PHILIPPINE MSMES AFTER THE COVID-19 PANDEMIC: A SYSTEMATIC REVIEW OF PANDEMIC IMPACTS AND COPING STRATEGIES

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ABSTRACT

The COVID-19 pandemic negatively impacted the economy's flow in the majority of areas across the world. Reduced economic activity due to travel restrictions and lockdowns imposed to stop the virus's spread caused economic recessions in the pandemic-affected areas. MSMEs are the backbone of the Philippines’ economy, providing 99.5% of the nation’s business population and 65.10% of the nation's workforce. In addition to dealing with extraordinary economic and social challenges over the past two years, MSME preparation for transitioning to a digital and sustainable economy has been necessary. The researcher will use a Systematic Literature Review to assess the transparency and consistency of the screening procedure and the approaches to coping applied by Philippine MSMEs in the context of the COVID-19 pandemic. The study will make use of two research guide questions. 1) What are the pandemic risks and their impact on Philippine MSMEs? 2) What coping strategies do Philippine MSMEs use to deal with risks and pandemic risk impacts?

According to the review, human movement restrictions (Lockdowns), financial constraints/revenue losses, operating difficulties, economic crisis and recession, and job losses are impacts of the pandemic on MSMEs. Furthermore, the study listed four essential coping strategies: digital and technological adoption/adaptation, government financial support/packages, modification of business models, and implications for financial stability (loans). This study will contribute to ideas in innovation and technological advancement, business improvement, and wise cost distribution.

Keywords: Business Administration, COVID-19, Enterprises and Development
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1. INTRODUCTION

The COVID-19 pandemic affected the livelihood of most areas globally, contributing to a negative impact on the flow of the economy. Travel restrictions to stop the virus's spread resulted in decreased economic activities. Regions affected by the pandemic are subject to significant economic recessions, including South Asia, which shrunk by 2.7% (World Bank, 2020). The Asian Development Bank (ADB) stated that the Asian economy’s foundation and driving force are the micro, small, and medium enterprises (MSMEs), representing 99.5% of the total registered businesses in the Philippines. MSMEs provide job opportunities, and according to DTI, MSMEs alone have created almost 5 million jobs, or 65.10% of all jobs in the nation (Department of Trade and Industry, 2023). A large population of Filipinos is employed in these companies, providing them with salaries, purchasing power, and other benefits that boost the growth of the national economy. As COVID-19 pulled down the nation’s economy, Secretary Benjamin Diokno stated that the economy is anticipated to grow by strong domestic demand, and this will be supported by further reopening of the nation’s economy, a stable financial system, and the consistent improvement in labor market conditions (Dofweb, 2022) which MSMEs have a big part of it.

Travel restrictions caused by the COVID-19 pandemic (Lonardi et al, 2022) hindered each individual’s daily activity and changed the nature of business by utilizing the Internet as its primary marketplace. Even though products and deliveries are moving slowly, people are still purchasing, considering they have no other options. People are shifting towards technology to avoid the spread of viruses (Bhatti et al., 2020). SME preparation for the shift to a digital and sustainable economy has
been necessary, on top of managing exceptional economic and social challenges over the past two years (European Commission, 2022).

The sudden demand of Philippine MSME entrepreneurs to shift to digital platforms has caused them to face difficulties such as needing more knowledge and skills to do online business and adapting to changes. IT use, online transaction difficulties, personal management skills, difficulties in permit applications, and being subjected to copyright due to content creation (e.g., Facebook videos and reels). Out-of-control difficulties like problems in online communication occur too (Cueto et al., 2022). During pandemic, smaller businesses also struggle due to limited cash buffers, weaker supply chains, and can lack of technology adoption (Erdiaw-Kwasie et al., 2023).

The time frame from post-pandemic until the present is enough to conduct a study for theories and research for different objectives about the COVID-19 pandemic's impacts on society. The researcher will use Systematic Literature Review (SLR) for transparency and replicability of the screening process and evaluation of the Philippine MSMEs' coping strategies after the COVID-19 pandemic. Two guide questions are to be answered in the results of this systematic literature review; the first is to know what pandemic risks impacted Philippine MSMEs/SMEs. The second is to determine the coping strategies of Philippine MSMEs to deal with the pandemic's risk impacts.

