRF, they sought for financing mainly from Internal Funding (as high as 57% for Medium firms and 73% for Large firms) and Other Business Loans (18% for Medium firms and 15% for Large firms).
- 3039 firms or 71% of total respondents applied for WSP and/or EIS. Among those firms applied for WSO and/or EIS, 73% is Micro firms.
- The ratio for Micro firms applying for WSP and/or EIS is as low as 48.16%, and for Small firms is as high as 83.38%. This may suggest that a large proportion of Micro firms is not registered with SOCSO.
- More than half of the total respondents claim that their cash flow would flow dry up by May 2020, i.e. 69% of the Micro firms, 59% of the Small firms, 45% of the Medium firms, and 40% of the Large firms.
- In regard to the strategies to survive post-MCO, the top three choices are Restructuring, Downsize, and Go-Digital/E-commerce.

Demography of the respondents

- Total respondents 4280; 34% is Micro Firms and 62% is Small Firms.
- 84.9% of the respondents belong to service sector: 37% is Business & Professional Service, and 47% is Retail and Other Services.



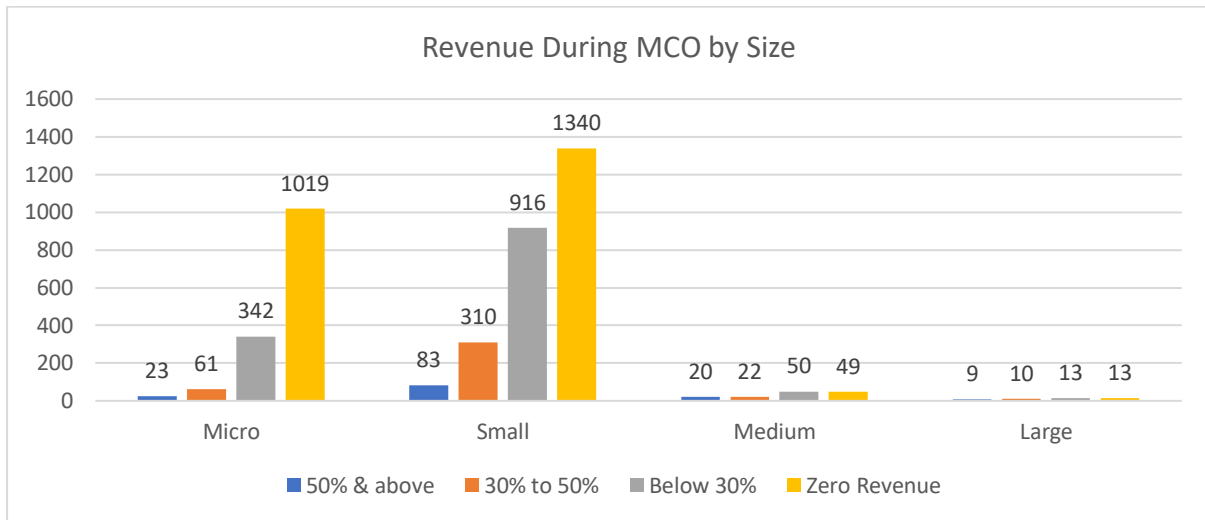
* Agriculture and Mining sectors have been removed in the following analysis as they are insignificant in number.

	Johor	Kedah	Kelantan	Labuan	Melaka	Negeri Sembilan	Pahang	Penang	Perak	Perlis	Putrajaya	Sabah	Sarawak	Selangor	Terengganu	Kuala Lumpur	Total
Micro	191	30	6	6	35	30	18	132	48	1	4	86	89	498	3	268	1445
Small	310	72	17	5	44	75	51	193	139	0	8	163	179	966	18	409	2649
Medium	23	4	0	0	3	1	1	18	5	0	0	1	7	60	2	16	141
Large	6	5	0	0	0	0	0	4	1	0	1	0	1	20	0	7	45
Total	530	111	23	11	82	106	70	347	193	1	13	250	276	1544	23	700	4280

- Most of the respondents are located in Selangor (36.7%), Kuala Lumpur (16.36%), Johor (12.38%), Penang (8.11%), Sarawak (6.45%), and Sabah (5.84%).

Business Performance During MCO

- 56.56% of the firms reported zero revenue during MCO.
- 30.87% of the firms reported below 30% of revenue.
- The most badly hit sectors are Business & Professional Service and Retail & Other Services.
- 70% of the Micro firms suffered from zero revenue; while 24% suffered from below 30% revenue.
- 51% of the Small firms suffered from zero revenue; while 34% suffered from below 30% revenue.

