

Profiling Winding up Companies and Reason for Not Rescuing their Business

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Abstract

The old regime of corporate rescue seems to be suitable for larger companies which left small companies with no option other than seeking winding up, which involves liquidation and dissolution process. Corporate Rescue Mechanism is a new rescue mechanism introduced by the Companies Commission of Malaysia (CCM) in March 2018 to help small and medium enterprises (SMEs) under financial distress rescue their businesses and avoid liquidation. This study investigates and profiles why a company resorts to winding up. This study used a purposive sampling technique to select the sample of companies to be involved in the study. This study used secondary data which is accessible from the 2017 to 2019 winding up statistics/reports of the Malaysia Department of Insolvency. This study employed a descriptive statistic to analyse the data. Results reveal that the key reason behind the choice made by the financially distressed company is the inability to pay debts. In addition, an inherent risk related to the specific nature of business sectors, such as trade, wholesale and retail, construction and financial, insurance, property and investment services is expected to have a high tendency to opt for winding up instead of rescuing or rehabilitating their business. Furthermore, small (in terms of capital amount) and young companies (age or year of operation) tend to be vulnerable to winding up. The findings of the study can assist business owners and business rescue practitioners guide distressed companies in making better decisions (rescue or dissolve) and to plan and manage their business operations efficiently. The policy maker may consider helping small companies by providing funding with lower or zero interest and longer payback periods. It is hoped that the new Malaysian corporate rescue mechanism can help enhance the ability of the company to survive and sustain for a longer period.

Keywords: Corporate rescue; Financial distress; Liquidation; Rehabilitation; Winding-up

INTRODUCTION

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Most entrepreneurs prefer to run their business by forming a company. Many benefits entail an entrepreneur if he/she chooses to form a company, namely, limited liability, transferability, lower cost of capital, perpetual succession and taxation. Perpetual succession is the continuation of a company's existence despite the death, bankruptcy, insanity, withdrawal or change of membership of any of the members or disposal of shares. This perpetual succession has become one of the most attractive characteristics that motivate entrepreneur to form his/her business as a registered company apart of

limited liability. Based on the Companies Commission of Malaysia statistic, there exist over 1.3 million registered companies as of 31 December 2020 of which majority of these companies are categorised as small and medium enterprises (SMEs) and form as a private limited company (Companies Commission of Malaysia, 2020).

In Malaysia, SMEs are defined according to the following category: 1) manufacturing sector are companies with sales turnover not exceeding RM50 million or full-time employees not exceeding 200 workers; and 2) service and other sectors refer to companies with sales turnover not exceeding RM20 million or employees not exceeding 75. If a company fulfils either one of the above criteria, it is deemed an SME (Malaysian SME Corporation, 2013). Many small companies are experiencing a crisis that forced them to liquidate and stop operations. A smaller company has a high tendency to fail compared to a larger company because of limited capital, lack of cash and inability to reap the economies of scale that are available to a large company. Another critical factor that causes a company to fail is financial difficulty.

Financial difficulty is a situation in which a company is having a limited cash flow or current assets to finance its daily business operations (Platt and Platt, 2006; Abdullah et al., 2008; Ong et al., 2011; Sensini, 2016). This financial distress will likely compel the company to become an insolvent company. The primary cause of financial difficulty may vary amongst companies, but the most frequently, the cited causes are poor management and poor general economic conditions (Pandit et al., 2000). Corporate failure occurs when the company fails to manage its business to be profitable and sustainable. In this kind of situation, most companies are left with two options: 1) Winding up or 2) Rescue arrangement.

The previous legal framework in Malaysia emphasised more on the liquidation process or winding up of a company that resulted to liquidation and often seen as the only viable option for insolvent companies (Bidin et al., 2012; Abdullah et al., 2016). A company's winding up is the process of putting it out of business. The assets of the company are sold and the proceeds are utilised to pay off the company's debts. According to the Companies Act 2016, there are two types of winding up: (1) voluntary winding up; and (2) compulsory winding up. It is possible to close the business in one of two ways, depending on the nature of the company's solvency (Chan, 2017).

The rescue arrangement under the old legal framework is characterised as expensive, time consuming and complicated, which make it unattractive to small companies, such as SMEs (Lokman et al, 2020). Much criticism was made which urged the CCM to revise and introduce a new rescue mechanism with the objective to assist SMEs to restructure its debts and turnaround its business. The reform, Companies Act 1965, ensures that more innovative and practical rescue mechanism arrangement is introduced in the revised version of the Act which became effective in March 2018. The rescue mechanism, which comprises Judicial Management (JM) and Corporate Voluntary Arrangement (CVA), can be seen as a viable method in reforming the insolvency law (Khan et al., 2014) and provide an option for a small company to be rescued.

