



Enduring the Pandemic:

SURVEYS ON THE IMPACT
OF COVID-19 TO THE LIVELIHOODS
OF MALAYSIAN MSMES & WORKERS

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of Malaysian MSMEs & Workers

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Improving Lives, Expanding Opportunities

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Executive Summary

The Covid-19 outbreak led to severe repercussions in Malaysia, and the local micro, small, and medium-sized enterprises (MSMEs) appear to have been badly affected. In order to evaluate the economic impact of Covid-19 on Malaysian MSMEs, a survey was conducted by the Merdeka Center for Opinion Research over three weeks in July and August 2020. In total, 153 MSME respondents shared their opinions on the current situation. These MSME respondents were drawn across all of Malaysia's economic sectors and sub-sectors, and stratified according to their contribution to the national economy's gross domestic product (GDP).

From the MSME portion of the survey, it was found that the Malaysian MSMEs are primarily concerned about their short-to-medium term survival as a result of their operations grinding to a halt, and no clear timeframe for when conditions will return to normal; Profitability, loan management, and cost management require MSMEs' greater attention and assistance. Micro and small businesses are in deeper trouble than larger enterprises as most owners of the first two lack sufficient savings.

It was also discovered that most Malaysian MSMEs were not familiar with business digitalization and e-Commerce prior to Covid-19 as the Malaysian MSMEs are largely concentrated in the traditional sectors and sub-sectors. These MSMEs must be aided to look into new territories and explore the latest business strategies. MSMEs' main expectations of government relate to the provision of grants, subsidies, and the extension of moratoria on their loans.

From the workers' survey, Malaysian workers highlighted their comfort with their respective work-based positions and roles and, thus, they are afraid that conditions related to Covid-19 could force them to become unemployed for the long term as they lack the skills that would enable them to find jobs in industries that are in high demand. Also, financial management

is a primary concern of Malaysian workers due to a substantial portion of them lacking the savings needed to last for more than a year. This is particularly concerning for those workers with dependents, as well as those working in low-demand sectors and, hence, highly susceptible to retrenchment in the near future;

Most Malaysian workers appreciate the government's initiatives and stimulus packages despite the fact that the assistance is only available for a temporary period; and Malaysian workers are ready to learn new skills and enter new fields to cope with the possible long-term impact of Covid-19 that is forcing them to deal with a new economic structure and sectoral demands in order to earn an adequate income.

As for the recommendations, a regional working group encompassing policymakers, industry representatives, and SME operators should be established to create a trade bubble for the short run. At the same time, Malaysian MSMEs' request for greater financial assistance to agencies outside government could be realized to expand the scope of MSME support, while exposing MSMEs to diverse opportunities. Digitization is a key component and should be promoted to Malaysian MSMEs to enhance innovation and develop larger-scale marketing strategies.

Along the way, key policymakers must identify future in-demand sectors that Malaysian MSMEs could explore, and invest in, in cooperation with the Malaysian government and regional counterparts. Targeted assistance is also necessary to help MSMEs in adversely affected sectors and sub-sectors (i.e. tourism, small-scale manufacturing, and construction), to enable them to focus beyond financial management, and consider how to achieve long-term recovery, plan for the future, and become environmentally sustainable. Engagement with the Malaysian government is also important to create more accessible and business-friendly, one-stop centers for

MSMEs that facilitate administrative procedures and reduce red tape.

Recommendations for workers include increased collaboration with key Malaysian ministries (i.e. the Ministry of Science, Technology, and Innovation and the Ministry of Entrepreneur Development and Co-Operatives) to develop the digital skills of Malaysian workers and related job opportunities and, thus, create a new wave of innovators and creators of high-value jobs; promotion of entrepreneurship modules and programs in collaboration with other countries in the region to attract greater participation of Malaysians as a way to enhance productivity levels, increase

financial returns, and go beyond the traditional models of employer-employee work arrangements.

Additionally, financial literacy programs for lower to middle-income Malaysian groups must be introduced to prepare society to face financial challenges in the short to medium term. Finally, a sophisticated funding mechanisms and salary systems to increase the value of informal workers and their salaries should be championed, using a complementary and sustainable social protection structure that leads to a higher proportion of low-income workers being able to work in stable positions, and with minimal welfare-related repercussions.

Introduction

While Malaysia's economy may be driven by large industries where government-linked companies (GLCs) and multi-national corporations predominate, the importance of micro, small, and medium-sized enterprises (MSMEs) should not be underestimated. Almost all (98.5%) registered businesses in Malaysia are MSMEs, and help to stimulate the economy in more ways than one (i.e., providing employment and innovation, among others). Judging by economic performance and administrative resilience following the 14th General Election in 2018, Malaysia's economic growth and development seemed to be on a positive trajectory. However, with the emergence of Covid-19 in late 2019, MSMEs have been badly impacted, with a tremendous number of them closing down temporarily or shutting down operations completely. This is expected to hamper Malaysia's prospects for economic growth for years to come. While the country's economy, overall, will likely experience challenges in future, Malaysia's working people will be the most affected—namely those who are breadwinners for their families.

A survey-based study was carried out from July to August 2020 by The Asia Foundation (the Foundation) to identify how Malaysian MSMEs have been affected by the Covid-19 outbreak. This looked at key areas such as businesses': performance prior to the pandemic, operations during Covid-19 restrictions, expectations about survival, coping strategies, perceptions about the government's management in response to the pandemic, and willingness to help women cope with the pandemic.

This study also surveyed the impact of Covid-19 on Malaysian workers, and especially during the initial

phase of the government's movement control order (MCO), which was introduced and enforced to prevent mass spread of the coronavirus. The study was carried out to analyze the direct and indirect impact that the outbreak and the associated measures put in place by employers and the government had on different groups of workers.

Context & Timeline

The surge in Covid-19 cases reported in Malaysia toward the end of February 2020 and in early March 2020 prompted the Government of Malaysia to take immediate action to avoid escalation of the pandemic and large-scale disruption of the healthcare system. The government's action began with a movement control order (MCO) in mid-March 2020 that had considerable impact on the economy and peoples' livelihoods.

While the MCO was applauded for its short-term effectiveness, the extension of the MCO until June 2020, after which it was slightly relaxed for public convenience, had detrimental effects on businesses and workers alike. In spite of the stimulus packages provided by the government, the regional and global impacts of Covid-19 have proven to be very challenging in the medium term with the return of Malaysians from overseas (namely workers and expatriates) increasing the likelihood of a mass outbreak, as well as the rapid spread of Covid-19 among migrants and foreign workers coming into Malaysia. As the second wave of the pandemic only minimally subsided in July and August 2020, the repercussions of Covid-19 in Malaysia are projected to be long-lasting.

Figure 1: Stages of Movement Control Order in Malaysia (up until August 31, 2020)

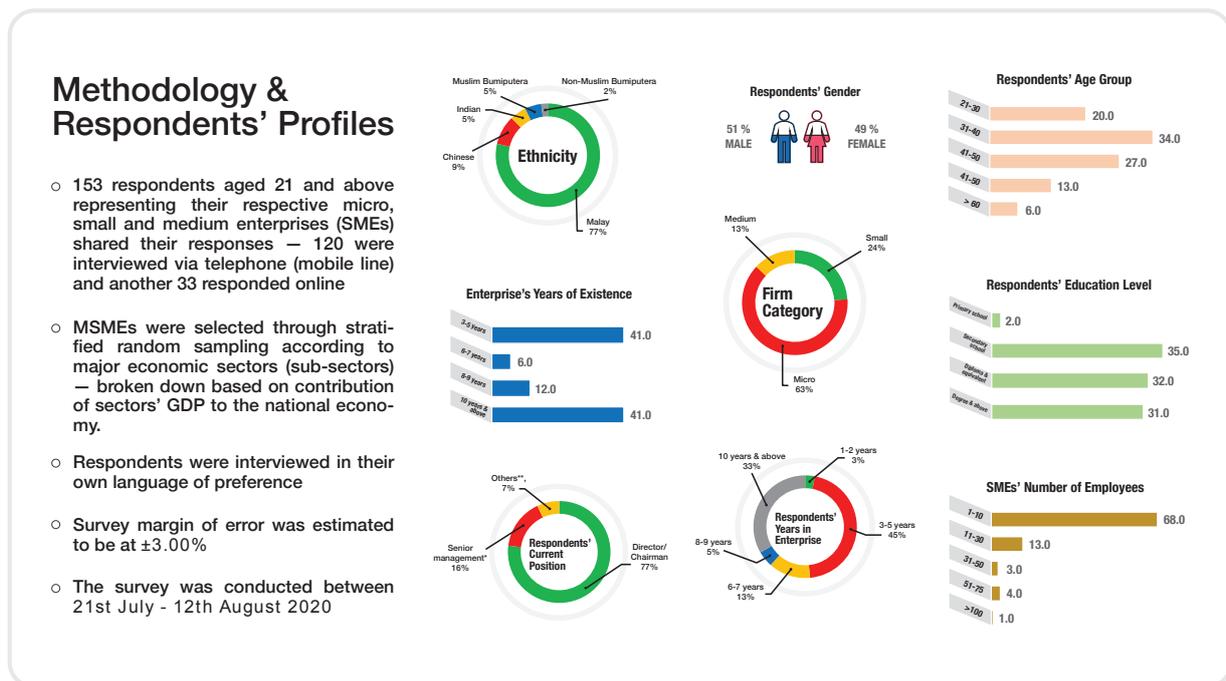


*Credit: The Star¹

1. Don't ease restrictions, say experts (August 23rd, 2020). *The Star Malaysia*. Retrieved from <https://www.thestar.com.my/news/nation/2020/08/23/dont-ease-restrictions-say-experts>

Profiles of Respondents - MSMEs and Workers

Figure 2: Summary of Respondents' and Businesses' Profiles



Malaysian MSMEs

The gender distribution in the MSME survey was fairly balanced (51% of respondents were male and 49% were female). Most respondents were of Malay (77%), Chinese (7%), Indian (5%), and Muslim Bumiputera (5%) ethnicity. Almost two-thirds (63%) of respondents had some tertiary education and more than one-third (35%) had completed secondary school. Regarding the ages of respondents at the time of study, the largest percentage were between 31 and 40 years of age (34%), 27% were between 41 and 50 years of age, and 19% were 51 years old or older. A total of 77% of the respondents owned the business or held a top position (director/chairman), while another 16% of respondents were senior managers. The majority of respondents (45%) had been with their respective business between three and five years, while one-third (33%) had been working in the business for more than 10 years.

With regard to MSME respondents' sector, 63% were in the services sector, 21% were in manufacturing, 10% were in agriculture, 5% were in construction, and 1% were in mining and quarrying. With regard to the size of the business, 63% of the surveyed firms were microenterprises, 24% were small businesses, and 13% were medium-sized enterprises. Most enterprises had been operating for more than 10 years (41%) or between 3 and 5 years (41%), while 18% had been operating from 6 to 9 years. As most of the businesses surveyed were microenterprises, more than two-thirds (68%) of the businesses surveyed had 10 or fewer workers.

Malaysian Workers

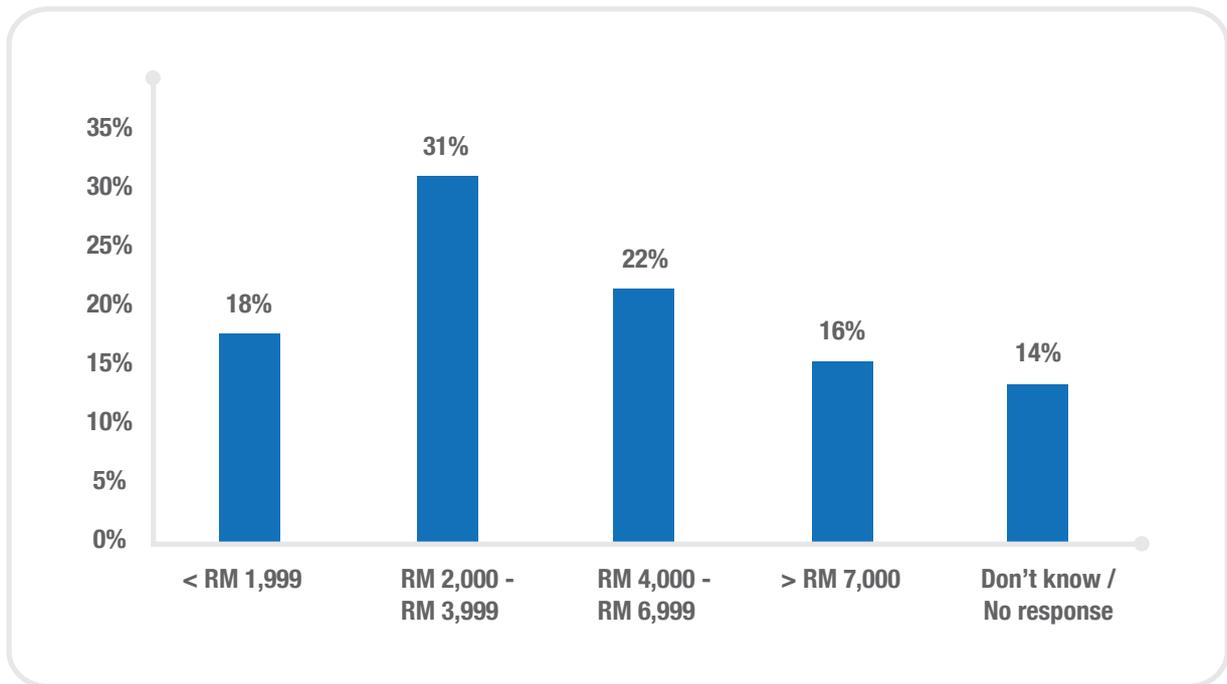
In total, 853 workers were interviewed for this study. All were working prior to the escalation of Covid-19, and were still working at the time of their interview. With regard to gender, 60% of respondents were

male and 40% were female. With regard to ethnicity, the majority were Malays (48%), followed by Chinese (30%), Indians (9%), Muslim Bumiputera (8%), and non-Muslim Bumiputera (5%).

The respondents were mostly under the age of 40 (about 63% of the sample). More than half (59%) of lived in small households (1 or 2 people), while 35% of respondents had between 6 and 10 people in their household. Two-thirds (66%) of respondents lived in an urban area, and the remaining 34% lived in the countryside.

More than half (59%) of respondents worked in the private sector, 26% were self-employed, and the rest were employed by the government or by a government-linked company (GLC). One-third of respondents (34%) worked in professional services, 15% worked in manufacturing, and 13% in a small business (construction, manufacturing, mining, wholesale and retail, or tourism). Household income levels were more balanced, as shown in the following figure:

Figure 3: Monthly Household Income of Respondents in January 2020



Main Findings

Malaysian MSMEs

The study's key findings on MSMEs are highlighted in this section and comprise relevant work-related and personal impacts of Covid-19 identified by looking at direct and indirect impact of the pandemic on the livelihoods of respondents (Part 1: Demographic Profiles of Respondents, is explained in 2 above).

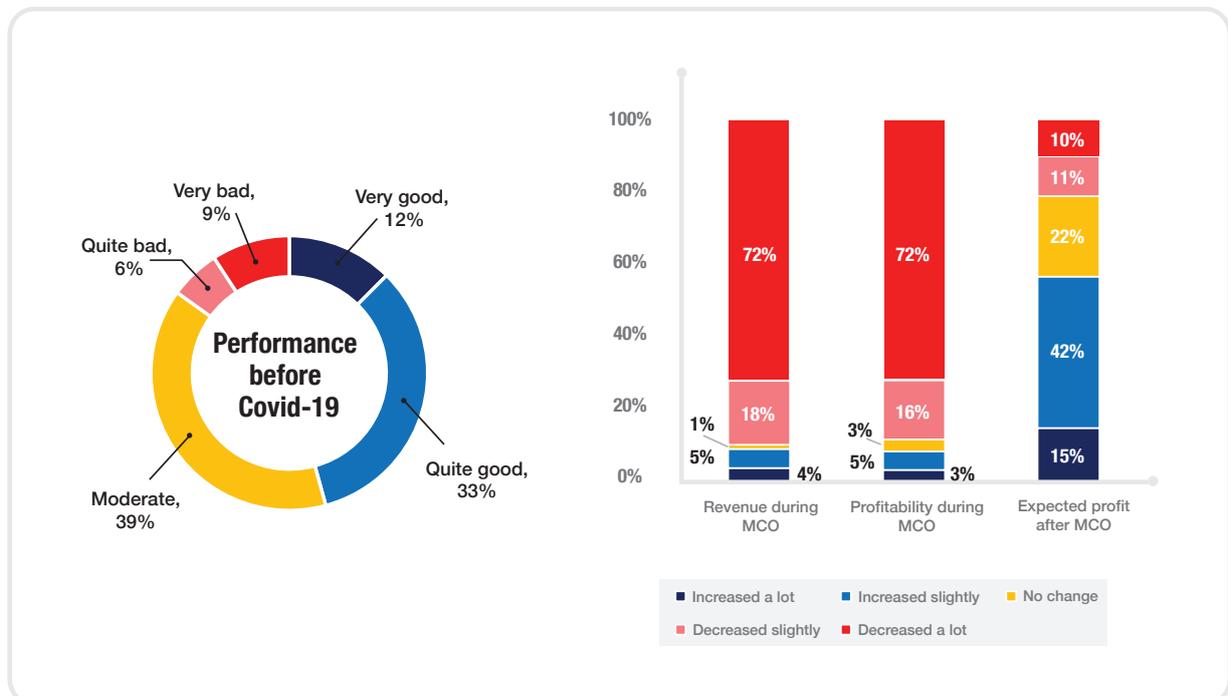
i) Part 2: Business Performance Prior to Covid-19 (Up to February 2020)

- Up to February 2020, 45% of respondents reported positive results (almost half of those in services [48%]; and more than half of those in manufacturing [53%]).
- With regard to the MCO, 90% of respondents

indicated that their revenue had declined, and 88% reported that business profitability had declined.

