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SPECIAL ISSUE ON THE COVID-19 PANDEMIC

ARTICLES IN THIS ISSUE

Pandemic Threat, Ostrom Threshold and pre-emptive public goods: why East Asia performed better in the COVID-19 crisis

Raul V. Fabella

How influential are COVID-19 data points? A fresh look at an estimated small scale DSGE model for the Philippines

Lawrence B. Dacuycuy

Targeting 'highly vulnerable' households during strict lockdowns

Geoffrey Ducanes
Sarah Lynne Daway-Ducanes
Edita Tan

COVID-19, job loss, and underemployment: who is affected?

Ma. Christina F. Epetia

Measuring the telework potential of jobs: evidence from the International Standard Classification of Occupations

Ian Nicole A. Generalao

Life in the times of the COVID-19 pandemic: the experiences and responses of households in Guimaras and Miagao, Iloilo

Louie Marie Eluriaga
Lyve Maliz Zeller
Gay Margaret Gange
Alice Ferrer

National Health Insurance Program financing during the COVID-19 pandemic: financial viability and the burden of paying for NHIP benefits

Carlos Antonio Tan Jr.
Narisa Sugay
Maria Sylvia Nachura
Katrina Miradora
Abba Marie Moreno
Josefa Mina Nieva
Joyce Encluna

The COVID-19 outbreak and its impact on business establishments: a study on challenges and strategic approaches

Aurora G. Hidalgo
Viory Yvonne T. Janeo
Winston Conrad B. Padojino
Cid L. Terosa
Peter L. U
Josef T. Yap

Disruptions in global value chains due to COVID-19: stylized facts and policy lessons

Adrian R. Mendoza

Coping and recovery strategies of MSMEs in the Laguna one year after COVID19

Emmanuel Genesis Andal
Amelia L. Bello
Ma. Angeles O. Catelo

COVID-19 pandemic and the Philippine real estate property cycle: indications of bubble and burst in the "new normal"?

Luisito C. Abueg
Christian Marvin B. Zamora
Leonard Nevin V. Correa

Transportation policy potholes: analyzing Metro Manila's COVID-19 response

Cielo Magno
Kevin Daniel Quizon
Dante Gatmaytan



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Coping strategies of selected MSMEs in Laguna one year after COVID-19

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This paper investigates the coping strategies employed by sample micro, small, or medium enterprises (MSMEs) in Laguna using the SME Competitiveness Grid framework developed by the International Trade Centre (ITC). The paper finds that sample MSMEs in Laguna did not find it easy to access MSME assistance programs, and that many are not even aware that such assistance programs exist. However, most MSMEs were found to be flexible and innovative when it comes to their coping strategies; the most common are through using online platforms and customizing or making new products. The paper also finds that assistance on reduction of fixed and operating costs, improvements in credit access, and greater ease in doing business are the most desired forms of government intervention, consistent with the findings of earlier surveys.

JEL classification: I15; I18; O17

Keywords: COVID-19, MSME, Laguna

1. Introduction

The lockdowns (Enhanced Community Quarantine or ECQ, Modified Enhanced Community Quarantine or MECQ, General Community Quarantine or GCQ) imposed by the Philippine government to stem the transmission of COVID-19 have significantly hampered economic activity. Businesses shut down and workers were side-lined leading to significant income losses. The economy contracted by 9.5 percent for the whole of 2020 as a result of declines in household consumption and investment [Laforga 2021]. The micro, small and medium enterprises (MSMEs) in the Philippines suffered the brunt of the lockdowns and the vulnerability of firms and workers to the economic impacts of the pandemic were magnified.

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This paper takes a look at the coping strategies used by a sample of MSMEs in Laguna. MSMEs are the main focus of the analysis because they can readily reflect the vulnerability of workers to the economic impacts of the pandemic as a result of them also suffering losses due to the shutdown. As such, the paper begins in Section 2 by providing a brief overview of the MSME situation in the country. This paper adopts the SME Competitiveness Grid framework of the International Trade Centre (ITC), and this is described in more detail in Section 3. An online survey of MSMEs in Laguna was conducted based on this framework, to investigate the coping mechanisms of MSMEs in Laguna one year after COVID-19 hit the country, which is described in Section 4, along with the discussions of the corresponding results. The last section concludes and lays down some policy implications.

2. MSMEs, lockdowns, and income vulnerability

The national government sought to help out MSMEs in the course of this pandemic. Included in the first pillar of the government's pandemic response is a ₱1 billion loan program specifically for MSMEs through the Department of Trade and Industry (DTI). The government-owned-and-controlled Small Business Corporation set up the Enterprise Rehabilitation Financing facility under the *Pondo sa Pagbabago at Pag-asenso* (referred to as the COVID-19 P3-ERF)¹, and offered a one-month moratorium on loan payments to MSME borrowers. On top of this, a ₱203 million budget was allocated for enterprise development and livelihood toolkits amounting to between ₱5,000 and ₱8,000 for MSMEs affected by calamities, both natural and human-induced, and health disasters. MSMEs can also benefit from DTI Memorandum Circular No. 20-12, which provides a minimum 30-day grace period for commercial and residential rents due within the ECQ period without interests, fees, penalties, and other charges². DTI also launched the Shared Service Facilities project which aims to help MSMEs enhance their competitiveness by providing the necessary machinery, equipment, and systems, as well as training. These are all intended to boost MSMEs' productive capacities and improve product quality, as well as provide MSMEs with the technological support necessary to cope with the challenges posed by the pandemic. The Bangko Sentral ng Pilipinas (BSP) likewise deferred the implementation of the revised risk-based capital framework applicable to stand-alone thrift banks, rural banks, and cooperative banks to 2023 (from 2022) to allow such banks to continue lending to MSMEs that were hard hit by the ECQ measures [Noble 2020]. Moreover, the first rollout of the Social Amelioration Program could also help MSMEs, directly through the initial ₱35 billion wage subsidies for workers in small businesses affected by the ECQ, which eventually evolved into the Small Business Wage

¹ <https://www.dti.gov.ph/news/sbcorp-loan-facility-covid-affected-msmes/> (Accessed 6 May 2020)

² https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/COVID19Resources/COVID-19+Advisories/010820_MC2044.pdf (Accessed May 17, 2021)

Subsidy Program, and indirectly through a cash assistance for displaced workers worth a total of ₱2 billion through the Department of Labour and Employment (DOLE)³ [Sta. Ana III 2020]. MSMEs can likewise avail of the already existing business loan programs and credit facilities of the Social Security System⁴.

