



**KEMENTERIAN PEMBANGUNAN  
USAHAWAN DAN KOPERASI**  
Ministry of Entrepreneur Development and Cooperatives

## **PRESS RELEASE**

### **MEDAC: MICRO AND INFORMAL BUSINESSES TO FACE TOUGHER TIMES AHEAD**

**Putrajaya, 17 January 2021** – Ministry of Entrepreneur Development and Cooperatives (MEDAC) is calling on all Malaysians to strictly adhere to the SOPs of Movement Control Order (MCO) 2.0 to drastically and effectively help flatten the curve of COVID-19 spread and subsequently allow economic activities to operate as usual.

“There is no other way to sugar coat the situation. Further extension of the MCO would affect the economy...and the ones who would be severely hit are the B40 group, including micro and informal business operators,” said Minister Dato Sri Dr Wan Junaidi Tuanku Jaafar.

While he agreed that many are somewhat prepared for this round of lockdown, the hard truth of the matter is that most of these small businesses have not fully recovered from the blow the earlier movement restriction order.

“These micro and informal business owners mostly do not have the financial muscle to absorb the financial losses due to this lockdown. We are talking about people like your neighbourhood *Mak Cik Goreng Pisang* who does not have a steady monthly income. Her livelihood depends on her daily sales.

“The longer the duration of the lockdown would mean the more these small businesses will suffer. We have earlier estimated that there are close to **2 million** of these microenterprises nationwide, where almost half comprise of informal businesses. This is not a small number. It is important to take into consideration how the MCO 2.0 would affect this group of people” he said.

Based on surveys conducted by MEDAC, among the main challenges that entrepreneurs will face during MCO 2.0 period are cash flow constraints and lower sales volume. This is largely due to the decline in customer demand as well as shorter business operations duration.

Supply chain may also be affected due to logistical issues and delays in delivery of raw materials as a result of the restricted movements.

Dr Wan Junaidi highlighted that micro and informal entrepreneurs would be most affected by cash flow constraints as they do not have much savings to cover the cost of operating the business such as employee salaries, rental and utility bills.

As for the cooperative sector, business activities that are expected to be significantly affected by this second round of MCO and nationwide state of emergency declaration are tourism, agriculture, wholesale as well as retail.

In addition, the emergency proclamation may cause '*force majeure*', unforeseeable circumstances that prevent someone from fulfilling a contract, and would result in losses to entrepreneurs.

It could also affect investor confidence on the country's business landscape, which, in turn, could potentially result in a domino effect on the stock market as well as foreign direct investments (FDI)

Despite all these risks, Dr Wan Junaidi is optimistic of seeing the positive effects from the current situation namely in terms of increasing demand and supply of products and services online.

Referring to SSM report (January until September 2020), he pointed out that although **41,349** businesses closed down for the period under review, surprisingly it has also showed **299,431** new businesses registration – of which **86,295** are online businesses.

“We are now living in post COVID-19 era. Lots of things around us are changing and we have to accept and adapt to the new norm. In business, it is all about survival of the fittest. Entrepreneurs need to continuously equip themselves with new knowledge and skills not only for their businesses survival but also to take advantage of the many new opportunities.

“As such, we would like to call on entrepreneurs to take full advantage of the various assistance, incentives and programmes made available by MEDAC and its agencies to remain competitive in today's challenging business environment.

“For the informal businesses, we would like to encourage you to register yourselves with the relevant authorities so that we know who you are and we can channel all the available allocations as well as assistance to you,” he added.

**MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES**