

ANNEX A



Report on the 2nd Impact Assessment of COVID-19 on the Micro, Small, and Medium Enterprise (MSME) Sector

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Executive Summary

Introduction

Following the conduct of the first survey in June 2020 where most areas were under stricter community quarantine and business operations were limited in varying degrees, there is a need to determine the effects of relaxing such quarantine measures and identify the immediate needs of micro, small, and medium enterprises (MSMEs).

Objectives

The survey aimed to compare the effects of the COVID-19 pandemic quarantine measures on MSMEs as restrictions were relaxed. Specifically, it aims to:

1. Profile business operations of new MSME respondents;
2. Determine if there are changes in business operations of MSMEs after the conduct of the first survey; and
3. Identify current business expectations and assistance needed.

Methodology

The survey was conducted from 19 July-7 August 2020 through a dedicated webpage within the DTI website (www.dti.gov.ph/msmesurvey).

Existing clients of the Department, including those of its attached agencies and other development partners, with records under the Client Profile and Monitoring System (CPMS), Knowledge Connect, and those in the databases of Kapatid Mentor ME (KMME), MSME Summit, RapidPass, and DTI Regional Offices, among others, were invited to participate in the survey.

Salient Findings

1. Profile of Respondents

- A total of **2,562** MSMEs responded to the survey.
- **1,500** or 58.5% indicated that they have not participated in the previous survey; **1,062** or 41.5% indicated they participated in the previous survey.
- Of the 1,062 that indicated they have participated in the previous survey, only **671** (63.2%) had records of participation.
- This report covers the **1,500** new respondents and **671** repeat respondents, or a total of **2,171 respondents**. Note that the first round had a total of 2,940 respondents, of which 2,135 and 805 responded to the nationwide and regional (NCR, Regions 3 and 4A) survey, respectively.
- The three (3) regions with the most number of respondents are **NCR** (421 or 19.4%), **Region 3** (292 or 13.5%), and **Region 9** (245 or 11.3%).
- **1,800** or 82.9% are **micro** enterprises by asset size.
- 1,825 or 84.1% are micro enterprises by employee size.
- **728** or 33.5% are under the **manufacturing** sector.

2. Survey Results

- With the easing of community quarantine protocols, there is an **11.4-% increase** in the number of enterprises that are in **full** operations. There were only **244** respondents that were in full operations from 16 March-17 June but after June 17, it increased to **491**.
- Similarly, there is an **11.1-% increase** in the number of MSME respondents that were in **partial** operations. Some **1,055** of the respondents were in partial operations from 16 March-17 June, while some **1,296** are already partially operating after 17 June.
- There is a **22.5-% decrease** in the number of MSME respondents that have stopped or **closed** operations. Some **872** have no business operations from 16 March-17 June but it decreased to **384** after 17 June.
- There is a **1.5-% decrease** in those that experienced decline in sales in varying degrees between the period 16 March-17 June and after 17 June. Some **1,190** or 91.6% of MSME respondents that were in full and partial operations from 16 March-17 June experienced a **decline in sales** of varying degrees within that period. Of the 91.6%, majority or 31.0% experienced about 50-% decrease in sales. Some **1,610** or 90.1% of MSME respondents that were in full and partial operations after 17 June experienced a decline in sales of varying degrees within that period. Of this 90.1%, majority or 33.2% experienced about 50-% decrease in sales..
- There is a **5.0-% decrease** in those that experienced decline in workforce size in varying degrees between the period 16 March-17 June and after 17 June. Some **973** or 74.9% of MSME respondents that were in full and partial operations from 16 March-17 June experienced a decline in workforce size of varying degrees within that period but the majority or 29.9% experienced 50-% decline in workforce. Some **1,249** or 69.9% of MSME respondents that were in full and partial operations after 17 June experienced a decline in workforce size of varying degrees within that period, the majority of which experienced 50-% decline in workforce. Some other 29.2% meanwhile indicated that the size of their workforce remained the same.
- The respondents that were partially or fully operating during that period were asked the survey questions on the effect on sales and workforce size. Hence, as more respondents resumed operations for the period after 17 June, the number of respondents that experienced both a decline in sales and in workforce size also increased.
- Majority or 67.5% are in need of financing assistance within the next three months.

