

Effects of COVID-19 Pandemic on Micro, Small, and Medium-Sized Enterprises in the Province of Ilocos Norte Philippines

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Abstract

The study investigates the effects of the pandemic brought about by Covid-19 on Ilocos businesses and establishments. The study participants were the owners of micro, small and medium businesses in Ilocos Norte, and they were selected using a convenience sampling technique. The study employed a quantitative research design, and the entrepreneurs were asked about the perceived impact of Covid-19. Using descriptive statistics, the findings divulged that the impact of the Covid-19 pandemic on the businesses ranged from retrenchment of employees, disruption in the supply chain, and temporary to permanent shutdown. The impact of the pandemic includes uncertainties, the decline in productivity, demand, and sales. Implications, conclusions, and recommendations were also provided in the study.

Keywords: *Businesses, Covid-19, Employee, Pandemic*

INTRODUCTION

Because of the epidemic of coronavirus illness (COVID-19), the world and Philippine economies have been seriously impacted. Micro, Small, and Medium-Sized Enterprises (MSMEs) are among the most severe victims of the COVID-19 epidemic (MSMEs). According to the results of a poll performed in the Philippines in February 2020, about 65 per cent of respondents predicted that the COVID-19 pandemic would significantly impact the national economy. Lockdowns enforced by the authorities throughout the country have harmed people's livelihoods (Statista,2021). Between March and April 2020, the country's Luzon Island was placed under a complete lockdown, with just a few exceptions, limiting the mobility of the general public in the area. Because of the lockdown, employment levels dropped precipitously, with estimates indicating that up to one million individuals lost their jobs due to the shutdown.

Furthermore, the imposition of a community quarantine would, at the absolute least, result in cumulative losses in gross value added of three billion Philippine pesos in each of the country's major sectors, which would be devastating. As a result of these events, supply lines were disrupted, economies were virtually shut down for an extended time, and financial markets were thrown into chaos. The world economy will likely suffer a recession in April 2020, just a few months after the first confirmed cases were discovered.

It is possible to see both sides of a community lockdown. One is that it slows the transmission of the virus, thus decreasing the number of affected people and allowing the health system more time to treat those infected more effectively. On the other hand, Lockdowns hurt the economy since they prohibit individuals from engaging in economic activity and moving about as

they would otherwise. The widespread illness known as COVID-19 harmed the population, which resulted in increased quarantine and a lockdown. COVID-19, according to the World Health Organization, has been designated a pandemic since it has spread to many large cities and cannot be contained.

This research study investigates the effect of the COVID-19 epidemic on the MSMEs in the province of Ilocos Norte. Specifically, it looks at the impacts on companies and particular industries. Specifically, it intended to reach out to company owners as its primary audience to convey the necessity of being prepared to deal with these types of circumstances. Understanding and assessing the implications and consequences of the Covid-19 disaster on communities and economies are essential for guiding and tailoring our local government units' and partners' actions to the issue and ensuring everyone's safety throughout the recovery and restoration process (UNDP, 2020).

Literature Review

Effects of Disasters on MSMEs

Many external environmental crises have occurred in the past that have had a significant impact on MSMEs around the world, including the 1953 great floods in Holland, 2005 Hurricane Katrina, 2011 floods in Thailand, 2011 Great East Japan Earthquake, 2011 Japan Tsunami, and Hurricane Harvey in 2017, to name a few. Furthermore, in addition to COVID-19, several epidemic outbreaks have occurred across the world, including SARS, MERS, the 2009 H1N1 swine flu pandemic, the 2014 Ebola outbreak, Avian influenza, the Salmonella Infantis outbreak, and the ZIKA outbreak, among others (Auzzir et al., 2018; Eggers, 2020; Kim et al., 2020). These crises have a significant effect on society, the economy, and small and medium-sized enterprises (SMEs); moreover, these events generate economic losses and pose a severe danger to the continued operation of businesses. Furthermore, according to Prasad et al. (2015), natural disasters cause supply chain disruptions worldwide. In severe disturbances, MSMEs businesses are negatively impacted even if they are not directly affected by the catastrophe.

External environmental crises such as earthquakes, floods, pandemic illnesses, and other problems hurt business operations and the ability of companies to survive (Asgary et al., 2020; Eggers, 2020; Prasad et al., 2015; Samantha, 2018). As a result, since MSMEs are financially unstable, have a smaller size and have fewer resources, they are more susceptible to the environmental problem than their larger counterparts, such as big corporations (Asgary et al., 2020; Bartik et al., 2020; Eggers, 2020; Prasad et al., 2015; Samantha, 2018; Williams and Schaefer, 2013).