It is important to stress the significance of MSMEs to the Philippine economy. To begin with, the 2018 List of Establishments of the Philippine Statistics Authority states that microenterprises are those that have between one to nine employees, small enterprises are those that have between 10-99 employees, and medium enterprises are those that have 100-199 employees. MSMEs had a staggering 99+ percent share in all business enterprises, and employed more than 5.7 million people, which is more than 63 percent of employment in these business enterprises. Services tends to be the dominant sector in MSMEs, both in the number of establishments and employment. The biggest single services subsector is wholesale and retail trade and repair of motor vehicles and motorcycles, which makes up more than 46 percent of the establishments, and employs more than 2.2 million workers. In this subsector, 99.9 percent are MSMEs, employing more than 2 million workers. Wholesale and retail trade and repair of motor vehicles and motorcycles are only allowed to operate in GCQ areas [Parrocha 2020], which implies lingering negative impacts on MSMEs. These highlight the vital role of MSMEs to the economy, making them contributors to economic growth and poverty reduction [PIDS 2016].

For 2018, MSMEs contributed almost 36 percent of value added from registered business enterprises according to the Department of Trade and Industry (DTI)⁵. This suggests that jobs in MSMEs tend to have low productivity, which, at least in theory, results in low wages for those employed. This, in turn, leads to low incomes for households with members who work in MSMEs. The International Labour Organisation [ILO 2017] also identified other problems that make MSMEs in the country vulnerable. One is the lack of adequate technological facilities and research and development, making MSMEs less likely to innovate. Digital tools are seen as crucial for MSMEs to remain competitive amidst the pandemic [BusinessMirror 2020]. Adapting certain business components to online modalities can significantly reduce operations or advertising costs. As mentioned, DTI has recently attempted to address these⁶, it (1) developed a Google site to provide information to MSMEs on technology applications, platforms, and other tools and resources available in coping with lockdown conditions⁷, (2) offered its own webinars to MSMEs on digital operations⁸, and (3) partnered and cooperated with the ITC in offering a free modular course on business handling aspects such

³ <https://www.dole.gov.ph/news/dole-realigns-budget-to-aid-workers/> (Accessed May 6, 2020).

⁴ <https://www.sss.gov.ph/sss/appmanager/pages.jsp?page=businessloans> (Accessed May 18, 2021).

⁵ <https://www.dti.gov.ph/resources/msme-statistics/> (Accessed May 6, 2020).

⁶ <https://www.dti.gov.ph/covid19/assistance/> (Accessed May 17, 2021)

⁷ The Google site can be accessed using this link: <https://sites.google.com/view/tech-resources-for-msmes>.

⁸ The schedule for such webinars can be seen at DTI's ecommerce Facebook page: [facebook.com/dti.ecommerce/](https://www.facebook.com/dti.ecommerce/)

as planning, accessing financial services, digitalisation, etc.⁹, (4) started an online trade fair for MSMEs in cooperation with Shopee.PH, and (5) cooperated with Easybuilder.Pro to allow for the waiving of subscription fees for MSMEs when using the platform for creating websites.

However, MSMEs also face incentives not to register so as to avoid taxes and other regulations imposed on them [Chua et al. 2013]. Complex tax regimes impose additional administrative costs for businesses to comply with tax obligations. Registration is further disincentivised by costs incurred from bureaucratic procedures. However, non-registered MSMEs will not have access to credit and technical assistance from the government for technological facilities and R&D, and this can slow down their growth. Lastly, while MSMEs employ 5.7 million people, MSMEs also tend to contribute less to job creation in the short term since 91 percent of small enterprises did not transition to medium-scale category but remained small after 3 years. Moreover, 21 percent of the medium-scale enterprises regressed to small-scale category and only 17 percent became large-scale enterprises¹⁰. A study showed that the majority of new MSME are “subsistence in nature”, and local entrepreneurs do not expect to generate more than 5 jobs in the next few years [ILO 2017].

These discussions imply that MSMEs will be able to provide little help in alleviating the vulnerability of households to income loss by employing some of its members. Filipino households are made more vulnerable to income loss when their income-earning members work in establishments forced to close due to the lockdowns. One such group of workers is made up of those in precarious work, defined as workers whose nature of employment is short-term, seasonal, or casual, or those who work for different employers on a day-to-day or week-to-week basis. In 2018, close to 29 percent of wage and salary workers were in precarious work, which is equivalent to more than 7.5 million people. This is highest in the agriculture sector where precarious employment is at nearly 48 percent. Furthermore, more than 30 percent of workers in private establishments are also precariously employed. These are shown in Table 1.

There are more than 6.3 million short-term, seasonal, or casual workers and almost half are employed in the services sector. Private households and establishments employ a whopping 91 percent of these workers. In 2018, the average real daily basic pay¹¹ of these workers using 2012 prices was about ₱280 which was lower than that received by all workers on average, as Table 2 shows. For all the major economic sectors and for all worker categories, short-term, seasonal, or casual workers were always paid lower, on average.