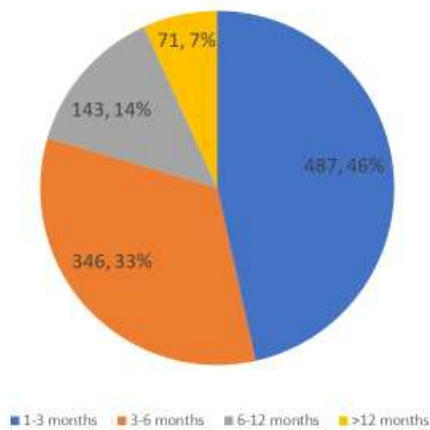


Measures to Sustain

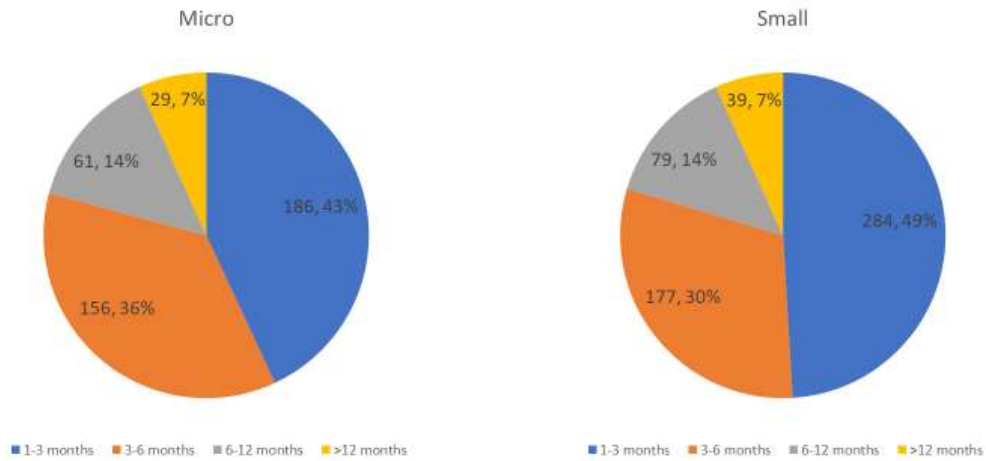
(i) Shutting down temporarily

- 24.46% of the firms consider shutting down business temporarily. Of this, 46% consider shutting down temporarily for 1 to 3 months; 33% consider shutting down for 3 to 6 months.
- 43% of the Micro firms and 49% of the Small firms consider shutting down for 1 to 3 months.

Period of Shutting Down Temporarily



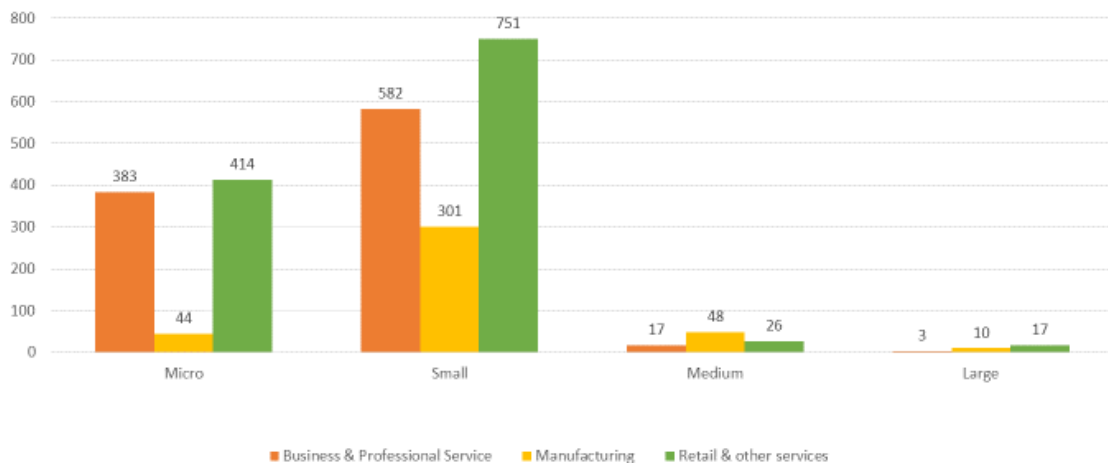
Period of Shutting Down Temporarily by Size



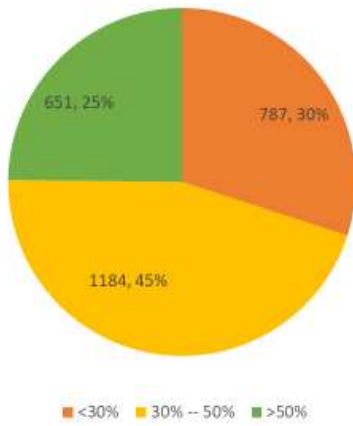
(ii) Implementing Pay Cut

- 61.26% of the firms consider implementing pay cut. In terms of the scale of pay cut, 45% of the firms would introduce a pay cut between 30% to 50% of the salary.
- Sector wise, 45% of Retail & Other Services, 44% of Business & Professional Service and 49% of Manufacturing would introduce a pay cut between 30% to 50% of the salary.