PROBLEM STATEMENT AND MOTIVATION

Despite that various rescue arrangements are available in Malaysia, most business owners choose to wind up their companies (Lokman et al., 2020; Minderjeet Kaur, 2020). According to the statistic produced by the Malaysia Department of Insolvency (MDI), the number of winding up companies has increased from 1,885 in 2017 to 1,934 in 2018 and 2,364 in 2019 (Malaysian Department of Insolvency, 2020). The increase in the number of winding up companies is alarming. The data show that business owners prefer to wind up their companies rather than rescue them. Thus, there persists a need to understand why Malaysian companies prefer to wind up over rescue arrangements that are available to companies.

The extremely low number of companies applying for corporate rescue mechanism either CVA or JM indicates that Malaysian companies have not utilised the benefits offered under this new rescue mechanism (Lee, 2020; Lokman et al., 2020). If this issue is not taken seriously and appropriately, it could jeopardise the survival of small companies that account for over 90% of companies in Malaysia. SME companies remain the backbone of the Malaysian economy and play a significant role in driving local economic growth and employment. In terms of economic contribution, SMEs contributed 38.3% to the overall Gross Domestic Production, 17.3% to total exports and 66.2% total employment during 2018 (Department of Statistic Malaysia, 2020). Maximising the survival potential of SMEs is a critical issue which should be investigated; thus, this is what the study aims to do.

Types of company characteristics can also help identify the accurate variable in predicting corporate failure/winding up SMEs. The current predicting model is tailored to the larger and listed type of companies. The factors may not be relevant to SMEs. SMEs recorded a higher contribution to Malaysia's income in 2018 amounting to RM521 billion as compared to RM491.2 billion in 2017 (Department of Statistic Malaysia, 2020). Based on the statistic, SMEs accounted for about one-third of the country income. Therefore, the reasons behind the decision for SMEs owner to wind up their companies should be understood. Thus, this study aims to profile winding up companies to identify the key attributing factors that link to a company's decision to wind up rather than find ways to rescue the businesses.

On the basis of the above discussion, this study proposes to investigate the reasons why a company owner prefers to liquidate the business rather than rescue it. In addition, the current study also aims to profile companies that choose liquidation and to reveal the key reason for their decision. This study significantly contributes to the existing rich knowledge of corporate insolvency in Malaysia, specifically on the new corporate rescue mechanism. The results of the study reveal that smaller companies, in terms of capital value, a company in wholesale, retail and trade, construction and finance sector and a company operating less five years are highly likely to wind up. The key reason for opting to wind up, as quoted by the companies, is the inability to pay debts and disagreement amongst shareholders and directors. These findings may help SMEs to prepare better business plans and strategies to cope with unexpected changes that may transpire either within the country origin or outside, including social, economic and political situations.

The remainder of this paper is organised as follows. Section 2 presents an extensive literature concerning corporate failure and corporate rescue arrangement that available in Malaysia. Sections 3 provides the research methodology, including sample, data collection and analysis. Section 4 reports the empirical results of the study. Section 5 discusses the results and conclusion.

LITERATURE REVIEW

Prior studies have focused much attention on predicting corporate failure (Altman et al., 1977; Altman, 1984; Johnsen and Melicher, 1994, Ugurlu and Aksoy, 2006; Kosmidis and Stavropoulos, 2014), identifying models that can predict corporate failure accurately (Altman et al., 1994; Lin and McClean, 2001; Yim and Mitchell, 2007; Alfaro et al., 2008; and Wu et al., 2010) and determining factors that contribute to corporate failure (Sharma, 2001; Hua et al. 2007; Liou and Yang, 2008). Majority of these studies are conducted in larger and listed companies wherein the factors identified may not be similar and relevant to be applied to SMEs due to different corporate environment settings and legal requirements. Furthermore, researchers seem reluctant to study corporate rescue and corporate failure in SMEs specifically on winding up because of the scarcity of publicly available data of these companies. The potential underlying risk of this phenomenon can be very severe to SMEs compared to larger and listed companies, especially during the recent COVID-19 pandemic, which forced many small businesses worldwide to close down.