⁹ The modular course can be accessed using this link: <https://ecampus.itcilo.org/enrol/index.php?id=1330>

¹⁰ 2009 survey of registered MSMEs [ILO 2017].

¹¹ Basic pay refers to pay for normal time prior to deductions of social security contributions, withholding taxes, etc. It excludes allowances, overtime and premium pay, commissions, bonuses, benefits in kind, etc. Retrieved from <http://openstat.psa.gov.ph/Metadata/3K3F7040> (Accessed May 5, 2020); <https://psa.gov.ph/philippine-industry-ylys/table/Wage%20Statistics> (Accessed May 5, 2020).

TABLE 1. Share of wage and salary workers in precarious work to the total wage and salary workers in 2018 (%)

	Wage and salary workers in precarious work (%)
Total	28.7
Economic sector	
Agriculture	47.8
Industry	36.8
Services	21.0
Employee category	
Private household	30.2
Private establishment	31.1
Government/government corporation	14.3
Own family farm/business	26.2

Source: Decent Work Statistics of the PSA.

TABLE 2. Average real daily basic pay in 2018 in ₱ (2012=100)

	Short-term, seasonal, or casual workers	All workers
Total	280.49	377.64
Economic sector		
Agriculture	194.90	202.37
Industry	311.44	350.78
Services	283.58	426.04
Employee category		
Private household	173.10	185.69
Private establishment	287.40	357.83
Government/government corporation	320.71	627.83
Own family farm/business	232.03	288.01

Source: Decent Work Statistics of the PSA.

To give an initial idea of how households might be vulnerable to income loss arising from the labour and employment shocks caused by the pandemic, the average daily basic pay is used to provide a measure of the cost to a worker who is not able to work and does not receive any form of cash support. Adjusting the ₱280 average real daily basic pay of short-term, seasonal, or casual workers in 2018 to the average prices in 2019, its value will be about ₱337. Further adjusting to the average prices in the three months (March–May 2020) that the ECQ was in effect, the value will be about ₱343, as shown in Table 3. Therefore, such a worker may lose ₱343 every day that she or he does not work, barring receipt of any cash support. Table 3 shows these adjustments for all major economic sectors

and all worker categories. For an average worker, the daily loss is larger because an average worker is paid more. The reader should be aware that these are not projections, as what was done was only to adjust 2018 values to prices in 2019 and in March–May 2020 in order to make the 2018 figures comparable to more recent times.

Using March–May 2020 average prices, an average short-term, seasonal, or casual worker can lose more than ₱7,500 per month if she or he is not able to work during the ECQ, or a total income loss of more than ₱18,000 for the whole duration of the ECQ. This total income loss is greater for an average worker, who can lose more than ₱10,000 per month during the ECQ, or a total fall in income of more than ₱25,000. According to the 2018 Family Income and Expenditure Survey (FIES), this will chiefly affect 56 percent of all Filipino families, for whom the main sources of income are wages and salaries. This is most pronounced in NCR, in which wages and salaries are the main sources of income for more than 73 percent of all families. It should be noted that the analysis is limited only to the time period within which the ECQ was in effect, which was from March 15 to May 30, 2020.

TABLE 3. Average real daily basic pay (₱) in 2018 using 2012, 2019 and March and April 2020 average prices

	Short-term, seasonal, or casual workers			All workers		
	2012=100	2019=100	March and April 2020 average prices	2012=100	2019=100	March and April 2020 average prices
Total	280.49	337.15	343.04	377.64	453.92	461.85
Economic sector						
Agriculture	194.90	234.27	238.36	202.37	243.25	247.50
Industry	311.44	374.35	380.89	350.78	421.64	429.00
Services	283.58	340.86	346.82	426.04	512.10	521.05
Employee category						
Private household	173.10	208.07	211.70	185.69	223.20	227.10
Private establishment	287.40	345.45	351.49	357.83	430.11	437.63
Government/ government corporation	320.71	385.49	392.23	627.83	754.65	767.84
Own family farm/ business	232.03	278.90	283.77	288.01	346.19	352.24

Source: Authors' calculations using Decent Work Statistics of the PSA.

Furthermore, as previously mentioned, access to credit from the government is something non-registered MSMEs will not be able to exploit. Banks also tend to favour larger borrowers because of bigger interest earnings and lower credit risk [MESMED Council 2018]. Credit is very important to keep MSMEs afloat amidst the pandemic, given the slowdown of economic activity as a result of the ECQ, if they are without cash assistance from the government. Layoffs may happen, amplifying the labour and employment shocks that render households vulnerable to income loss.

Shinozaki and Rao [2021] investigated the immediate impacts of the ECQ on MSMEs by conducting a rapid survey from March 30 to April 16, 2020, as shown in Table 4. For all firm sizes classified under MSMEs in the sample, more than 70 percent suspended operations because of the lockdown measures. The services sector was the hardest hit among economic sectors, where almost 73 percent reported temporary closures. For all firm sizes layoff rates were relatively high, with none below 59 percent. More than two-thirds of MSMEs in manufacturing reported laying off workers, the most prevalent across all economic sectors.

TABLE 4. Share of firms reporting selected business conditions (%)

	Size			Economic Sector		
	Micro	Small	Medium	Agriculture	Manufacturing	Services
Temporary closures	71.3	76.4	71.6	54	66.6	72.7
Temporary layoffs	68	59.5	78.6	45.4	69.4	67.3
Temporary suspension of wage payments	59.8	36.2	45.8	42.3	61	57.9
Decrease wage payments	16.8	30.6	34.8	20.6	25.5	16.5
Fund to run out in a month	37.8	53.1	61.4	35.1	47.8	37.1
More than 30% decrease in sales	27.7	43.6	41	29.4	35.4	27.7
More than 30% decrease in revenue	26.5	40.8	41	34.7	31.8	26.7

Source: Shinozaki and Rao [2021].

