Endemic Covid-19: Issues and Challenges of Sustainable Performance for Malaysia SMEs

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Abstract
This article examines Malaysian SMEs' sustainable performance concerns and challenges on Peninsular Malaysia’s East Coast. This study examines the uncertainty of the pandemic-to-endemic transition in the context of COVID-19 variations like Delta and Omicron. SME’s sustainable performance and impact on Malaysia’s economic growth are analysed. The study found that financial literacy, market obstacles, economic uncertainty, ICT literacy, and social capital inefficiencies affect SME’s sustainability. Financial literacy is assessed as crucial to SME’s investment decisions and risk management. Market challenges and economic uncertainties, compounded by the epidemic, are examined in the East Coast region. Technological literacy and the restricted acceptability of ICT also affect SME’s competitiveness, according to the report. The report also discusses how social capital helps SMEs improve industrial relations. Lack of communication and understanding between SMEs’ owners and stakeholders may hinder corporate success. The article indicates that SME sustainability variables must be studied in individual sectors and industries. Technological efficiency, market literacy, economic uncertainty, and industrial relations management should be studied to understand SMEs’ sustainability. The study seeks to help SMES’ owners, business consultants, and policymakers promote sustainable performance and economic growth in Malaysia's changing business climate, particularly on the East Coast.

Keywords: SME, Sustainable Performance, East Coast

Introduction
The presence of diverse COVID-19 variations, ranging from Delta to Omicron, has engendered conjecture regarding the ongoing transmission of the virus, hence perpetuating the ceaseless...
endeavour to combat it. Given the uncertainties surrounding the transition from a pandemic to an endemic state, it is crucial to comprehend the mitigation and adaptation methods employed by small and medium-sized enterprises (SMEs) in order to enhance their future resilience. SMEs are particularly vulnerable and have limited resources. Therefore, this study aims to review the issues and challenges of sustainable performance among Small and Medium Enterprises (SMEs) in Malaysia. Sustainable performance plays an important role in ensuring business continuity and national economic growth. Implementing sustainability practices in a business poses a challenge since it aims to foster sustainable growth and accomplish the objectives outlined in the Sustainable Development Goals (SDGs) (Purnomo et al., 2022). The most important issues facing both the nation and the business world are those pertaining to the performance of small businesses. A number of issues, including sluggish growth, survival, failures, and even bankruptcy, are among their concerns (Haron, 2020). In this context, sustainable performance refers to the SME's ability to operate efficiently and be viable in the long term, while taking into account social, environmental, and financial sustainability impacts. In an effort to understand the critical issues faced by Malaysian SMEs in achieving sustainable performance, this study investigates several important aspects, including financial literacy, market challenges, economic uncertainty, and technological literacy faced by SME owners.

Why focus on sustainable performance for SMEs in Malaysia? SME growth is the main driver of economic development in this country, and the sustainability of their business plays an important role in improving economic efficiency and social equality. It is important to emphasise that providing adequate resources for small and medium-sized enterprises (SMEs) would improve their business operations and help them prevent business failures, leading to both short-term and long-term success (Abu Jaish et al., 2023). Therefore, an in-depth understanding of the sustainable performance issues faced by Malaysian SMEs is important to help them overcome challenges, increase competitiveness, and contribute to national development.

Nevertheless, there exists a deficiency in the scholarly literature pertaining to this subject matter. There is a scarcity of comprehensive and focused literature evaluations on the problems and difficulties related to sustainable performance in the context of small and medium-sized enterprises (SMEs) in Malaysia. Hence, the objective of this study is to bridge this void by presenting a thorough examination of crucial matters that necessitate attention from small and medium-sized enterprise proprietors and other relevant parties.

Investigating the issues and challenges of sustainable performance in Malaysian SMEs is the purpose of this article. It is anticipated that this research will enhance comprehension of the determinants that influence the sustainability of small and medium-sized enterprises (SMEs) and furnish pragmatic recommendations to SME proprietors for optimising their operations. Enhanced understanding of sustainable performance issues pertaining to small and medium-sized enterprises (SMEs) is anticipated to contribute to this article. Additionally, it will aid in bolstering the standing and competitiveness of businesses and furnish actionable recommendations for enhancing the sustainable performance of SMEs in Malaysia.