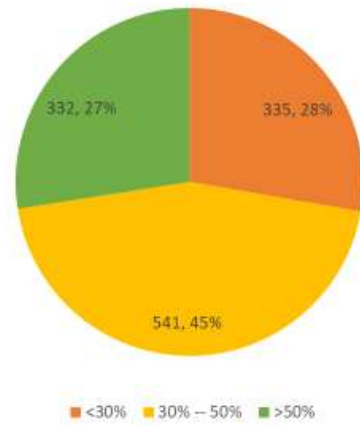
Consider Implementing Pay Cut



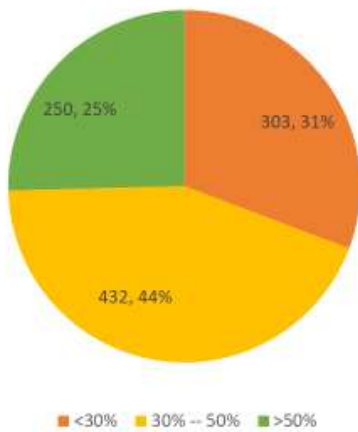
Scale of Pay Cut Distribution (%)



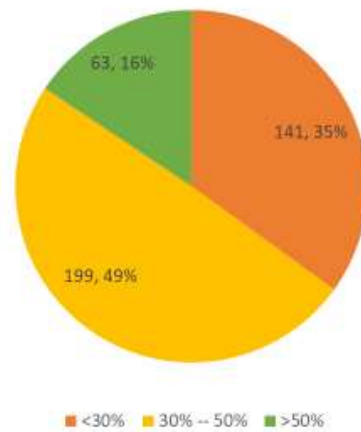
Scale of Pay Cut – Retail & Other Services



Scale of Pay Cut – Business & Professional Service



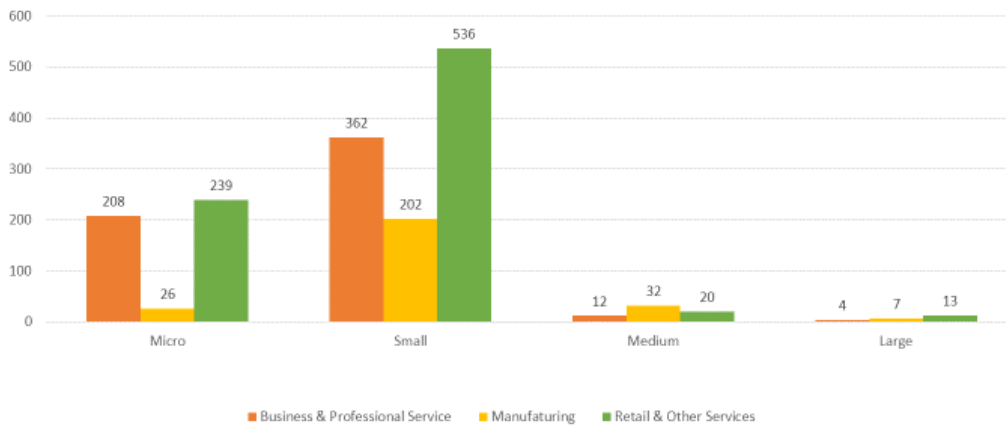
Scale of Pay Cut – Manufacturing



(iii) Implementing Lay Off

- 39.3% of the firms would implement lay off. In terms of the scale,

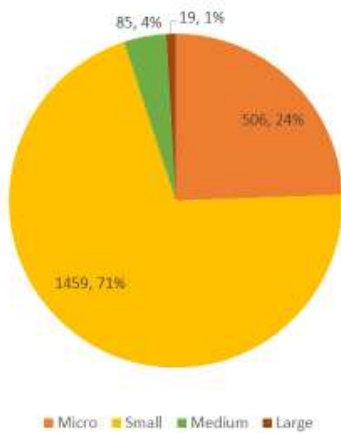
Firms Consider Implementing Lay Off



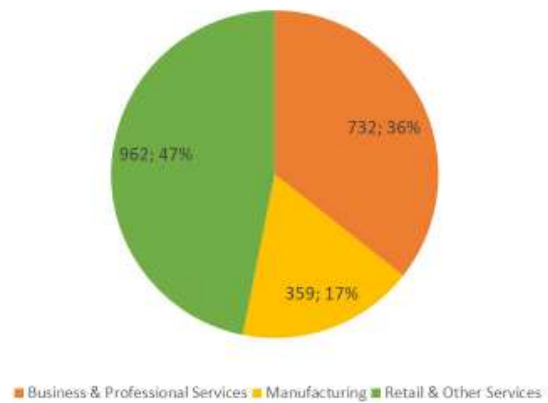
(iv) Application of Special Relief Facility (SRF)

- 48.34% of the firms applied for SRF. Of this, 71% is Small firms, and 47% is from Business & Professional Service.
- Amount applied: 38% for less than RM200K; 32% for RM200K – RM500K; 30% for RM500K – RM1 million.

