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3-2021

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Citation

KUSNADI, Yuanto and PAN, Gary. COVID-19 Pandemic and opportunities for digitalisation of SMEs. (2021).

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COVID-19 Pandemic and opportunities for digitalisation of SMEs

31 Mar 2021

By Yuanto Kusnadi and Gary Pan

The Covid-19 pandemic has brought about disruptions in all sectors of economy. With lockdown being implemented in most of the countries around the world, it has necessitated changes in the business models of SMEs. A glaring area of business opportunity focuses on online business. For instance, retailers who do not yet have an online presence or have not been paying much attention to conducting sales online were caught off-guard during the circuit breaker period which has resulted in decreased footfall and plummeting sales in most physical stores. Therefore, having an online retail presence has become critical for businesses, as they can no longer continue business as usual.

While the current pandemic situation poses challenges to the institutions and SMEs themselves, other organisations (such as banks) view this as new business opportunities to expand its digitalisation efforts in widening clientele base and network and to create customer stickiness. By expanding the suite of service offerings online, clients of banks may now avoid the hassle of having to navigate through various manual processes and procedures, resulting in quicker service times and reduced human errors.

OPPORTUNITIES FOR DIGITALISATION

A Case Study of Virtual Collaboration between IHL and A Regional Bank

Singapore Management University has always been active in partnering with industry partners (both in Singapore and overseas), through consultancy projects involving students. Not only are students exposed to the diverse business culture in the collaboration, they are also able to network with business leaders both locally and abroad. In this way, the industry partners both in Singapore and abroad can benefit from having fresh insights into the challenges and issues that they are facing.

In a unique virtual collaboration conducted between January and May 2020, Bank OCBC NISP partnered with a group of more than 28 students from Singapore Management University, mentored by a faculty from School of Accountancy, in attempting to craft innovative ways to expand its digitalisation efforts to SMEs in Indonesia, by acquiring their clients' supply chain and ecosystems.

Established in 1941, Bank OCBC NISP is a publicly listed bank in Indonesia, headquartered in Jakarta. OCBC NISP is now actively supporting the digital transformation strategies of SMEs across its corporate banking segment. Meanwhile, it is also pushing for wide adoption of mobile banking platform across its retail banking segments.

Addressing the pain points of food vendors

Cash has long dominated the way of payment in Indonesia, consisting 76 percent of the whole population. In comparison, cashless payment only contributes percent of the whole population. A low bank penetration is one of the leading factors that is attributed to the low percentage of cashless payment. The over-reliance on cash payment is worrying as cash handling during the still-ongoing COVID-19 pandemic are inadvisable owing to the risk of further transmission of the disease. As a

consequence, Bank Indonesia has recently announced to relax rules on credit cards ownership to boost cashless transactions and fuel economic activities amidst the COVID-19 pandemic.

At times like this, though it is unfortunate that offline businesses are disrupted during COVID-19 pandemic, the convenience and accessibility of online purchases have converted many offline shoppers to online. Coupled with the fact that there is an increasing trend of internet users (64.8 percent of the population) and smartphone penetration (42.9 percent of the population) in Indonesia, businesses have to adapt to the situation and market trends to satisfy market demand. This essentially calls for further development of digital tools and cashless payment to promote purchase convenience not only at unprecedented times like COVID-19 but for future prospects and sustainability of SMEs.

The evolving technology has contributed significantly to ease people's lives due to its convenience, which is shown by the increasing rates of digital adoption. Therefore, one potential way that the bank can exploit is by integrating seamless adoption of technology from the retailers' perspective.

The solution predominantly targets food vendors as the food and beverages sector could be a prospective and safe area of investment, given the large market in Indonesia. To create stickiness with the bank's potential customers, this solution aims to resolve the pain points of food vendors to achieve efficiency and effectiveness in their business operations, through a smart-retailer application interface. Specifically, the application is an all-in-one dashboard that will display the insights of the business's cash flow and projections to provide comprehensive financial visibility to vendors and serves as a one-stop shop for their business needs

One of the most critical and yet essential tasks for food vendors is inventory management. Food vendors often find it difficult to control the total cost of inventory efficiently and effectively. To ease the manual monitoring of inventory by the food vendors, the dashboard provides a procurement supply service that tracks the business's inventory levels. The re-ordering system also adopts a just-in-time methodology that analyses the purchasing behaviour of the food vendor, taking into account their buying patterns and seasonal demand. Automated payment schedules are also calibrated within the application and payments are transferred directly to their suppliers. Additionally, contracts with the suppliers are also consolidated and digitalised, hence, providing an overview for the food vendors and aid in their decision-making for re-contracting.

Rental costs represent one of the biggest cost drivers for food vendors. Flexible payment schemes and more effective management of rental payment could provide the vendors with the cash flows to tide through difficult times. Therefore, the second feature of the dashboard is a rental management system that maintains the food vendors lease. With the details of the lease, the application helps to manage the rental payments and anticipate late payments based on the food vendors' financials.

The availability of a Point-of-Sale (POS) system or other devices to track transactions can help to facilitate cashless solution. This will allow food vendors to track their transactions and generate detailed sales reports which provide insights to their products. Vendors can better understand consumer's preference and create better products or better manage supplies. The POS system will also provide a comprehensive analysis of their cash flows and working capital.

Finally, to ensure that food vendors are able to continue business operations and protect their bottom line in the event of the unexpected, the application offers the opportunity for companies to insure their businesses against unforeseeable events that could threaten the well-being of their business.

Benefits of the Collaboration for OCBC NISP

The fresh perspectives offered by the undergraduate students provide OCBC NISP with a renewed insight into how they can rely on data analytics to gather valuable insights on the retailer's financial

supply chain in the form of financial data. The recommended application by the students targets three main areas (inventory management, payment system and rental management) within the retail food vendor's financial supply chain, which enables the bank to penetrate and manage finances at those various points via the features elaborated earlier. With this level of penetration, it allows the bank to be vertically integrated to create supply chain stickiness in both upstream and downstream. More importantly, cash flow trends can be derived and translated in the form of big data, hence allowing the bank to further develop and tailor financial products that are better suited to this niche financial supply chain.

The current COVID-19 pandemic highlights important and necessary shift towards contactless payment. Features of the proposed application such as the online onboarding of customers, contactless payments, robo-advisors for financial projections and data analytics will reduce the need for human contact via a customer service representative or a financial advisor. This creates a safer business environment for not just customers but OCBC NISP employees as well.

The shift in consumer patterns and behaviour has created an opportunity for OCBC NISP to capitalise on expanding its digitalisation effort of SMEs in Indonesia. The recommendation to develop an all in-one application serves as a platform to tackle some of the problems and inconvenience faced by retailers or suppliers while taking into account the shift in consumer behaviour. This will allow OCBC NISP to generate new revenue streams and create customer stickiness through the proposed application.

The success of such a virtual collaboration between IHLs and industry partners not only in Singapore, but abroad will depend on how such partnership can be strengthened to bring fruitful benefits to the industry partner as well as the IHL and its students.

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