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THE IMPACT OF THE MOVEMENT CONTROL ORDER (MCO) ON TYPE OF COMMERCIAL ACTIVITIES IN MUAR TOWN, JOHOR

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Abstract

The COVID-19 pandemic has changed human nature. The Malaysian government declared the Movement Control Order as a measure to control the spread of COVID-19 with various restrictions. The Movement Control Order has affected daily routines as well as commercial activities. Therefore, the study will focus on the impact of movement control orders during the COVID-19 pandemic on the operations, supply of materials and products, as well as finances of commercial activities at a district level. The town of Muar, Johor, has been identified as the commercial area for this study. The data collection was accomplished by a questionnaire survey and by using convenience sampling with 100 respondents answering the questionnaire. A crosstable analysis and a Pearson's chi-squared test analysis were used to examine the Movement Control Order's implications on commercial activities' operations, supply of materials and products, and finances. The findings indicated that the Movement Control Order had a substantial impact on commercial activities. The study concluded that cash flow for survival needs critical attention due to this unprecedented outbreak, which led to the economic downturn. It is recommended that the government offer training courses on digital marketing and e-commerce to boost commercial activities as part of a new business strategy and financial management plan, particularly for new businesses at the district level.

Keywords: Movement Control Order, Commercial Activities, Operation, Material and Product, Finances

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INTRODUCTION

At the end of 2019, the world was shocked by the existence of an infectious disease that is extremely dangerous to human health. Coronavirus disease 2019 (COVID-19) contributes to a severe illness. This virus might cause respiratory illnesses ranging from mild disease to severe disease and death. Meanwhile, some people are infected with the virus and never develop any symptoms. The disease has a significant effect on the entire world, particularly in countries with high-density populations. It has also affected the economic, social, political, and cultural situations of every country. Basically, for the economy, the effect is felt when a nation's government does not have the financial capability to protect the country's operations during quarantine and most of the commercial activities and others related to the economic sector are unable to operate. The COVID-19 pandemic has a significant impact on commercial activities by halting business operations to prevent the spread of the virus (Gregurec *et al.*, 2021). This has resulted in lockdowns, decreased consumption, community closures, and business closures.

RESEARCH BACKGROUND

The SARS-CoV-2 virus causes Coronavirus Illness (COVID-19), an infectious disease. Whenever an infected person coughs, sneezes, coughs, speaks, or breathes, the virus spreads in microscopic liquid particles from their mouth or nose. (World Health Organization, 2020). The Malaysian federal government implemented and enacted the Movement Control Order as a set of global quarantine and sanitary measures in response to the COVID-19 pandemic that began in the country on 18 March 2020 (Hassan, 2021).

The first phase of the Movement Control Order began on March 18 and ended on May 12, having four phases spread over two months. Massive movements and gatherings were prohibited throughout the country during the MCO. To implement this prohibition, all places of commercial establishment had to be closed except supermarkets, public markets, food stores, and convenience stores offering daily essentials (New Straits Time, 2020). There have been various movement control orders implemented from March 2020 to the current situation. The various movement control orders have been taken according to a variety of steps to control and break the chains of virus spread. All phases adopted by the Malaysian government have distinct functions and resultant effects.

According to Omar et al. (2020), there was an impact during the Movement Control Order on SME businesses, and they needed a survival strategy to sustain their operation. During the global pandemic, businesses have encountered a variety of issues. How they dealt with these issues affected their ability to recover as well as their chances of surviving this crisis.

According to the Department of Statistics Malaysia (2021), 53.4% of companies or business firms can only survive for 1 to 2 months if they provide full-time or half-pay leave to employees. Based on the research on the impact of the movement control order COVID-19 on commercial activities, it is determined that the COVID-19 pandemic has the biggest impact on all human activities. For commercial and business activities, two main issues have a significant impact, especially for small and medium-sized entrepreneurs. As indicated by Omar et al. (2020), the impacts of MCO on commercial activities are classified into two, which are operational and financial problems. For operation problems, the issues are divided into operation disruption, supply chain disruption, and foresight of the future business direction. Meanwhile, the financial problems and issues are divided into three categories: cash flow imbalance, access to stimulus packages, and bankruptcy risk.