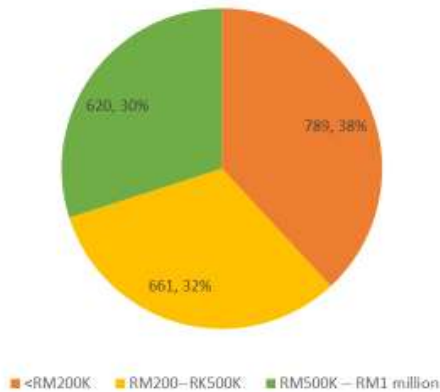
SRF Application By Size of Firms



SRF Application by Sector

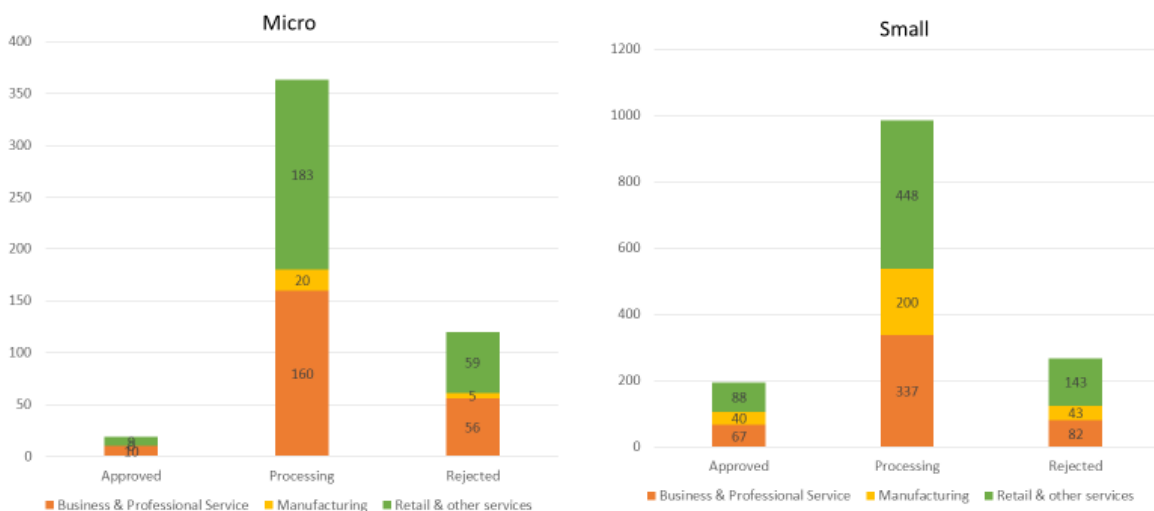


SRF Application by Size of Loan

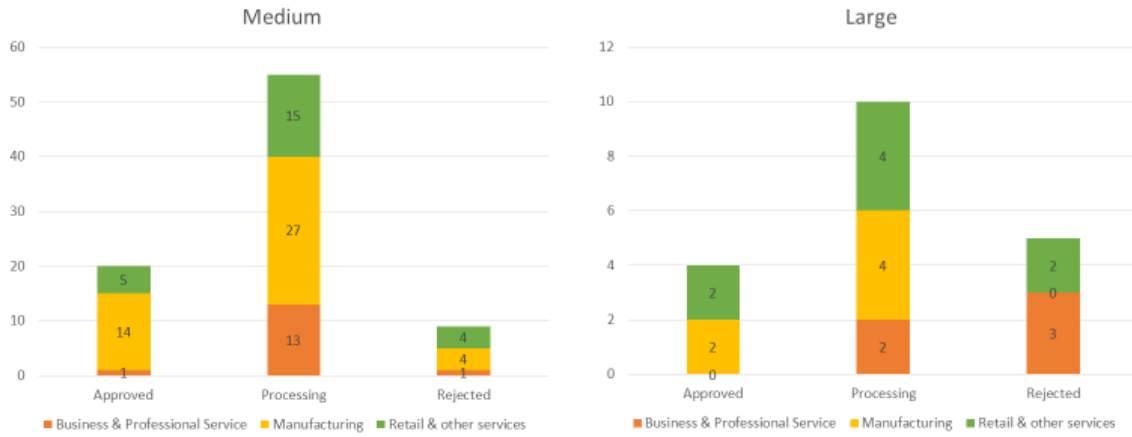


- Percentage of Approval by size of firms: 3.75% for Micro firms, 13.36% for Small firms, 23.53% for Medium firms, 21.05% for Large firms.
- Percentage of Rejection by size of firms: 24.11% for Micro firms, 18.51% for Small firms, 10.5% for Medium firms, 26.32% for Large firms.
- Percentage of firms received the amount as applied for: 36.84% for Micro firms, 47.18% for Small firms, 65% for Medium firms, 50% for Large firms.
- 68.89% of the total application was in process. The time frame needed for SRF application processing is rather long: 43% of the applications would take at least 4 weeks to be processed.