The Philippine Statistics Authority by Republic Act No. 6977 formerly known as the “Magna Carta for Small Enterprises,” defines Micro, Small and Medium Enterprises (MSMEs) by their assets and employee count. Micro enterprises have up to PHP 3 million in assets and 1-9 employees. Small enterprises possess assets between PHP 3 million and PHP 15 million with 10-99 employees. Medium enterprises hold assets from PHP 15 million to an unspecified cap and have 100-199 employees. Large enterprises exceed this cap in assets and have 200 or more employees (Philippine Commission on Women, 2022; P&L Law Firm, 2020). Small and Medium Enterprises (SMEs) in other countries have little contrast to MSMEs in terms of contributions to their country’s GDP and the financing resources of the SMEs (Pandey, 2022). Although SMEs have a narrower term that covers broad small businesses in the Philippines, the coverage of MSMEs in the Philippines has the same categories of SMEs as the Philippine Statistics Authority has classified and established. In this paper, SMEs will have the same coverage according to classification in MSMEs.

In March 2020, the COVID-19 virus entered the Philippines, causing a lockdown in almost all areas. A large percentage of establishments were closed during the pandemic. At the end of May 2020, the general community quarantine and enhanced community quarantine were implemented in some cities and rural Philippines (Argosino, 2021). In the Philippines, although the enhanced community quarantine (ECQ) in Metro Manila has been lifted, most micro, small, and medium enterprises (MSMEs) remain temporarily closed or are operating at reduced capacity. This indicates the challenges they face in resuming their business operations, according to a recent survey conducted by the United Nations Development Programme (UNDP) on the impact of COVID-19 on MSMEs in the Philippines (United Nations Philippines, 2020). According to the COVID-19 Business Impact Survey by PwC Philippines in 2020 showed that 44% of micro, small, and medium enterprises (MSMEs) say they need better-working capital management, and 39% say financing is one of their top priorities (Dorado, J. C. G., 2020). According to the Business Sector Survey conducted by the National Economic and Development Authority (NEDA), over 60% of MSME respondents ceased operations as a result of altered work arrangements, and over 70% did not cut staff, indicating that businesses were experiencing losses (Dorado, J. C. G., 2020).

Using study methodology and qualitative analysis, Baghel (2022) researched the post-COVID repercussions and management by MSMEs in Nagpur District, Maharashtra, India. The findings highlight significant challenges arising from the fundamental characteristics of tiny enterprises, limited financial resources, and restricted operational scope. To improve MSMEs' organizational resilience, a comprehensive policy framework addressing both financial and governance aspects is
required (Baghel, 2022). Another study was conducted with SMEs in Jakarta's Special Region and results show that COVID-19-affected SMEs are highly aware of and eager to use social media for customer connection and advertising (Olave, MBA, 2022). A research paper by Flaminiano (2021) showed the importance of Business Continuity Plans (BCPs) for MSMEs in accelerating recovery and boosting resilience, highlighted by the COVID-19 pandemic. In response, the government and business community have encouraged the adoption of BCP, supported the use of fintech, welcomed digital solutions like e-commerce, and encouraged flexible work schedules. Fintech makes providing financial services to underserved industries easier, and a supporting regulatory framework makes it easier for small enterprises to get financing. To fully benefit from fintech during the pandemic-induced changes in the business landscape, MSMEs must embrace digitization. Although the degree to which Philippine small enterprises have adopted these approaches varies, these endeavors represent advancements in rehabilitation and resilience-building (Flaminiano, et al, 2021). A large percentage of establishments were closed during the pandemic. To survive the COVID-19 pandemic's restrictions, companies must learn to adapt and adjust. Some coping methods involve engaging in innovation, going online, modifying their business plans, responding to logistical demands, and rebranding their brand (Mishi et al., 2023).

2. METHODS

This systematic review followed the PRISMA guidelines (Sarkis-Onofre et al, 2021) wherein processes are search strategy, screening, and data analysis.

Search Strategy

Following PRISMA, the database used by the researchers is Google Scholar. Articles and journals focused on the COVID-19 pandemic risks in the economy of MSMEs in the Philippines and were published from 2019 to 2020. This systematic review targeted and compiled all studies on the COVID-19 pandemic and the responses of MSMEs. SMEs will be counted as per category based on Philippine Statistic Authority. Google Scholar is used because numerous resources are interconnected in this single research engine, obtaining a wide range of resources.

Only articles and journals focused on the COVID-19 pandemic risks in the economy of MSMEs/SMEs in the Philippines and how MSMEs/SMEs responded are considered to meet the inclusion criteria. The phrases and keywords that are used in the search are: “Pandemic risks/impacts in Philippine MSMEs”, “Pandemic risks/impacts in Philippine SMEs”, “Coping strategies of Philippine MSMEs in the COVID-19 pandemic”, and “Coping strategies of Philippine SMEs in the COVID-19 pandemic”. The Search strategy obtained 120 results.