Owing to a lack of adequate government assistance, most MSMEs have financial difficulties and even go out of business. Micro, small, and medium-sized enterprises (MSMEs) have little capacity and resources to recover from a crisis of this kind, particularly those operating in developing countries such as the Philippines, which has high poverty and economic and political instability.

Effects of Pandemics on MSMEs

Infectious disease outbreaks such as HIV/AIDS, H1N1, and SARS pandemics may readily spread to various locations and nations. It would jeopardize the economic and regional stability of the area. The Influenza epidemic of 1918 is an excellent illustration of this. It is possible to reduce the economic effect of a pandemic, such as the one that occurred in 1918, by implementing widespread immunization. The overall economic impact of an influenza pandemic in the United States varied from \$71.3 billion to \$166.5 billion, with the loss of life accounting for the lion's share of the economic losses (Meltzer et al.,1999). It follows that death is the source of the highest financial cost. As a result, actions that avoid the most significant number of deaths will provide the most incredible economic benefits. Another example of an economic impact caused by pandemics is the rise in healthcare costs by both patients and payers and the increase in workload for healthcare professionals (Woo,2015).

On the other hand, indirect impacts include a reduction in the labour supply and a loss in productivity due to increased absenteeism and tardiness in the workplace. It also impacts local and international travel and decreases public gatherings such as concerts, sporting events, and other festivities. Furthermore, some employees who were given paid time off from work decreased the overall productivity of their business. (Woo,2015). Additionally, there is a decrease in corporate investment due to more significant uncertainty and risk, resulting in surplus capacity (Fan,2003). People would be more likely to stay at home, which would result in lower spending, which would impact companies.

Statement of the Problem

Generally, this research paper determined the impact of the COVID 19 pandemic on the micro, small and medium enterprises (MSMEs). It answered the following specific questions:

1. What is the degree of impact of COVID 19 or the lockdowns to MSMEs?
2. What are the various issues faced by MSMEs in Ilocos Norte?
3. What are the coping mechanisms of MSMEs in Ilocos Norte?
4. How are MSMEs planning to tackle the cash flow shortage?
5. How long is the survival period of MSMEs during COVID 19 lockdown?
6. How long is the time required to get back to normal business operations by the MSMEs?
7. What is the needed assistance from the government by the MSMEs?

RESEARCH METHODS

Participants

The study respondents were selected using a convenience sampling technique, and they were the business owners in Ilocos Norte. The number of respondents was 305 business owners. The researcher used Google Forms to distribute questionnaires since face-to-face interviews were prohibited because of the lockdown.

Table 1. Organizational Profile of Participants

	Frequency	Percentage
Type of Industry		
Financing, Insurance, Real Estate and other services	13	4.3
Construction	13	4.3
Consumer goods manufacturing, including food and beverages	45	14.5
Information Communication Technology	13	4.3
Pharmaceutical	1	0.3
Education	1	0.3
Agriculture, forestry, fishing	43	14.1
Transportation	6	2
Travel and Tourism	8	2.6
Restaurant and Hotel	16	5.2
Retail and Wholesale including Sari-sari Stores	146	47.9
Size of Business		
Microbusiness	145	47.5
Small Business	113	37
Medium Business	47	15.4

Table 1.

Organizational Profile of Participants

Table 1 revealed that as to industry, the five well-represented industries for this study are retail and wholesale (including sari-sari store (47.9%), consumer goods manufacturing (14.8%), agriculture, forestry and fishing (14.1%), restaurant and hotels (5.2%), and information communication technology (4.3%). Moreover, as to the size of business, 145 or 47.5% are microbusinesses, 113 or 37% are small businesses, and only 15.4% are medium enterprises.

Research Instrument

The research instrument utilized in the study was a questionnaire. There are two parts to the questionnaire. For the first part, the organizational profile, and the second part, the economic impact of COVID-19. The demographic profile consisted of industry, area, and size of the business. On the other hand, the questions on the impact of Covid-19 were adopted in the questionnaire of Shafi et al. (2020) in their research entitled "Impact of COVID-19 Pandemic on Micro, Small, and Medium-Sized Enterprises operating in Pakistan".

Table 2. Reliability Analysis

Scale Reliability Statistics	
Cronbach's α	
scale	0.85

The reliability of the questionnaire was also tested using the reliability analysis of Jamovi. To test this, the questionnaire was floated to 30 respondent business owners from Metro Manila. All the items in the questionnaire got a Cronbach Alpha of more than .70. Table 2 results revealed that overall, it satisfied the criterion for reliability which is equal to .85.