A new corporate rescue mechanism was introduced in Malaysia in March 2018. The new corporate rescue mechanism aims to rehabilitate the company on the edge of economic collapse and salvage an economically viable company. Corporate failure is a phenomenon that the company faces at any stage of the company life cycle and requires insights into its causes before it can be reversed. Sulaiman et al, (2001) defined failed companies as those companies that sought court protection. Similarly, Hong (1983) also referred to companies that had been adjudicated liquidated by the court as failed companies. Moreover, according to Lo Pucki (1983) failed companies were those that had ceased operating its business. In the Malaysia context, winding up refers to a process of which a company has undergone liquidation process and finally being dissolved. Liquidated companies indicate that the company has failed to continue its business or better known as a corporate failure.

Many studies have been conducted to identify the factors that contribute to corporate failure. Poor financial performance and management incompetence, (Sharma, 2001; Chan et al., 2005; Dikmen et al., 2010; Harada and Kageyama, 2011; Heracleous and Werres, 2016; Jagafa and Wood, 2012) may cause corporate failure. In addition, factors, such as insufficient capital/scarcity of financial resources, lack of business

knowledge, fraud, lack of organisational knowledge, poor relations with clients/government, poor technical and technological capacity, poor investment decisions, overexpansion/not expanding and the wrong level of diversification may also lead to corporate failure (Jagafa and Wood, 2012). According to Halim et al. (2008) and Harada and Kageyama (2011), macroeconomic factors such as the movement in lending rate, bankruptcy rate and GDP of the country can also predict corporate failure.

Impacts of corporate failure can be severe specifically to the social, politic and economy of a country. Corporate failure may affect various stakeholders, either directly or indirectly. The shareholders will face the risk of not acquiring any return on investment that they made and losing their initial funds. The company's creditors will also be affected if the company becomes bankrupt. Even if the company is solvent, creditors will have to wait for the repayment, especially if the company has insufficient cash to pay back their debts. Creditors must be convinced with better regularisation plan to ensure that the assets and securities can be liquidated immediately to pay the creditors. In this situation, the roles of receiver, receiver and manager or liquidator are important to ensure the success of the restructuring plan for the benefit of the creditors, shareholders and companies.

The business partners, such as supplier and distributor will lose the business opportunity in case the company opts to close down its business. On the other hand, customers will also suffer because of supply, goods and service discontinuity, especially when the product is of good quality and not easily replaceable or imitated by other company. The government will lose in terms of revenue generation through tax paid by the company. Thus, corporate failure significantly affects, not only the stakeholders of the company but also the economy and the political and social stability of the country where the company is incorporated.

Stakeholder theory versus creditors' theory in corporate rescue context

Stakeholder theory argues that corporations serve a broader public purpose, which is to create value for society. Companies should maintain a relationship with its stakeholders to accommodate the desires and needs of its stakeholders, especially stakeholders who have access to the availability of resources that are used for the operational activities of the company, such as labour, corporate and product markets

over others (Nsubuga, 2016). This study use creditor bargain and stakeholder theories as the underpinning theories to explain the theoretical framework of the study.

Contrastingly, creditors' bargain theory or creditor wealth maximisation theory is the most widely debated in insolvency study (Keay and Walton, 2003; Mokal, 2005; Casey, 2011) This theory argues that the main role and objective of insolvency law should be to maximise the collective returns to the creditors of the insolvent debtor as viewed by proceduralists. This theory does not recognise reorganisation of the distressed company as the main objective in insolvency unless it is intended to maximise returns to the existing creditors. Moreover, according to Webb (1991), insolvency law should help a firm stay in operation when it is worth more to its creditors alive than dead.

A company must manage business operations well, have a healthy balance sheet and be able to pay its debt when due. However, sometimes, unforeseen things can occur, which puts the company under financial difficulties. When this happens, the company may have to delay the repayment of its debts to creditors. Meanwhile, the creditors have their own creditors which left them no option but to demand debt repayments from the company. If their demand is not fulfilled, they tend to take legal actions against the company. Moreover, if the creditors are secured creditors, they may proceed to enforce the securities. As for the unsecured creditors, they may just decide to take the extreme measure to winding up the company if it fails to pay. However, winding up is not the best option for the creditors because they might lose the chance of recovering the full or any part of their payment.

The directors of the company may think that the company's business remains competitive and may wish to save the company for the benefit of all its stakeholders. The company's directors may recommend a moratorium scheme of arrangement or a compromise scheme. However, obtaining the consent of all creditors to agree on the proposed scheme is difficult. This is evidenced from the official statistics of SSM, which recorded only 15 cases between April 2018 and June 2020, and most involving large companies.