Screening Process

After 120 results were obtained by the author, the classification of source documents was applied. During the first phase of the screening process, 112 records were excluded from the study. A total of 8 included after screening thoroughly by titles and abstracts.

In selecting the articles to be included, inclusion criteria were to be met. These criteria include: 1) MSMEs or SMEs dealing with COVID-19. 2) Limited only in the Philippine area. 3) The search strategy only includes the first four pages of relevance. 4) All scholarly articles or research in Google Scholar that match the previous inclusion criteria are included. 50 Scopes is Asia or the ASEAN, and the Philippines are mentioned. The exclusion criteria include: 1) Non-MSMEs/ SMEs but focused on the impacts of the COVID-19 pandemic. 2) MSMEs/SMEs but did not focus on the impacts of the COVID-19 pandemic. The researcher established a coding system to help answer the research questions.
Quality Checks

To assess the quality of the studies used, the six dimensions of data quality are applied (Collibra, 2023). Preferred Reporting Items for Systematic Reviews and Meta-Analyses is referred to as PRISMA. It is a minimum accumulation of data based on evidence that must be reported in systematic reviews and meta-analyses (Page et al, 2021). PRISMA is used in assessing the articles for this systematic literature review. Each included study was assigned a score to assess its subject fulfillment: 0.75 if it is subject significant and 0.30 if its fulfillment is slightly considered. All eight articles met the recommended cut-off score.

Figure 1. PRISMA

3. RESULTS AND DISCUSSION

The two research questions are answered in this section before discussing the overall findings. The methodologies of the included source documents in this study will be shown in Table 1. The highest percentage of source documents is systematic review constituted 3 (37.5%), Descriptive Review constituted 2 (25%), Articles constituted 2 (25%), and Critical Assessment constituted 1 (12.5%).

Table 1 shows the research methodologies used by the studies reviewed. This illustrates the summary of the studies (Hossain et al, 2021) that was used to answer the questions of this study. The studies of Davahli et al (2020), Lekhraj et al (2020), and Nicola et al (2020) made use of Systematic Review methodology. The study of Pedroso (2022) and Michaels (2020) made use of Descriptive Review methodology. Li, K., & Kim et al (2020) made use of the Critical Assessment method. The
1. What are the pandemic risks impacting Philippine MSMEs?

The COVID-19 pandemic has had a profound impact on businesses in the Philippines, especially Micro, Small, and Medium Enterprises (MSMEs). Table 2 shows the pandemic risk impacts identified from the reviewed studies for this study, presenting the taxonomy of COVID-19 risk impacts (Erdiaw-Kwasie et al., 2023). One major risk factor has been the imposition of human movement restrictions (Lekhraj et al., 2020; Mia, 2020) primarily through lockdowns, which have disrupted traditional daily activities, affecting businesses and leading to substantial job losses (Davahli et al., 2020). Financial constraints and revenue losses (Davahli et al., 2020) have been widespread among MSMEs, significantly contributing to the economic crisis and recession (Nicola et al., 2020) in the Philippines. Additionally, the sudden shift in operational dynamics due to COVID-19 restrictions has presented operational difficulties (Pedroso, 2022; Genberg, 2020; Michaels, 2020) for SMEs, necessitating rapid adaptation. According to a survey report, over 63% of MSMEs surveyed considered the pandemic their first and most significant shock, having never encountered such operational disruptions (Flaminiano et al., 2021).

These risks challenge the business response in sustaining the longevity of business operations, however, small businesses are unable to support higher expenditures since they frequently operate with limited resources and cash flow, particularly in the Philippines (Hand, 2023; D&V Philippines, 2023).