Adopting a mixed-method research approach, Mehrotra et al. [2020] find that shorter operating hours coupled with the number of customers falling by 50 percent reduced the income of MSMEs. A lower number of customers was reported by 86 percent of the enterprises sampled, and 23 percent have closed their operations temporarily. Supply chain disruptions and decline in the volume of sales per customer have further hampered the earning capacity of MSMEs. A decrease in the volume of supplies was reported by 58 percent of enterprises,

where the replenishment of stocks is a bigger issue in urban areas, since 81 percent of enterprises were unable to restock to meet the demand. The unavailability of public transport has increased the transportation cost as well as the cost of supplies. One-third of enterprises reported an increase in the cost of both utilities and transportation. Furthermore, 28 percent of enterprises reported an increase in cost of supplies. Also, MSMEs continue to face sharp drops in demand and revenue. Among the top concerns for MSMEs were lack of working capital, supply chain disruptions, loan repayments, and fall of domestic demand [Shinozaki and Rao 2021].

The United Nations Industrial Development Organisation [UNIDO 2020], together with a host of other public and private agencies conducted an online survey of 235 firms in April 28 to May 16, 2020 to assess the socio-economic effects of COVID-19 and the containment measures adopted and identify gaps and areas of improvement in the design of future technical assistance and other packages. Comprising mostly microenterprises from the manufacturing sector, the respondent firms said they had difficulties in coordinating their supply chains. This resulted in half of the firms registering a 40 percent decrease in operating hours, which led to an approximately 50 percent loss of employment, and a 60 percent fall in both production volume and revenue. Exacerbating the problem were the lack of available transport as well as worker anxiety about reporting for duty. Most firms did not have concrete plans on maintaining their operations, especially amidst external shocks.

UNIDO [2020], thus, argues for more accessible and inclusive loan initiatives, especially for the microenterprises that are youth and gender responsive. Robust sustainability aspects are also crucial; likewise, programs that foster innovation and diversification are needed. However, these should be done in conjunction with improvements in the overall quality of digital infrastructure, promotion of technology development and adoption, existence of a digitalised innovation environment, and more focus on investments on green human capital and technologies.

3. Framework

Firms that are more competitive, connected, and flexible are expected to flourish even after the pandemic because the new normal in the business arena will require that firms be more resilient to shocks, embrace digitization opportunities and provide inclusive employment, as well as promote environmental sustainability. The three dimensions in the ITC report [ITC 2020] build in resiliency among the firms and ensure that the firm survives with its business core intact, if not better situated than before. The report identifies three levels of analysis in the ITC framework: firm, business ecosystem, and national environment. Furthermore, ITC [2020] states,

In particular, the capacity to compete in the short run seems to have reduced exposure to the shock. The capacity to change made it easier to adopt positive coping strategies, and the capacity to connect enabled companies to access information and benefits. If Filipino SMEs are to be made resilient to the next crisis, each of these competitiveness characteristics needs to be better understood and improved.

This paper adopts the framework developed by the ITC [2020], where resilience was analysed using the following three pillars:

1. *Capacity to compete*. This essentially refers to a firm's overall efficiency, in terms of cost and time, as far as quantity and quality are concerned. This also includes factors external to the firm, like access to technical infrastructure. Filipino MSMEs that exhibit stronger management skills, i.e., the ability to organise the flow of inputs and outputs within the company, are more capable of supplying the market requirements, which include the timely delivery of inputs and products. Meanwhile, cash flow practices greatly influence how an enterprise engages with markets and firms which have stronger cash flow management means that the firm can compete on remunerative grounds, for example, by supplying large quantities, offering flexible delivery terms and better-quality products.
2. *Capacity to connect*. This dimension is anchored on the firm's level of connectivity to buyers, suppliers, and institutions. The recent nature of markets implies that firms must connect with their business ecosystem – sector, cluster, or value chain, to know the market dynamics. At the firm level, this implies information gathering (e.g., consumer profiles, suppliers, competitors, products, technologies and government policies), and dissemination (e.g., advertising the firm and its products). This also includes associations that a firm has within the sector it belongs, access to business support organizations, and the existence of information and communications technology infrastructure. This is important because better connected entrepreneurs learn more about their market and create necessary measures to take advantage of it, which helps entrepreneurs thrive and grow.
3. *Capacity to change*. This dimension focuses on the firm's capacity to make adjustments to anticipate or respond to external market forces, and to innovate through investments in human and financial capital. It also includes access to finance to make such investments and intellectual property protection. This dimension then looks at the capacity to adjust by considering the financing, skills, innovation, and intellectual property requirements. By using

financial resources and strengthening employee skills, innovative activity is spurred, thereby improving the firm's competitiveness standing and building resiliency.

ITC [2020] finds that firms that were more competitive even before the pandemic were less adversely affected. Moreover, those that were better connected to their overall business environment have better access to information and support needed to survive. Moreover, firms with a greater capacity to change using skills, innovation, and financial management were likewise more likely to adopt resilient or agile coping strategies.

For instance, while using personal savings or disposing of assets, temporary employment reduction, and teleworking may appear to be similar, these strategies imply different crisis response approaches. Some coping strategies are relatively better than others when pursuing the long-term health of the firm. These strategies enable firms to survive or even grow stronger. The more resilient firms got through the pandemic with their basic form intact, adopting strategies such as using online facilities, teleworking, or being more flexible with their value chain once the lockdowns were imposed. Also, firms with more R&D activities even before the pandemic tended to be better in making adjustments to cope with the crisis. The capacity to change using financing, skills, and innovation also has positive implications for competitiveness in the long-run [ITC 2020].