Data Analysis

The researcher used descriptive statistics in narrating the results of the study. Mostly the items were presented using frequency and percentages. The researcher also used tables and graphs to present the answers of the respondent-entrepreneurs.

RESULTS

What is the degree of impact of COVID 19 or the lockdowns to MSMEs?

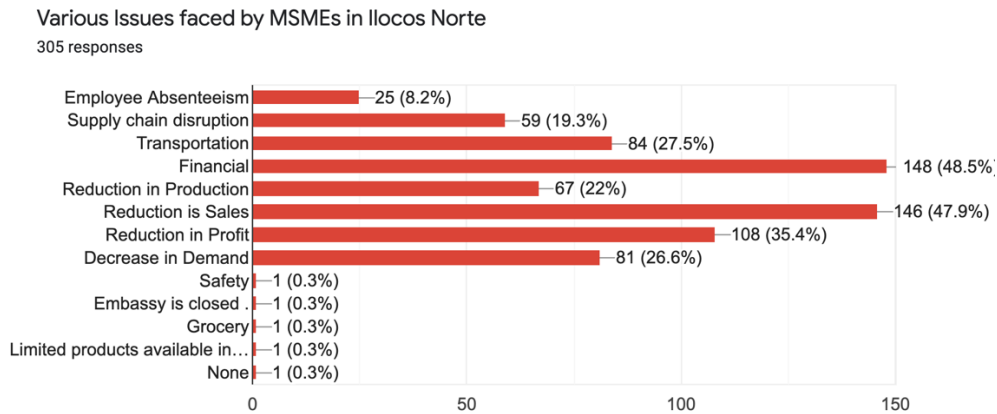
Table 3. Degree of Impact on MSMEs

Item	Frequency	Percentage
1-10%	8	2.6
11-20%	9	3
21-30%	5	1.6
31-40%	11	3.6
41-50%	25	8.2
51-60%	51	16.7
61-70%	38	12.5
71-80%	46	15.1
81-90%	52	17
91-100%	60	19.7
Total	305	100

As anticipated, the COVID-19 epidemic has severely affected small and medium-sized enterprises (SMEs) operating in Ilocos Norte. All of the companies under investigation said that their operations had been adversely impacted in some way by the continuing coronavirus epidemic or by the lockdown in place at the time of the research. Those companies who were either uncertain or stated that the COVID-19 outbreak or lockdown had had no impact on their operations were eliminated from further consideration for the study. The findings provided in Table 1 show that the COVID-19 epidemic has had a significant effect on the majority of the participating businesses. Notably, more than 51.8 percent of those who took part in the survey said that the recession significantly affects their companies (ranging from 71 percent to 100 percent). The results

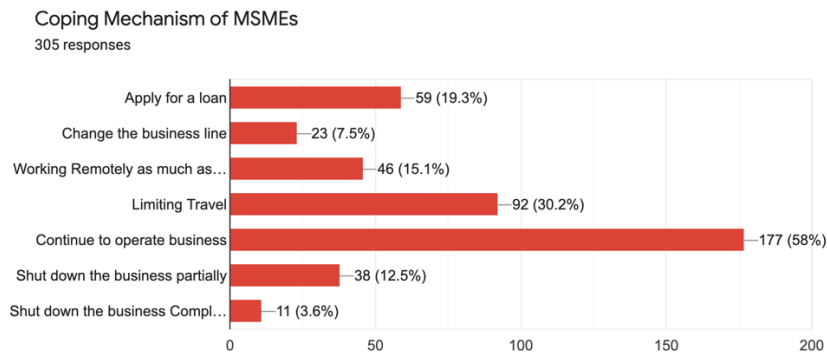
suggested that all enterprises in all industries had been involved in some way or another by the COVID 19 pandemic. It has brought several problems to the businesses.

What are the various issues faced by MSMEs in Ilocos Norte?



When questioned about the kinds of difficulties that these businesses are dealing with as a result of COVID-19, the top five stated issues were financial (48.5 percent), sales drop (47.9 percent), profit loss (35.4 percent), transportation (27.5 percent), and a fall in demand (26.6 percent). Furthermore, a decrease in order may be attributable to a reduction in client or buyer flow. These findings suggest that, in addition to other problems, most MSMEs are susceptible to financial difficulties, supply chain interruptions, and demand limitations.

What are the coping mechanisms of MSMEs in Ilocos Norte?