Survey Results

I. Summary of Profile of Respondents

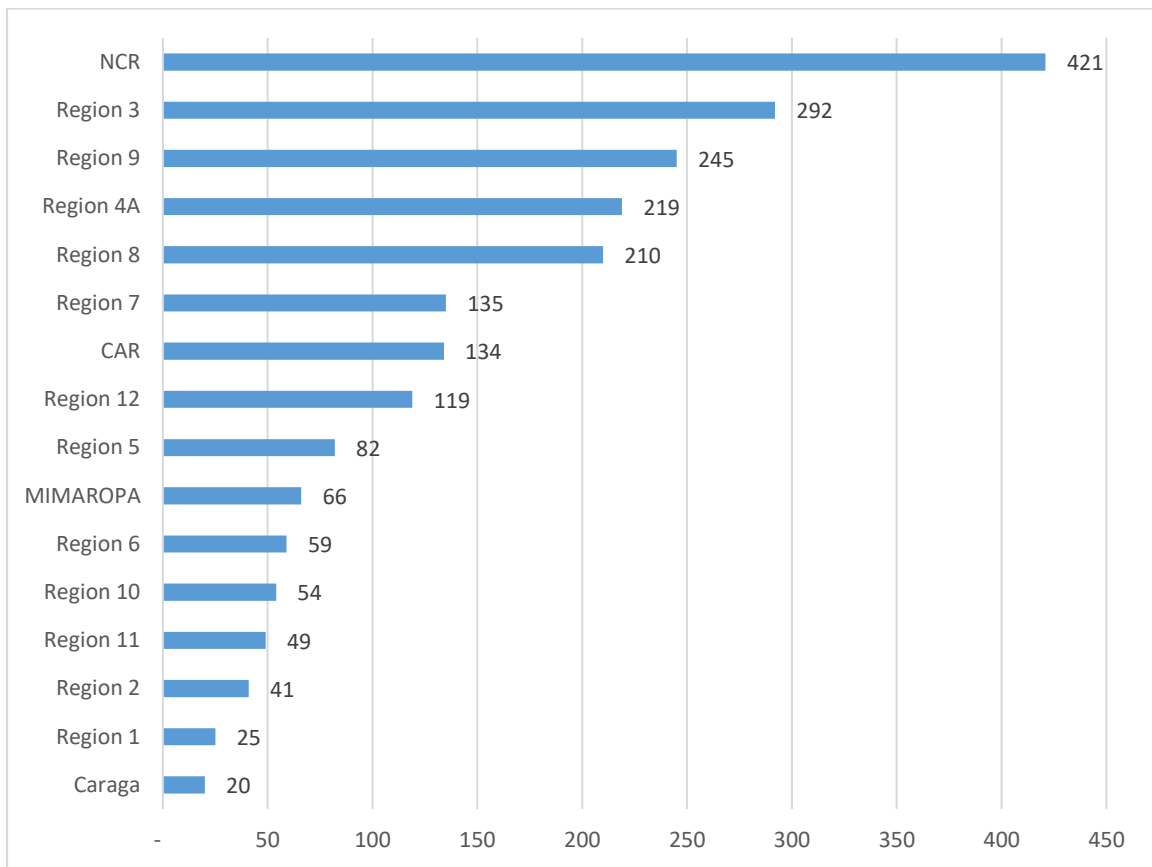
Survey Options	Total	Percentage
Region		
NCR	421	19.4%
CAR	134	6.2%
Region 1	25	1.2%
Region 2	41	1.9%
Region 3	292	13.5%
Region 4A	219	10.1%
MIMAROPA	66	3.0%
Region 5	82	3.8%
Region 6	59	2.7%
Region 7	135	6.2%
Region 8	210	9.7%
Region 9	245	11.3%
Region 10	54	2.5%
Region 11	49	2.3%
Region 12	119	5.5%
Caraga	20	0.9%
TOTAL	2,171	
Asset Size		
Micro (up to P3M)	1,800	82.9%
Small (above P3M - P15M)	272	12.5%
Medium (above P15M - P100M)	70	3.2%
Large (above P100M)	29	1.3%
TOTAL	2,171	
Employee Size		
Micro (0-9 employees)	1,825	84.1%
Small (10-99 employees)	301	13.9%
Medium (100-199 employees)	17	0.8%
Large (200 and above)	28	1.3%
TOTAL	2,171	
Industry Sector		
Wholesale and Retail Trade	529	24.4%
Manufacturing	728	33.5%
Accommodation and Food Service Activities	237	10.9%
Finance and Insurance Activities	16	0.7%
Repair of Motor Vehicles	6	0.3%
Other Service Activities	655	30.2%
TOTAL	2,171	