Furthermore, Sahoo and Ashwani [2020] assess the effects of COVID-19 on the Indian economy and its impact on MSMEs which they claimed as a pillar of India's manufacturing and trade. Indian MSMEs were hit by the pandemic on both the demand and supply sides, particularly by the sudden collapse of trade. Indian MSMEs mainly supply the country's top exports of labour-intensive products starting from Gems and Jewellery to Garments/Apparel to Sea Food. Similarly, the lockdown affected the imports of raw materials and intermediates which affected the supply chain of the MSME sector. The Indian government provided help for MSMEs through the ₹12 lakh crores (6 percent of GDP) stimulus package, which also intended to help farmers, labourers, and cottage industries. The paper, however, argues that government must ensure that these stimulus packages are indeed directed at the hardest-hit sectors, where firms are in need of interest-free working capital necessary to cover wage costs, interest, and rent. The stimulus measures have provided credit guarantees, but measures to boost demand are likewise needed.

Hurley [2018] reviews the firm competitiveness literature in relation to MSME competitiveness, specifically in small island economies (SIEs). The paper argues that there are significant differences between competitiveness priorities of large firms and those of small island MSMEs. Related literature should deal more with the effects of country-level features on the relationship between competitiveness outcomes and sources of such competitiveness, e.g., human

capital management, innovation, strategy implementation, internationalisation, and intellectual and social capital in general, specifically as a mediator in such relationships. Innovation and intellectual capital were found to be the common threads of firm competitiveness in general. The paper also finds that research on social capital in small islands is quite scant, although there is an emerging strand of literature on social capital diaspora that benefits SIE firms. In conclusion, Hurley [2018] states:

It is important to appreciate that firms in SIEs are not simply mini versions of larger firms; and the MSMEs in small island economies are even more unique because of their business and economic circumstances.

4. The survey

The paper surveys MSMEs in Laguna, to investigate their coping and recovery mechanisms one year after COVID-19 hit the country, and to draw up policy recommendations that may further assist MSMEs to survive the pandemic. The structure of the survey was crafted based on the SME Competitiveness Grid model described in the earlier section. Specifically focusing on the Capacity to Change dimension, the survey questions on coping and recovery strategies adopted by MSMEs centred around their capacity to make adjustments using financing, skills, and innovation. The survey questions on coping and recovery strategies adopted by MSMEs were patterned after the categories specified in ITC [2020]. The online survey was done from March 8 to 25, 2021, via Google Forms. No face-to-face interviews were conducted due to the implementation of community quarantines. A list of business names (*sans* contact information) of MSMEs in Laguna was obtained from the Department of Trade and Industry (DTI) Region 4A¹². The total number of survey questionnaires that were finally emailed and/or sent to Facebook pages of the MSMEs was 117, and 41 respondents comprised our sample. Since only about 35 percent of the contacted MSMEs responded to the survey, the high attrition rate is a limitation of this paper. Moreover, there are about 40,000 MSMEs registered in Laguna and 41 is admittedly a very small sample. Since the selection of the sample was based on available information online, this can likewise potentially exclude the very small enterprises although the results of the survey show that the majority of the respondents were micro enterprises with less than 5 employees.

The official definition of MSMEs given by the Small and Medium Enterprise Development Council (SMEDC) Resolution No. 1, Series of 2003 is based on asset

¹² Due to data privacy law, this list from DTI R4 did not contain any contact information and the authors spent a considerable amount of time to do online search of names of business owners, their emails, and phone numbers. A significant amount of time was spent on actual contacting of about 117 MSMEs and following up on their responses to our survey.

value excluding land. Thus, micro enterprises are those with asset value less than ₱3 million; small enterprises are those with asset value between ₱3 million and ₱15 million; medium enterprises are those with asset value between ₱15 million and ₱100 million. However, the Philippine Statistics Authority (PSA), in its List of Establishments, classifies MSMEs based on the number of people employed: 1-9 (micro), 10-99 (small), and 100-199 (medium). This paper adopts the NSO definition in classifying the survey respondents.

The profile of the respondents is summarised in Table 5. Almost three-fourths belong to the food sector. Furthermore, nearly a third are in operation for less than 3 years, while over a fourth are in operation between 6-10 years. More than half have less than 5 employees, implying that most of the respondents are microenterprises. As Table 5 shows, more than 90 percent are either micro or small enterprises. Lastly, more than a third come from Los Baños.

Tables 6–11 show the key results of the survey. Table 6 summarises the major impacts of the lockdown measures on working capital. Almost 70 percent of the respondents claimed to have experienced a shortage in working capital to maintain or restart their business. Despite this, close to two-thirds did not try to address this issue by borrowing from banks or other lending institutions. Furthermore, Figure 1 shows that 20 percent of these were the relatively newly established enterprises operating for less than three years, another 20 percent were in operation for 6-10 years, and 15 percent have been in the business for more than 20 years. By size of employment, micro enterprises in the survey with less than 5 employees (44 percent) did not borrow from banks after experiencing shortage of capital (Figure 2). The often-cited reason by the majority (> 50 percent) is the high loan interest rates while a third addressed this issue by using personal funds or selling assets. The responses to COVID-related MSME assistance programs offered are shown in Table 7. Almost 90 percent of the survey respondents were not able to avail of such assistance programs. Moreover, the cross tabulation in Figure 3 reveals that 56 percent of those who were unable to avail of these assistance programs were the micro enterprises with less than 5 employees. Since over half of the respondents do not even know of such assistance programs, it is but logical that they will be unable to avail them; in fact, only about 5 percent reported having an easy time getting access to the related information. Furthermore, a measly 7 percent stated that they found it easy to avail these assistance programs.