During the first Movement Control Order, all commercial organisations were closed, except for those that fell under the category of "essential services." Any activity or process in the supply chain involving food, water, energy, communication and internet, security and defence, solid waste and public cleansing management and sewerage, healthcare and medical, including dietary supplements, banking and finance, hotels and accommodation, was included in the "essential services". Besides that, Movement Control Order COVID-19 also caused supply chain disruption, as the world economy was also impacted by significant local and cross-border movement controls, which included the closure of local, national, and international commercial entities (Smith-Bingham & Hariharan, 2020). As a result, millions of workers have been laid off, and businesses were short on supplies and were unable to recover.

Financial problems were one of the main issues faced by owners of small and medium enterprises (SMEs) during the COVID-19 pandemic. As stated in the research by Afrina (2021), SMEs contribute 35% of the Malaysian GDP (Gross Domestic Product) and 70% of the jobs in the entire market. The lockdown had a significant impact on SMEs, leaving many to experience financial difficulties. In addition, during the two-month lockdown, manufacturers that contributed to Malaysia's export income were ordered to stop operating, leading to an economic decline of 8.3%, against a negative 1.7% growth in 2019. The main cause of financial problems among small and medium enterprises (SMEs) during the COVID-19 pandemic was a cash flow imbalance. Cash flow played an important role in sustaining businesses during the COVID-19 pandemic. Based on a study done by the Department of Statistics Malaysia in 2021, the duration of survival for companies or business firms was less than 2 months.

Three main factors affected commercial activities during all phases of the MCO, namely operations; income and revenues; and demand and supply for commercial activities. These factors determine the survival and sustainability of a commercial activity, especially during such a difficult period. All these problems have affected a small town such as Muar since there were a lot of commercial activities, mostly operated by small and medium-sized entrepreneurs. During the spread of COVID-19, a lot of restrictions have been implemented by the government to control the virus' spread, including the operational limitations of commercial activities. The Movement Control Order had a significant impact on their operations and had serious repercussions, including bankruptcy and others.

There have been many studies on the influence of movement control orders on commercial activities in a main city centre or a state capital (Young, 2021; Inoue & Todo, 2020), but there has been no study on the effect of movement control orders on commercial activities at the district level where the business activities' main method of selling is direct selling to customers. Therefore, it is very important to study the influence of movement control orders on commercial areas, especially at the district level. The present study has been conducted on the commercial activities in Muar, Johor.

This research also determined whether the implementation of the Movement Control Order would have an impact on commercial activities as well as the biggest challenge faced by business owners during the COVID-19 pandemic. Therefore, the study focused on the impact of movement control orders during the COVID-19 pandemic on the operational, material, production, and financial aspects of commercial activities in Muar, Johor.

COMMERCIAL ACTIVITIES DURING THE MOVEMENT CONTROL ORDER

Operation of Commercial Activities

During the first Movement Control Order in Mac 2020, Majlis Keselamatan Negara (National Security Council) decided to close all economic sectors except for essential services. The essential services designated for all businesses, such as supermarkets and restaurants, including food delivery services, could only be operated during the day and closed at night. The announcement of the Conditional Movement Control Order stipulated that economic sectors and activities would be permitted to operate under stringent standard operating procedures (SOPs). Businesses and the general public must maintain social distance, record customers' names and telephone numbers, and use the MySejahtera application.

The duration of commercial activities for the essential services had been extended from the day until midnight, but restaurants could still operate for takeaways only until the announcement of the Recovery Movement Control Order, at which time dine-in would be allowed. All economic sectors during Recovery Movement Control Orders were limited to 60% of their capacity for operation and management. Only fully vaccinated people were allowed to enter and operate commercial activities under the National Recovery Plan of August 2021. All of these restrictions and SOPs, which change regularly according to the phases of the Movement Control Order, have had an effect on commercial activities nationwide.