In outlining the structure of this article, the first part will take the reader through a general description of the topic, followed by an overview of the issues and challenges of sustainable
performance faced by SMEs. With this, this article is expected to provide a comprehensive view on the sustainable performance landscape of SMEs in Malaysia.

Issues of Sustainable Performance for Malaysia SMEs
The background of this study focuses on the main factors that affect the sustainable performance of Small and Medium Enterprises (SMEs) in the East Coast of Peninsular Malaysia. Performance sustainability, as an important indicator in the business context, reflects the ability of SMEs to operate and grow continuously in a dynamic environment. In order to give a company a permanent competitive edge, sustainable of SME business practices are therefore essential for company owners, executives, and administrators (Fong et al., 2023; Manshor et al., 2023).

SMEs are the backbone of Malaysia economy and play an essential role for Malaysia economic development with high contribution to the gross domestic product (GDP). The GDP of Malaysia's Micro, Small & Medium Enterprises grows 11.6 percent in 2022 from 1.3 percent in 2021, exceeding the entire GDP of Malaysia. The contribution of Malaysia's Small & Medium Enterprises to GDP increased to 38.4 percent in 2022 with a value added of RM580.4 billion compared to 37.4 percent (value added: RM520.0 billion) in the previous year(DOSM, 2023).

Small and Medium Enterprises (SMEs) continue to gain more importance for their role in the global economy. The value of SMEs is determined by how much they contribute to national economic development and growth by lowering poverty and creating jobs. They add value to GDP and per capita income in both developed and developing nations, are crucial to the supply chains of vital industries, and contribute to export revenues (Manshor et al., 2023).

Sustainable performance is critical for SMEs as it reflects the ability to operate effectively and sustainably in the long term. The ability of a business or organisation to continuously generate value for its shareholders and stakeholders over an extended period of time is referred to as sustainable performance (Fong et al., 2023). SMEs play an important role in the economy, and the sustainability of their performance has a great impact on the country's economic progress. Sustained performance contributes to economic growth through increased doubling of employment opportunities, contribution to long-term revenue, and continued economic recovery (Alqassabi, 2020). Governments and decision-making organizations may find the guidelines proposed interesting as they have the key roles in terms of investment, training, legislation and management, planning, operationalizing and controlling the sustainable performance (Caiado et al., 2018).

Environmental, social, and economic performance are all parts of sustainable performance (Adamu et al., 2019). According to Adamu et al (2019), prior research on the relationship between the three components of sustainable performance (economic, social, and environmental) was conducted by Rennings et al (2003) and Connelly and Limpaphayom (2004) by pairing the components instead of relating them all together inside the mainstream. It is acknowledged that sustainable performance is accepted collectively by other studies (Balabanis et al., 1998; Brinkø et al., 2015; Hillman and Keim, 2001; Waddock and Graves, 1997). They contend that because these elements are related to one another, they cannot be addressed separately (Venkatraman & Nayak, 2015).
The practical application of sustainable performance in SMEs necessitates processes that support an enterprise's sustainability. This process is mutually functional, requiring that each management level decision be implemented through sustainability dimensions (Adamu et al., 2019). In the context of SMEs as well, performance sustainability does not only involve financial aspects, but also social and environmental responsibility (Yadegaridehkordi et al., 2023). It leads to a reduction of negative impacts on the environment and local communities, making a positive contribution to sustainable development. Therefore, understanding the factors that affect the sustainability of performance is important for MSMEs to run their operations effectively and reduce their negative impact.

By applying the concept of performance sustainability, SMEs can achieve sustainable growth and make a significant contribution to the economy and society (Alqassabi, 2020; Wee et al., n.d.). This not only increases the competitiveness of businesses but also leads to an improvement in the quality of life of the community and supports the goals of sustainable development. Therefore, performance sustainability is not only a business necessity, but also a social responsibility that every SME needs to apply to ensure a better future (Das et al., 2020).

One of the factors determining the sustainability of MSME performance is "Financial Literacy" among business owners. Two components of financial literacy that are dependent on people's education or experience with financial concepts and items are developing financial knowledge and abilities and comprehending the relationship between them (Mustafa et al., 2023). The background of this study is strengthened by recent studies in the field of business finance that show the importance of financial literacy in the context of SMEs (Yakob et al., 2021). Studies show that weaknesses in financial literacy cause the inability to manage financial risks, make wise investment decisions, and plan effective long-term financial strategies (Menike, 2019). The owners of SME need to be financially aware, have a clear attitude towards financial matters, and possess financial knowledge in order to be considered financially literate (Sudarmoyo @ Suffari & Tahir, 2021).

