SMEs need new ways to rebuild businesses in Covid-19 era

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KUALA LUMPUR: Malaysia’s small and medium enterprises (SMEs) are struggling amid the pandemic, which entails high costs of technology, the business owner said.

"Businesses across the country are barely hanging on after the arrival and persistence of Covid-19. In this regard, entrepreneurs need to live in a new normal, which entails high adoption of technology, as the business environment has moved to digitalisation, which means, well during the coronavirus outbreak, says an economist.

Bank Islam Malaysia Bhd chief economist Mohd Alothman Abdul Rashid said small companies must be cautious on how they should seek help to upgrade their operations, sales, and market segmentation by ensuring that technology will be embedded in every aspect of their business.

"Thus, he said, all SMEs should explore what assistance is provided by the relevant government agencies that can assist them in transforming their business in the most efficient and cost-effective manner."

For instance, matching grants of up to RM5,000 provided by Malaysia Digital Economy Corporation (MyDigital) for digitalising the businesses should be fully utilised by SMEs in respect of technological adoption.

"In this way, the pandemic has become a wake-up call for SMEs that threaten businesses could come in various directions. Therefore, it is critically important to be ready for changes and to be swift in their response," he told Berita.

Mohd Alothman said that apart from digitalisation and technological adoption, the owners must be open to diversifying their revenue streams and the measures they must explore other industries so that they will not be overly dependent on one revenue source.

"Perhaps, exploring joint venture or partnering could be the options to safeguard the market share and to gain operational efficiency," he suggested.
Expanding on this, he said research and development, as well as upskilling require time and money. Some SMEs are not convinced that such investment will help to future-proof them from threats of intense competition and economic shocks.

"In order to bridge the gap between their fear factor and what is available to them, constant engagement with the relevant government agencies will help the SMEs to have a clearer view on how they should capitalise on the eramable measures and incentives provided by the government."

"This may include arranging workshops and conferences and exhibitions which will act as a platform to exchange information among the SMEs about the need to uplift their businesses," he added.

Meanwhile, HSBC Malaysia country head of commercial banking Andrew Sill said SMEs should get the basics on cash management right and tight.

He said basic principles like preparing payments with the correct value date, collecting receivables within terms, reconciliation and paying invoices on time will yield bigger benefits than saving a few thousand dollars from having tough pricing discussions or negotiating the right tariff.

"Once businesses have tightened their approach to cash management, they will be in a far better position to make informed decisions on whether they should be borrowing to supplement their working capital or otherwise."

Having this cash flexibility enables SMEs to pay suppliers faster and negotiate more favourable terms and terms, Sill said.

The solutions include receivables finance - a financing arrangement where you receive capital that is equivalent to the outstanding balances of invoices that have been billed but not yet paid.

Second, supply chain finance - a list of automated solutions that support more efficient transactions, allowing suppliers to approve invoices and access capital at a discount.

Last, but not least, guarantees - they can be issued to help a company make a claim on non-payment of money, Sill explained.

No one can "crystal ball" the full toll of the pandemic, but clearly its economic impact on people and companies will be profound.

To assist SMEs in accelerating the digitalisation of their business, Nadi Digital, a digitalisation service provider, recently expanded its platform, which allows SMEs to manage their cash flows efficiently.

The platform allows them to integrate with their core applications, track sales and expenses, manage debt and credit transactions, and send notifications while reaching out to customers through customised marketing tools.

"Why's aim is to introduce Why's Meet, which is scheduled to launch in Malaysia within the next few months, as part of its many services benefiting their merchants.

Through this, merchants will be connected directly to a list of different larger suppliers that they can personally choose to work with, in a more systematic and cost-effective manner, allowing them to order raw materials such as more and promptly according to their own needs from suppliers of a larger scale.

Why's hopes to welcome a total of 2,000 local SMEs onto their platform by the end of July and 20,000 merchants by the end of the year."