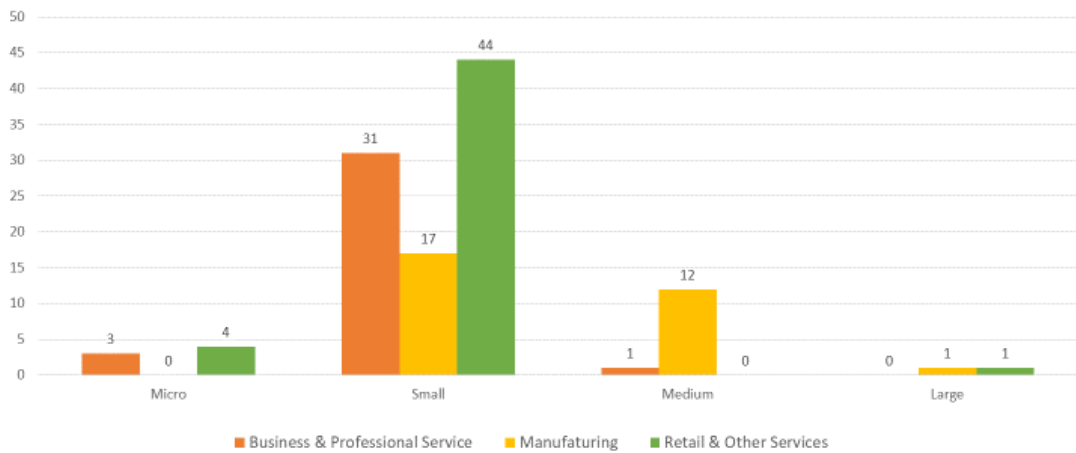
Status of SRF Application by Size



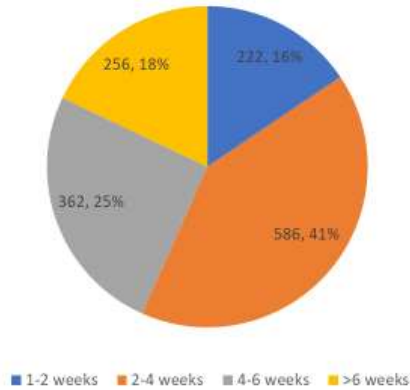
Status of SRF Application by Size



Status for SRF – Approved with the Amount Applied For



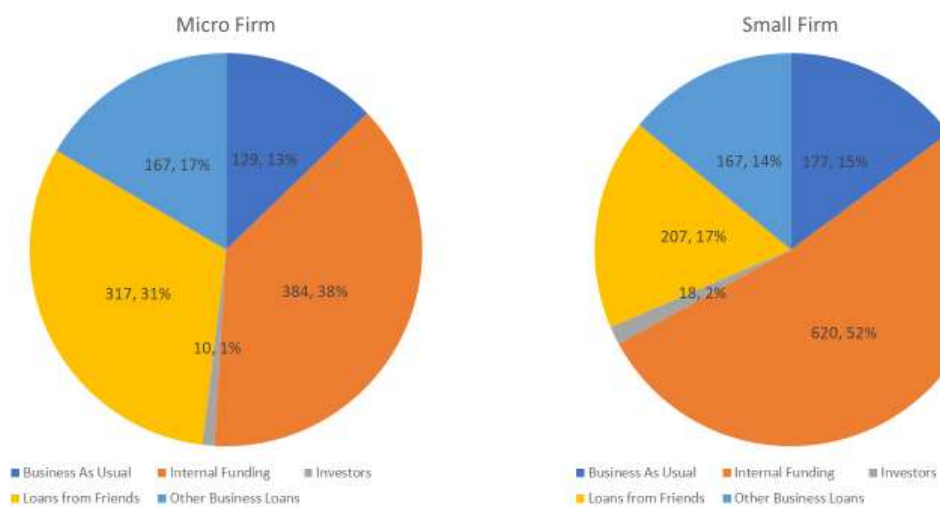
Time Frame Required for SRF Application Processing



(iv) Other Source of Financing

- For Micro and Small firms that did not apply for SRF, they sought for financing mainly from Internal Funding (38% for Micro firms and 52% for Small firms) and Loans from Friends (31% for Micro firms and 17% for Small firms).
- For Medium and Large firms that did not apply for SRF, they sought for financing mainly from Internal Funding (as high as 57% for Medium firms and 73% for Large firms) and Other Business Loans (18% for Medium firms and 15% for Large firms).

Other Source of Financing



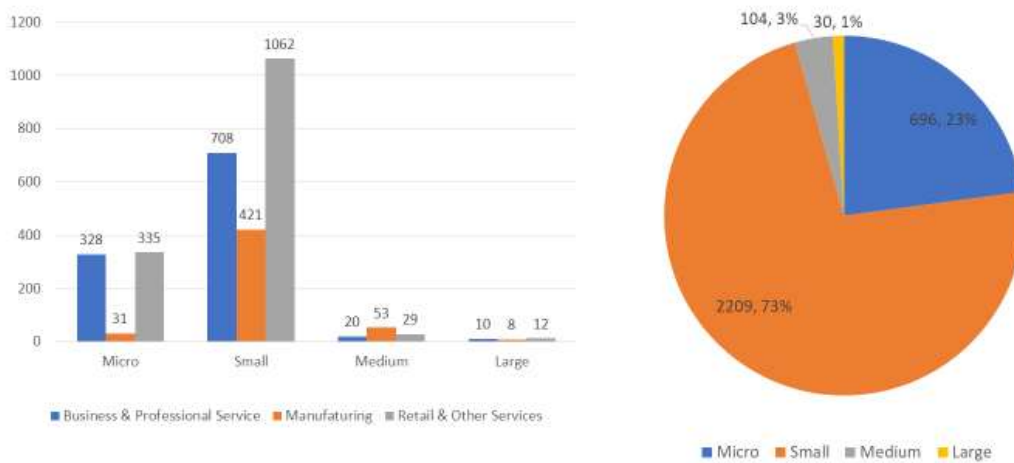
Other Source of Financing



(v) Application for Wage Subsidy Program (WSP) and/or Employment Insurance Scheme (EIS)

- 3039 firms or 71% of total respondents applied for WSP and/or EIS.
- Among those firms applied for WSO and/or EIS, 73% is Micro firms.
- The ratio for Micro firms applying for WSP and/or EIS is as low as 48.16%, and for Small firms is as high as 83.38%. This may suggest that a large proportion of Micro firms is not registered with SOCSO.