- One-third of respondents in the agricultural sector (33%) had higher revenue and profitability, which was due to greater demand for food crops and products.
- 21% of respondents in business services reported an increase in revenue throughout the MCO period, with the most success achieved by service providers offering digital and other business products used to compensate for restricted movement.
- More than half of respondents (57%) projected higher profits after the end of the MCO, while one-fifth (21%) believed that profits will decrease, post-MCO.

Figure 4: Summary of MSMEs Business Performance and Expectations Prior to Covid-19 (Up to February 2020)



ii) Part 3: Business Operations Throughout the Covid-19 Pandemic (Since March 2020)

- Two-thirds (66%) of MSMEs reported significant challenges with financial management, 54% had trouble with daily operations, while another 32% had difficulties with staffing.
- Certain sectors faced greater difficulties than others (i.e. 72% of respondents in services, and 100% of respondents in mining and quarrying).
- Larger small and medium enterprises had financial problems in comparison to microenterprises (60%, overall, reported major challenge with financial management—70% for small enterprises and 80% for medium-sized enterprises).
- From March to April 2020, more than half of the MSMEs surveyed for this study were temporarily closed (56%), while another 29% operated on a smaller scale. Only 5% of MSMEs operated normally during this period (most of these were in agriculture or providing business services). The most affected sectors were tourism (81%) and metal-based manufacturing (67%), with all micro, small and medium-sized enterprises being equally affected.
- As the MCO eased in May 2020, 48% of MSMEs resumed, but with reduced operations, while 29% remained closed. Almost a fifth of MSMEs (18%) operated normally.
- When this survey was conducted (July–August 2020), 56% of the MSMEs surveyed had resumed full operations, while slightly more than one-third (37%) had resumed, but with reduced operations.
- Generally, most sectors had started to return to normal operations, with 40% to 50% of respondents in each sector indicating that their business was operating normally.
- Half of micro and small enterprises projected turbulent times ahead, with 49% and 51%, respectively indicating problems repaying their loans.
- As for sales, revenue, and profitability, in general, respondents from all sectors reported a negative impact from Covid-19. This was especially the case with business services (75%) and manufacturing (81%).
- Regarding human resources-related actions to alleviate the impact of Covid-19, almost 20% of MSMEs resorted to hiring more part-time rather than full-time staff to cope with higher demand, but not incur unsustainable costs.
- 14% of MSMEs asked their staff to take unpaid leave, while another 12% implemented pay cuts; about a fifth of small and medium enterprises (19% and 20%, respectively) cut costs by asking staff to take annual leave.

Figure 5: Challenges Faced by MSMEs due to Covid-19 and the MCO

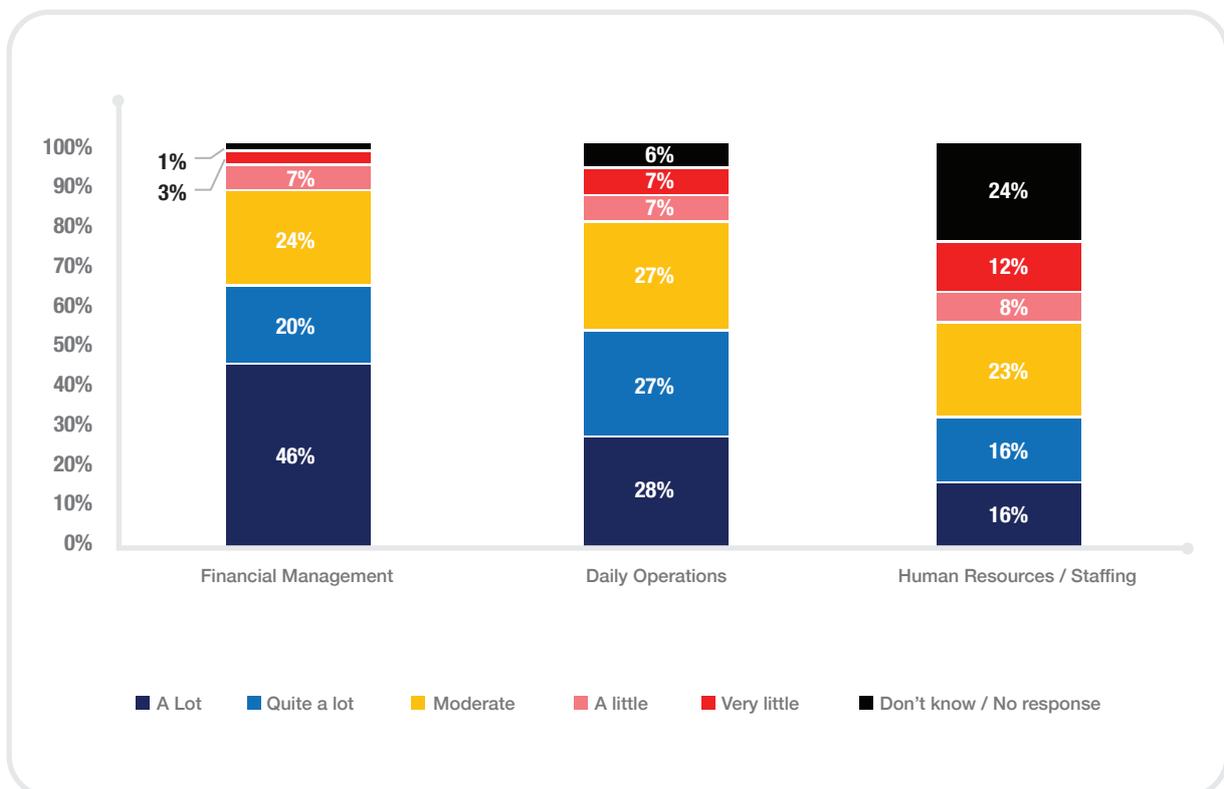


Figure 6: MSMEs' Status During the MCO

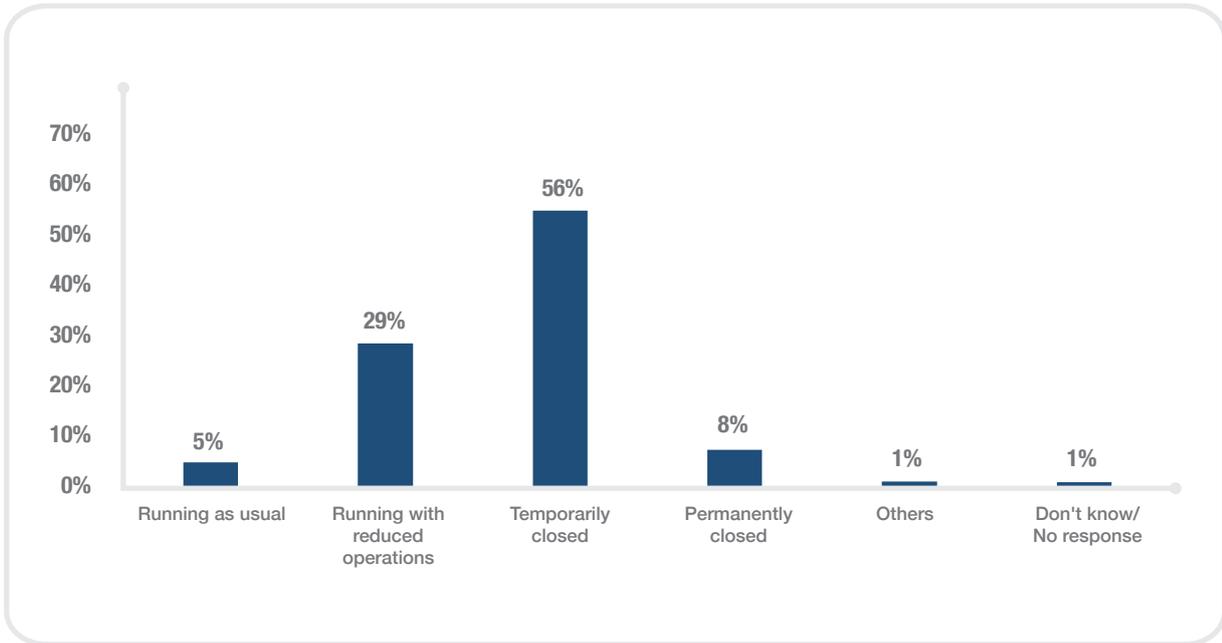


Figure 7: MSMEs' Status During the Extended MCO

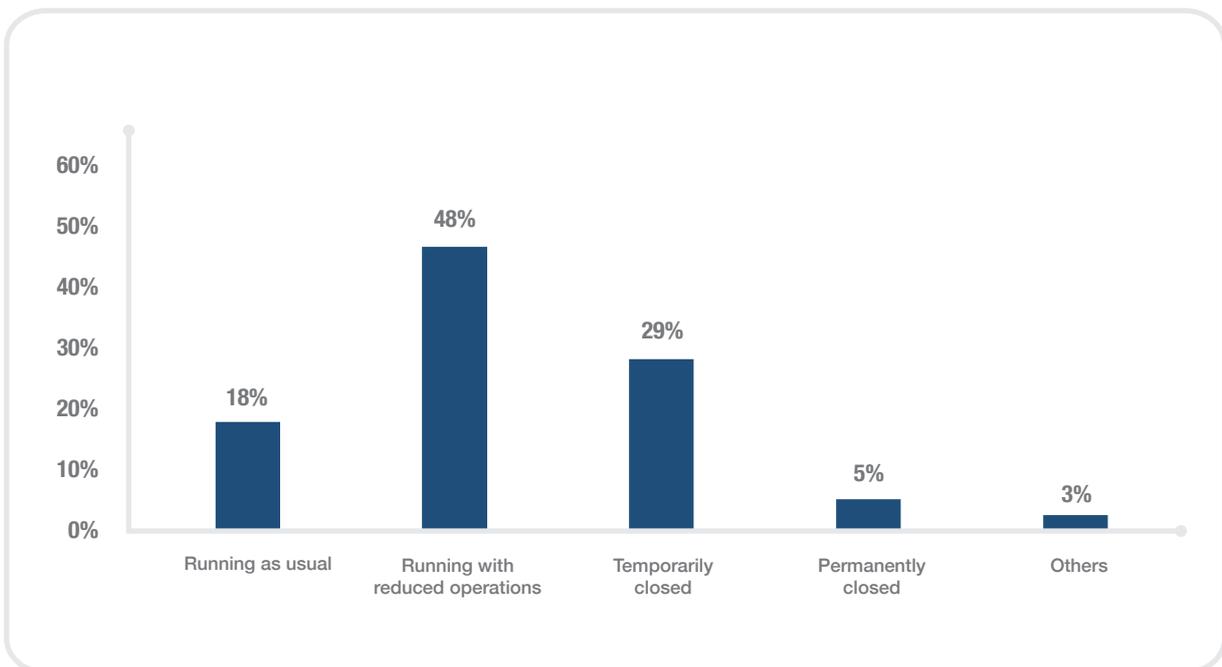


Figure 8: MSMEs' Status in July-August 2020

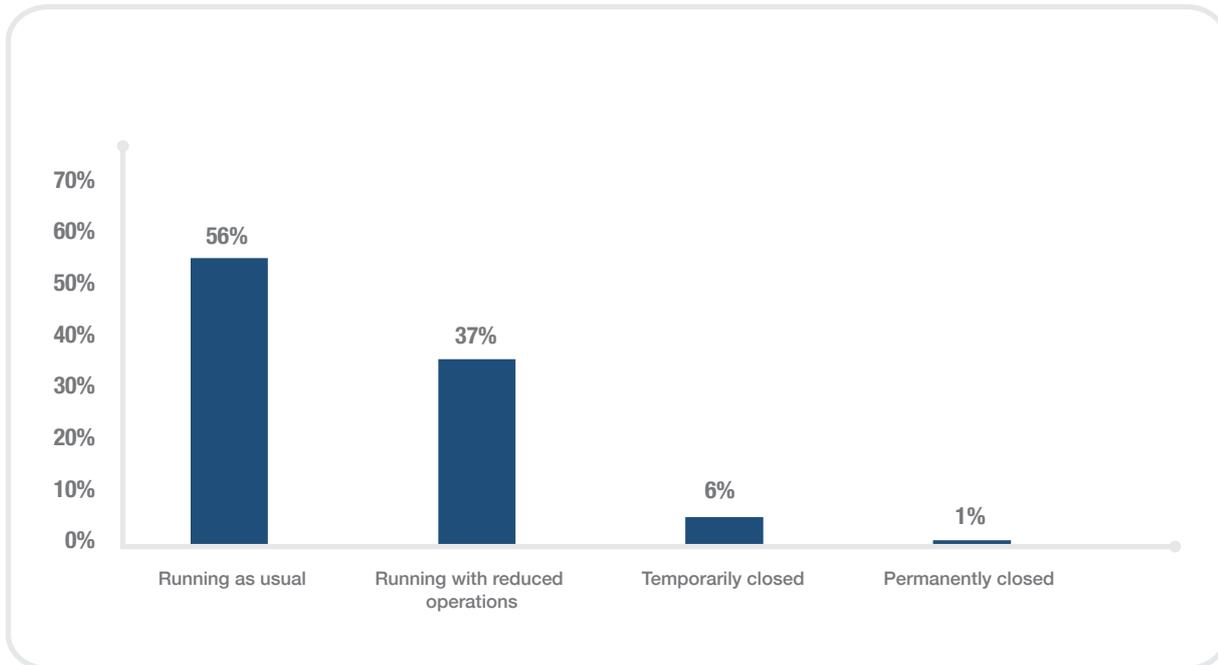


Table 1: Main Challenges Faced by MSMEs During MCO Period

	Total ²	First ³	Second
Fewer customers or clients	54%	39%	15%
Insufficient cashflow to maintain operations	51%	19%	32%
Government orders forced business to stop	29%	27%	2%
Safety and health concerns	27%	5%	22%
Shortages of supplies	15%	8%	7%
Insufficient cashflow to retain employees	10%	2%	8%
Employees declined to come to work	6%	-	6%
Others	5%	-	5%
Don't know/No response	3%	-	3%

2. Refers to the cumulative percentage

3. Refers to responses given by respondents for questions that require 2 or 3 answers - 'first' being their 1st response and 'second' being their 2nd response.

Figure 9: Impact of Covid-19 on MSMEs'

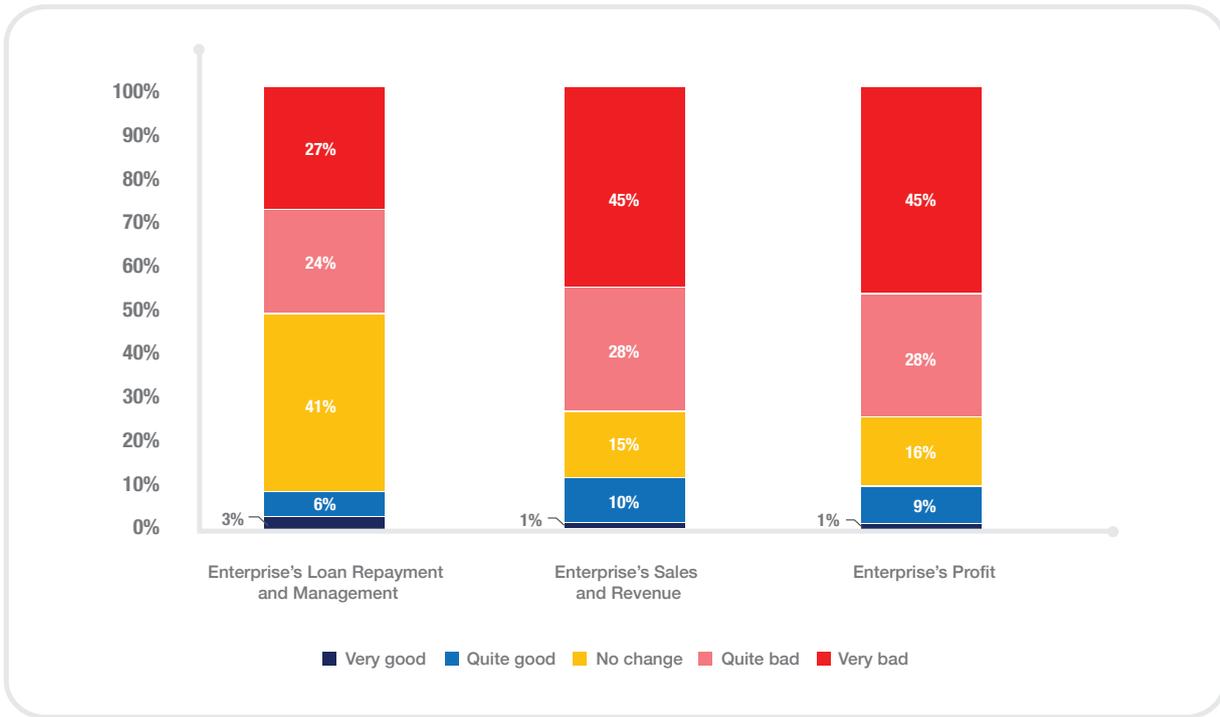
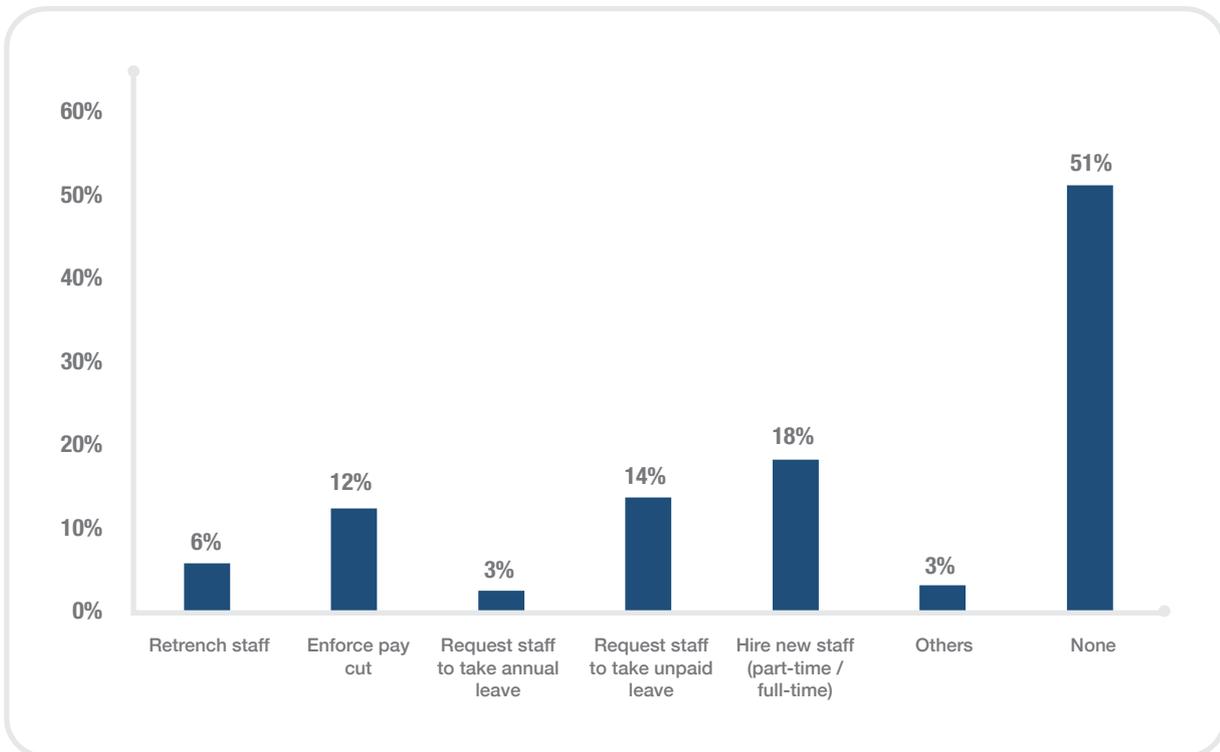


Figure 10: HR-Related Actions of MSMEs Due to Covid-19



iii) Part 4: Business Projection, Survival and Coping Strategies

- Three-quarters of MSME survey respondents (75%) indicated that they expect that Covid-19 will have a long-lasting impact on their business, with at least two-thirds of respondents in services (75%), manufacturing (88%), and construction (88%) agreeing with this concern.
- Overall, 59% of MSME respondents reported that they had made changes to their business model due to Covid-19 and the MCO, compared to 41% who had not. With the exception of respondents in the mining and quarrying sector, all other MSME respondents reported that their business had to alter its model (57% in services, 56% in manufacturing, 75% in construction, and 67% in agriculture).
- Traditional sectors such as transport and storage generally did not change their overall approach (56%) as these logistics-driven areas require physical movement and action.
- The main challenges that SME respondents reported having to face in adapting their business comprised: difficulties in finding customers or clients (70%); paying rent, maintenance, and other unavoidable expenses, despite earning less or no income (45%); inadequate financing (28%); and difficulties in finding required inputs or materials (20%).

Figure 11: Respondents’ Feedback on the Lasting Impact of Covid-19 to Their Business and Change of Business Model Due to Covid-19

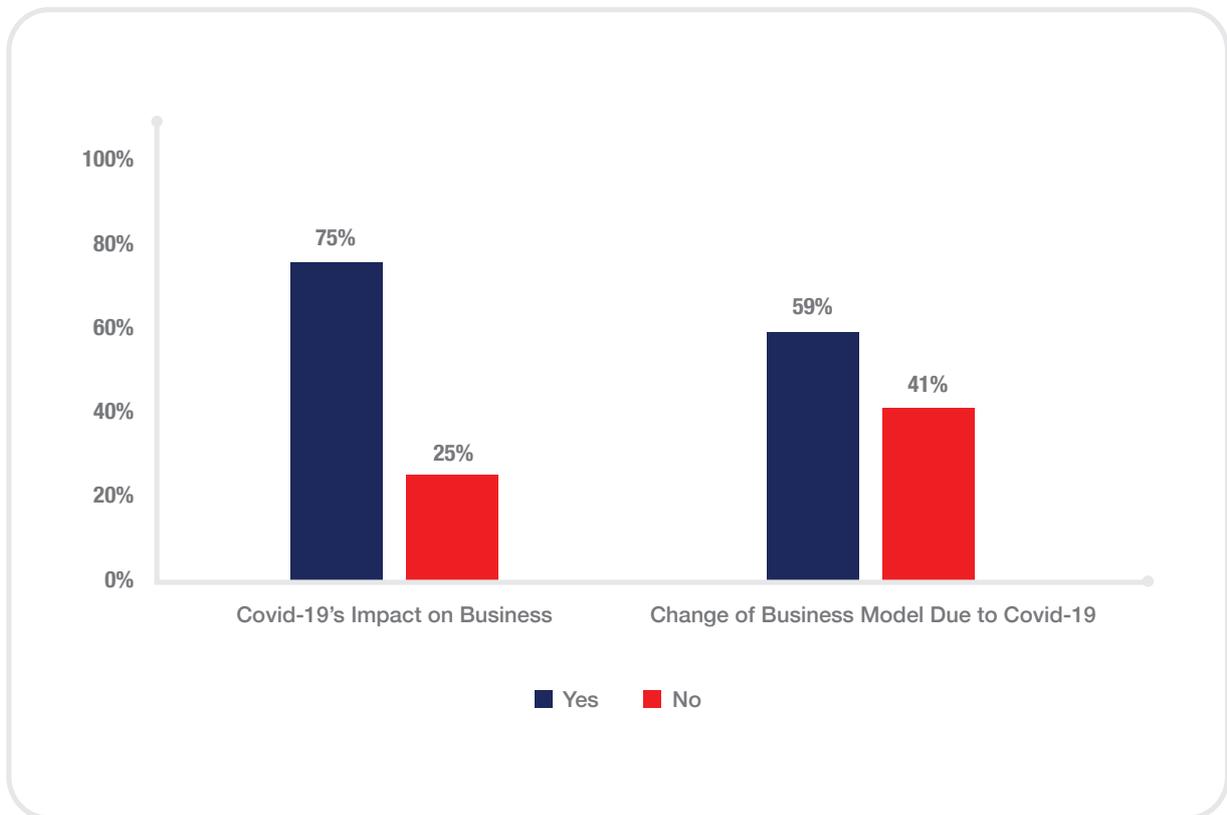


Table 2: Main Challenges SMEs Face in Adapting their Business Due to Covid-19

	Total ⁴	First ⁵	Second
Difficulty in finding customers or clients	70%	63%	7%
Continuing to pay rent, maintenance, and other expenses	45%	18%	27%
Inadequate financing	28%	7%	22%
Problems finding inputs or materials	20%	3%	17%
Problems finding employees, or re-training/re-skilling them	8%	3%	6%
Problems with transportation and logistics	8%	3%	5%
Lack of equipment	7%	1%	6%
Others	11%	2%	9%
Don't know/No response	4%	2%	2%

Case Study 1: Changing a Travel Agency for the Post-Covid-19 Era

As a new player in the travel industry, TA Agency (not the company's real name) has been a considerable success: after only six years in business, the agency had become a well-known brand. Although, technically, it is still a small business, the travel agency's annual pre-Covid-19 earnings were close to RM 3 million. However, since the pandemic began, and tourism has been badly affected in Malaysia, TA Agency's business has steeply declined.

Recognizing the need to find another way to survive Mr. B, the CEO of TA Agency, decided to change direction, at least for now. Recognizing public demand for quick, convenient payment options for consumers shopping online, the CEO developed a strategy and a payment method called 'Yezza' that uses a well-known communications platform (WhatsApp) to increase the presence of online consumers. Through the establishment of 'Yezza', TA Agency was able to connect with large groups of online sellers intending to expand their businesses, offering them a convenient channel to boost sales. 'Yezza' has managed to gather more than 1,000 sellers (up to October 2020), generating its revenue by imposing service charges and receiving commission from its members. At the same time, 'Yezza' helps to identify relevant products that could be packaged together with TA Agency's travel-based products.

In future, Mr. B intends to utilize the platform to market his travel offerings, but for now, he is consolidating as much consumer data as possible while also promoting his brand and product. Given the current conditions resulting from the pandemic, Mr. B believes that this is the time for him to diversify and digitalize his business.

4. Refers to the cumulative percentage

5. Refers to responses given by respondents for questions that require 2 or 3 answers - 'first' being their 1st response and 'second' being their 2nd response.

iv) Part 5: Government Management of Covid-19

- 71% of all MSME respondents gave positive answers about the government’s management of the MCO; however, micro (73%) and small enterprises (70%) were more satisfied in comparison to medium-sized enterprises (65%).
- With regard to effective implementation of the MCO, the score was 61%; for management of healthcare, 47%; and for the government’s economic stimulus package as well as business assistance, 34%. These were the top reasons given for the positive ratings across all sectors.
- Almost all respondents (89%) revealed that their MSMEs were eligible to apply for government assistance, yet only half (53%) knew how to

apply for the programs; similarly, more than half of the micro enterprises (52%), and 46% of the small enterprises, had the same issue regarding the application process.

- The top types of aid that MSME respondents applied for (with some of it automatically given to MSMEs by the government) were an RM 3,000 special grant under the PRIHATIN package (received by 51%), a wage subsidy program for employers (received by 37%), and the moratorium for MSMEs’ bank loans (received by 20%).
- Most enterprise respondents (90%) received the assistance that they applied for, with all sectors, except agriculture, having an acceptance rate of more than 93%.

Figure 12: Satisfaction with the Government’s Management of the MCO

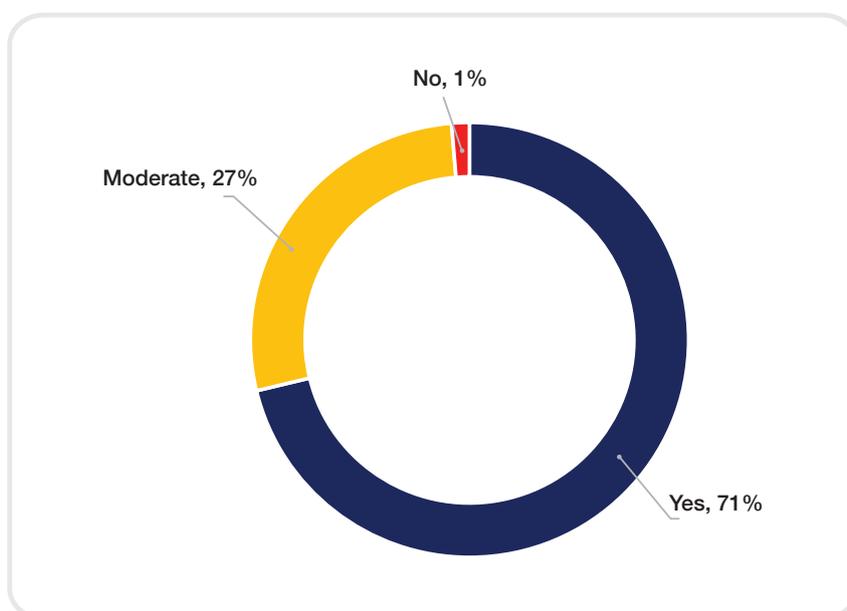
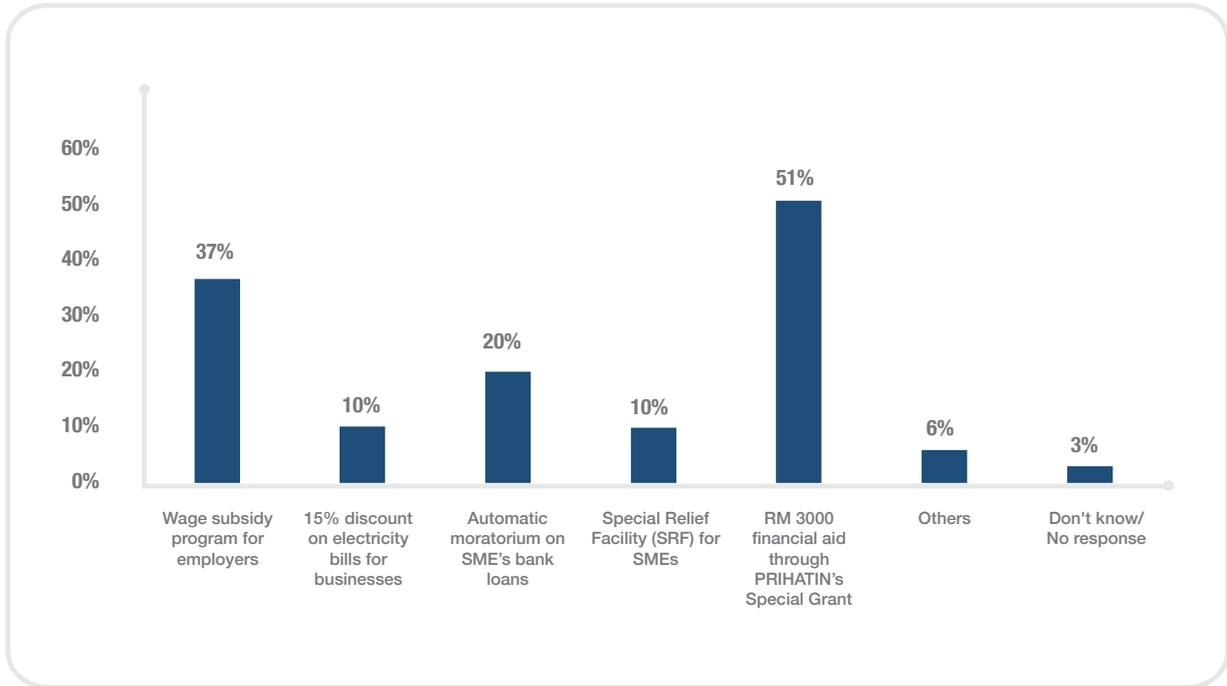


Table 3: Satisfaction with the Government’s Management of the MCO

	Total	First	Second
Effectiveness of the government regarding implementation of MCO	61%	57%	4%
Effectiveness of the government regarding healthcare	47%	24%	23%
Effectiveness of the government regarding the stimulus package and assistance for businesses	34%	2%	32%
Effectiveness of the government regarding border control restrictions	28%	8%	20%
Effectiveness of the government’s policies on business operations	23%	7%	16%
Other(s)	4%	1%	3%
Don’t know/ No response	1%	1%	3%

Figure 13: Programs or Assistance Applied for by MSMEs



- More than 70% of the MSME respondents reported that they were satisfied with the criteria used to determine whether businesses received aid (77%), the application system (77%), and the follow-up measures to secure the aid (71%).
- Microenterprises were the most satisfied (86%) when it came to satisfaction with the aid (compared to 67%, each, for small and medium enterprises). Microenterprises gave the government a high score for the criteria for receiving the aid (91%), and a high score for the application procedures (89%).
- Regarding the criteria for receiving aid, small enterprises gave the government a rating of only 61%, and medium enterprises only 58%. Regarding the application procedures, the small enterprise rating was 67%, and the medium enterprise rating was 58%.
- More than half of the MSME respondents (58%) reported that the stimulus package announced by the government met their expectations; 69% of microenterprises approved of the stimulus package, followed by small enterprises (50%), and medium enterprises (42%).
- Almost two-thirds (65%) of the MSMEs were confident about their recovery prospects, while 29% were neutral; only half of small enterprises (50%) and one-third of medium enterprises (33%) were confident about their recovery, while most respondents were neutral.
- As for the main issues faced by female SME owners, respondents listed lack of capital and operations financing (32%), problems achieving a work-life balance (27%), and the need for childcare assistance (21%) as their primary concerns.
- Regarding unresolved issues for MSMEs, respondents highlighted insufficient financial aid (24%), and lack of clarity regarding application terms and procedures (18%). These were important issues across all sectors, sub-sectors, and SMEs.
- For the 2021 Budget, MSME respondents would like to see greater financial assistance i.e. grants (64%), continuation of the moratorium on loans (30%), less bureaucratic federal and state government agencies (21%), a convenient digital platform for businesses (19%), and a focus on improving digital and IT infrastructure (18%).