II. Summary of Responses

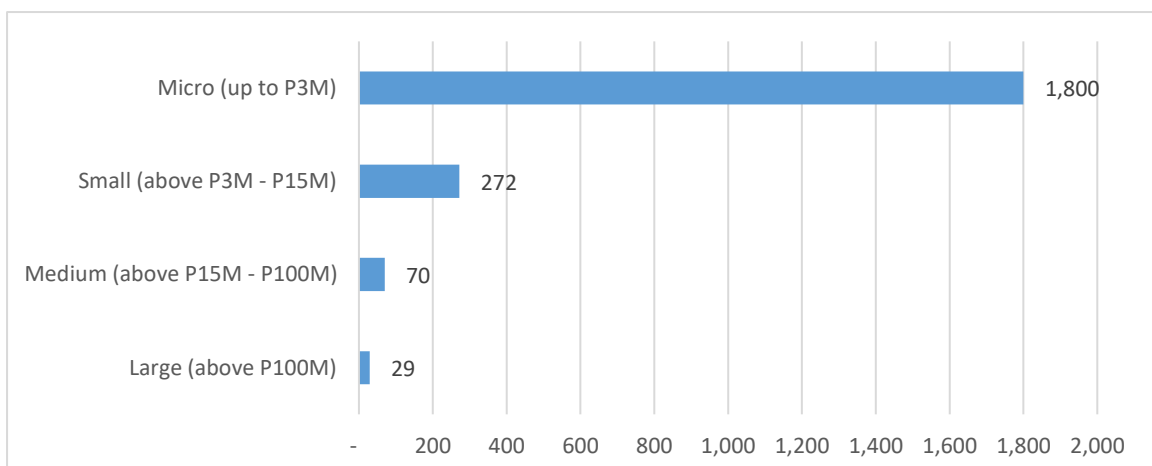
Survey Options	16Mar-17Jun	%-share (a)	After 17Jun	%-share (b)	Difference (b-a)
Status of Operations					
Full Operations	244	11.2%	491	22.6%	11.4%
Partial Operations	1055	48.6%	1296	59.7%	11.1%
Closed/Stop Operations	872	40.2%	384	17.7%	-22.5%
TOTAL	2171		2171		
Effect on Sales					
About 25% decline	192	14.8%	300	16.8%	2.0%
About 50% decline	403	31.0%	593	33.2%	2.2%
About 75% decline	328	25.3%	368	20.6%	-4.7%
More than 75% decline	267	20.6%	349	19.5%	-1.0%
Sales did not decline	69	5.3%	111	6.2%	0.9%
Sales increased	40	3.1%	66	3.7%	0.6%
TOTAL	1299		1787		
Effect on Workforce					
About 25% decline	217	16.7%	268	15.0%	-1.7%
About 50% decline	389	29.9%	506	28.3%	-1.6%
About 75% decline	223	17.2%	269	15.1%	-2.1%
More than 75% decline	144	11.1%	206	11.5%	0.4%
Workforce remained the same	312	24.0%	522	29.2%	5.2%
Workforce increased	14	1.1%	16	0.9%	-0.2%
TOTAL	1299		1787		