Overview of the New Corporate Rescue Mechanism in Malaysia

The corporate rescue has been implemented in the United Kingdom, South African and Singapore. According to Webb (1991), the establishment of the corporate rescue within the United Kingdom's legal system can trace its origins back to the Review of the Select Committee chaired by Sir Kenneth Cork in 1982. The report was received with wide acclaim, with many of its recommendations entering legislation through the Insolvency Act 1986. The administration process became the mechanism that facilitates corporate rescue with an emphasis on preserving companies as a going concern where possible and to protect the interests of the public and employees alike (Senbet and Wang, 2012; Chen et al., 2020a).

The Companies Commission of Malaysia has introduced a new corporate rescue mechanism which became effective in February 2017. The new provision on the rescue mechanism is included in the Companies Act 2016. The objectives of this new rescue mechanism are to help small or private companies in financial difficulties to be rehabilitated and to provide flexibility in compliance with some rules for companies that are having trouble paying debts. This corporate rescue mechanism, namely, CVA and JM, can be seen as a viable method to ensure company survival (Chen et al. 2020a; Chen et al., 2020b).

Corporate voluntary arrangement (CVA) is a proposed voluntary arrangement to restructure the company's debts which will be supervised by an independent insolvency practitioner. In CVA, the court is not actively involved in the process. The proposal for CVA can be made at any time even when the company is under JM or being wound up. The CVA proposal application shall be made by the company director working closely with either the judicial manager or liquidator. Once the proposal is completed, the application for CVA shall be filed to the court with other supporting documents. A 28-day automatic moratorium will start automatically once the application is submitted to the court. Then, the CVA proposal must be presented by the insolvency practitioner at creditors' and shareholders' meetings for approval. Once the approval is obtained, the proposed CVA will be binding to all creditors of the company and the board of directors may continue the company operations as usual. However, not all companies are eligible to apply for CVA. There exist few conditions that must be fulfilled to qualify for CVA. Firstly, the companies must be solvent and can continue its operation. Secondly, the company is not a public company, licensed institution or operator of designated

payment approved by Bank Negara, financial market institution and a company that has created a charge (Chen et al., 2020a; Chen et al. 2020b).

Judicial management (JM) is a situation where the company has obtained court order to place the company under JM process. The aims of JM is to give the affected company a chance to rehabilitate and be profitable. The court usually plays an active role in the JM process. A company may be eligible for JM if the company is unable to pay its debts. After the application of JM is filed to the court, an automatic moratorium will start until the court decides on the application. The powers of the board of directors shall also cease once the JM order is granted. The JM order will only be granted if the company is insolvent and there exists a high possibility that JM may help a company to survive and restructure its debts and avoid liquidation. The JM order will be in force for six months and can be extended by another six months subject to the court's approval. Once the JM order is granted, the company may delay paying the creditors and this will give time for the company to prepare a rehabilitation plan to rescue the company with creditors and obtain their approval. Upon approval of the rehabilitation plan, all creditors are bound by it.

Based on the above discussion of the corporate rescue mechanism in Malaysia specifically, referring to a method available to SMEs to rehabilitate its business from financial distress situation to a viable and sustainable business. The methods are not a guarantee that the companies that opt for the available mechanism can turnaround its business from losses to a profitable company. Instead, the mechanism will provide some space to the business owner to construct the best possible restructure plan to allow the company to continue as a going concern and be able to pay its creditor fully or partially which may benefit the creditor more than winding up. According to Wood (2013), corporate rescue should not be perceived as a mechanism that offers an absolute solution to a distressed company, but more often than not a partial response that temporarily relieves financial pressures. It may offer a solution to a problem, but whether that amounts to a temporary or a permanent one is difficult to conclude with the lack of research and cooperation from professionals within the field (Wood, 2013). As such, now is the best time for research to be conducted to investigate the issue related to corporate rescue mechanism, especially in Malaysia.

Segarajasingham (2012) defined corporate rescue as proceedings to facilitate the rehabilitation of a company under financially distress by providing temporary

supervision of the company and of the management of its affairs, business and property; or a temporary moratorium on the rights of creditors against the company or regarding property in its possession; or development and implementation of a business rescue plan to suit the particular circumstances. Generally, corporate rescue is the process under which companies in financial crisis attempt to rescue themselves from an insolvency situation. According to Wood (2013), corporate rescue is a concept born out of the ideology that calculated risk should be encouraged and if failure occurs then there should be a system in place to help minimise the adverse effects that it may have on affected parties (Wood, 2013). Ultimately, corporate rescue is the instrument under which companies in financial distress attempt to rescue themselves from an insolvency situation and avoid liquidation.