Income and Revenue of Commercial Activities

Income refers to the consumption and saving opportunities gained by an entity within a specified timeframe, which is generally expressed in monetary terms. (Barr, 2004). During the COVID-19 pandemic, many restrictions have been implemented. As such, the implementation of phase 2 to phase 4 saw 67.8% of companies experiencing no sales or revenue (Department of Statistics, 2020). This situation also influenced the duration of survival for business activities.

This resulted in massive closures of companies, whereby only 35% of companies had been allowed to operate, while 49% operated partially from March to April 2020 (Department of Statistics, 2020). This period also saw a drop of 25% in revenue. According to Smita et al. (2020), there are discernible disparities in impact by firm size, with smaller enterprises more likely to remain closed for business, corroborating the view that the pandemic has had an uneven effect on smaller firms. This occurred because small businesses had more difficulties with their income than medium-sized and large businesses.

This shows that most businesses were facing a significant loss of revenue and income due to the restrictions following the implementation of the Movement Control Order. Owing to declining revenues and income, the majority of small commercial and business activities could not afford to bear the cost of their closures.

Demand and Supply of Materials and Products for Commercial Activities

During the duration of the Movement Control Order, movement restrictions had an effect on the activities of each participant in the supply chain as a result of restricted interstate movements, buying centres only at fixed-premises shops, and operation hours, with some operators unable to conduct business at all. Markets with a high concentration of buyers were closed, including wholesale and night markets. Consequently, wholesalers, transporters, and small-scale merchants were temporarily excluded from the supply chain (Mohamed Arshad, 2020).

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Disruptions in the supply chain impacted the sales and operations of the majority of businesses. In October 2020, over two-thirds of companies impacted by supply chain disruptions experienced difficulty in fulfilling a sales order. This circumstance forces some business owners to act by extending their supplier networks. In 2021, the majority of businesses saw a decrease in the demand for their products and a slight increase in order cancellations of up to 22% (Smita et al., 2021) due to the sudden implementation of Movement Control Orders 2.0 and 3.0 in that particular year. Commercial activities became more competitive, which was effective throughout the implementation of the Movement Control Order.

RESEARCH METHODOLOGY

Case study: Town of Muar, Johor

The town of Muar, Johor, was selected as the study area. Muar, or Bandar Maharani, is a historical town and the capital of the Muar District, Johor, Malaysia. The total number of commercial premises in the Muar District is 11,252 units of shops, concentrated in the City Centre and Sub-City Commercial areas, namely Bandar Maharani (Bandar Diraja), Bandar Universiti Pagoh, and Bukit Bakri. Based on Table 1, most commercial activities are dominated by distributive trade services such as retail, wholesale, and motor vehicle services (36.65%), followed by food and beverage services (27.84%). The lowest type of commercial premises is transportation and storage (0.16%).

Type of Commercial Premises in Muar	Number of shops	Percentage
Distributive Trade	4,124	36.65
Food and Beverages	3,133	27.84
Professional	867	7.71
Transportation and Storage	18	0.16
Administration and Support	821	7.30
Information and Communication	608	5.40
Health and Social Work	260	2.31
Education	68	0.60
Accommodation	88	0.78
Arts, Entertainment, and Recreation	498	4.43
Real estate	47	0.42
Financial	150	1.33
Others	571	5.07
Total	11,252	100.00

Table 1: Type of Commercial Premises in the District of Muar

Source: Local Plan of the District Muar 2030

The study area also focused on the commercial area in Mukim Bandar, which is the main town centre of the Muar district as the most dominant business area and a well-known administrative area. Muar town has been selected as the case study because it is where the main commercial activity in the district of Muar takes place.

Questionnaire Survey and Respondent Sampling

Accordingly, the units of a commercial building in the study area are divided into three categories. In addition, the group is stratified by the researcher randomly based on the three commercial types, which are retail, service, and wholesale. The questionnaire survey was carried out by adopting convenience sampling based on the overall total of commercial in the Town of Muar, which consists of 675 units of commercial premises. The respondents' sample size follows the small sample technique created by Morgan and Krijcie (Berawi, 2018). Due to the Movement Control Order situation, 242 respondents is considered a substantial number for the sample size.