Figure 14: Satisfaction with the Delivery of Government Programs

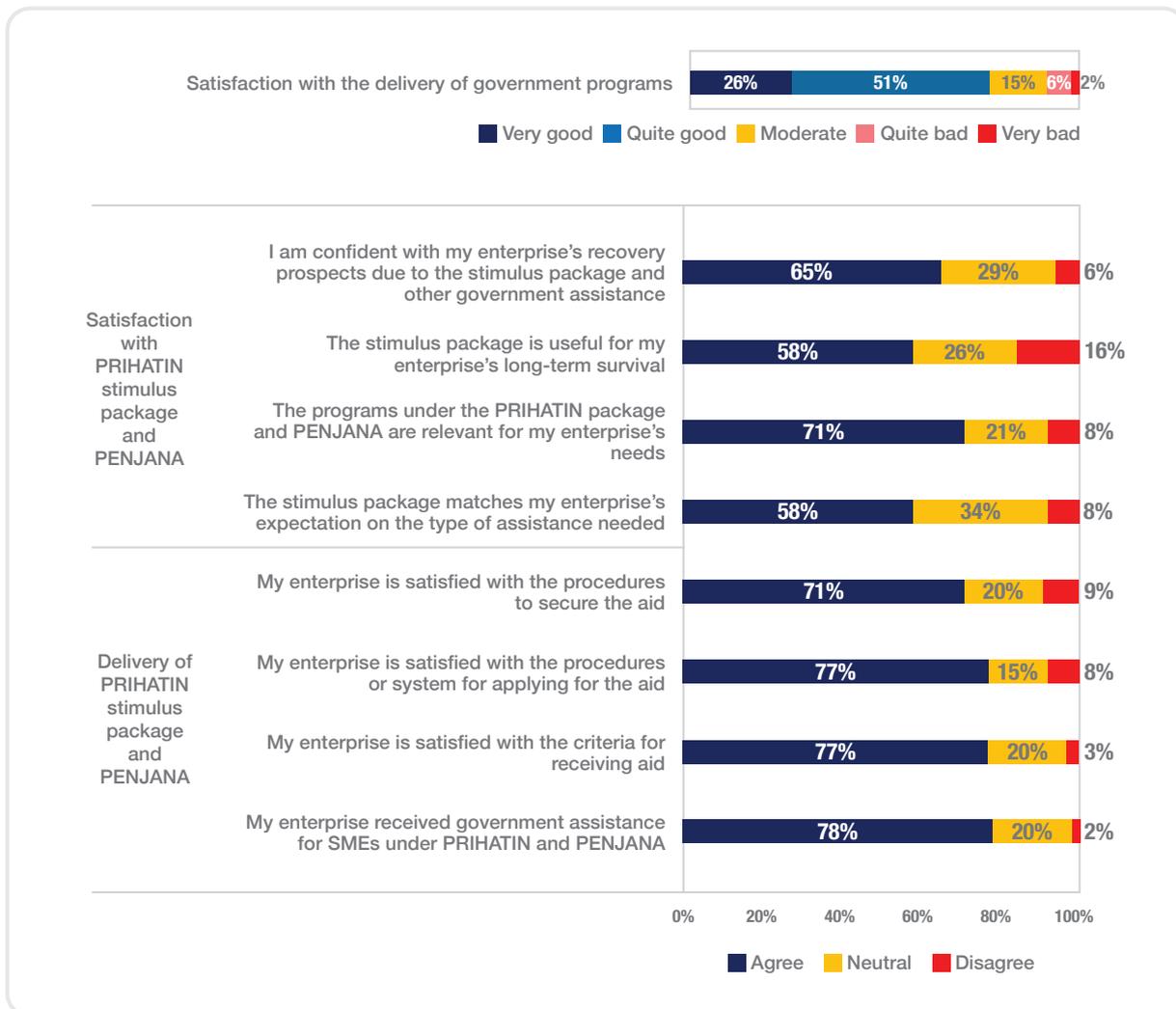


Table 4: Key Issues for Female SME Owners

	Total	First	Second
Lack of capital and operating finance	32%	21%	11%
Problems with work-life balance	27%	6%	22%
Lack of childcare assistance	21%	1%	20%
Lack of eldercare assistance	18%	9%	18%
Inadequate business facilities and infrastructure	17%	10%	17%
Lack of a suitable business platform	16%	9%	16%
Slow licensing and other approvals by local authorities	14%	11%	14%
Slow aid approval and processing by federal agencies	12%	9%	12%
Gender discrimination or stereotyping	8%	3%	8%
None	28%	18%	10%

Table 5: Unresolved Issues for MSMEs

	Total	Services	Mining & Quarrying	Manufacturing	Construction	Agriculture	Small	Micro	Medium
Insufficient financial aid/loans for SMEs	24%	26%	-	16%	13%	33%	24%	24%	20%
Unclear loan application requirements and procedures	18%	19%	-	16%	13%	27%	16%	19%	20%
Lack of training/upskilling for SMEs on new technology and business platforms	9%	10%	-	6%		13%	8%	11%	
Lack of enforcement of licenses and laws that apply to SMEs	6%	8%	-	3%			3%	8%	
Dissatisfaction with the allocation of aid/assistance	6%	4%	-	13%		7%	14%	4%	
Lack of transparency about aid/assistance information and procedures	5%	5%	-	3%	13%		3%	6%	
Immigration issues/Lack of local labor	2%	2%	-		13%		3%	2%	
None	26%								

Table 6: MSMEs' Expectations about Budget 2021

	Total	First	Second
Greater financial assistance (i.e. grants)	64%	61%	3%
Continuation of the loan moratorium	30%	12%	18%
Less bureaucratic federal and state govt agencies	21%	4%	17%
Convenient platform / channel to conduct business activities	19%	10%	9%
Focus on digital and IT infrastructure for the benefit of SMEs	18%	2%	16%
Provision of suitable training programs	15%	3%	12%
Set-up strategic and abundant business infrastructure	13%	5%	8%
Help to promote products at the international level	11%	2%	9%
Others	5%	1%	5%
None	4%	1%	3%

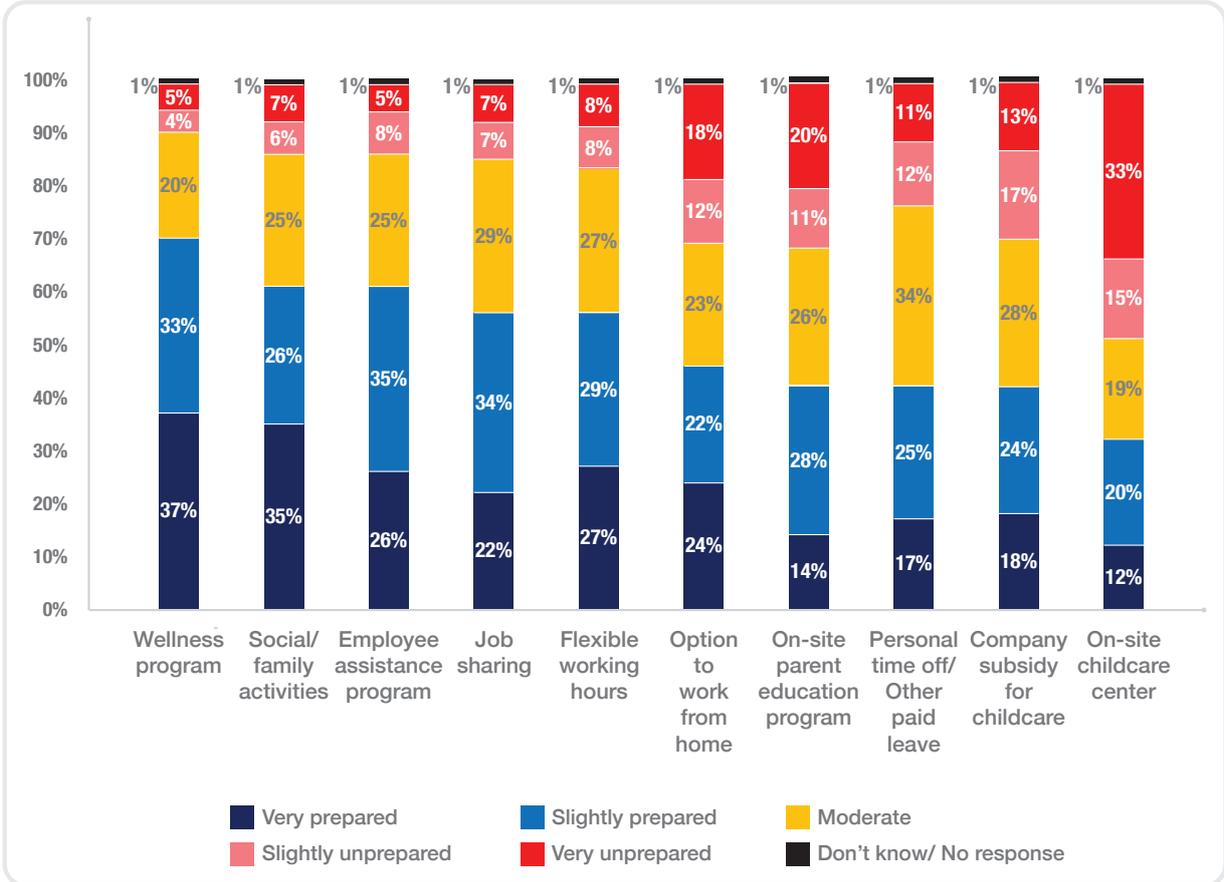
v) Part 6: Participation of Women in the Workforce

- The top issues that working mothers deemed to be important were work-life balance (52%), childcare assistance (51%), career growth (25%), and job retention (22%). The top two issues were the same across micro, small, and medium-sized businesses. Similarly, work-life balance and childcare assistance were ranked as the top issues for respondents from the services, manufacturing, and construction sectors.
- Respondents mentioned that their enterprise was more willing to help in some areas than others (i.e. wellness programs, 70%; employee assistance programs, 61%; social and family activities, 61%).
- Conversely, almost half (47%) of MSMEs were less ready to provide on-site childcare centers for their workers, a company subsidy for childcare (30%), on-site parent education programs (31%), and the option for women to work from home (29%).

Table 7: Main Unresolved/Inadequately Addressed Issues for Working Mothers

	Total	First	Second
Work-life balance	52%	5%	47%
Childcare assistance	51%	49%	2%
Career growth	25%	12%	13%
Job retention	22%	11%	11%
Eldercare assistance	19%	8%	11%
Workplace discrimination or stereotyping	12%	8%	4%
Others	9%	7%	3%
Don't know/No response	10%	1%	9%

Figure 15: Summary on the Readiness of MSMEs to Implement Measures



vi) Special Section – Tourism Sector

- Out of the 153 MSME respondents who were surveyed, 16 were tourism enterprises. These businesses reported poor business performance during the MCO, especially with regard to their revenue and profitability (100% of respondents highlighted massive decreases in both) - in contrast, more than two-thirds of tourism enterprises (69%) reported positive performance before Covid-19 (up to February 2020). Also, less than half of the tourism-MSMEs surveyed (44%) projected greater profits after the MCO, with 50% anticipating no change to their profitability.
- Tourism-related MSMEs have faced major challenges throughout the Covid-19 pandemic and the MCO, including problems with financial management (94%), daily operations (63%),

and human resources/staffing (50%). Only 12% of tourism MSMEs reported minimal impact on daily operations and human resources.

- Few respondents gave positive scores for managing their loan repayments (13%), business sales and revenue (6%), and enterprise profitability (6%). Also, 57% of tourism-related MSMEs had issues with loan repayment and management, 88% were troubled by lack of sales and revenue, while 94% experienced financial losses/low profitability.
- Only 50% of respondents agreed that the stimulus package had matched their expectations, while half of the respondents (50%) agreed that the stimulus package was useful for their business’ long-term survival. Despite receiving government assistance, only 38% of tourism-related MSMEs expressed confidence that their business would recover.

Figure 16: Summary on Tourism-Related MSMEs’ Business Performance Prior to Covid-19 (Up to February 2020)

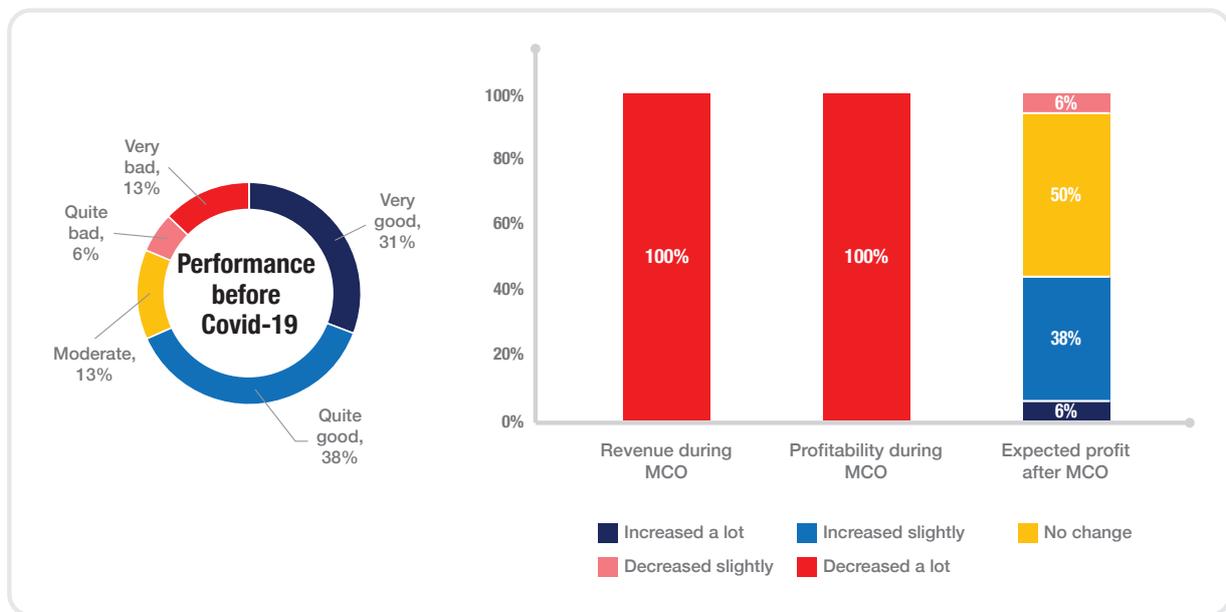


Figure 17: Extent of Key Business Challenges Due to Covid-19 and the MCO

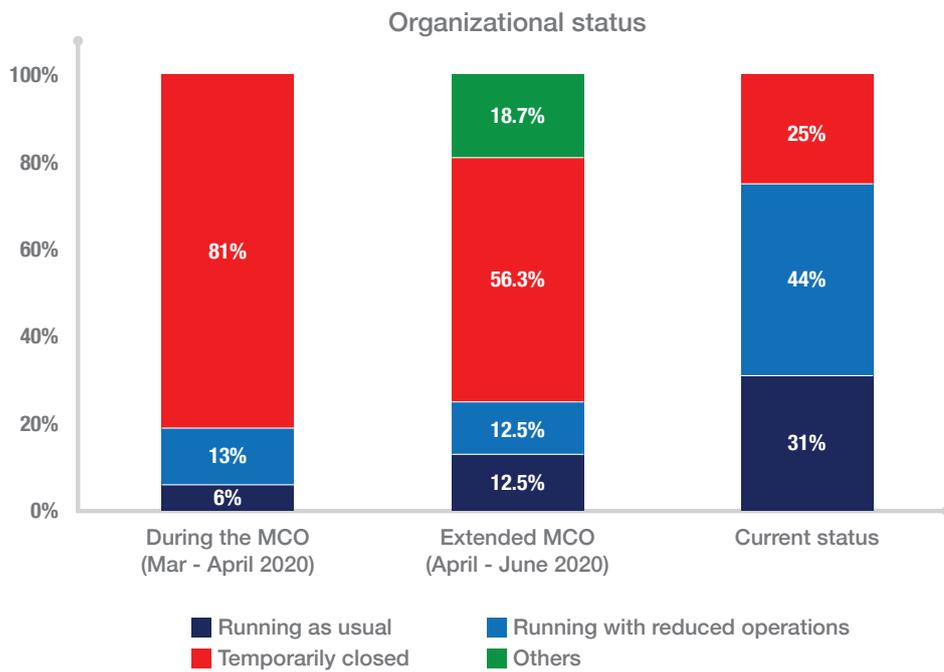
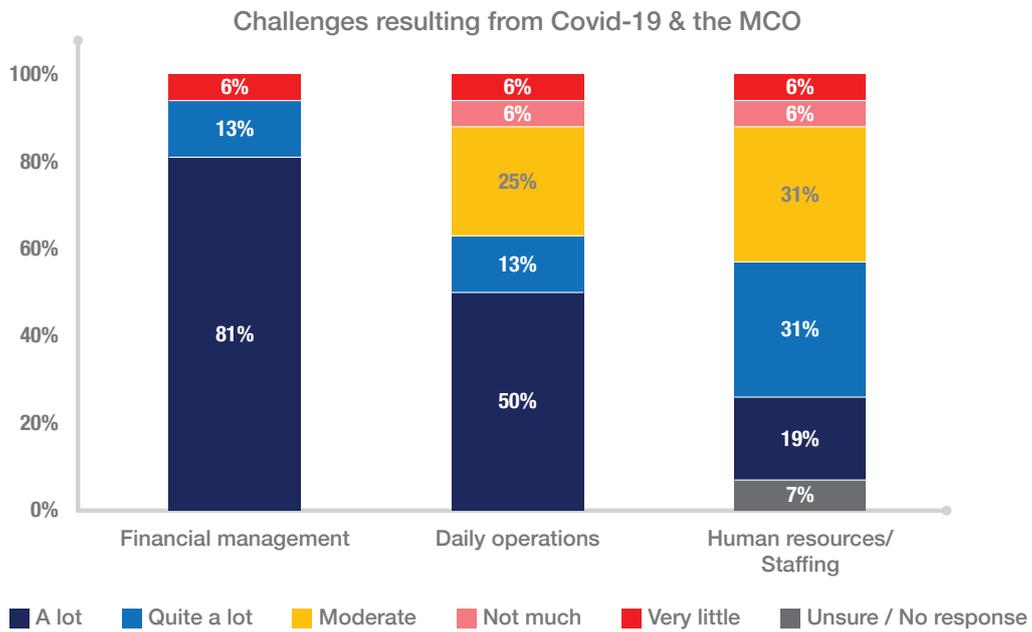


Figure 18: Summary of the Main Challenges Related to Business Operations, Supply Chain, and Logistics Due to Covid-19 and the MCO

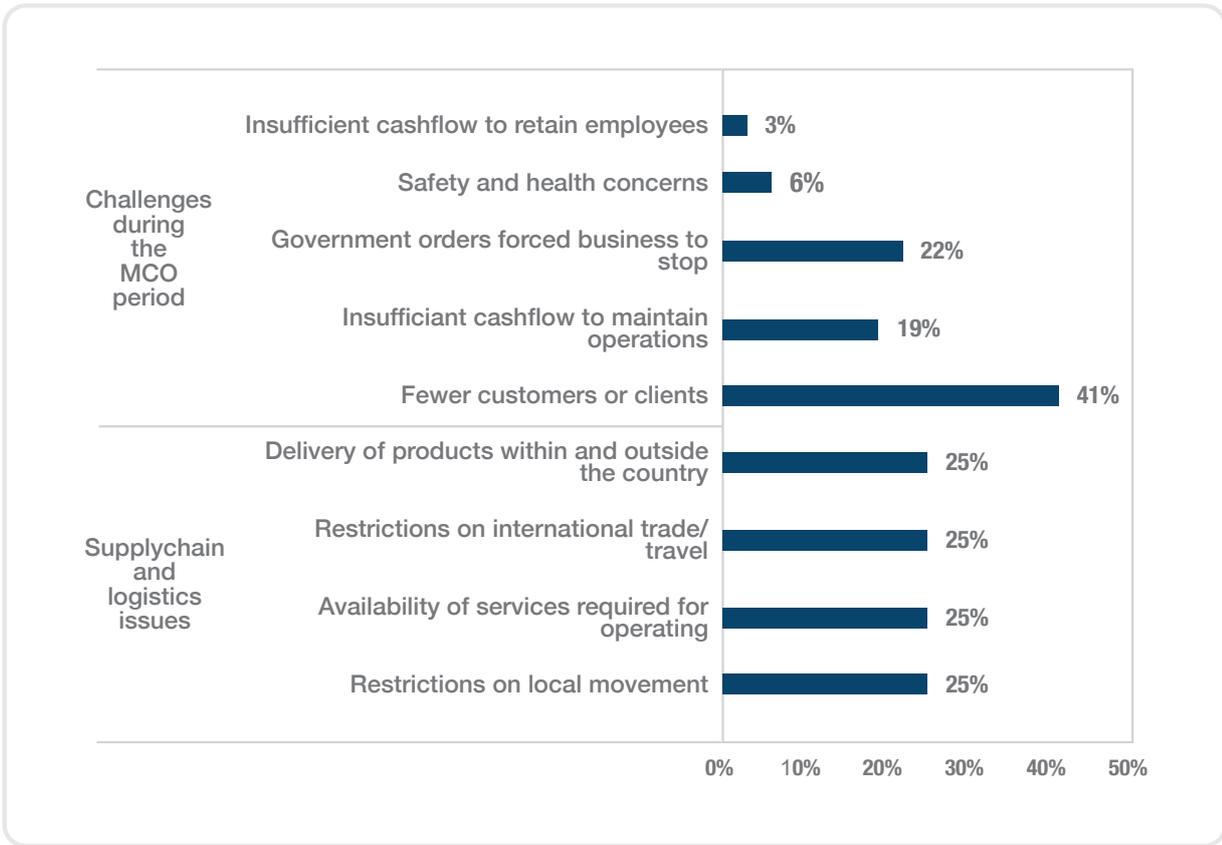
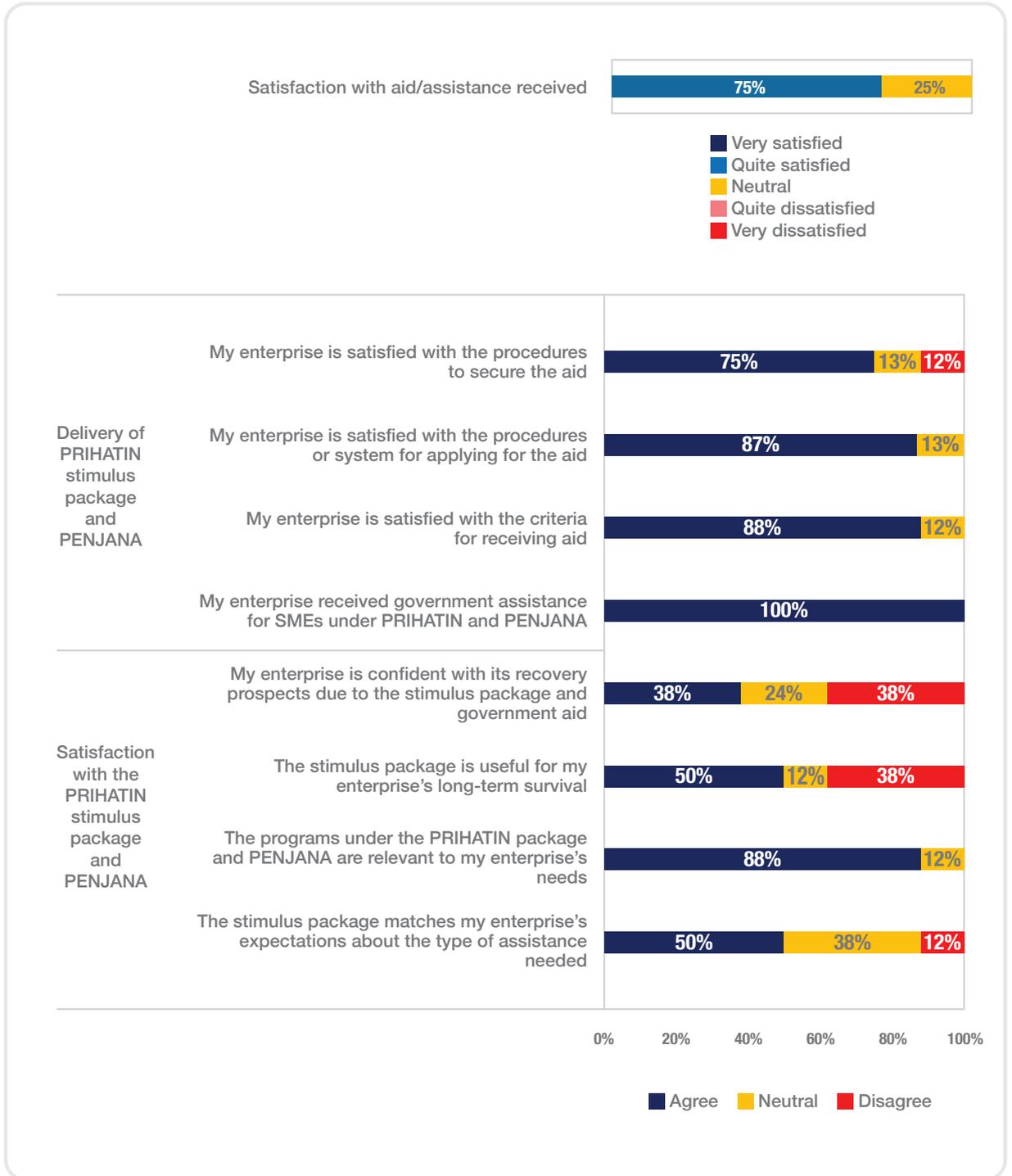


Figure 19: Summary of Key Financial and Human Resources Challenges Due to Covid-19



Figure 20: Summary – Delivery and Satisfaction with Government Aid Packages



Case Study 2: Small Traders in Janda Baik (A Prominent Tourist Spot)

The serene town of Janda Baik in Pahang State is often filled with both Malaysians and foreigners who are drawn by the town's greenery and mountainous views. Located approximately one hour from Kuala Lumpur, Janda Baik, has a number of small resorts, shops, and restaurants that provide a multitude of job opportunities for local people, and especially for young adults.

Implementation of the movement control order (MCO) in March 2020 and the subsequent extended movement control order, had a significant impact on Janda Baik's tourism workers and the traders who also depend on the weekend and holiday visitors. The government-imposed restriction on inter-state and inter-district travel forced the temporary closure of some of the town's homestays and resorts and a large number of their workers were laid off or given extended unpaid leave.

In August and October 2020, when asked about business in the months of March to June 2020, small traders mentioned how the town center was eerily quiet during that time as locals had closed down or scaled back their businesses to comply with government orders. Young adults, who previously worked in the area as salespeople, general workers, and assistants had to seek alternative employment or stay at home.

After the MCO was relaxed in late June, local people in Janda Baik were extremely happy with the return of visitors, although the return to normal levels of visitors was gradual. However, local people said that fewer visitors was better than none, and with the increase in the number of tourists, businesses were able to expand their operations, extend their business hours, and earn greater financial return. For this segment, the spread of Covid-19 was detrimental in more ways than one, and the arrival of 'outsiders' in this small town is more than welcomed.

Malaysian Workers (Part 1 – Demographic Profile of Respondents; explained in 2 above)

i) Part 2 – Employment-based Background (At the End of February 2020)

- More than half of respondents (59%) had not received any social welfare aid over the past year, while those who did obtain assistance were primarily senior citizens (those age 60 and above), and those who had household incomes of less than RM 4,000.
- Also, more than half of respondents (56%) were aware of existing labor protection laws in Malaysia, with a higher proportion of female respondents understanding the laws, in comparison to males (60% versus 53%). Those who owned a business or were self-employed

were less aware of labor laws as they were not well-covered under the existing provisions.

- With regard to income levels, almost half (45%) of the respondents were satisfied with their primary incomes compared to one-third who were dissatisfied. A higher level of dissatisfaction was reported by respondents of Indian ethnicity (50%) and those earning less than RM 2,000 who were earning insufficient cash to maintain a healthy and viable lifestyle.
- Despite part-time jobs or secondary positions being widely discussed in the public sphere, only one-sixth of respondents (16%) had side jobs, including those in the younger age bracket (only 20% of people age 21 to 30 had part-time jobs), and an online business was the main type of part-time work.

Figure 21: Respondents' Satisfaction with Their Primary Income

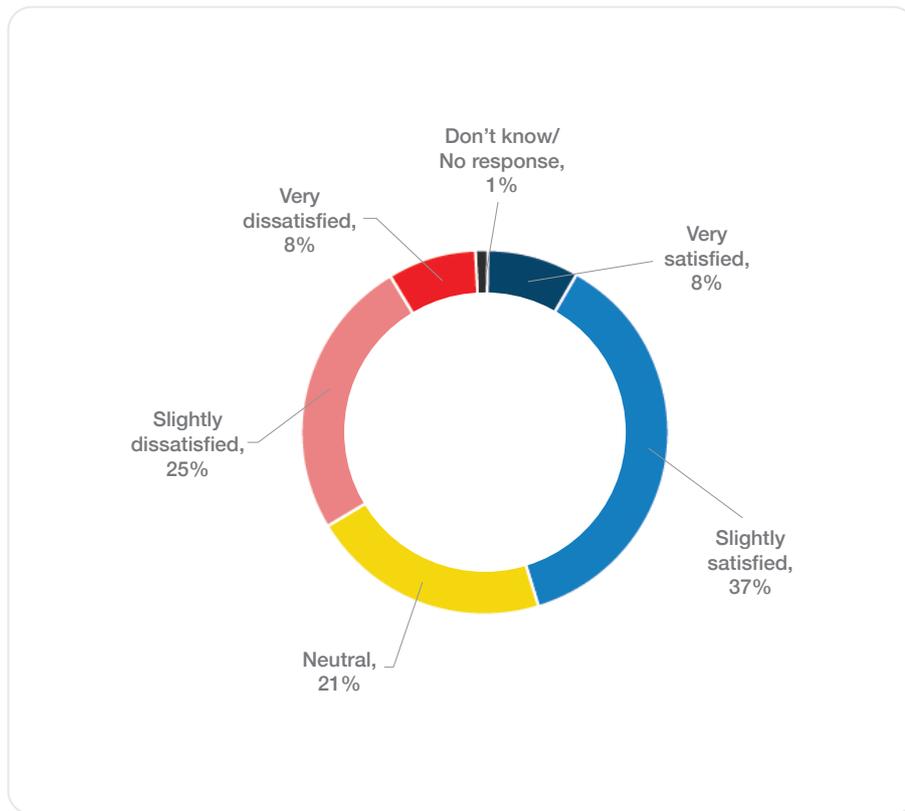


Table 8: Types of Part-Time Jobs Reported by Respondents

Online business operator	16%
e-ride-hailing driver	3%
Insurance/property agent	6%
Small business trader/hawker	14%
Farmer/raising livestock/fishing	10%
General skilled work	16%
Tutor	4%
Retailer	6%
Taxi/lorry driver	1%
Food delivery service	
Artist/musician/writer	3%
Others	17%

ii) Part 3 – Economic Impact During the Covid-19 Pandemic (March 2020 onwards)

- Almost 75% of respondents were employed, and 14% were self-employed, however, those age 60 and older, as well as the 40% of respondents earning less than RM 2,000, no longer enjoyed the same status, and this forced them to seek alternatives, including self-employment.
- Job security was a major concern highlighted by survey respondents—60% of respondents planned to stay in their current position for 5 years or more, but certain groups reported lack of clarity about their career direction.
- Half of the respondents (51%) earned the same monthly amount as their pre-Covid-19 level. This was particularly true for the 72% of respondents who had professional roles. Almost 40% of respondents were earning less, and this was especially true for respondents working in small businesses (58%), manufacturing (41%), tourism (45%), agriculture (49%), and construction (56%).
- For those with a greater or unchanged income, the top reason given was no change or minimal change in work operations (i.e. working from home), and thus business productivity remained substantially the same.
- Conversely, the respondents who reported a lower income were affected by limited movement and mobility due to the movement control order (34%), fewer clients or customers (33%), or the suspension of operations or application of pay a cut (22%, respectively, for each).
- More than half (56%) of those whose income was reduced as a result of cost-cutting measures reduced their household expenses (i.e. for groceries and home appliances), while another 26% attempted to save money by making and eating food at home versus eating out.
- A total of 70% of respondents were not able to work from home during the MCO period due to their need to be physically present at their employer’s. Just over half (52%) of respondents highlighted the need for better Internet connectivity to enable them to work effectively from home.