Research findings also show that understanding technology in business operations is an important factor that supports the growth of MSMEs (Jayashree et al., 2022). Throughout the ASEAN region, digital technology plays a significant role in transforming sectors, enhancing quality of life, and propelling advancement. ASEAN has the potential to become a leading force in the rapidly evolving global digital economy as a united community. If all ASEAN members are dedicated to enhancing their local digital economy, ASEAN has the potential to rank among the top five global digital economies by 2025, although currently trailing behind its international counterparts. Long-term growth and the success of small and medium-sized businesses (SMEs) are greatly aided by technological innovation (Ganlin et al., 2021). In addition "Technology Literacy" becomes an important aspect that affects the ability of MSMEs to be competitive in the digital era. A good understanding of technology allows SMEs to integrate digital solutions to improve operational efficiency and expand markets (Gimpel et al., 2019; Raymond & Bergeron, 2008).

In addition, "Market Challenges" and "Economic Uncertainty" also have a significant impact. Prime Minister Datuk Seri Anwar Ibrahim announced that government agencies will continue to offer various financing facilities and guarantees for the benefit of micro, small, and medium
enterprise (MSME) entrepreneurs with a total value of up to RM40 billion under the third pillar of the second measure to fulfil the Rakyat's economic needs (Theedgemalaysia.com, 2023). In the context of market challenges and economic uncertainty, recent research underlines that SMEs need to adopt dynamic strategies to face market changes and economic uncertainty (Bahari et al., 2023). A dynamic market environment and economic uncertainty can cause changes in market demand and macroeconomic conditions, putting additional pressure on SMEs to adapt and survive (Brodny & Tutak, 2022).

By including the findings of these studies, this study sets out to open up a deeper understanding of how these factors synergize in the context of SMEs on the East Coast of Peninsular Malaysia, providing relevant guidance for SME owners and other stakeholders. Moreover, this study was inspired by the need to understand the relationship between these factors and how the interaction between them shapes the sustainable performance of SMEs. By exploring these dynamics, it is hoped that this study will provide practical insights that can be used by SME owners, business advisors, and policy makers to improve the sustainability of SME performance in the East Coast of Peninsular Malaysia.

**Challenges of Sustainable Performance for Malaysia SMEs**

Small and medium-sized enterprises (SMEs) have a higher chance of surviving in their industry if they are able to comprehend and control the factors that inhibit sustainable success. The failure of small and medium-sized enterprises (SMEs) to effectively manage these concerns and problems has resulted in a loss.

**Lack of Financial Literacy**

The inability of Small and Medium Enterprise (SME) owners on the East Coast of Peninsular Malaysia to understand aspects of financial literacy has created some serious challenges in their financial management. Financial literacy is defined as having the knowledge and skills to confidently make financial decisions and manage financial resources. Without sufficient understanding on the financial literacy, SME owners face difficulties in making sustainable and effective investment decisions. A higher level of financial literacy indicates that SME entrepreneurs can manage their finances, including debt management, savings and investment, and risk management through the use of insurance (Yakob et al., 2021). Based on the findings of previous research, it is possible to draw the conclusion that Malaysians of all ages and from all walks of life continue to have an inadequate degree of financial literacy (Aziz & Kassim, 2020). Aziz & Kassim (2020) also highlighted the majority of Malaysians were unaware that other financial goods, such as insurance, were also crucial to cover unforeseen occurrences, and only knew that one's income must always be sufficient to meet bills. In overall, there wasn't much saved. Raising financial literacy is one of the knowledge capacities that needs to be enhanced and is the most crucial factor in enhancing the financial performance of SMEs (Bawono et al., 2022). Low financial literacy among owners of Small and Medium Enterprises (SMEs) in the East Coast of Peninsular Malaysia may start from a limited level of education and economic knowledge (Aziz & Kassim, 2020). SME owners who do not fully understand the concept of financial management can face challenges in making investment decisions and managing financial risks (Rahim & Balan, 2020). As a result, it is likely that they will make unwise financial decisions, such as unprofitable investments or inefficient cash flow management. Without a solid financial understanding, they may not be able to plan and implement long-term financial strategies, which can lead to financial stress and business instability. To sum up, financial literacy is an important part of making business
practices more sustainable, building resilience, and helping companies succeed in the long run in an economy and environment that are changing quickly.