III. Profile of Respondents

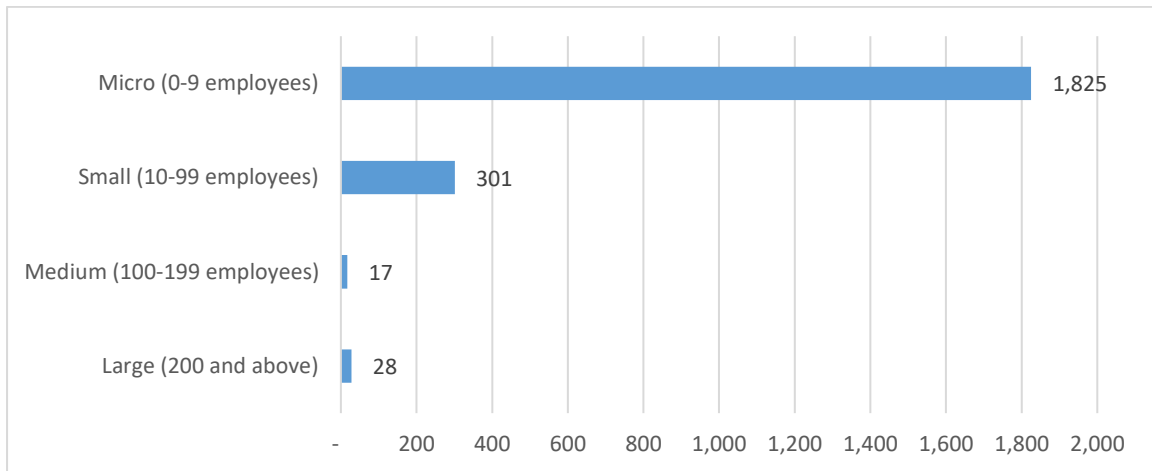
a. By Region. The three (3) regions with the most number of respondents are NCR (19.4%), Region 3 (13.5%), and Region 9 (11.3%).



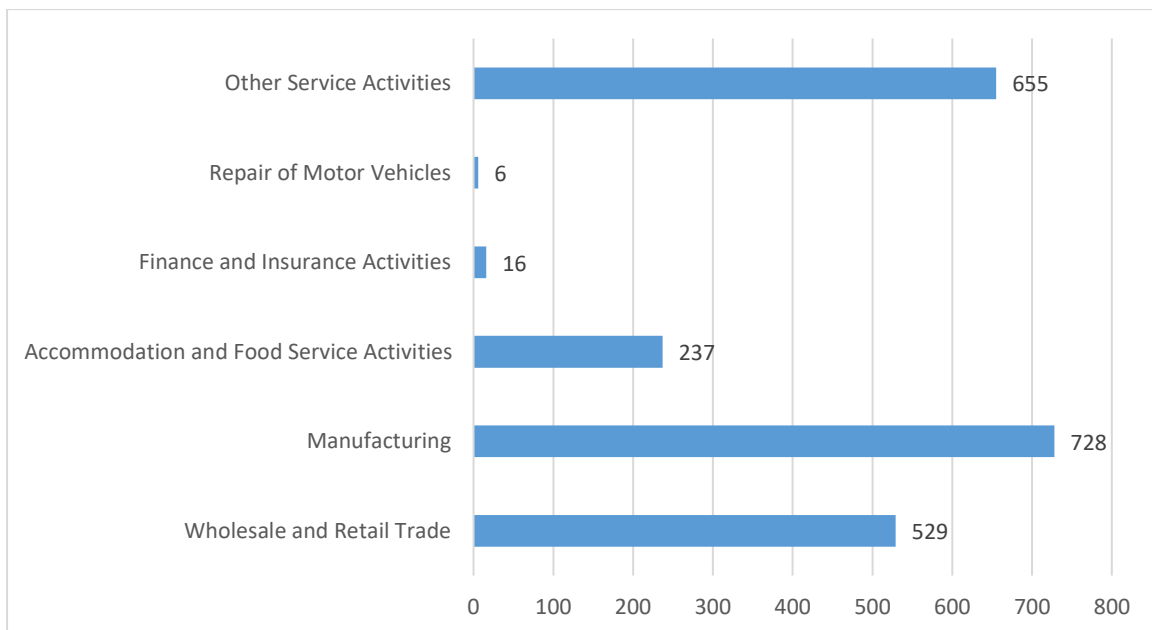
b. By Asset Size. Majority or 82.9% are micro enterprises with asset size of up to P3M.