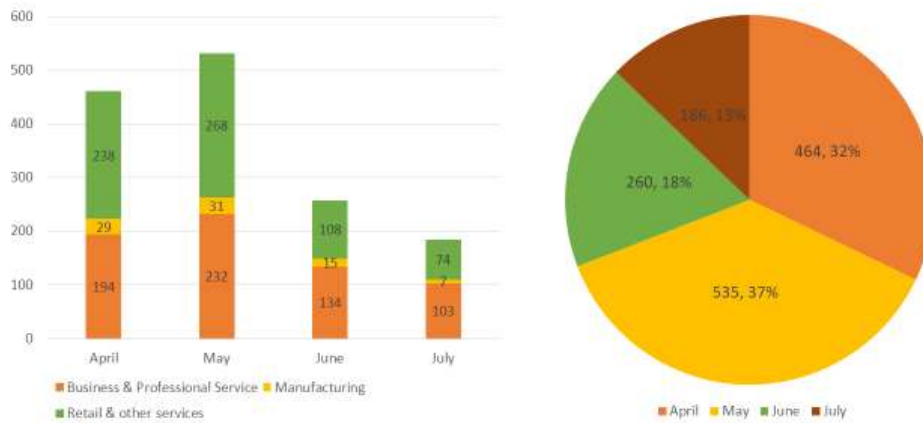
Distribution of Firms Applied for WSP and/or EIS



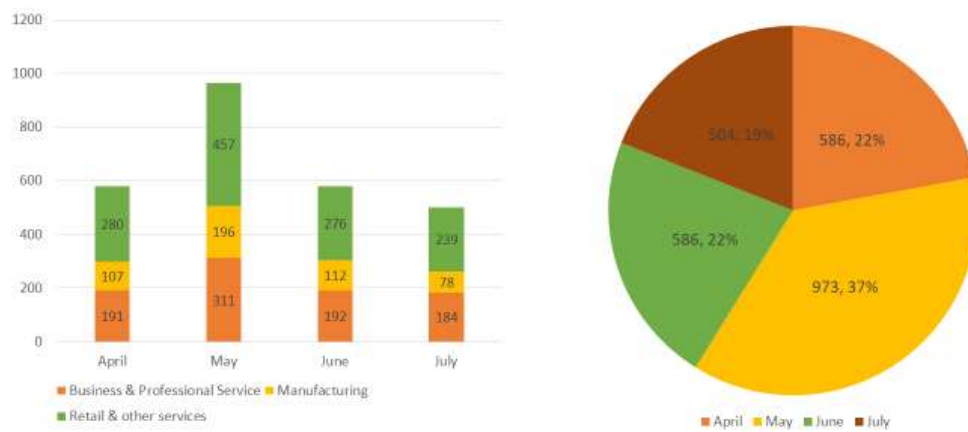
(vi) Sustainability of Cash Flows

- More than half of the total respondents claim that their cash flow would flow dry up by May 2020, i.e. 69% of the Micro firms, 59% of the Small firms, 45% of the Medium firms, and 40% of the Large firms.

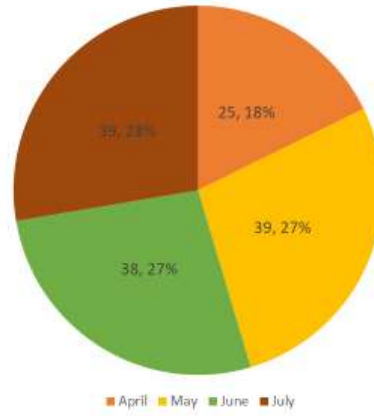
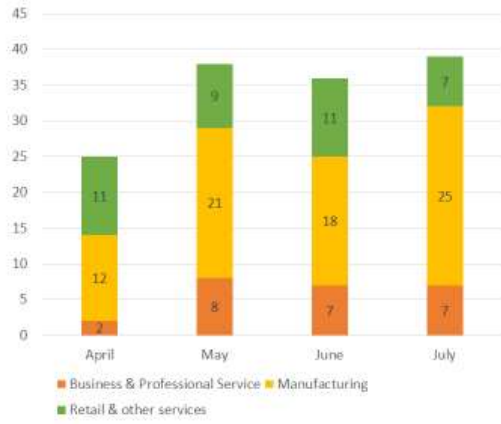
Cash flow Sustainability – Micro Firm



