

Hope yet for SMEs relying on varsities

September 29, 2021 @ 12:03am



It is hoped that SMEs will experience a better business climate with the reopening of the higher learning institutions. FILE PIC

LETTERS: SME Corp Malaysia defines small and medium enterprises (SMEs) on two main criteria: sales turnover and the number of full-time employees.

For the manufacturing sector, SMEs are defined as enterprises with sales turnover not exceeding RM50 million and/or having not more than 200 full-time employees.

As for services and other sectors, SMEs are defined as enterprises with sales turnover not exceeding RM20 million and/or having not more than 75 full-time employees.

Unfortunately, as a result of the Covid-19 pandemic, the number of small, medium and micro enterprises (SMEs) forced to go bankrupt is growing.

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This is due to students returning to their hometowns and employees who work from home since April 2020, and have impacted the revenue streams of the majority of local SMEs and micro-enterprises.

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They are no longer able to bear the financial burden of store rentals, staff wages and other costs as a result of their inability to operate throughout the different stages of the Movement Control Order (MCO), which were intended to contain the pandemic.

SMEs are the backbone of the national economy, contributing nearly 40 per cent of gross domestic product (GDP) and creating more than 70 per cent of the country's jobs.

According to local news reports and data, a total of 2,713 SMEs in Malaysia closed down between March and October 2020.

A multi-country survey in March and April 2020 found that 50 per cent of Asian SMEs had, at the time, less than one month of cash reserves. In another survey, 64 per cent of micro, small, and medium-sized enterprises (MSMEs) could not survive for more than three months due to cash flow shortages.

Therefore, the announcement of the reopening of higher learning institutions in October provides optimism for SMEs and smaller businesses operating near these institutions to continue operations.

The absence of university faculty and students has had a significant impact on the majority of their sales income. Students spend a significant amount of money in the local economy as a part of their living expenses.

Studies have shown that the presence of universities has an economic impact on the local economy. The expenditure effect is a consequence of university, faculty, student and visitor spending, which results in regional changes in revenue and employment.

Likewise, results of other studies emphasised that colleges may exert influence on development through more mechanical "demand channels".

Increased consumption of local goods and services by students, faculty and learning institutions has the potential to cause a substantial impact on GDP. Additionally, this promotes the establishment of new businesses in the area.

It can be concluded that the presence of a university will lead to economic development in a local economy via expenditure. The regional economic areas are the host communities, including the surrounding districts from which employees and students commute.

The majority of SME entrepreneurs operating businesses, like eateries, printing, Internet and computer shops, and books and stationery stores, depend significantly on students and university employees to generate income.

Without students and university employees, their commercial operations will be doomed.

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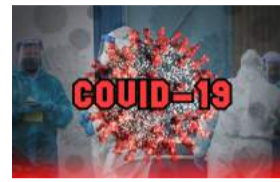
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Therefore, beginning October 15, it is anticipated that economic advantages would accrue to the long-affected SMEs and micro businesses.

Additionally, it may indirectly aid in the rehabilitation of SMEs and stimulate local economic activities.

In a nutshell, it is anticipated that the challenges and suffering associated with Covid-19 will be resolved and businesses will experience re-growth.

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