Only 100 respondents answered the questionnaire survey. Under these special circumstances, the Central Limit Theorem has been applied. According to the Central Limit Theorem, a sample size of 30 is sufficient for this research because the t-distribution (sample distribution) approximates a normal distribution (Kim & Park, 2017). Therefore, the t-distribution is generally used instead of the z-distribution for large and small sizes. Hence, a total of 100 respondents is an adequate sampling size for this study. Of the 100 respondents, 89% are from retail and services, and the remainder is from wholesale. Table 2 shows the number of respondents according to the three groups of commercial activities:

Type of Commercial Activities	Number of Respondents
Services	47
Retail	42
Wholesale	15
Total	100

Table 2: Number of Respondents According to the Type of Commercial Activities

Methods of Analysis

The data was analysed using frequency, cross-tabulation, and correlation analysis using the IBM SPSS Statistics software. Cross-tabulation provides a way of analysing and comparing the results of one variable with those of another. Pearson's chi-squared test analysis is used to investigate the degree of association between variables.

In this research, the variables are business operations, supply of materials, and finances. Senthilnathan (2019) defines a Pearson's chi-squared test of association, that discover if there is a relationship between two categorical variables. The purpose of this analysis was to determine the impact of the Movement Control Order on type of commercial activities in Muar. The Pearson's chi-squared test analysis indicates the association toward the impact of the Movement Control Order on the type of commercial activities. The results and findings of the analysis are explained in the next section.

RESULTS AND FINDINGS

Business Operations During the Movement Control Order

Based on Table 3, 40 of the total respondents stated that they were allowed to operate during the implementation of the Movement Control Order, and 60 respondents stated that their business activities could not operate due to the nonessential nature of the business. Services, one of the allowable commercial activities, recorded the highest number due to the fact that most of the services commercials in the area of Muar Town are food and beverage. Retail had the highest rate of closure during the Movement Control Order, with 30 respondents stating that they could not continue operations because their businesses required physical services.

Type of Commercial	Business Opera Movement C	Total	
Activities	Yes	No	1000
Services	21	26	47
Retail	12	30	42
Wholesale	7	4	11
Total	40	60	100

Table 3: Business Operations During the Movement Control Order according to

Business Operations and Cash Flow During the Movement Control Order

Table 4 shows a cross-tabulation between business operations during the Movement Control Order and their cash flow to sustain the business. An overall total of 43 businesses stated that they had less than a month of cash flow to survive during the Movement Control Order. Even though 13 out of 43 businesses could operate during the Movement Control Order, they still could not sustain their survival for more than a month. Only seven businesses had a chance of surviving more than six months at the time. This demonstrates that a company's operations have a significant impact on its cash flow survival rate. If a business was allowed to operate, its cash flow survival rate would have been higher, and it would have been able to cover its operating costs.

Table 4: Business Operations and Cash Flow During the Movement Control Order			
Cash Flow for Survival	Business Operations During the Movement Control Order		Total
	Yes	No	
Less than 1 month	13	30	43
1–3 months	18	19	37
4–5 months	5	8	13
6 months or more	4	3	7
Total	40	60	100

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Shortage of Materials and Products During the Movement Control Order

During the implementation of the Movement Control Order, a total of 69 businesses had an interruption of supply, i.e., a shortage of materials, whereas 31 businesses had no problem with their materials or products. Out of 69 businesses that experienced a shortage of materials and products, 46 businesses could not operate during the Movement Control Order and the remaining 23 businesses had been operational despite facing supply disruptions of raw materials and products. Interestingly, 17 out of 31 businesses that did not have problems with supply shortages were allowed to operate. This indicates that most of the business activities in Muar Town experienced supply disruptions of products and raw materials. Their business operations were also affected by this matter during the Movement Control Order. If more business activities had been allowed to operate, they would have faced a lower shortage of raw materials and products.