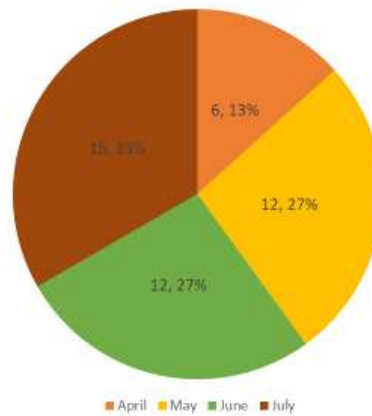
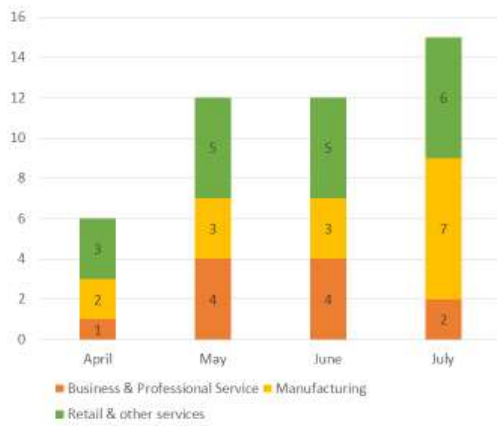
Cash flow Sustainability – Small Firm



Cash flow Sustainability – Medium Firm



Cash flow Sustainability – Large Firm



(vii) Strategies to Survive Post-MCO

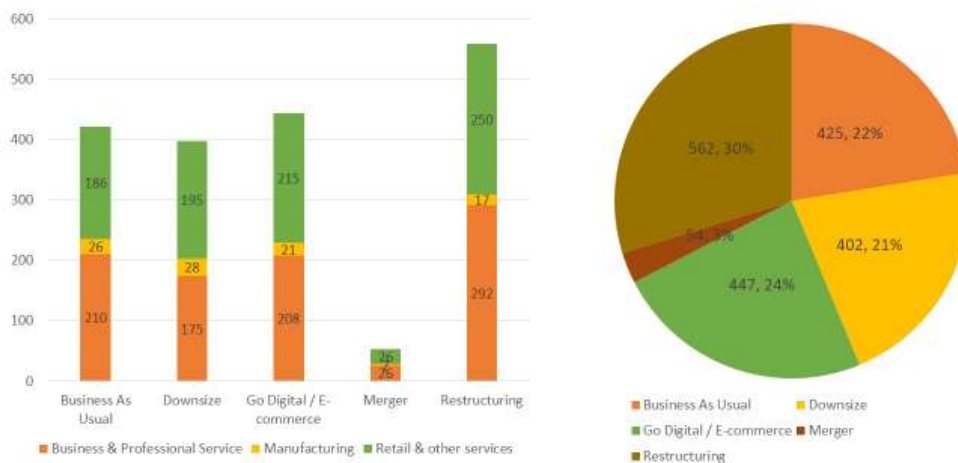
- While the respondents differ from sizes of firm and the nature of business, they seem to share similar strategies in dealing with post-MCO business situation:

Size of firm	Choice of Strategy (top three)		
Micro	Restructuring (30%)	Go Digital/E-commerce (24%)	Business as usual (22%)
Small	Restructuring (35%)	Down size (25%)	Business as usual (20%)
Medium	Restructuring (37%)	Down size (30%)	Go Digital/E-commerce (19%)
Large	Restructuring (35%)	Down size (30%)	Go Digital/E-commerce (18%)

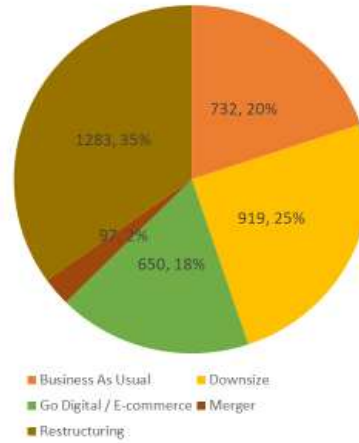
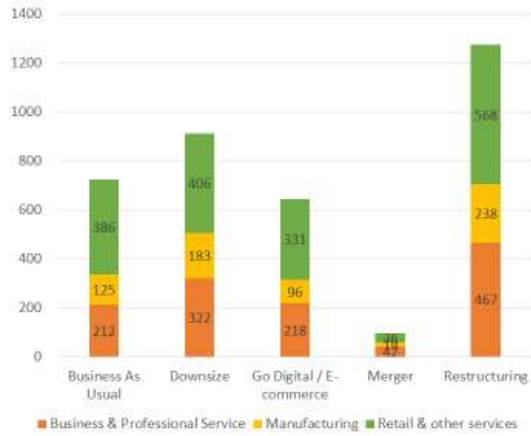
- Sector wise, the top three choices as follows:

Sector	Choice of Strategy (top three)			
Business & Professional Service	Restructuring (36%)	Down size (23%)	Go Digital/E-commerce (19%)	Business as usual (19%)
Manufacturing	Restructuring (33%)	Down size (29%)	Business as usual (20%)	Go Digital/E-commerce (16%)
Retail & Other Services	Restructuring (32%)	Down size (23%)	Business as usual (21%)	Go Digital/E-commerce (21%)

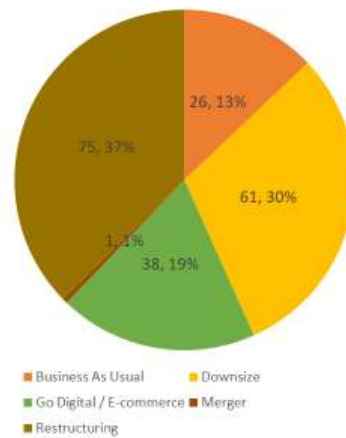
Strategies to Survive Post MCO – Micro Firm