Market Challenges
One of the biggest obstacles facing Malaysian SMEs looking to go internationally is a lack of understanding of other markets (Hashim, 2023). In the same vein, previous study SMEs encounter difficulties as the global market grows and as they lack the funding to operate as exporters (M.H., 2021). SMEs on the East Coast of Peninsular Malaysia face increasingly significant market challenges, affecting their competitiveness and business growth. Increasing competition and decreasing market demand are among the main challenges faced by SMEs in the area. The revenue decline for small businesses was on average about 28%, whereas the decline for medium-sized and big businesses was only 13%. Furthermore, non-exporting businesses have seen a more severe decline in sales, with an average drop of almost 25% in comparison to business during the same period last year before the COVID-19 outbreak (Kuriakose & Tiew, 2022). These challenges put pressure on SME owners to find innovative strategies and improvements in their products or services to win the increasingly challenging market.

Economic Uncertainty
Two years have passed since the Covid-19 pandemic first broke out globally, and none could have predicted how profound an effect it would have on the global economic scene. The country’s economy entered a recession as a result of the imposition of movement restrictions because the supply chain was impacted by the brief halt to commerce and production, border closures, and restricted human mobility. As a result, this policy has paralysed the economy of the nation, affecting numerous industries and businesses, particularly SMEs, who are unable to conduct business as usual (Fadzil & Rashid, 2022). The decrease in consumer demand and the concurrent rise in the unemployment rate both had an impact on the downturn in economic activity (Chong et al., 2021). In term of Malaysia Budget, the 2024 Budget included a capital gains tax, which startled and disappointed small and medium-sized businesses (SMEs). Without consulting with SME stakeholders, this tax was enacted without giving SMEs a chance to voice their concerns or offer suggestions prior to the tax’s introduction (Birruntha, 2023). In addition the high economic uncertainty in the East Coast of Peninsular Malaysia also contributes to the anxiety and lack of confidence of SME owners in planning and implementing long-term strategies. According to research by Wong et al (2019), economic uncertainty can hinder investment decisions and SME business growth. This situation creates the need to identify better risk management strategies and increase business agility in the face of dynamic economic changes. Economic uncertainty on the East Coast of Peninsular Malaysia can be rooted in global factors, such as exchange rate fluctuations and political instability. If not addressed, this uncertainty can negatively impact investment decisions and risk management in SMEs. SME owners may become wary of making big decisions, causing a decline in innovation, growth, and the ability to compete in a dynamic market. As a result, economic uncertainty can cause instability in income and long-term performance (Wong & Tan, 2022; Hassan et al., 2019).

Limited or Inability to adopt Information Communication Technology
Throughout the ASEAN region, digital technology plays a significant role in transforming sectors, enhancing quality of life, and propelling advancement. ASEAN has the potential to
become a leading force in the rapidly evolving global digital economy as a united community. If all ASEAN members are dedicated to enhancing their local digital economy, ASEAN has the potential to rank among the top five global digital economies by 2025, although currently trailing behind its international counterparts. The lack of technological literacy among SME owners on the East Coast of Peninsular Malaysia causes weaknesses in adapting and leveraging technology to improve their business operations. Previous study proven that enterprises aiming to achieve sustainability depend on Industry 4.0 adoption and implementation (Jayashree et al., 2022). Existing SME awards are insufficient to serve a large number of firms in the country, thus we propose increasing the grant size for automation, digitalization, and smart farming to RM2 billion (Tuan, 2023). Hence, ICTs have increased SMEs' competitiveness by facilitating the development of new and improved products and services, enhancing internal communication and organisation, also connecting supply chains (Ganlin et al., 2021). Furthermore, the lack of technology literacy among SME owners may start from the lack of opportunities to get technology-related training or education. If not addressed, SME owners may experience difficulties in integrating new technology into their operations. This can hinder efficiency, innovation, and business competitiveness.