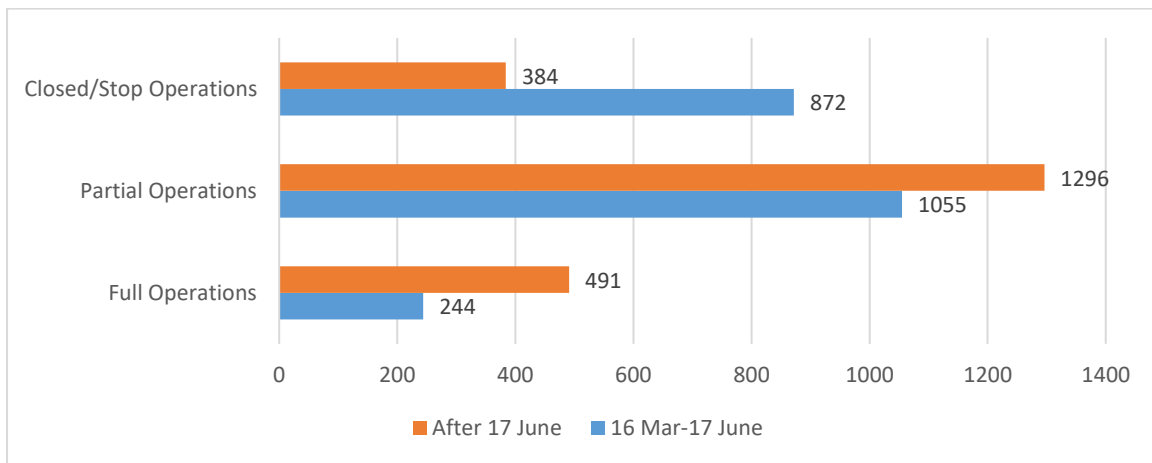
c. By Employee Size. Majority or 84.1% are micro enterprises with up to 9 employees.



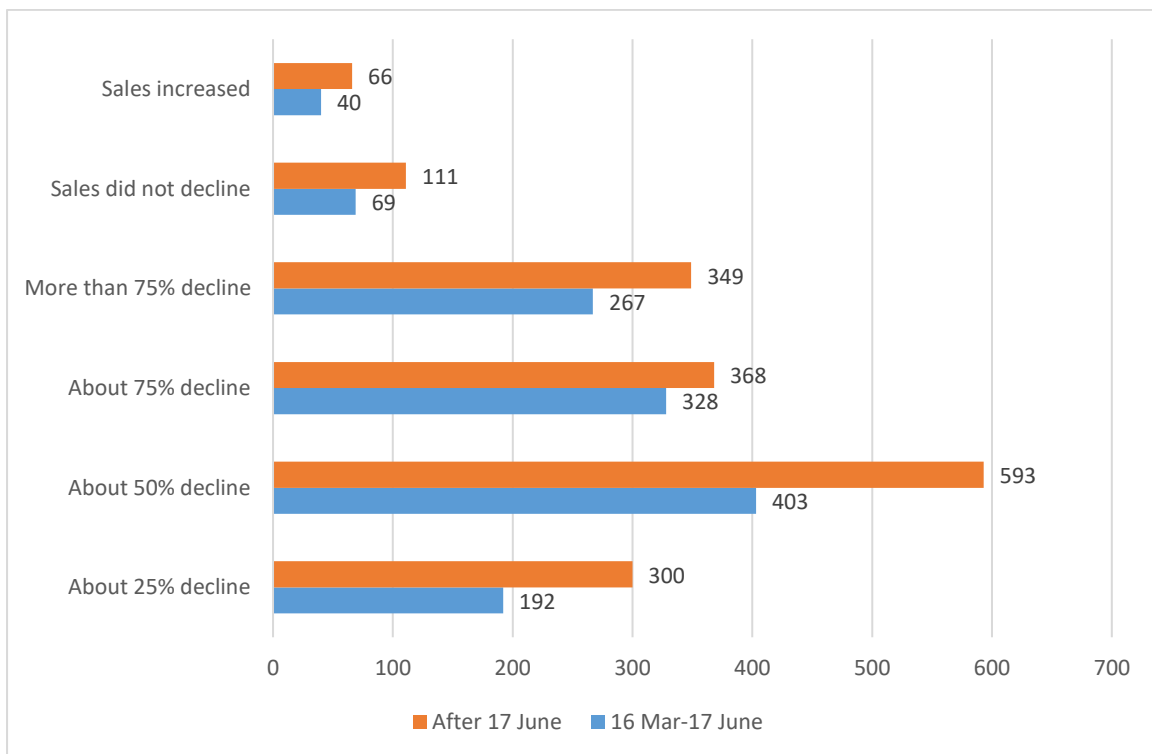
d. By Industry Sector. Majority or 33.5% are under the manufacturing sector.