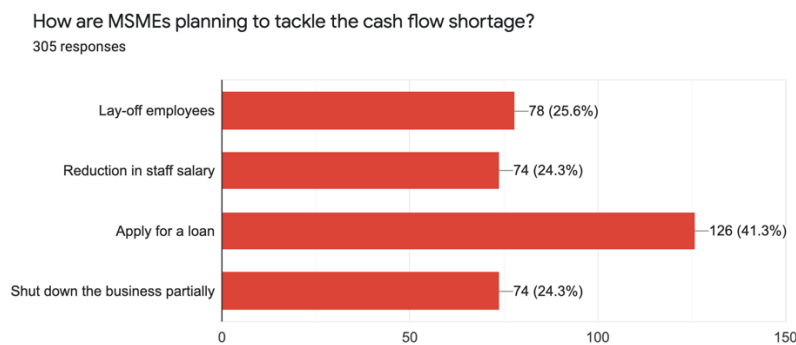


To deal with the current economic downturn, businesses have adopted many various methods. Remarkably, 58 percent of businesses have continued to do business, while 30.2 percent have restricted travel, and 19.3 percent of companies intend to seek a loan shortly. Furthermore, 15.1 percent of companies have employees who work from home. Due to the outbreak of COVID-19, 11 companies (or 3.6 percent of the total) were ordered to close their doors to prevent the

illness from spreading. As a result, there are participating businesses that have reported their operations being terminated.

To make matters worse, just 7.5 percent of the participating businesses said they intend to alter their business line to meet the COVID-19 challenge. Despite this, not all SMEs have the financial means to implement such a plan successfully. Additionally, limiting travel is a more effective and expedient method of reducing exposure to the illness than vaccination.

How are MSMEs planning to tackle the cash flow shortage?



Because most companies have cash-flow problems during times of economic crisis, the researcher requested the participating businesses to describe their methods for dealing with cash-flow issues during times of economic crisis. According to the findings, 41.3 percent of the companies applied for a loan, and 25.6 percent chose to lay off their employees instead of expanding. Furthermore, 24.3 percent of the answering businesses want to partly shut down their operations to cut costs, manage a cash flow deficit, and lower their employees' wages. Because of the epidemic's severity, it was already anticipated that many companies would close and their workers would be laid off. These results suggest that the majority of the participating businesses are battling to stay afloat via a variety of methods.

How long is the survival period of MSMEs during COVID 19 lockdown?

Table 4. Survival Period of MSMEs

Item	Frequency	Percentage
1-2 Weeks	51	16.7
3-5 Weeks	48	15.7
6-8 Weeks	29	9.5
9-12 Weeks	34	11.1
13-15 Weeks	13	4.3
16-20 Weeks	30	9.8
Up to 6 months	34	11.1
More than six months	66	21.6
Total	305	100

On the subject of survival periods during the ongoing outbreak, 21.6 percent of enterprises reported that they could survive for longer than six months; 16.7% said they could persist for up to two weeks, and approximately 15.7 percent reported that they could be maintained for up to five weeks. Only 11.1 percent of the businesses that took part in the survey said they could survive for up to six months under the present economic conditions. This implies that in the event of a protracted shutdown, there is a greater likelihood that many MSMEs would be unable to maintain their operations and will go bankrupt or out of business.

How long is the time required to get back to normal business operations by the MSMEs?

Table 5. Time Required to Get Back to Normal Business Operations

Item	Frequency	Percentage
Less than one month	70	23
1-2 months	66	21.64
3-5 months	93	30.49
6-8 months	36	11.8
9-12 months	40	13.11
Total	305	100

Approximately 30.49 percent of the businesses estimated that it would take 3-5 months to return to normal operations once the current coronavirus epidemic and lockdown were lifted. In comparison, 23 percent of the enterprises estimated that it would take less than one month. Because most of the companies under investigation are tiny and small-sized, after the epidemic and lockdown have ended, the companies will be able to resume operations and return to normalcy swiftly.

What is the needed assistance from the government by the MSMEs?

Table 6. Needed Assistance From Government

Item	Frequency	Percentage
Provide subsidies in the tax	37	12.1
Provide grants in utility charges	16	5.2
Provide loans on a low-interest basis	51	16.7
Allow continuing to operate the business during lockdown	191	62.6
Cash Assistance to Displaced Workers	5	1.6
Provide Water pumps	5	1.6
Total	305	100

A whopping 62.9 percent of the participating enterprises stated that the only assistance they require from the local or provincial government is to allow them to continue operating. Another 16.7 percent said they would like the government to issue low-interest loan provisions, and 12.1 percent stated that they would like the government to provide tax breaks to MSMEs. Furthermore, more than 5.2 percent of the population wants to get subsidies on utility bills.