RESEARCH METHODOLOGY

The main objectives of this paper are to profile the company that chooses to wind up and identify the reasons behind their decision. This study adopted a quantitative method of data collected to achieve the objectives set for the study. The study used a secondary data which is accessible from the Malaysian Department of Insolvency (MDI) website. All data relating to the characteristics of the company and reasons for deciding winding up are based on MDI data on winding from 2017 to 2019. At the time of the present study, the national cumulative total number of winding up from 2017 to 2019 was 4,607 companies. Thus, the study sample accounts for all companies which were registered as winding up companies with MDI as of 31 December 2019. This study analysed all the data using descriptive statistics.

From the total of 4,607 companies, only 1,820 companies are included in the study. The remaining 2,787 companies are excluded due to missing data on more than one information relating to company profile (ownership status, business sector, capital, age and reason for winding up). This study used purposive sampling technique to determine the appropriate sample to be included in the study. The company are selected on the basis of two main criterion which is the company has been winding up or liquidated from 2017 to 2019 and no missing data on at least one information about the company profile. The purposive sampling method is a method in which the required essential criteria are preselected and utilised to choose the appropriate population or

sites to be studied. This study chose this sampling technique because it is the most effective technique in selecting information-rich cases for an in-depth study.

FINDING AND ANALYSIS

Registered and Complete Winding up Cases

The data presented in Table 1 shows the total registration and complete winding up cases from 2017 to 2019. There existed, 1,154 cases registered in 2017, 1,419 cases registered in 2018 and 2,034 cases registered in 2019. This data indicates that there exists a steady increment of the registered cases from 2017 to 2019. The number of complete winding up cases shows a small increase in the year 2018 from 35% in 2017 to 36%. However, the percentage of completed winding up cases showed a steep decrease to 16% only in 2019.

Table 1: *Total Registration and Complete Winding up Cases 2017 to 2019*

	2017	2018	2019
Registered	1,154	1,419	2,034
Completed	403	507	330
Percentage (%)	35%	36%	16%

Winding up by Ownership Status

Company status refers to shareholding or ownership status of the company, which is in this study is divided into four categories, namely, Bumiputra, non-Bumiputra, equal shareholder and company's shareholder. The majority of companies in the study are owned by non-Bumi with 52% compared to Bumi status companies which accounted for about 45%. Next, equal shareholder and the company's shareholder accounted for about 1.4% and 1.1%, respectively.

Table 2: *Company Ownership Status*

Status	Frequency	Valid (%)
Bumi	828	45.5
Non-Bumi	947	52
Equal shareholder	20	1.1
Company	25	1.4
	1820	100

Winding up by Types of Business Sector

The majority of companies in the sample operate in the trade, wholesale and retail sectors (55%). Construction sector is the next most represented sector with 13%, and the next are financial, insurance, property and investment services sectors, which accounted for 10%. The other sectors only accounted below 6% (see Table 3). The data indicate that companies involved in business sectors, such as trade, wholesale and retail, construction and community, social and personal services have higher possibility to choose winding up if the companies are facing financial difficulties.

Table 3: *Types of Business Sector*

No.	Sectors	Frequency	Valid (%)
1	Agriculture, forestry, hunting and fishing	40	2.5
2	Mining and quarrying	8	0.5
3	Manufacturing	81	5.0
4	Electricity, gas and water	69	4.2
5	Construction	207	12.7
6	Trade, wholesale and retail	889	54.7
7	Transportation & Communication	84	5.2
8	Financial, insurance, property and investment services	162	10.0
9	Community, social and personal services	84	5.2
		1,624	100
	Missing value	196	
	Total	1,820	

Winding up by Capital of companies

Table 4 presents data on the capital of companies in the sample study. Most companies that employ winding up are small companies with 61.7% of the total sample that fall under the capital range of capital RM2.00 – RM100,000, followed by companies with a capital range between RM500,000 – RM1 million (23.3%), third highest are companies with a capital range between RM100,001 – RM500,000 (13.8%) and the lowest are companies with capital above RM1 million accounted for 1.2% only. The data indicate that many small companies are likely to opt for winding when facing financial difficulties.