Table 9: Employment Status of Respondents According to Sectors

	Agriculture	Mining	Construction	Manufacturing	Tourism	Professional services	Wholesale and retail sale	Small business	Others
Employed (same as before)	59%	77%	71%	84%	74%	86%	63%	46%	86%
Working for a company but looking for a new job	6%	15%	4%	1%	3%	4%	10%	3%	6%
Just started a new job/joined a new company			1%	2%	3%			1%	2%
Self-employed (including in the gig economy)	27%		17%	7%	6%	6%	19%	43%	4%
Working for an employer but also self-employed (including in the gig economy ⁶) /had a side income	8%	8%	6%	6%	10%	5%	6%	5%	1%

6. The ‘Gig economy (or ‘on-demand economy’) applies to one or two types of jobs: micro-tasks that are performed online and can therefore be organized on a global scale; and services that are offered by online companies using websites and mobile apps but are performed locally (‘on-demand services’). International Labour Organization (ILO), 2018. *Working Time and The Future of Work*, ILO Future of Work Research Paper Series, pp. 22.

Figure 22: Respondents' Plan to Stay in Existing Roles

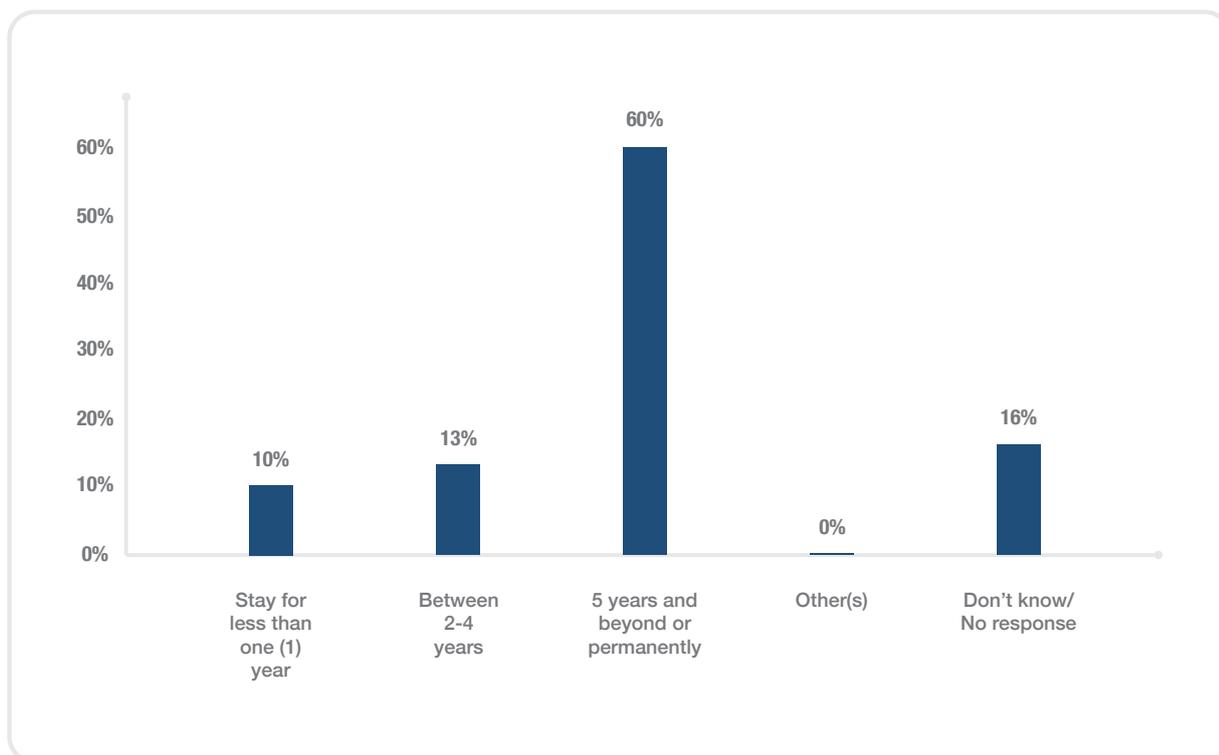


Table 10: Respondents' Plan to Stay in Existing Roles (by sector)

	Agriculture	Mining	Construction	Manufacturing	Tourism	Professional services	Wholesale and retail sale	Small business	Others
< 1 Years	9%	8%	14%	8%	16%	11%	15%	6%	7%
2-4 Years	10%	15%	12%	14%	13%	14%	21%	6%	21%
>5 Years/Permanently	68%	62%	52%	56%	48%	66%	46%	66%	48%
Don't know	10%	15%	19%	19%	23%	9%	17%	19%	21%
No response	3%		3%	2%			2%	2%	1%

Case Study 3: A Working Mother's Perspective on Covid-19

Ms S, a working mother, who is a purchaser for a small manufacturing plant in Johor Bahru, looks at discipline in a very strict manner. Her daily routines at work are fixed (especially on weekdays), and work-related conversations dictate her day-to-day activity. Her work involves discussions with colleagues on production schedules, manufacturing plans for the coming weeks, and regular calls with suppliers to obtain the best prices for key materials.

With the emergence of Covid-19, Ms S was temporarily laid off between March and April 2020, and her job was replaced with household activities. She was very thankful that she was not retrenched and that her monthly salary continued to arrive on time. However, despite the company's temporary closure, Ms S still had to work on some of her regular tasks that comprised filing and book-keeping, as well as preparing for an internal audit that was expected to take place in the near future.

While working at home, Ms S also had to take care of her 4-year-old daughter whose nursery had temporarily closed due to the MCO. As a result, Ms S had to juggle her time between work and childcare. During the company's frequent online meetings, Ms S had to pay attention not only to the meeting, but also ensure that her daughter was a good distance away so that she would not be seen. Luckily for Ms S, her husband willingly took time off to care for their daughter whenever Ms S was occupied with work.

At the time of her interview for this study in July 2020, Mrs. S had resumed work at the manufacturer that employed her. However, the factory was not working at maximum capacity, as regional suppliers were unable to provide essential materials, and clients had reduced their orders to cut costs. Preliminary talks had started between the management and staff, with a voluntary separation scheme being offered to qualified individuals. As one of the more experienced staff, Mrs. S was hoping that she would be able to continue working for her employer, but she understood the risks that Covid-19 posed for the business and her job.

Figure 23: Income Level Due to Covid-19

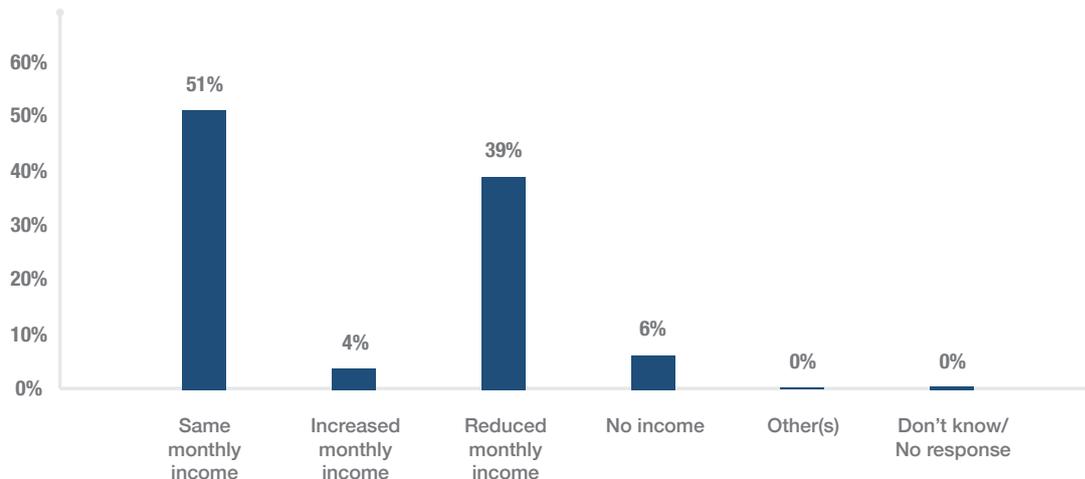


Table 11: Income Level Due to Covid-19 (By Sector)

	Agriculture	Mining	Construction	Manufacturing	Tourism	Professional services	Wholesale and retail	Small business	Others
Same monthly income	43%	46%	39%	49%	39%	72%	46%	17%	49%
Increased monthly income	3%		3%	5%	3%	5%	2%	5%	4%
Reduced monthly income	49%	38%	56%	41%	45%	21%	48%	58%	43%
No income	5%	15%	3%	5%	13%	2%	4%	19%	4%
Don't know / No response						1%		1%	

Figure 24: Factors for Respondents with Increased or Unchanged Income During the MCO Period (Up to February 2020)

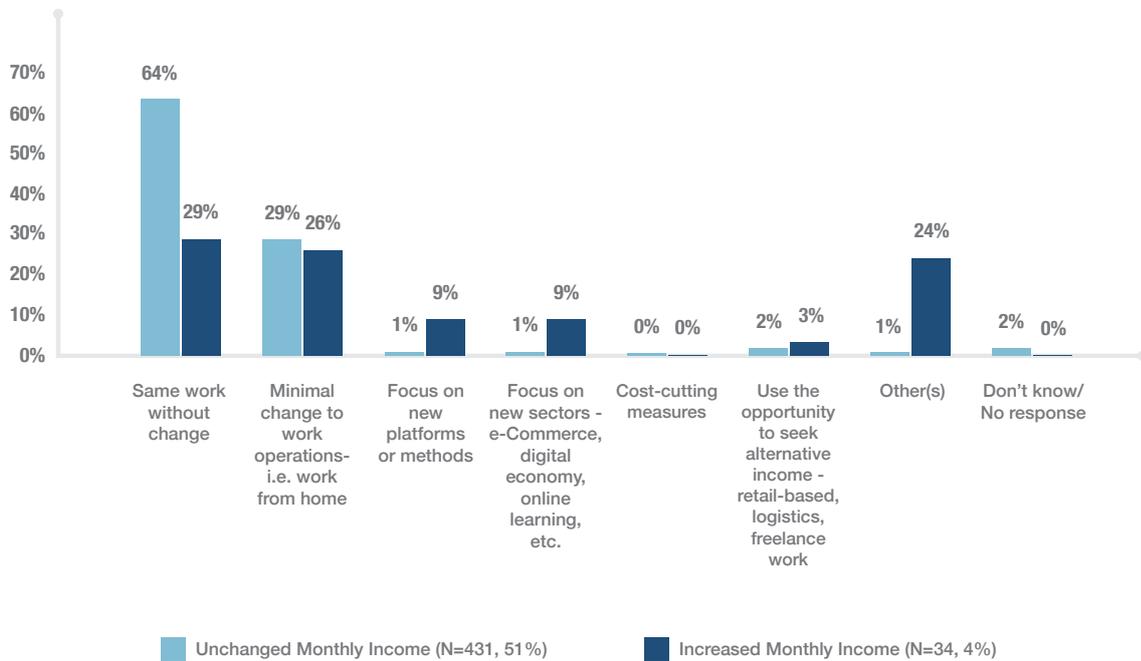
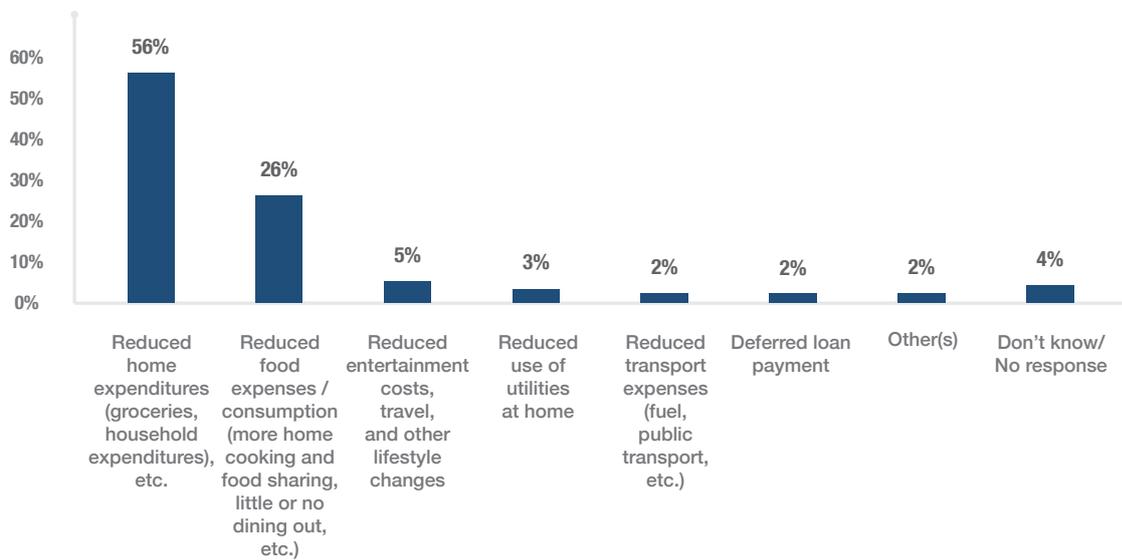


Table 12: Reasons for Respondents’ Reduced Income During the MCO Period

	Total	First	Second
Limited movement and mobility	34%	29%	5%
Reduced clients or patrons	33%	18%	15%
Pay cut enforced by employer	21%	17%	4%
Forced suspension of operations	21%	12%	9%
Curfew	19%	4%	14%
Forced business closure	14%	6%	8%
Breaking down in receiving supplies or with logistics	6%	1%	5%
Company restructuring	4%	2%	2%
Health issues – i.e. quarantine	4%	2%	1%
Retrenchment	3%	2%	1%
Family concern(s) – lack of childcare, eldercare, etc.	3%	1%	2%
Don't know/no response	32%	2%	30%

Figure 25: Cost-cutting Measures Due to Covid-19



Case Study 4: The Plight of an Airline Employee

Mr. A is a regional manager with a local airline, who is in charge of ground operations. He has had more than 15 years of work experience in this line of work, starting off as a regular ground operator before moving up the ranks. With his good looks and fluent command of English, he was always noticed whenever he walked around the airport while fulfilling his responsibilities. As a husband and father of two, Mr. A's job means a great deal for his family's quality of life.

When Covid-19 began to wreak havoc across the region earlier this year, Mr. A did not expect it to last and disrupt his livelihood. However, in May 2020, Mr. A was asked to work from home and given only 30% of his monthly salary, and the possibility of retrenchment became a constant fear.

In order to cope financially, Mr. A had to sell off one of his motorcycles and restructure his loan repayment (he had just traded in his previous car for a larger, multi-purpose vehicle that would better accommodate his family). The large gap between his salary in May and what he had been earning previously also pushed him to reduce his household expenses—cutting back on outside meals, weekend trips, and unnecessary shopping.

At the time this report was written in November 2020, Mr. A's employer had just carried out the latest wave of retrenchments and Mr. A was thankful not to be one of the unlucky ones. However, judging from the current outlook for both the airline and the tourism sector, Mr. A continues to attempt to cushion his family from the impact.