2. What coping strategies do Philippine MSMEs use to deal with pandemic risk impacts?

Philippine MSMEs have faced several challenges due to the pandemic and have adopted various coping mechanisms to navigate the complexities and uncertainties. Table 3 presenting MSMEs pandemic coping strategies, illustrates the summary of data set of the coping strategies Philippine MSMEs used to deal with the risks caused by the pandemic (Erdiaw-Kwasie et al., 2023). One of the primary coping strategies has been the widespread use of digital and technological solutions (Pedroso, 2022; Li et al., 2020; Mia, 2020; Genberg, 2020; Michaels, 2020). This shift towards digital transformation has been effective, providing a safe and convenient alternative amidst the movement restrictions imposed by the pandemic. According to Pascual (2022), "CTRL BIZ: Reboot Now" webinar series of DTI aims to give MSMEs vital information right from marketplace platforms, fintech (financial technology), and last-mile delivery services. Major e-commerce sites in the Philippines (e.g., Lazada, Shopee, and Shopinas) have partnered with MSMEs to promote their engagement and take

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**Table 1. The research methods used by the studies included in this study**

<table>
<thead>
<tr>
<th>Methods</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive Review</td>
<td>Pedroso, 2022; Michaels, 2020</td>
</tr>
<tr>
<td>Critical Assessment</td>
<td>Li, K., &amp; Kim et al, 2020</td>
</tr>
<tr>
<td>Articles</td>
<td>Mia, 2020; Genberg, 2020</td>
</tr>
</tbody>
</table>

**Table 2. Taxonomy of COVID-19 risk impacts**

<table>
<thead>
<tr>
<th>Risk factor</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human movement restriction (Lockdowns)</td>
<td>(Lekhraj et al, 2020; Mia, 2020) 2</td>
</tr>
<tr>
<td>Financial constraints/ revenue losses</td>
<td>(Davahli et al, 2020)</td>
</tr>
<tr>
<td>Operating difficulties</td>
<td>(Pedroso, 2022; Genberg, 2020, Michaels, 2020)</td>
</tr>
<tr>
<td>Economic crisis and recession</td>
<td>(Nicola et al, 2020)</td>
</tr>
<tr>
<td>Job losses</td>
<td>[Davahli et al, 2020]</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
</tr>
</tbody>
</table>

**Table 3. PME’s Pandemic Coping Strategies**

<table>
<thead>
<tr>
<th>Coping Strategy</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital transformation</td>
<td>(Pedroso, 2022; Li et al., 2020; Mia, 2020; Genberg, 2020; Michaels, 2020)</td>
</tr>
<tr>
<td>Fintech</td>
<td>(DTI, 2022)</td>
</tr>
<tr>
<td>Last-mile delivery services</td>
<td>(Lazada, Shopee, Shopinas)</td>
</tr>
</tbody>
</table>
use of their significant consumer base. DTI E-Commerce Office has partnered to social media platforms (e.g., Meta, Google, Viber) for providing sellers lessons to be able to adapt and increase sales in the digital side of business. DTI and the Department of Information and Communications Technology, (DICT) are collaborating to provide all the services to MSMEs for free.

The government has also played a crucial role in supporting MSMEs by introducing financial support packages, including loans, to help businesses continue their operations during economic hardships (Genberg, 2020). Jose Teodoro Limcaoco, President and CEO of BPI, emphasized the vital role of MSMEs in the Philippine economy for job creation. He mentioned pre-pandemic efforts by the government and banks to improve MSME financing, a need intensified by the pandemic. Limcaoco also shared plans to further digitalize processes to support more MSMEs, aiming to diversify lending and help lower-income segments (Villanueva, 2021).

In addition, modifying business models has emerged as a significant strategy, with a particular emphasis on digital transformation in operations such as payments and modes of selling (Li et al, 2020; Mia, 2020). DTI Secretary Ramon Lopez highlighted a crucial tactic for small business growth and post-pandemic recovery. In order to promote innovation, creativity, and economic progress, the program of Project Match, part of a broader effort to support MSME digitalization, acknowledging the vital role of MSMEs—a joint venture between Startup Village, USAID, and DTI—aims to make it easier for MSMEs and startups to connect with each other and offer finance and digital solutions (Villanueva, 2021). These coping strategies highlight the resilience and adaptability of Philippine MSMEs, showcasing their ability to innovate and respond effectively to unprecedented challenges.

Effective cash flow management is crucial to ensure the growth of a business. This involves closely monitoring and managing the flow of money in and out of the business, which helps to maintain sufficient liquidity to meet the business's needs. In an economic crisis like the pandemic, small to medium enterprises (SMEs) may require a business loan to support their growth. These loans can be used to finance various business activities like hiring new employees, purchasing equipment or inventory, and expanding into new markets (Affinity Financial Services, 2023). Small banks that lend to MSMEs during pandemic have provided a boost and contributed to their coping strategies in financing (Villanueva, 2020) through difficulties brought by restrictions in pandemic.