Table 4: *Capital of Companies*

Total Capital	Frequency	Valid (%)
RM2.00–RM100,000	947	61.7
RM100,001–RM500,000	212	13.8
RM500,001–RM1,000,000	358	23.3
Above RM1,000,000	19	1.2
	1,536	100.0
Missing value	284	
Total	1,820	

Winding up by Age of Companies

Companies that have operated less than three years (37%) have more tendency to wind up compared to companies which have been incorporated for six years onwards. Although in a few instances, winding up has been used by companies of above 15 years (27%). The reason for this might be due to the unwillingness of the owners to change how they operate the business and failure to virtually strategise their business to compete with new and current rivals. The summary of data in relation to age of company is presented in Table 5 below.

Table 5: *Age of company*

Years of incorporation	Frequency	Valid (%)
1–5 years	580	37
6–10 years	332	21
11–15 years	221	15
Above 15 years	402	27
	1,535	100
Missing value	285	
Total	1,820	

Reason for Winding up the Companies

Companies are required to cite the key reason for winding up (see Table 6). Many reasons exist why companies chose winding up instead of rescuing their companies. The reasons identified are, namely, the company is unable to pay its debts, dispute between directors and shareholders of the company, failure on the part of the company to file statutory reports or documents to Companies Commission of Malaysia and passing a resolution to wind up the company. In the 98.4% of winding up cases, the underlying reason for choosing winding up is the inability of the companies to pay their debts. The next reason is passing resolution a special meeting to wind up the company. None of the winding up cases cited a dispute between directors and shareholders and failure to lodge statutory documents as the reason for choosing to wind up.

Table 6: *Reason for Winding up*

Reasons	Frequency	Valid (%)
1 Unable to pay debts	1,523	98.4
2 Dispute between directors and shareholders	0	0
3 Failure to lodge statutory documents	0	0
4 Passed a resolution for winding up	25	1.6
	1,548	100
Missing value	272	
Total	1,820	

DISCUSSION AND CONCLUSION

The significant findings of this study are summarised as in total, the number of winding up cases involved in the study is 1,820. From the total of 1,820 cases, over 50% of the winding up companies are categorised as non-Bumiputra status, and 45.5% are Bumi status. Companies using winding up come from a broad range of business sectors. Although relative to Malaysian sector population generally, many of them are involved in the trade, wholesale and retail sector, construction sector and financial, insurance, property and investment services sector. These three sectors are considered the most vulnerable sectors, especially when facing financial difficulty.

Winding up cases are predominantly small-company affairs. Larger companies with greater capital seem to prefer less descriptive and less costly out-of-court settlements. Inadequate amount of capital may limit the company capacity to invest in marketing, research and development and expand their business in future. With respect to the age of the company, young companies or companies that are incorporated less than five years are highly likely to be wind up. This result shows that it is critical for the company with less than five years operation to equip themselves with proper knowledge and understanding about the nature of their business and business environment to compete and survive in the current vulnerable business environment. This is especially with the current COVID-19 pandemic which has placed many businesses to suffer due to slow economic activity in the local and international arena.

In the majority of the winding up cases, the reason for choosing winding up instead of rescuing the companies was the inability of the company to pay its debts. Only a small minority of the winding up cases was decided by shareholders agreement (passing shareholders resolution) to wind up the company at a special meeting. The inability of the company to pay debts may be caused by inefficiency in the part of the company in managing their working capital and having short-term and long-term commitments to pay loans.

The present study is not without limitations. There are three main limitations which have been identified. Firstly, the study used mainly secondary data which is obtained from the winding up statistic of MDI website. Secondly, the data obtained have an issue with missing data about the company profile. Thirdly, the method of analysis used in this study is descriptive statistics. Thus, for future research on a similar

topic, the researcher should look into these limitations to enhance the robustness of the analysis and results.

The recent COVID-19 pandemic has shown SMEs whether they will be able to survive and sustain. A lesson should be learnt from the current difficult situation, and the board members shall take early precaution to construct a rescue plan that has high chances to be accepted by the creditors which would bring in better results for creditors and all stakeholders rather than allowing the company to die. Knowledge and awareness on the available mechanism to rescue a company may not only help the owners and creditors of the company but also the person who is accountable for implementing the rehabilitating plan. Further consideration should also be given to factors, such as start-up capital, nature of business and status of the company at the point of establishing the business. Also, the first five years of the business operation is critical for the survival of the company. The owners of the business should also be mindful in managing their working capital efficiently and avoid taking too much loan as this may place the company under financial distress if it is not appropriately monitored.

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