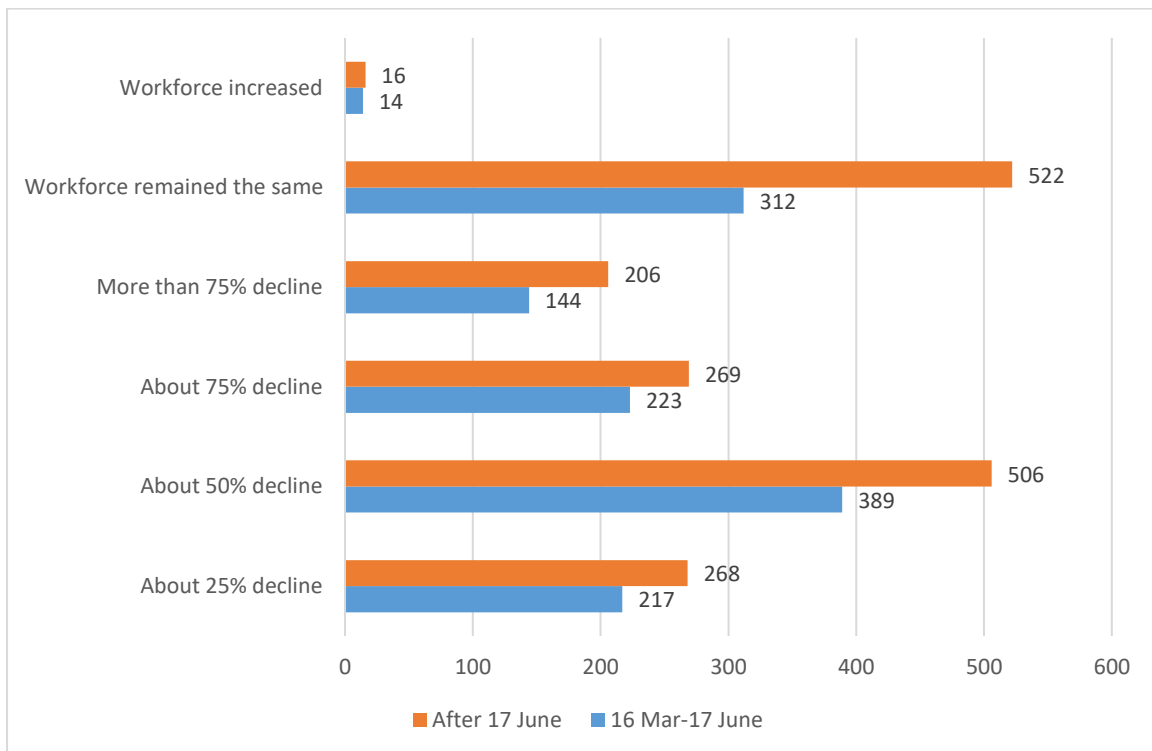
IV. Status of Operations. There was an 11.4-% and 11.1-% increase in those that fully and partially operated after 17 June, respectively. Meanwhile, the number of MSMEs that closed or stopped operating declined by 22.5%.



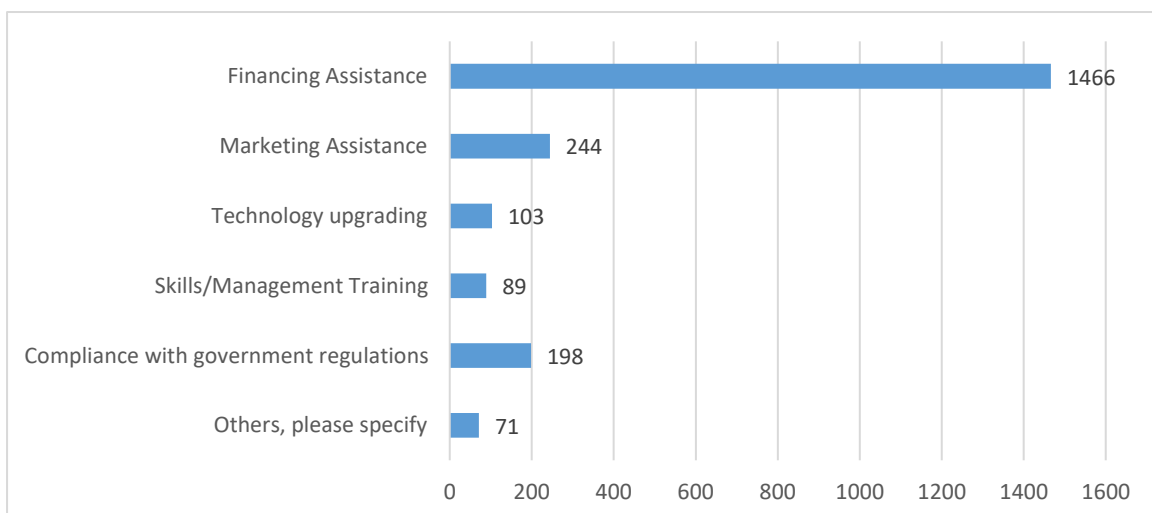
V. Effect on Sales. Those that experienced about 75% decline and more than 75% decline decreased by 4.7% and 1.0%, respectively.