DISCUSSION

Even after just a few months of the pandemic's start, the findings indicate that it had already caused widespread disruption among MSME companies. Some businesses had to shut for a short period, and almost all of these closures were caused by COVID-19. Companies that had temporarily closed their doors mostly cited decreased demand and staff health concerns as the primary reasons for their decision, with interruptions in the supply chain playing a less significant role. Businesses have stated that they have decreased their active employment on average since the epidemic started. The effects varied across industries, with job losses reported in retail, arts and entertainment, personal services, culinary services, and hospitality companies, among other sectors. Also, the MSMEs can only survive for a limited number of months, and a prolonged lockdown can endanger their business operations.

The findings highlight the financial instability of many small companies and the extent to which the present economic crisis has impacted them. It seems that many of these companies had little cash on hand at the start of the epidemic, which means that they will either have to reduce costs or take on more debt drastically, or they may be forced to file for bankruptcy. This illustrates the many ways in which the immediate availability of additional money may affect medium-term results. According to the answers to the study, many small companies are likely to collapse if they do not get financial help. As of the end of 2021, MSMEs considered it doubtful or just somewhat probable that they would be open for business. It is unclear whether the actions taken by the government and financial institutions will enable the majority of MSMEs to survive—or whether beliefs about their impact are overly optimistic—even though optimism increased when they were informed about some of the government and financial institutions' loan program.

The next critical issue is whether the closures of small companies are short-term or long-term in nature. The government has responded to concerns about the long-term impact on small companies by implementing many initiatives and programs. The Emergency Employment Program (EPP), also known as the Tulong Panghanapbuhay sa ating Disadvantaged Workers Program, is the most extensive directed program (TUPAD). The provision of emergency employment for displaced employees, underemployed people, and seasonal workers for a minimum of 10 days and a maximum of 30 days, depending on the type of the job to be done, via a community-based (municipality/barangay) package of support. Another is the Small Enterprise Technology Upgrading Program (SETUP), which has given financial support to small companies in the past and continues to do so.

On the other hand, one positive aspect of the COVID-19 epidemic that the researcher can see is that it will provide an excellent opportunity for businesses to participate more actively with their corporate social responsibility (CSR) goals and agenda. It is unavoidable that the marketplace will be fundamentally altered after COVID-19. Organizations will need to re-evaluate their visions, goals, and objectives to account for changes in their consumers, rivals, and other factors, among other things. One aspect of this is the exponential digital communications and transformation growth, which is a significant factor.

Management Implications

Small companies employ the bulk of Ilocano employees. Nonetheless, the results highlight the financial fragility of many small firms and the extent to which the present economic crisis has impacted them. It discovered that some firms had temporarily closed their doors and that employment had decreased in the sample. It appears that many of these companies had little cash on hand at the start of the epidemic, which means that they will either have to cut expenditures or take on further debt drastically, or they may be forced to file for bankruptcy. This illustrates the various ways in which the immediate availability of additional funds may influence medium-term outcomes.

According to the replies to the study, many small companies are likely to collapse if they do not receive financial support. While small business owners expressed greater confidence after learning about the various loan programs and assistance offered by the government and non-governmental organizations, it is unclear whether these will be sufficient to enable the majority of small businesses to survive – or whether their expectations of the programs' impact are overly optimistic. Also highlighted by the findings is the need for carefully planned and maintained economic and public health policy interventions. It is possible that streamlining the application procedure and clarifying the qualifying criteria and loan forgiveness regulations would boost the number of people who apply for loans. First and foremost, businesses in particularly vulnerable areas - such as the foodservice, tourism, and personal services - anticipate that it will be exceedingly difficult to remain in business if the crisis lasts for more than six months. These findings imply that any actions that may safely minimize the economic shutdown would reap significant economic advantages (e.g., more robust short-term containment policies).

CONCLUSIONS

In a few months, the COVID-19 pandemic, which was triggered by a new coronavirus, has completely changed the lives of millions of individuals worldwide, including the lives of many successful businesses. The findings of this study give comprehensive and relevant insights into the impact of the pandemic on MSMEs in many facets of their economic life during the epidemic, including their perspectives on the near and distant future. We discovered that most entrepreneurs believed that the pandemic had a 70-100 percent negative impact on their company. The majority of small and medium-sized enterprises (SMEs) suffer financially due to decreased profitability and sales. These entrepreneurs' coping methods in combating the consequences of the epidemic include requesting that the government adopt less stringent regulations for the continuation of their operations and reducing expenditures like travel. Many small and medium-sized enterprises (SMEs) will survive the epidemic for more than six months. However, many will require government support in order to continue operating during the pandemic.

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