Figure 26: Ability to Work from Home During the MCO

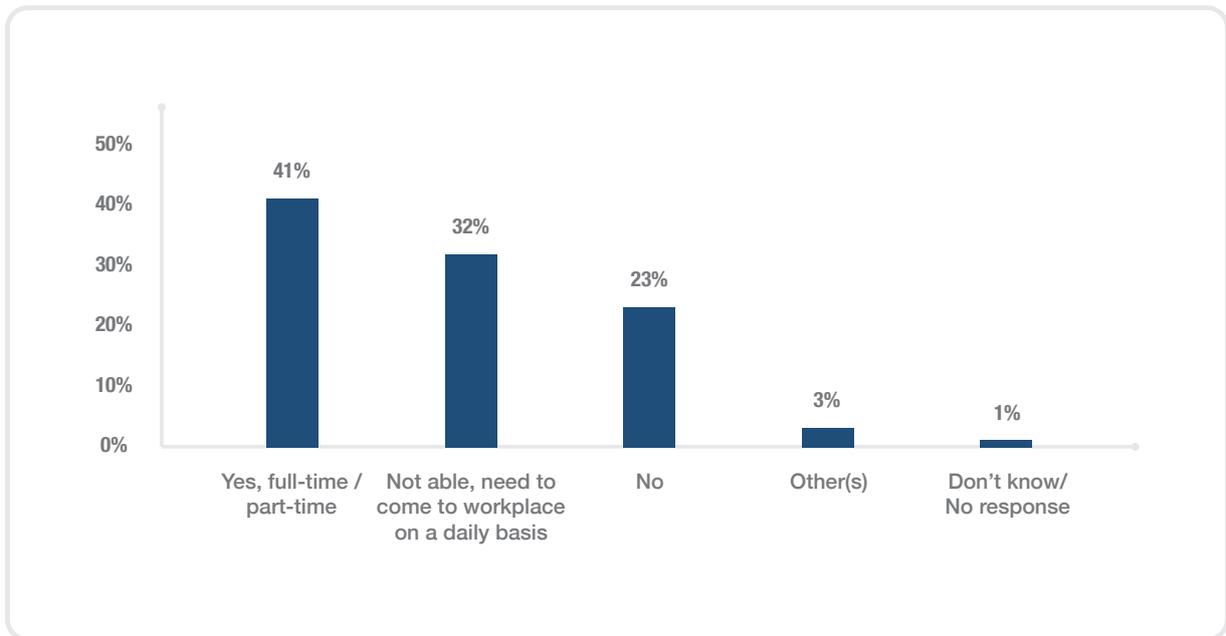
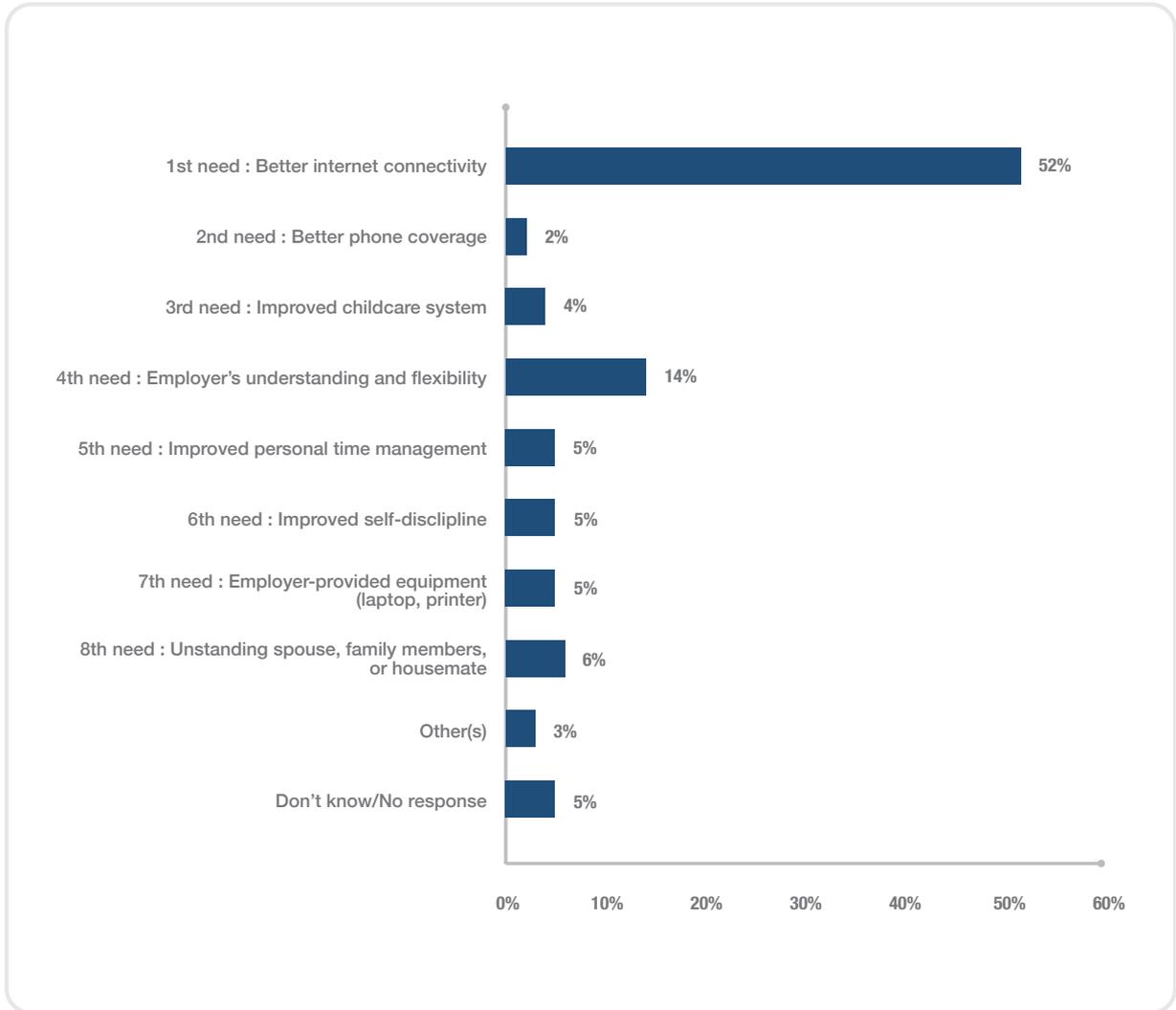


Figure 27: The Most Important Requirements to Work Effectively from Home During the MCO



iii) Part 4 – Government Assistance Throughout Covid-19 (since beginning of the MCO)

- 75% of respondents in this study were eligible to receive government assistance during the MCO, with the exception of 76% of those earning more than RM 7,000 per month - more than four-fifths of respondents (82%) applied for government assistance by themselves, with only a small proportion getting assistance from their employer.
- With regard to the specific assistance, the Bantuan Prihatin Nasional cash assistance initiative was the main assistance applied for

(82%). A large majority of respondents (85%) received all the assistance that they applied for, while 7% received only part of it.

- A total of 80% of respondents were satisfied with the assistance and aid they received to cope with the impact of Covid-19, which suggested strong approval for the newly elected government.
- Cash assistance (50%), healthcare services (32%), food and shelter (24%), as well as a platform for those seeking job opportunities (17%) were the top-rated forms of MCO-related support mechanisms to help people cope with the MCO.

Figure 28: Satisfaction Level with Government Assistance

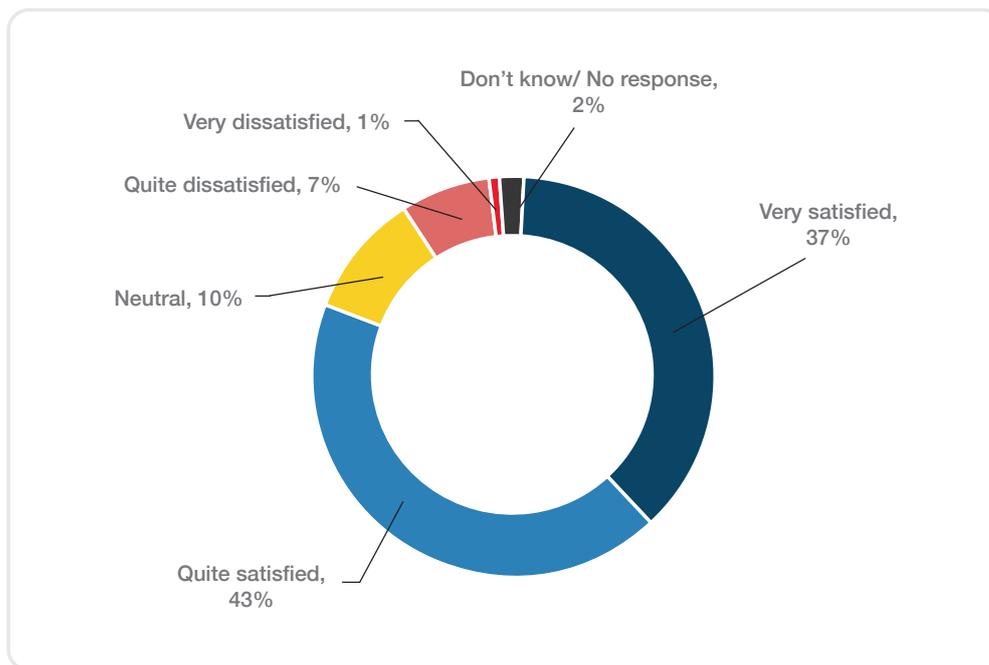


Table 13: Most Needed Support Systems During the MCO

	Total	First	Second
Cash assistance	50%	22%	29%
Healthcare services	32%	25%	7%
Food and shelter	24%	13%	11%
Education for children and students	21%	12%	9%
Platform for seeking job opportunities	17%	4%	13%
Childcare assistance	12%	10%	2%
Digital infrastructure	8%	3%	5%
Channel for communicating with the government	4%	1%	3%
Mobility and transportation	3%	1%	2%
Don't know/no response	27%	9%	19%

iv) Part 5 - Social Assistance Provided Throughout Covid-19 (since beginning of the MCO)⁷

- More than half (59%) of respondents did not receive any social assistance during the MCO.
- The percentage of those who did obtain help, received it from politicians or local

representatives (14.5%), community members or local businesses (10.5%), and immediate family (11.2%).

- Of those respondents who received social assistance, 57% were primarily given household goods, while 29% were primarily given cash.

7. Within the context of this study, social assistance refers to a benefit in cash or in-kind, financed by the government (federal, state or local) or other entities / individuals and may involve universal benefit schemes or provision of necessities / required goods and materials.

Table 14: Source of Social Assistance During the MCO

	Total	First	Second
Politicians or local representatives	15%	10%	4%
Immediate family members (partner/spouse/children/siblings/parents)	11%	10%	1%
NGOs	9%	5%	4%
Community members or local businesses	6%	4%	2%
Employer	5%	4%	1%
Close friends	5%	3%	2%
Religious institutions, bodies, or agencies	5%	3%	2%
Relatives	2%	2%	-
No assistance	59%	59%	-
Don't know/no response	81%	-	81%

Table 15: Types of Assistance Received During the MCO

	Total	First	Second	Third
Household goods	75%	57%	16%	2%
Cash injection	35%	29%	6%	-
Health checks	5%	2%	3%	-
Loan	4%	4%	-	-
Employment opportunities	3%	1%	-	2%
Educational opportunities	3%	1%	1%	-
Housing	1%	-	-	1%
Transportation	1%	-	-	1%
Don't know/No response	167%	2%	72%	93%

v) Part 6 – Financial Management

- Almost half (47%) of respondents rated their ability to manage their household expenses as quite good or very good, while 43% rated themselves as moderately able to manage.
- Those reporting a less ideal situation (i.e. moderate, quite bad, or bad) were not ethnic Malay respondents, those age 41 and over, those who were not working as civil servants, and those with a personal and household income of less than RM 2,000.
- More importantly, a significant 76.5% of respondents said that they lacked personal savings if their source(s) of income were to stop:
 - 36% said they would be able to sustain themselves for another 1–3 months (this comprised 38% of ethnic Malay respondents, as well as 40% of those age 21 to 40)
 - 22% said they would be able to sustain themselves for less than 1 month (55% of ethnic Indian respondents)
 - 19% said they would be able to sustain themselves for another 3–6 months
- Of those respondents who are low-income earners (<RM 2,000), 71% said that their personal savings would not be enough for them to survive for 3 months; 61% of those earning RM 2,000–RM3,999 also said their personal savings would not be enough to last for three months.

Figure 29: Respondents’ Ability to Manage Household Expenses

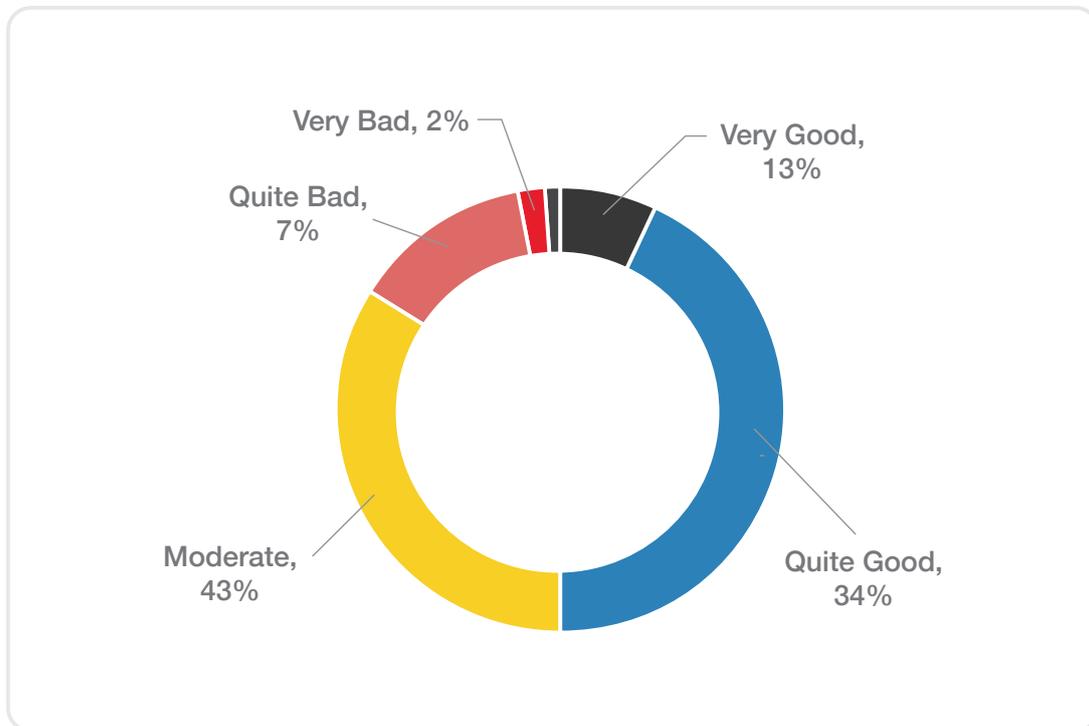
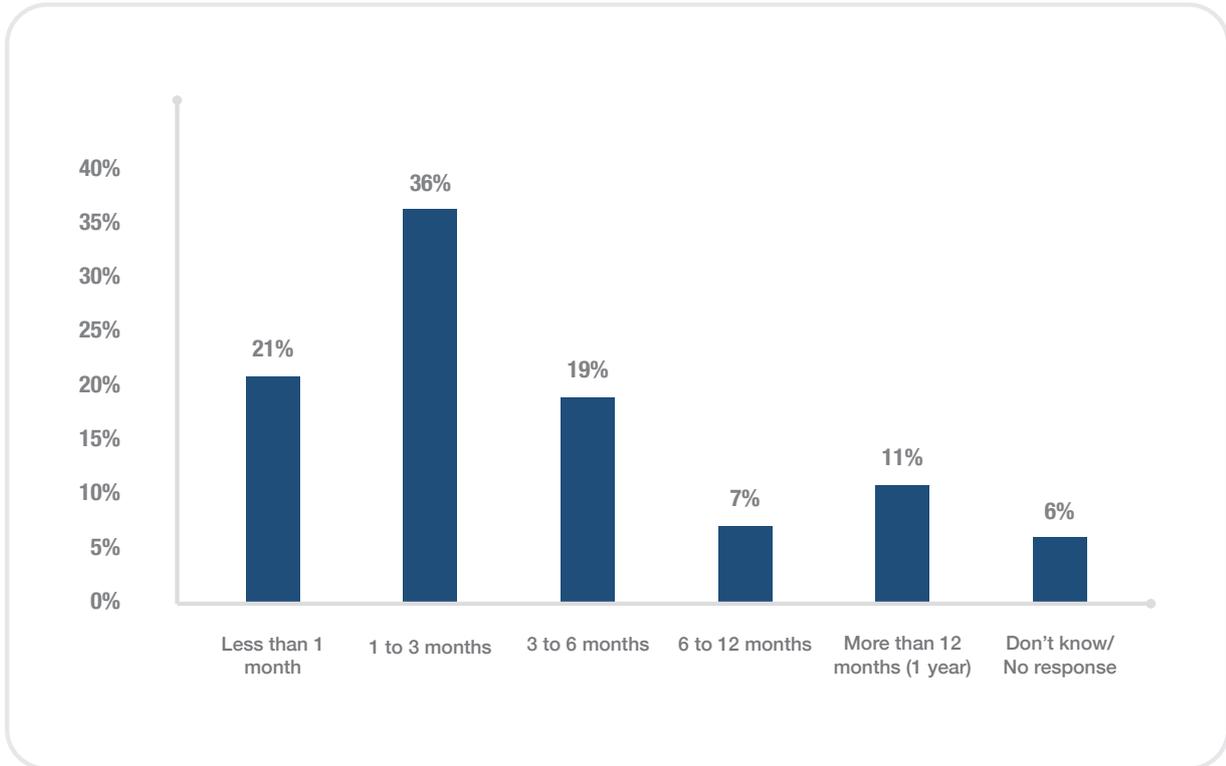


Figure 30: Personal Savings of Respondents if Their Source of Income Stops



vi) Part 7 – Future Path/Way Forward

- 41% of respondents planned to remain with the same employer even if their pay was cut, 17% intended to seek new employment, while another 14% wanted to start their own business.
- For those respondents who want to find another job, or an additional source of income, the top choices for skill development related to agriculture (46%), entrepreneurship (30%), digital/IT (19%), and e-Commerce (19%).
- Single mothers (62%), low-income communities (53%), elderly people (53%), and unemployed or retrenched individuals (51%) were the priority groups if the government provided further assistance.

- For working mothers, childcare assistance (55.4%), work-life balance (33.8%) and eldercare assistance (26.7%) were the top three issues requiring further attention from the government.
- In anticipation of the introduction of Budget 2021 in November 2020, survey respondents listed the major priorities for Malaysia to cope with the impact of Covid-19, and continue improving the overall economy: job creation (65%), a wage or salary increment (42%), improvement of healthcare facilities (31%,) and improvement of the educational system and its infrastructure (25%).

Table 16: Respondents' Preferred Skills

	Total	First	Second
Entrepreneurship skills	30%	13%	17%
Agricultural skills	25%	20%	5%
Managerial skills	21%	18%	3%
Digital or IT skills	19%	11%	8%
e-Commerce skills	19%	5%	14%
Financial skills	14%	4%	10%
Mechanical or technical skills	13%	9%	4%
Communication skills	11%	3%	8%
Vocational skills	8%	4%	4%
Don't know/no response	2%	1%	1%

Table 17: Respondents' Perspectives on which Groups Should be Prioritized Due to Covid-19

	Total	First	Second	Third
Single mothers	62%	46%	10%	6%
Low-income communities	53%	10%	7%	36%
Elderly people	53%	13%	31%	9%
Unemployed or retrenched individuals	51%	8%	24%	19%
Self-employed or freelancers	20%	2%	8%	10%
Working women	13%	10%	2%	2%
Youth	9%	3%	4%	2%
Employers	8%	2%	4%	3%
Other(s)	3%	2%	-	1%
Don't know/no response	28%	5%	9%	14%

Table 18: Key Issues Identified by Working Mothers

	Total	First	Second
Childcare assistance	55%	49%	6%
Work-life balance	34%	8%	26%
Eldercare assistance	27%	10%	17%
Job retention	15%	6%	9%
Career development	14%	5%	10%
Workplace discrimination or stereotyping	12%	6%	7%
Other(s)	1%	1%	-
Don't know/No response	42%	16%	26%

Table 19: Respondents' Expectations Regarding Budget 2021

	Total	First	Second	Third
Emphasize job creation	65%	58%	5%	3%
Promote a wage or salary increases	42%	14%	25%	4%
Improve healthcare facilities	31%	4%	11%	17%
Improve the education system and infrastructure	25%	2%	7%	16%
Reduce the urban-rural disparity	23%	4%	4%	15%
Provide greater social assistance through government agencies	22%	4%	10%	8%
Provide new bank or microcredit lending	21%	5%	10%	6%
Develop new industries	20%	3%	11%	6%
Provide opportunities for local workers & contractors	17%	2%	8%	7%
Don't know/no response	29%	5%	8%	16%

Summary of Key Findings

Malaysian MSMEs

- i) Malaysian MSMEs are primarily concerned about their short-to-medium term survival as a result of their operations grinding to a halt, and no clear timeframe for when the conditions will return to normal;
- ii) Financial aspects, namely profitability, loan management, and cost management require MSMEs' greater attention and assistance. Micro and small businesses are in deeper trouble than larger enterprises as most owners of the first two lack sufficient savings;
- iii) Most Malaysian MSMEs were not familiar with business digitalization and e-Commerce prior to Covid-19, however, their concern about surviving for the long term is forcing MSMEs to completely rethink how they conduct business and how digitalization and/or e-Commerce could help;
- iv) Malaysian MSMEs are largely concentrated in the traditional sectors and sub-sectors, and they need to be motivated by government and related agencies to venture into new territories and explore the latest business strategies, and
- v) In line with government interests and ongoing programs to help needy businesses, MSMEs' main expectations of government relate to provision of grants, subsidies, and the extension of moratoria on their loans.

Malaysian Workers

- i) Malaysian workers are generally comfortable with their respective work-based positions and roles, and thus they are afraid that conditions related to Covid-19 could force them to become unemployed for the long term as they lack the skills that would enable them to find jobs in industries that are in high demand;
- ii) Financial management is a primary concern among Malaysian workers, with most lacking the savings needed to last for more than a year. This is particularly concerning for those workers with dependents, as well as those working in low-demand sectors, and hence highly susceptible to retrenchment in the near future;
- iii) Most Malaysian workers appreciate the government's initiatives and stimulus packages, despite the fact that the assistance was only offered to those in the affected segments for a temporary period; and
- iv) Malaysian workers are ready to learn new skills and enter new fields to cope with the possible long-term impact of Covid-19 that is forcing them to deal with a new economic structure and sectoral demands in order to earn an adequate income.

Recomendation

Recognizing The Asia Foundation's capabilities and extensive networks at higher levels of government administration, the following recommendations have been proposed to reduce the challenges facing Malaysian MSMEs, and help to improve their potential and their ability to operate normally, while countering the projected short- to medium-term impact of Covid-19 (particularly along regional lines):

- i) Establish a regional working group encompassing policymakers, industry representatives and SME operators to create a trade bubble for the short run;
- ii) Channel Malaysian MSMEs' request for greater financial assistance to agencies outside government to expand the scope of MSME support, while exposing MSMEs to diverse opportunities;
- iii) Promote business digitization and e-Commerce to Malaysian MSMEs through the Foundation's regional circles to enhance innovation and develop larger marketing strategies;
- iv) Identify future in-demand sectors that Malaysian MSMEs could explore and invest in, in cooperation with the Malaysian government and regional counterparts;
- v) Provide targeted assistance to help MSMEs in adversely affected sectors and sub-sectors (i.e. tourism, small-scale manufacturing and construction), to enable them to focus beyond financial management, and consider how to achieve long-term recovery, plan for the future and become environmentally sustainable;
- vi) Engage with the Malaysian government and relevant ministries to create more accessible and business-friendly, one-stop centers for MSMEs that facilitate administrative procedures and reduce red tape; and
- vii) Promote female-owned and led MSMEs through news and social media, and help these businesses to succeed in order to motivate more women to become entrepreneurs and managers, and increase public respect and appreciation for women's MSMEs.

Based on the research conducted for this study, the following suggestions are offered to improve government policies to help Malaysian workers whose jobs have been adversely affected by Covid-19. Recommendations include improving workers' protection, raising their incomes, and providing opportunities for them to improve their skills and take advantage of new job opportunities.

The following preliminary recommendations are proposed for the benefit of Malaysian workers:

- a) Collaborate with key Malaysian ministries (i.e. the Ministry of Science, Technology and Innovation and the Ministry of Entrepreneur Development and Co-Operatives) to develop the digital skills of Malaysian workers and related job opportunities, and thus create a new wave of innovators and creators of high-value jobs;
- b) Promote entrepreneurship modules and programs in collaboration with other countries in the region to attract greater participation of Malaysians as a way to enhance productivity levels, increase financial returns, and go beyond the traditional models of employer-employee work arrangements;
- c) Based on regional and global best practices, work with local agencies to introduce financial literacy programs for lower to middle-income Malaysian groups, and prepare society to face financial challenges in the short to medium term; and
- d) Propose sophisticated funding mechanisms and salary systems to increase the value of informal workers and their salaries, using a complementary and sustainable social protection structure that leads to a higher proportion of low-income workers being able to work in stable positions, and with minimal welfare-related repercussions.

APPENDIX A- Research Objectives & Scope

The study presented in this paper comprised two parts: a survey conducted with owners or managers of Malaysian MSMEs and a survey conducted with Malaysian workers.

The objectives of the MSME survey were to:

- a) gauge the business performance (financial management and operations) of MSMEs prior to the Covid-19 outbreak, and after the imposition of the MCO from mid-March until the beginning of June;
- b) understand the impact of Covid-19 on the operations of MSMEs;
- c) highlight MSME respondents' beliefs about the prospects for their business' survival, as well as their coping strategies;
- d) assess Malaysian MSMEs' satisfaction with the government's management of Covid-19 (the government's overall approach, as well as its economic assistance programs); and
- e) measure the readiness of Malaysian MSMEs to implement measures that could help to retain women in the Malaysian workforce.

The objectives of the Malaysian workers' study were to:

- a) understand the employment situation of Malaysian workers prior to the Covid-19 outbreak, and after the imposition of the MCO from mid-March until the beginning of June;
- b) identify the extent of the economic impact on Malaysian workers during the Covid-19 MCO;
- c) identify the perceptions of Malaysian workers with regard to the government's assistance during the MCO;
- d) understand the impact of the social assistance that Malaysian workers received due to Covid-19 and the MCO;
- e) measure how long Malaysian workers' savings are likely to last, and identify how they are coping with income loss due Covid-19 and the MCO; and
- f) highlight the way forward based on the perspectives of Malaysian workers.

APPENDIX B - Methodology

Since May 2020, The Asia Foundation (the Foundation) and its partners have been conducting surveys in Cambodia, Lao P.D.R., Malaysia, Myanmar, Thailand, and Timor-Leste to examine the impact of Covid-19 on MSMEs and workers. By the end of 2020, three rounds of surveys will be conducted in each country, and in early 2021, a final report on all six countries is expected to be published.

While each survey is customized to the local country context, and the sample of respondents differs slightly in each country, all the surveys are using a similar set of core questions, which should facilitate a reasonable degree of comparison across the six Southeast Asian countries. In addition to the quantitative surveys, the Foundation's country offices and local partners are conducting case studies in order to understand the local impact of Covid-19.

This publication presents the findings from the first round of quantitative surveys that were conducted in Malaysia in July and August 2020.

i) Approach

Malaysian MSMEs

A quantitative study was conducted that focused on the performance and outlook of Malaysian MSMEs. Representatives from Malaysian MSMEs were interviewed via phone to collect data and also given the opportunity to share their responses online. The data gathered from the survey were then cross-checked against respondents' company information to organize the findings according to the different circumstances in each district's segment.

The following criteria of Malaysia's Ministry of Entrepreneur Development and Cooperatives as well as the SME Corporation (the Malaysian government agency responsible for coordinating all SME activities) were used in this study to categorize businesses as micro, small, and medium enterprises:

- i) **Micro** – Sales turnover of less than RM 300,000 OR having fewer than 5 full-time employees (all sectors)
- ii) **Small** – Sales turnover of RM 300,000 to less than RM 3 million OR having from 5 to fewer than 30 full-time employees (in services and other sectors); Sales turnover of RM 300,000 to less than RM 15 million OR having from 5 to fewer than 75 full-time employees (manufacturing only)
- iii) **Medium** – Sales turnover of RM 3 million to no more than RM 20 million OR having from 30 to 75 full-time employees (services and other sectors); Sales turnover of RM 15 million to no more than RM 50 million OR having from 75 to no more than 200 full-time employees (manufacturing only)

Malaysian Workers

Due to the large number of samples involved in this study, and the diverse information to be compiled, quantitative data on workers were gathered by using a questionnaire. The data collection process was undertaken using a computer-assisted telephone interview (CATI) as this allowed the data to be collected in an efficient, cost-effective manner. Ten to 15 interviewers were deployed for this process.

As this study is an economic one, the survey's respondents were all registered Malaysian workers. The database of the Department of Statistics was used to standardize sectoral segmentation and extract the breakdown of workers in each sector.

ii) Sampling

Malaysian MSMEs

With regard to sampling, stratified random sampling was utilized by taking the proportion of MSMEs corresponding to their sector's contribution to the 2018 GDP figures of all Malaysian MSMEs. The justification for this sampling approach was the need to verify that a representative sample of MSMEs had been selected from all of Malaysia's key economic sectors. The breakdown of the samples is detailed in the table below:

Table 20: Breakdown of MSMEs Sampled, Based on Their Sector's Percentage in Malaysia's GDP

Sector	2015 GDP	2018 GDP	% of MSMEs	Sample Size
Overall	37%	38.3%		n = 150
Services	22.4%	23.9%	62.4%	94
Mining & Quarrying	0.2%	0.2%	0.5%	1
Manufacturing	7.5%	7.7%	20.1%	30
Construction	2.2%	2.3%	6.0%	9
Agriculture	4.2%	3.9%	10.2%	15
Others	0.5%	0.3%	0.8%	1
Services sub-sectors				
Wholesale & retail, food & beverage, and accommodation			63.9%	60
Finance & insurance, real estate, and business services			19.4%	18
Transport, storage, and information & communication			10.0%	9
Others			6.8%	6
Manufacturing sub-sectors				
Petroleum, chemicals, rubber and plastic products			22.8%	7
Food, beverages, and tobacco products			22.0%	7
Non-metallic mineral products, basic metals, and fabricated metal products			18.3%	6
Other manufacturing			36.8%	11
Agriculture sub-sectors				
Rubber, palm oil, livestock, and other agriculture			77.6%	12
Fisheries			18.6%	3
Forestry and logging			3.8%	1

Malaysian Workers

For the sampling process, a pre-determined quota of 850 samples were distributed against the GDP contribution of major sectors in all Malaysian states (as outlined by Department of Statistics). Additionally, a few criteria were added to ensure that the respondents matched the study's areas of interest, and to enable quality feedback to be obtained. These criteria included at least one year of working experience, and employment at the time of survey.

Table 21: Breakdown of the sample of workers based on Malaysia's GDP and the country's states

States	GDP2018	%	n=850
Perlis	5,962	0.5%	4
Kedah	44,374	3.4%	29
Kelantan	24,799	1.9%	16
Terengganu	35,028	2.7%	23
Penang	89,957	6.8%	58
Perak	75,129	5.7%	49
Pahang	58,239	4.4%	38
Selangor	321,069	24.4%	207
KL& Putrajaya	217,818	16.6%	141
Negeri Sembilan	46,333	3.5%	30
Melaka	41,826	3.2%	27
Johor	130,852	9.9%	85
Sabah & Labuan	94,810	7.2%	61
Sarawak	129,662	9.9%	84
	1,315,858	100.0%	850

iii) Questionnaire**Malaysian MSMEs**

After several revisions, the final questionnaire for the MSMEs had 58 questions that were divided into six sections:

- a – Part 1: Demographic Background (8 questions)
- b – Part 2: Business Performance Prior to Covid-19 (Up to February 2020) (4 questions)
- c – Part 3: Business Operations Throughout Covid-19 (Since March 2020) (15 questions)
- d – Part 4: Business Projection, Survival, and Coping Strategies (3 questions)
- e – Part 5: Government's Management of Covid-19 (17 questions)
- f – Part 6: Participation of Women in the Workforce (11 questions)

Three screening questions were included as well to ensure that respondents were suitable, given the nature of the project, which examined the status of Malaysian MSMEs before and during implementation of the government's movement control order (MCO). The criteria for selection were as follows:

- a – The owner or a senior manager of the business
- b – The business had been in operation for at least three years
- c – The survey respondent had been working for the business for at least the past year

Malaysian Workers

Before conducting the workers' survey, the instrument was tested by calling selected individuals who matched the criteria for the survey. This testing gathered valuable comments and feedback related to the content, wording, and structure of the questionnaire. The final instrument comprised 57 questions (including 14 demographically-related items). After processing, the data were analyzed, and the findings used to improve on the questionnaire.

After several iterations, the final version of the questionnaire had 57 questions, divided into seven sections:

- | | | |
|-------------|--|----------------|
| a – Part 1: | Demographic / Ethnic Background | (14 questions) |
| b – Part 2: | Employment Prior to Covid-19
(Up to February 2020) | (9 questions) |
| c – Part 3: | Economic Impact of Covid-19
(March 2020 Onwards) | (18 questions) |
| d – Part 4: | Government Assistance Throughout Covid-19
(Since the MCO Began) | (6 questions) |
| e – Part 5: | Social Assistance During Covid-19
(Since the MCO began) | (3 questions) |
| f – Part 6: | Financial Management | (2 questions) |
| g – Part 7: | Future Path/Way Forward | (5 questions) |

The following three screening questions were used to ensure that potential respondents fit the criteria for respondents:

- a – Must be working at present
- b – Must have at least one year of work experience
- c – Must be working in Malaysia

iv) Qualitative Case Studies

As some of the key topics for this study could be better understood through qualitative case studies, to complement the data gathered with the questionnaire, case studies were conducted to look at the impact of Covid-19 and the MCO on relevant sectors/areas, and how companies and workers had adapted to the MCO's restrictions.

The case studies were conducted from mid-August to mid-October 2020. The interviews for these were conducted with five small and microenterprise business owners or senior managers in the tourism and small-scale manufacturing sectors, as well as six Malaysian workers from a variety of sectors.

v) Potential Bias from Non-Responses:

One possible source of bias in the MSME survey is the high non-response rate that resulted due to the challenges in reaching the randomly selected individuals and businesses. Some of these could not be reached, while others were unwilling to participate and, therefore, these respondents had to be replaced with people who could be contacted and were willing to participate.

For this survey, which was conducted via telephone during the pandemic, the reachability factor was poor due to travel restrictions, the lack of proper contact details, and the closure of some businesses. These problems were especially challenging with the MSME survey, as a number of businesses did not answer the phone, or their officially registered phone had been disconnected.

APPENDIX C - Data Collection & Analysis

For data analysis, SPSS version 23 was used as the main tool. Descriptive statistics were the primary source used for analysis, with additional insights gained by comparing the study's findings with previous studies on a similar topic. The main findings are presented in this report.

For data collection, a computer-based telephone interview (CATI) program was used to facilitate smoother and quicker data collection. These interviews were conducted by interviewers working in the call center of the Foundation's Malaysian partner (Merdeka Center for Opinion Research). For the MSMEs, 153 data samples were collected over a period of three weeks between July 21, 2020 and August 12, 2020. In total, 120 responses were gathered from the phone calls, while the remaining 33 responses were completed online by respondents through a link shared via email. The workers' survey was conducted between July 2, 2020 and July 10, 2020, with 853 interviewees.



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