TABLE 5. Profile of 41 sample MSMEs in Laguna

	Frequency	%
Type of MSME		
Food	30	73
Non-food	11	27
Total	41	100
Number of years operating		
< 3 years	13	32
3-5 years	4	10
6-10 years	11	27
11-20 years	6	15
> 20 years	7	17
Total	41	100
Current number of employees		
< 5	24	59
5-10	9	22
11-20	5	12
21-100	3	7
Total	41	100
Location of MSME		
Los Baños	14	34
Sta. Rosa	7	17
Calamba City	5	12
Bay	5	12
Alaminos	3	7
San Pablo	2	5
San Pedro	2	5
Others*	3	7
Total	41	100

*Calauan, Victoria, and Cabuyao

Source: Authors' calculations using survey data.

TABLE 6. Impact of the lockdowns on working capital

	Frequency	%
Experienced shortage of working capital to maintain/ restart business		
Yes	28	68
No	13	32
Total	41	100
Borrowed from banks or formal lending institutions for working capital		
Yes	10	36
No	18	64
Total	28	100
Reasons for not borrowing from formal lending institutions for working capital		
High interest rates on loans	10	56
No collateral	4	22
Cannot meet numerous requirements	2	11
Used personal funds/sold assets	6	33
Total	22	122*

*Due to multiple responses

Source: Authors' calculations using survey data.

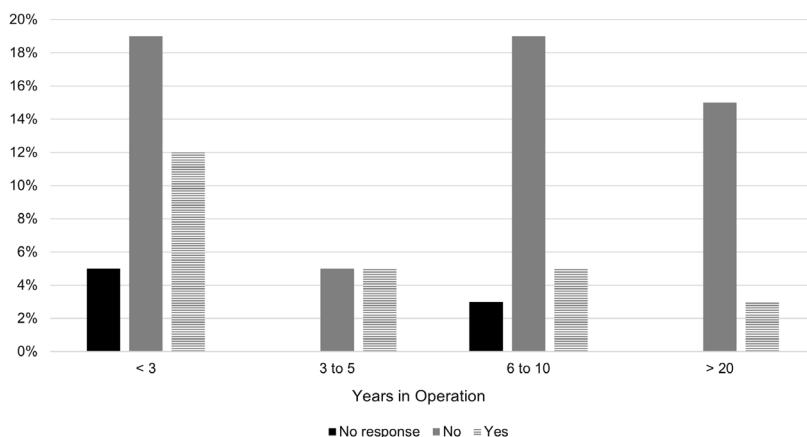
The set of coping and recovery strategies the MSME respondents employed are laid down in Table 8. As previously mentioned, the survey questions were formulated based on the categories specified in the ITC report [2020], shown in Figure 4. These strategies are categorised as retreating, resilient, and agile. Under “Retreating” strategies, what one might call the more passive ways of coping, about 85 percent of the respondents sold assets and used personal savings. The majority of sample respondents who resorted to selling assets and using personal savings as retreating strategy were micro enterprises with less than 5 employees (Figure 5). Respondents also applied more active means of coping. Under “Resilient” strategies, or those strategies that can be considered as employing flexibility to cope, around 85 percent took advantage of online platforms to be able to continue operating. A hefty 63 percent increased marketing efforts. All respondents were likewise innovative, employing what ITC [2020] labelled as “Agile” strategies. Almost all the respondents customised or made new products to keep their businesses afloat. These coping strategies adopted by the respondents seemed to have worked well in general, as Table 9 shows. More than half of the respondents took less than three months to reopen, and approximately 80 percent were back in operation in about 6 months. A cross tabulation in Figure 6 would show that 32 percent of the micro enterprises with less than 5 employees were able to reopen or restart in less than 3 months. However, there were still about a tenth that are yet to return to operation.

TABLE 7. Availment of COVID-related assistance programs

	Frequency	%
Availed of COVID-related assistance program		
Yes	5	12
<i>Type of COVID-related assistance program availed of</i>		
Cash aid for employees from DOLE	1	2
SSS Small Business Low Interest/Cash aid	3	7
SBC Low interest Small Business Loan	1	2
No	13	32
Total	41	100
Ease of availing COVID-related assistance program		
Easy	3	7
Not so easy	15	37
Not easy	23	56
Total	41	100
Ease of access to information and benefits from COVID-related assistance programs		
Easy	2	5
Not so easy	10	24
Not easy	6	15
Not aware of such government assistance program	23	56
Total	41	100

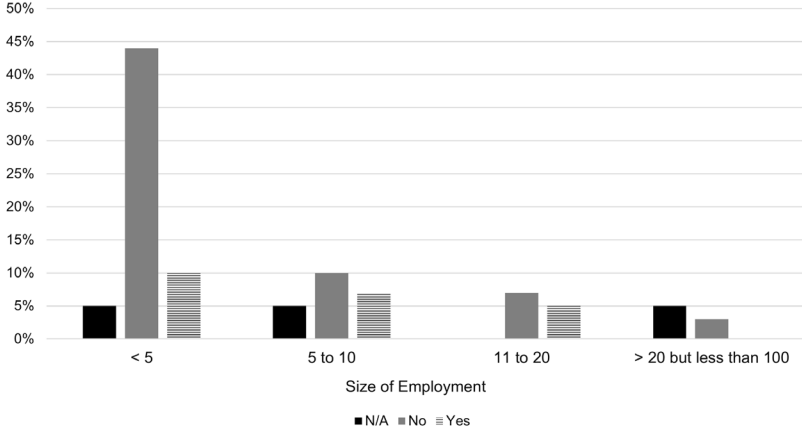
Source: Authors' calculations using survey data.

