

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

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All SMEs should explore what assistance is provided by relevant government agencies that can assist them in transforming their business, says an economist. Picture for representation only.



KUALA LUMPUR: Malaysia's 907,065 small and medium enterprises (SMEs) are struggling amid very uncertain times – from day to day it seems almost impossible for them to predict what will come next.

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 businesses have learnt their lessons well during the coronavirus outbreak, says an economist.

Bank Islam Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said small companies must be cognisant on how they should seek help to upgrade their operation, 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 (MDEC) for digitalising the businesses should be fully utilised by SMEs in respect of technological adoption.

"In a way, the pandemic has become a wake-up call for SMEs that threats to 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 Bernama.

Mohd Afzanizam said that apart from digitalisation and technological adoption, businesses must be open to diversifying their revenue stream and this means 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.



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Explaining further, 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 clear view on how they should capitalise on the available measures and incentives provided by the government.

"This may include organising a workshop, and conferences and exhibitions will actually help to allay their concern or misconception among the SMEs about the need to upskill 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 with real time reconciliation and paying invoices on time will yield far 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 to negotiate more favourable rates 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 set 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 monies, 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, vendor digitalisation service platform WhyQ recently expanded into the Malaysian market with the aim of digitalising micro, small and medium enterprises (MSMEs) by providing modern and advanced solutions necessary in running a business.

The platform allows them to go online with their personalised e-stores, track sales and expenses, record debit and credit transactions through convenient WhatsApp reminders while reaching out to customers through customised marketing tools.

WhyQ aims to introduce WhyQ Mart, 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 convenient manner, allowing them to order raw materials such as meat and poultry according to their own needs from suppliers of a larger scale.

WhyQ hopes to welcome a total of 2,000 local MSMEs onto their platform by the end of July and 20,000 merchants by the end of the year. – Bernama

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