Shortage of Materials and	The Movement Control Order Business Operations During the Movement Control Order		Total
Products	Yes	No	
Yes	23	46	69
No	17	14	31
Total	40	60	100

Table 5: Business Operations and Shortage of Materials and Products During

The Association between Commercial Activities and Operations, Supply of Materials, and Finances During the Movement Control Order

This study utilised Pearson's chi-square test to determine the correlations between the business categories (retail, services, and wholesale) and their finances, supply of materials, and operations. This particular analysis was used because the present study is nonparametric in terms of category (Khatun, 2021).

Table 6 shows that the association between the type of business activity and finances, supply of materials, and operations are statistically significant, ranging from 0.963 to 1.558. At the 0.05 level of significance (2-tailed), Pearson's chi-squared test shows that all the categories have positive significance associated. The results indicate that the Movement Control Order has had a substantial impact on Muar's commercial activities in terms of their operations, supply of materials, and finances. The Pearson Chi-Square analysis confer with the cross-tabulation analysis that have been discuss based on Table 3, 4 and 5.

Table 6: Pearson Chi-Square Analysis Between Type of Commercial Activities and

 Operations, Supply of Materials, and Finances During the Movement Control Order

		Value	df	Asymp. Sig. (2 sided)
Type of	Operations	1.126ª	1	0.002**
Commercial	Supply of Materials	1.558 ^b	1	0.002**
Activities H	Finances	0.963°	3	0.005**

^a 2 cells (50.0%) have an expected count of less than 5. The minimum expected count is 0.47.

^b4 cells (66.7%) have an expected count of less than 5. The minimum expected count is 0.41.

° 0 cell (0.0%) has an expected count of less than 5. The minimum expected count is 6.37

****** Correlation is significant at a level of 0.05 (2-tailed)

DISCUSSION AND CONLUSION

The discovery demonstrates that the implementation of the Movement Control Order has an impact on type of commercial activities especially on business operations, supply of materials, and finances. The majority of commercial activities impacted by the Movement Control Order are services, as they fall under the category of non-essential infrastructure (Table 3). According to Johnson et al. (2020), those employed in the services sector suffer the most as a result of the inability to operate during the Movement Control Order. Due to the shortage of materials and products, commercial activities were also unable to function normally (Table 5). This was due to the restrictions on interstate logistics and disabled commercial activities, which disrupted the supply chain for materials and products. Table 6 shows the association between type of commercial activities and operations. It demonstrates that the government-mandated SOPs for operations had an impact on commercial activities.

During the MCO, the SOPs, such as no dine-in customers, limited hours of operation, and a limited number of customers allowed inside a business establishment, did impact the operations of commercial activities in the town of Muar. Due to the pandemic's impact on businesses' sustainability, the cash flow of commercial activities has been a subject of concern. It was projected that more than half of the commercial activities would survive for less than three months (Table 4).

Due to the cessation of operations and rigorous adherence to normal operating procedures under a movement control order, commercial activities faced an inability to operate and survive the pandemic due to a lack of revenue. According to Rwafa-Ponela (2022), a similar situation has occurred in South Africa as a result of lockdowns. Numerous businesses were anticipated to liquidate or cease operations due to a lack of income. This provided additional evidence of the importance of operations, supply of materials, and finances to the commercial activities in the town of Muar during the Movement Control Order (Table 6). In conclusion, the Movement Control Order did impact the districtlevel commercial activities in Muar Town, particularly in terms of operations, supply of materials, and finances. Due to this unprecedented outbreak, which has caused an economic downturn, the cash flow for survival requires urgent attention.

There is a need for further government economic initiatives and a reorientation of business strategy. It is suggested that the government provide companies with training on digital marketing and e-commerce so that they can use as new business strategies and financial management plans, which is especially important for new district-level businesses. This is aligned with the current 12th Malaysia Plan on Advancing Digital Economy. The experience during the Movement Control Order and this recommendation could help the type commercial activities be well prepare and more sustainable if there is another outbreak of pandemic happening in the coming future.

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