FIGURE 1. Distribution of 41 MSME respondents who borrowed from banks after experiencing shortage of working capital, by years of operation



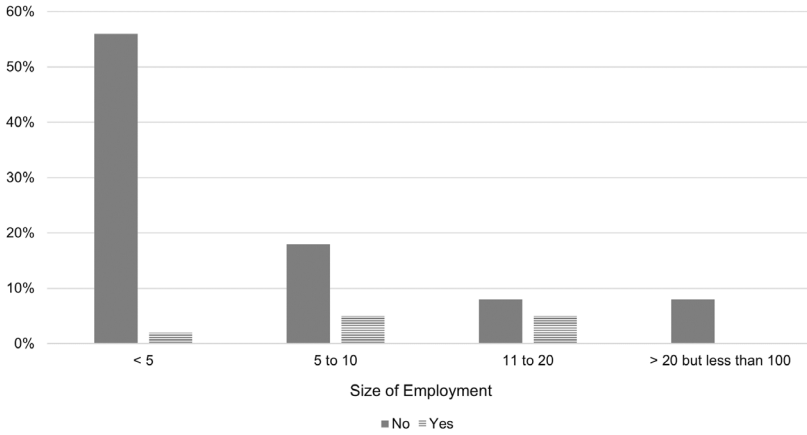
Source: Authors' calculations using survey data.

FIGURE 2. Cross tabulation of 41 sample MSME respondents that did not borrow from banks after shortage in working capital, by size of employment



Source: Authors' calculations using survey data.

FIGURE 3. Cross tabulation of 41 sample respondents who availed of MSME assistance by size of employment



Source: Authors' calculations using survey data.

TABLE 8. Coping strategies adopted

	Frequency	%
Retreating strategies		
Sold assets/used personal savings	35	85
Borrowed money	13	32
Received financial support from family	13	32
Laid off workers	13	32
Filed for bankruptcy	0	0
Total	74	180*
Resilient strategies		
Switched to and/or added online sales	35	85
Increased marketing efforts	26	63
Started sourcing from new suppliers/ cancelled contracts with old suppliers	19	46
Reduced employees temporarily	17	41
Started sourcing from new suppliers	14	34
Resorted to teleworking or work from home	7	17
Rescheduled bank loans	6	15
Reduced salaries and wages temporarily	6	15
Total	116	283*
Agile strategies		
Customised/made new products	40	98
Loaned employees to other businesses	1	2
Total	41	100

*Due to multiple responses

Source: Authors' calculations using survey data..

TABLE 9. Time it took to reopen their business

Period of time	Frequency	%
< 3 months	21	51
3-6 months	12	29
7-12 months	1	2
Business has not restarted/reopened	4	10
No response	3	7
Total	41	100

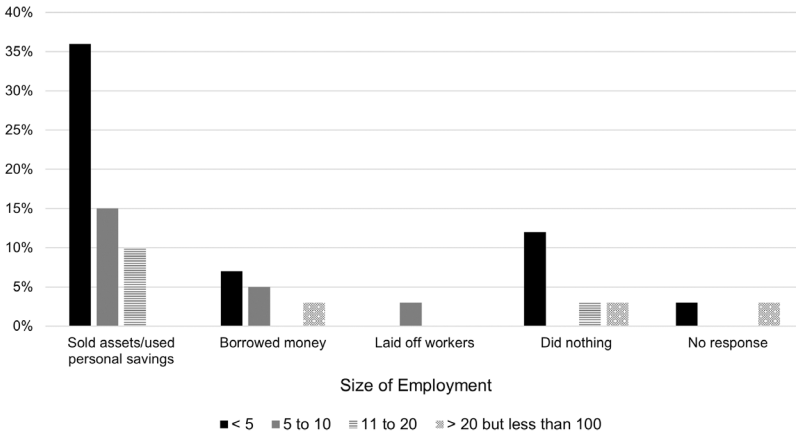
Source: Authors' calculations using survey data.

FIGURE 4. ITC [2020] coping strategy categories

Retreat			Resilient			Agile
55%			36%			9%
Retreat	Did nothing		Resilient	Teleworking	Online Sales	Agile
Sold off assets or used personal savings	Borrowed money	Laid off	Temporarily reduced employment	Increased marketing efforts	Started sourcing from new suppliers	Rescheduled bank loans
						Made new products
						Loaned employees to other businesses

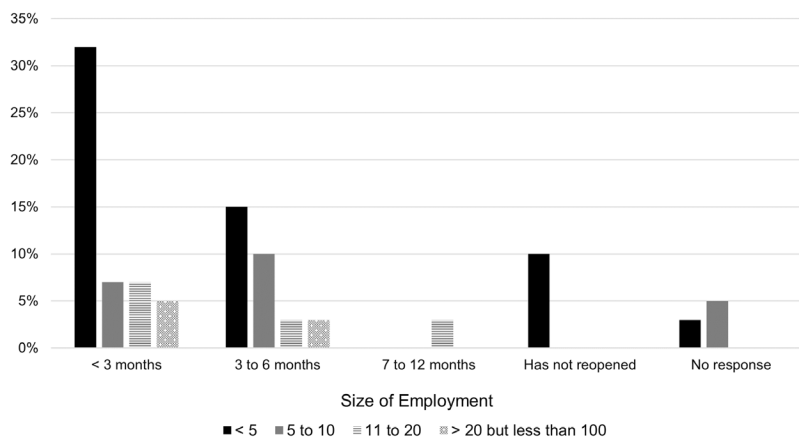
Note: The survey asked: 'Have you adopted any of the following strategies to cope with the crisis? Categorizations: Agile - customized/created new products or loaned employees to other enterprises. Retreat - filed for bankruptcy, laid off employees, sold off assets/used savings, took on new debt or took no action. Resilient - didn't follow a retreat or agile strategies; chose one or more options: temporarily reduced employment; teleworking; rescheduled bank loans; greater marketing; online sales; sourcing from new suppliers; or temporary shutdown.
Source: ITC [2020].