Inefficiency Social Capital

In the context of research on Determinants Of Sustainable Performance In Small And Medium Enterprises (SMEs) on the East Coast of Peninsular Malaysia, one of the main problems faced by SME owners is social relationships or what is known as social capital. The concepts of innovation and social capital have been become prominent because of their ability to help businesses remain market leaders and increase their profitability and growth (Othman et al., 2021). In this study, social capital refers to the network of relationships between SME owners and various parties such as suppliers, customers, and the local community.

One of the main aspects of the problem in social capital among SMEs on the East Coast of Peninsular Malaysia is the lack of efficiency in industrial relations. The absence of social capital would be impossible for firms to compete and expand their business in the world since the social capital is embedded a network of people (Tuah et al., 2021). In the same vein, this lack may stem from a lack of communication and understanding between SME owners and stakeholders such as suppliers, customers, and local communities. If not properly addressed, weaknesses in these relationships can lead to instability in the supply chain, customer dissatisfaction, and lack of support from stakeholders. Bad relationships can damage a business's reputation, cause customer churn, and hinder long-term growth.

This research found that a deep understanding of the importance of industrial relations and strategies to improve these relations are important for SME sustainability. An SME with a strong local reputation and strong connections is more trusted by customers and partners. This may increase sales, expansion, and business partnerships. Social capital may also make it easier for SMEs to collaborate and share expertise (Jato, 2023). SMEs can learn from one another and get new ideas by collaborating and sharing information. They may improve their performance and innovation over time. Recent studies show that inefficiencies in industrial relations can start from a lack of communication and understanding between SME owners and stakeholders such as suppliers, customers, and local communities. If these issues are not addressed, among the problems faced by SMEs concerning their customers or suppliers are declining product demand, delaying payment collection and rising cost of raw materials, demanding customers, delaying credit collections, lacking of trust and confidence of customer and supplier, lacking of reliable suppliers and collecting the debt (Haron, 2020). As a result, bad
relationships can damage a business's reputation, cause customer churn, and hinder long-term growth.

To solve this problem, this study will examine in depth social relations in the context of SMEs in the East Coast of Peninsular Malaysia. Through observation and analysis of the relationship between SME owners and various stakeholders, we can identify certain factors that contribute to the lack of efficiency in industrial relations. With a better understanding of this problem, we can propose appropriate strategies and actions to improve social relations among SMEs, hoping to improve business stability and long-term performance.

**Conclusion and Future Agenda**

The COVID-19 pandemic serves as a reminder to the globe that we must be ready for unavoidable events. While we may not be able to completely prevent its recurrence in the future, it is crucial that we make preparations for its inevitable consequences and develop our own solutions. This will ensure the continued growth of economic activity and minimise the impact on society and organisations, particularly small business owners in Malaysia. Hence, this study which aims to review of sustainable performance in Malaysia Small and Medium Enterprises (SMEs). The problems identified include financial literacy, market challenges, economic uncertainty, and technology literacy experienced by SME owners. Weakness in literacy in these aspects has had an impact on business performance. This study is conducted in the framework of applied studies, focusing on practical improvements in entrepreneurship. In this context, the objectives of the study are explained in detail, including an assessment of the role of knowledge management and the use of social media as a facilitator in the relationship between financial literacy and sustainable performance. In addition, this chapter touches on the importance of this study in supporting national development policies, such as in the 12th Malaysia Plan (TMP 2021-2025) and the 15th Global Economic and Environmental Framework (KEGA 15).

Recommendations for future research include research on the determinants of sustainability in SMEs, especially in the Malaysian context. An in-depth study of factors such as technological efficiency, market literacy, and economic uncertainty can provide a deeper understanding of ways to improve sustainability performance in small and medium-sized businesses. In addition, studies can be directed to other aspects that may affect business stability, such as industrial relations management and adaptation to changes in the dynamic business environment.

Next, studies can research in more detail in specific sectors or industries, such as the tourism sector, manufacturing, or aerospace. This approach allows researchers to formulate a more detailed view and specific context of the challenges and opportunities faced by SMEs in each sector. Thus, the results of this study can contribute to the development of business policies and economic development strategies that are more targeted and effective. Improvements to the initial conceptual framework can also be explored to provide a solid foundation for further studies in an effort to understand and improve sustainability performance in SMEs in the future.
References


