Helping micro businesses go digital

By Dr Reazul Islam - August 24, 2021 @ 12:08am

IN Malaysia, the number of Covid-19 infections has exceeded 1.5 million, the death toll has surpassed 14,000, harming our socioeconomic body while dragging us to an untoward future.

The virus is mutating, becoming more infectious and dangerous.

Economic activities all over the globe have been crippled because of lockdowns. This negatively impacts household income.

Poverty intensified due to exacerbated unemployment and smaller income opportunities. Our society is becoming impoverished.

Relentlessly, we have been searching for effective means to recure economic activities.

In this regard, the digitalisation of businesses has proved effective.
Many enterprises, especially small- and medium-sized enterprises (SMEs), have started going on the digital platform and been regulating external and internal value chains, including management functions, marketing and promotion.

In many cases, this new platform has brought more efficiency and higher profitability.

However, digitalisation is not widespread in the microenterprise sector.

Some factors are deterring microenterprises from using the e-platform. Underprivileged Malaysian micropreneurs cannot afford digitalisation for many reasons.

SME Corp defines microenterprises as small-sized businesses with fewer than five employees and yearly sales revenue below RM300,000, or per day average sales turnover of RM800 and below.

In Malaysia, SME Corp states that about 700,000 micro businesses are registered. That implies that the sustenance of at least 3.5 million people depends on microenterprises, if we consider a standard household size with five members.

Nevertheless, the number of microenterprises is perhaps increasing due to a drop in sales revenue. Many small enterprises are losing employees due to shrinking revenues and profit streams.

It is likely that some of them could drop to the micro-business status. Micropreneurs are also experiencing hardship during this pandemic. Many factors could be the reason.

Micro businesses survive with the tiny capital they get by liquidating their last tangible assets or borrowing from microfinance institutions or money lenders.

They probably have dependents, such as young children and elderly family members.

Some empirical studies suggest that most of microenterprises in Malaysia lost self-sustainability within the first three to five months after the pandemic hit.

They are probably relying on the liquidation of tangible assets (if any), government handouts and charity.

Since they do not possess enough tangible assets to pay collateral to banks, they became handicapped in raising money to recapitalise their businesses.

Therefore, it is difficult for them to bear the cost of switching to digitalisation.

Entrepreneurs might also be unaware of market trends and consumer demands. They might not have enough courage to shift from one business model to another.

Some entrepreneurs might not have access to technology. For instance, people who live in very remote areas might not have access to the Internet. Smallholders cannot afford to buy smartphones or gadgets.
The lack of government policies might discourage microentrepreneurs from transferring their business to the digital platform.

However, it is worth mentioning that the government has taken some initiatives.

Relevant ministries and agencies are offering credit schemes to rejuvenate microenterprises while improving human capital through training.

However, more attention should be paid to providing technological literacy and awareness building.

An e-marketplace could be created for microentrepreneurs with buying, selling, payment and promotion facilities.

Free or affordable internet packages should be offered to this group of people.

E-wallets can be introduced for financial transactions that are linked to the payment gateway.

Bear in mind, microentrepreneurs are contributors to the rural economy.

As such, micro businesses deserve to be well treated in this adverse situation.

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