FIGURE 5. Cross tabulation of retreating strategies and size of employment



Source: Authors' calculations using survey data.

FIGURE 6. Cross tabulation of time it took to restart the business, by size of employment



Source: Authors' calculations using survey data.

Table 10 shows the list of government initiatives or policies that respondents found helpful in their recovery process. Here, more than a third found business support, e.g., reduced utility bills, rent, import restrictions, or waiving of government fees, helpful for business. What is glaring to note, however, is that almost half expressed otherwise, stating that neither debt finance, tax reliefs, employment, and business support were particularly helpful. In other words, they could not identify any government initiative or policy that helped them recover during the pandemic crisis. Table 11 shows what the respondents specifically recommend the government should focus to help MSMEs survive the pandemic. A reduction in input prices was stated by about a fifth of the respondents. The next two popular recommendations were improvements in credit access and greater ease of doing business, which are consistent with the findings in other studies. It should be noted that more than a third of the respondents did not write down their recommendation. The crosstabulation in Figure 7 shows that the majority of “none” responses come from micro enterprises with less than 5 employees and even from those with 6-10 employees. Perhaps it is also an indication, based from historical experience, that these MSMEs are not too hopeful that government will help them out. This finding can inform government that as far as aiding MSMEs is concerned, national policies and active implementation down to the local government level go hand in hand.

TABLE 10. Government initiatives/policies found most helpful for business

Initiative/Policy	Frequency	%
Debt finance	3	7
Tax relief	7	17
Employment support	5	12
Business support	15	37
None	19	46
Total	49	120

*Due to multiple responses

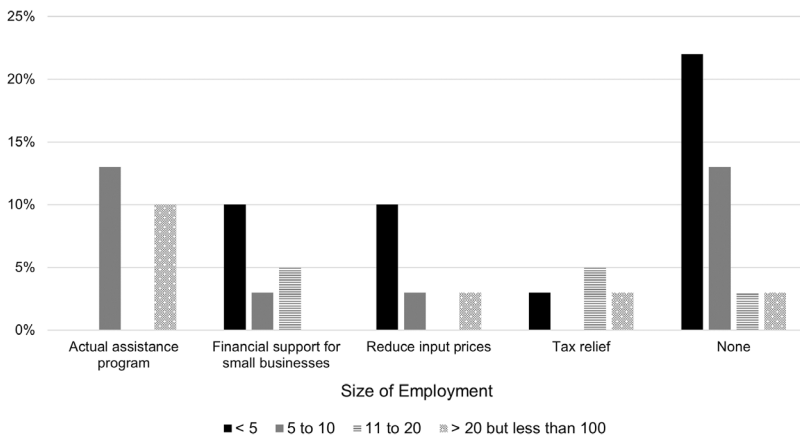
Source: Authors' calculations using survey data.

TABLE 11. Support or assistance desired from government to hasten recovery

Government support	Frequency	%
Genuine reduction of building rental fees, utilities, fertiliser, and fuel prices	8	20
Easier access to financial/credit support and greater ease of doing business	6	15
Tax relief and discount on business/barangay permits and no interest on arrears	6	15
More assistance programs for MSMEs, employees, and farmers	3	7
Stricter implementation of protocols, checkpoints, testing; concrete, science-backed COVID recovery strategy	2	5
Public transportation for employees during ECQ and GCQ	1	2
No response	15	37
Total	41	100

Source: Authors' calculations using survey data.

FIGURE 7. Cross tabulation of government support needed and size of employment



Source: Authors' calculations using survey data.

To summarise, the respondents of the survey faced the issue of working capital shortage, and when addressing this, found high interest rates on loans as a source of difficulty. A huge majority of the respondents did not avail of such MSME assistance programs; many are not even aware that such assistance programs exist, and generally did not find it easy to access MSME assistance programs. Most MSMEs were flexible and innovative in their coping strategies, the most common of which are through using online platforms and customizing or making new products, and most were back in operation in 6 months, yet some have remained closed one year after the onset of the COVID-19 pandemic in the country. Furthermore, assistance on reduction of input costs, improvements in credit access, and greater ease of doing business are the most desired forms of government intervention.

5. Conclusion and policy implications

There must be measures to reduce the vulnerability of businesses. The paper finds that MSMEs in Laguna did not find it easy to access MSME assistance programs, and that many were not even aware that such assistance programs exist. The paper also finds that assistance on reduction of input costs, improvements in credit access, and greater ease of doing business are the most desired forms of government intervention to help MSMEs to survive the pandemic. The results of the study imply that further assistance must be given to strengthen them and make them more economically resilient. First, the government should exert more effort in providing MSMEs better access to credit. While many schemes to achieve this are already in place, MSMEs will not be able to avail them if they have not registered in such schemes. The government should also improve the respective incentive structure on areas specified in Section 2 to encourage more MSMEs to register. Second, the government should improve information dissemination mechanisms on MSME assistance programs particularly across hierarchy of government policy implementers. Third, since most MSMEs were found to be flexible and innovative when it comes to their coping strategies, particularly through using online platforms and customizing or making new products, the government can likewise focus on assisting, facilitating, and incentivising online approaches in doing business, create programs and trainings on small-scale product innovation, and other ways to provide technical assistance to MSMEs. This can aid MSMEs in their attempts to increase their productivity, increase the prevailing wages, and help their workers earn higher incomes. According to Habito [2020], these measures can also help OFWs to start small business upon returning home from abroad after losing their jobs overseas. Again, non-registered MSMEs will not be able to avail the government's existing programs, hence providing more incentives for MSMEs to register is indeed imperative. Lastly, more focus on enhancing social protection programs to helping vulnerable businesses is necessary, which can also help vulnerable households affected by the COVID-19 pandemic.

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