<table>
<thead>
<tr>
<th>Pandemic coping strategies</th>
<th>Frequency of Adoption (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital and technological adoption/adaption</td>
<td>55.56%</td>
</tr>
<tr>
<td>Government financial support/packages</td>
<td>11.11%</td>
</tr>
<tr>
<td>Modification of business models</td>
<td>22.22%</td>
</tr>
<tr>
<td>Implications for Financial Stability (Loans)</td>
<td>11.11%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Discussion

MSMEs and SMEs was used mutually in the articles reviewed. The articles reviewed shed light on the challenges faced by MSMEs or SMEs during the pandemic, and the coping strategies MSMEs or SMEs have employed. Operational difficulties and travel restrictions posed significant issues. Still, a digital shift in business operations emerged as a crucial response to the risks imposed by the pandemic (Reuscherl et al., 2022). Although coping strategies were implemented, particularly with government assistance, it remains uncertain whether these measures guarantee full resilience and sustainability.
Organizational flexibility enables businesses to respond immediately to changing environments as well as avoid short-term organizational failure (Shekarian et al., 2022; Reuschl et al., 2022).

The studies acknowledge the positive and negative aspects of coping strategies among MSMEs, emphasizing the financial constraints and operational challenges arising from the shift in business mode as limiting factors to their effectiveness. In summary, coping strategies are activated among MSMEs to navigate the demanding and unpredictable business environment, allowing them to create alternatives when adaptation to changes is required. However, coping strategies deployed or implemented is not ensured to make a small business resilient enough. Although having effective coping capacities is essential, it doesn't necessarily guarantee the development of sustainable resilience policies and plans. It's important to note that not all small businesses facing institutional, capacity, and cultural constraints can effectively transform their coping abilities into tangible resilience actions. This emphasizes the need for a thorough understanding of the limitations and complexities involved in ensuring the long-term resilience of small businesses in the face of unpredictable challenges (Erdiaw-Kwasie et al., 2023).

Another issue is some MSMEs in the Philippines have no easy access to MSME financial assistance programs, and many were unaware that there were MSME financial assistance programs available. To strengthen and increase their economic resilience, more aid must be provided. The government needs to work harder to improve MSMEs' access to financing (Andal et al., 2021).

Developing resilient SMEs requires a comprehensive approach that addresses a range of factors, including institutional support, financial resources, social networks, and leadership capabilities. Moreover, building resilience is not a one-time event but a continuous process that requires ongoing monitoring, evaluation, and adaptation to changing circumstances (Cross, 2021). Ultimately, the resilience of MSMEs is not only essential for business survival but also for the resilience of the wider economic system and society as a whole.

4. CONCLUSION AND SUGGESTION

The study found that micro, small and medium-sized businesses (MSMEs) are vulnerable to the COVID-19 pandemic. The research aimed to identify ways to enhance resilience, investigate pandemic risk factors that impact SMEs and explore coping strategies that SMEs employ to reduce these risks. Logistical issues, particularly relating to transportation, were found to be a significant risk factor for pandemics. To improve their crisis resilience, MSMEs can utilize their available movement, tools, and capabilities and increase flexibility. Despite being a limited resource and vulnerable to significant economic changes, MSMEs remain the backbone of the Philippine economy. Coping strategies such as flexibility, adaptation, and innovation can increase SMEs' resilience and make them less reliant on external assistance.

The study identified digital technology as the most popular coping strategy, emphasizing the critical role that digital technologies play in guaranteeing corporate survival and continuity, particularly in the face of global crises. Further research can determine the extent of resilience of coping strategies. The research recommends discussing post-pandemic coping strategies and business continuity with policymakers, business think tanks, and MSMEs. The study highlights the importance of understanding the place of MSMEs in the larger economic system, particularly in the Philippines. The coexistence of survival, adaptation, and innovation was essential for enhancing MSME resilience in demanding and unpredictable situations.

For MSMEs, the COVID-19 pandemic has brought attention to the importance of the digital shift. Businesses should prioritize embracing technology, take use of government support programs, and develop thorough business continuity plans to meet the difficulties. Governments ought to support ongoing funding and enable initiatives promoting digital literacy. Scholars may conduct further research on effective coping mechanisms and explore practical elements of strategic decision-making.
Business organizations can support cooperative projects and provide platforms for the exchange of knowledge. To help firms handle uncertainty and develop long-term resilience, MSME support agencies can encourage business continuity planning and provide guidance.

5. REFERENCES


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exemplars for reporting systematic reviews. BMJ (Clinical research ed.), 372, n160. https://doi.org/10.1136/bmj.n160