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Lessons Learnt from the COVID-19 Lockdown: Digital Innovation

The COVID-19 pandemic has posed a fundamental challenge to businesses globally and Malaysia is no exception. While the pandemic has rattled various sectors of the economy, local small and medium-sized enterprises (**SMEs**)^[1] including our neighbourhood hawker centres are undoubtedly among the hardest hit.

As a result of the Movement Control Order (**MCO**) which has now been extended for another two weeks, many SMEs have had to temporarily cease operations following the partial lockdown. While large corporations are typically equipped with contingency plans to sustain them through emergencies such as COVID-19, the unfortunate reality for SMEs is that many may not be able to ride out this global crisis.

In this regard, digital innovation is proven to be effective in reducing the impact resulting from the COVID-19 and the enforcement of the MCO. An example is seen in the recent initiative by e-commerce giant Lazada

^[2] to assist local farmers and fishermen to connect with its customers. In this e-Alert, we shall discuss various government initiatives that aim to incentivise Malaysian SMEs to embark onto business digitalisation in order to minimise the impact of COVID-19 through digital innovations.

SME automation and digitalisation facility

On 27 February 2020, in the wake of COVID-19, our government announced an Economic Stimulus Package, primarily dedicated to mitigating the impact of the pandemic.^[3]

Under the Economic Stimulus Package, Bank Negara Malaysia is to establish a RM300 million Automation and Digitalisation Facility for SMEs. Under this initiative, eligible SMEs with at least 51% of shares held by Malaysians can apply for up to RM3 million per SME for a tenure of up to 10 years, at up to 4% interest per annum. This facility can be utilised by SMEs for the purchase of equipment, machinery, ICT including hardware, software, IT solutions and services, and other intangible assets to enhance productivity and efficiency. However, it should not be used to refinance existing facilities.^[4]

#DigitalvsCOVID campaign

In addition to the financial initiatives to tackle the temporary cash flow issues, just last week, the Malaysia Digital Economy Corporation (**MDEC**) kicked off the #DigitalvsCOVID campaign, which aims to bridge local SMEs to the various tech companies to extend digital solutions and services to the affected businesses.

Under the campaign, MDEC has partnered with 80 technology companies including digital marketing companies, virtual workspace providers, and fintech solution providers. These tech companies are committed to offer their aid to SMEs by providing their services either pro bono or at a discounted rate. These efforts aim to assist SMEs to embark onto digitalisation of their businesses whilst adapting to remote working during the MCO period.

For a comprehensive list of companies who have committed to this initiative, please visit: <https://mdec.my/home/c19techrelief/>

SME Digitalisation Grant — Budget 2020

It is noteworthy that, even before the COVID-19 outbreak, our government had made efforts to enable traditional businesses to embrace digitalisation. In November 2019, the Ministry of Finance (**MOF**) launched the RM500 million SME Digitalisation Grant under Budget 2020.

Under the SME Digitalisation Grant, eligible SMEs can apply for up to 50% or a maximum of RM5,000 from the total invoice amount from a vendor listed by MDEC (<https://www.smebank.com.my/images/2020/Feb2020/List-of-TSPs.pdf>). This applies for several digitalisation areas, including:

- Electronic Point of Sale System (e-POS)
- Human Resource Payroll System (HR)/Customer Relationship Management (CRM)
- Digital Marketing/Sales
- Procurement
- Enterprise Resource Planning (ERP)/Accounting & Taxation.

The details relating to the requirements, eligibility, and application of the SME Digitalisation Grant can be found here: <https://www.smebank.com.my/en/sme-digitalisation-initiative>

Notably, the SME must at least be 60% owned by Malaysians and complying with a minimum annual sales turnover of RM100,000 for companies in operation for more than one year, and RM50,000 for the preceding two consecutive years, for companies in operation for more than two years.

Conclusion

COVID-19 has caused significant economic turmoil globally, with its effects set to remain for an extended period of time. With this in mind,

now is perhaps the best time for SMEs to accelerate the adoption of digital technologies in conducting their businesses. By utilising these measures, SMEs would not only be able to minimise the impact of the COVID-19 pandemic, they could also tap into a whole new customer base despite the forced social distancing. While business downturns are not uncommon, it is the ones with the ability to recognise, adapt and innovate to suit new market conditions that have a better chance to survive, or even to flourish, amid the crisis.

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[1]

For a comprehensive definition of "SME", please visit: <http://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition>

[2]

<https://www.malaymail.com/news/malaysia/2020/03/29/after-supply-woes-force-cameron-farmers-to-dump-greens-lazada-steps-in-and/1851378>

[3]

<https://www.nst.com.my/news/nation/2020/02/569732/2020-economic-stimulus-package-full-speech-text-english>

[4]

[https://www.affinbank.com.my/SME-Banking/Loan-Financing/SME-Automation-Digitalisation-Facility-\(ADF\).aspx](https://www.affinbank.com.my/SME-Banking/Loan-Financing/SME-Automation-Digitalisation-Facility-(ADF).aspx)