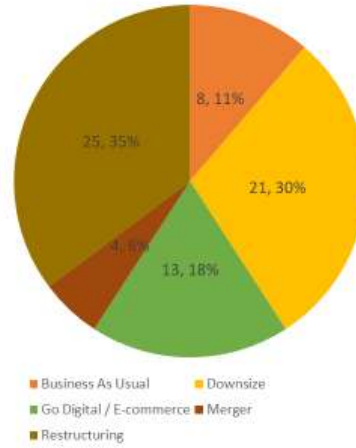
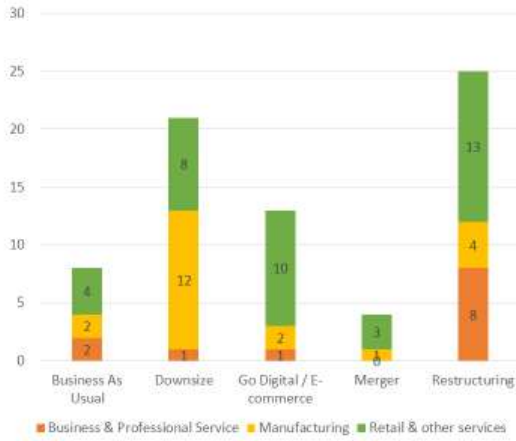
Strategies to Survive Post MCO – Small Firm



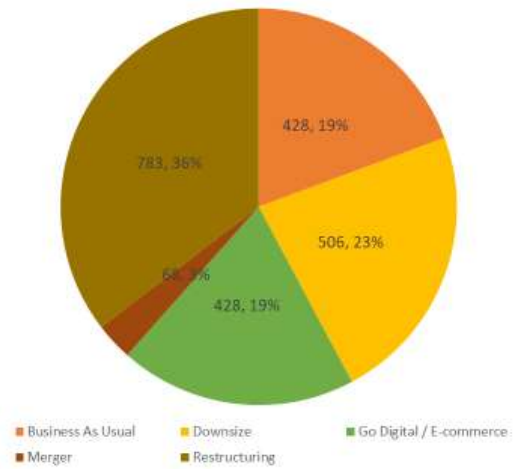
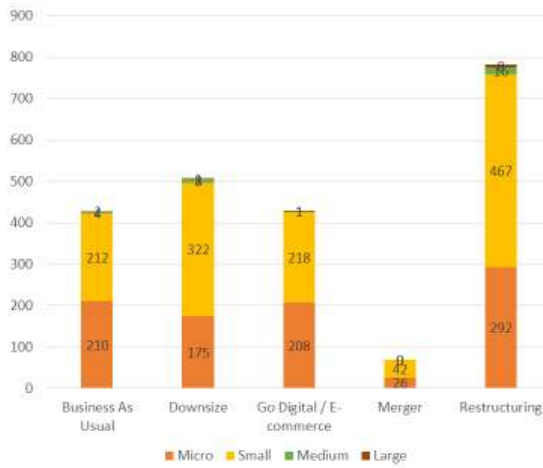
Strategies to Survive Post MCO – Medium Firm



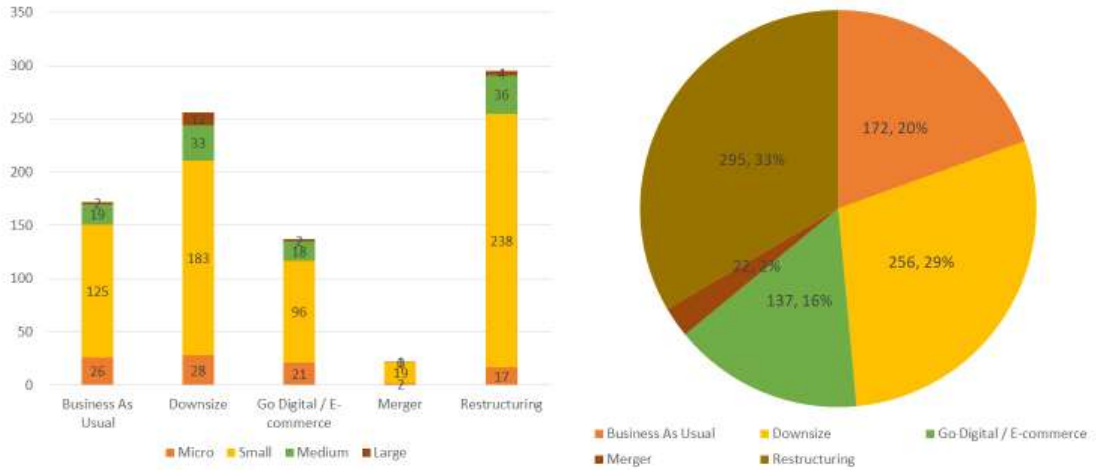
Strategies to Survive Post MCO – Large Firm



Strategies to Survive Post MCO by Sector – Business & Professional Service



Strategies to Survive Post MCO by Sector - Manufacturing



Strategies to Survive Post MCO by Sector – Retail & Other Services