VI. **Effect on Workforce.** There was a noted 5.2-% increase in MSMEs that retained the size of their workforce. Meanwhile, there was a decrease in the number of MSMEs that experienced about 25% to 75% decline in workforce size.

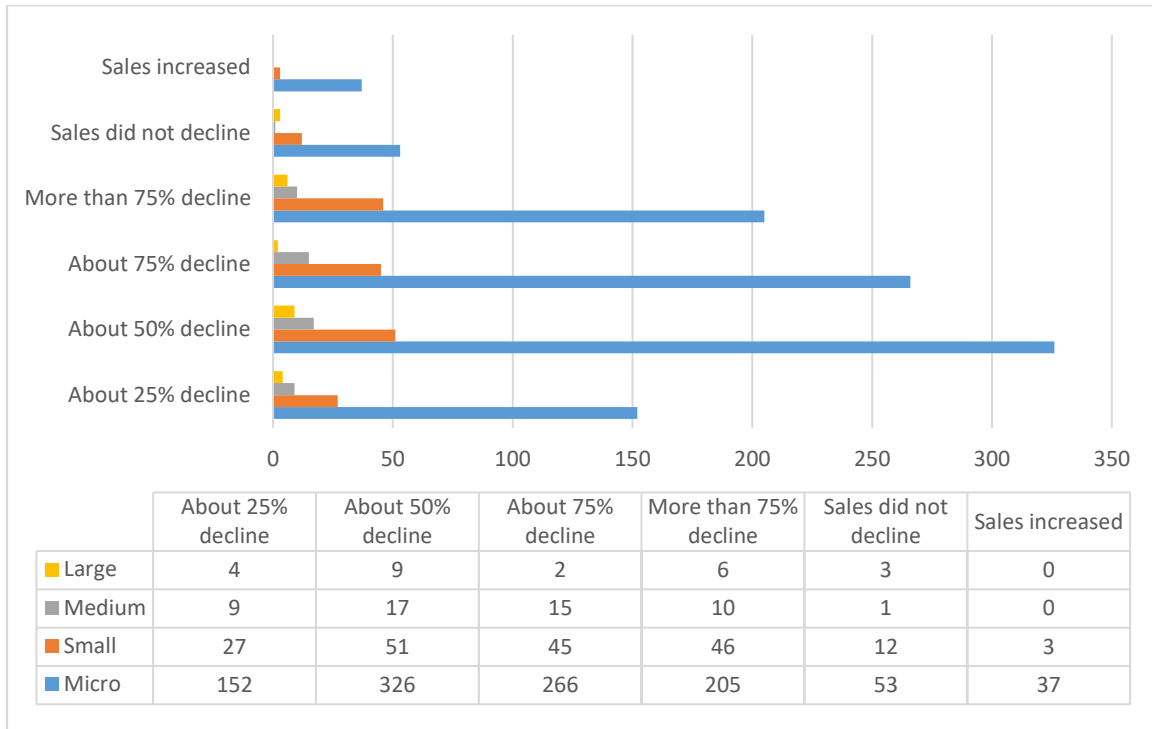


VII. **Assistance Needed.** Majority or 67.5% of the respondents are in need of financial assistance within the next three months.

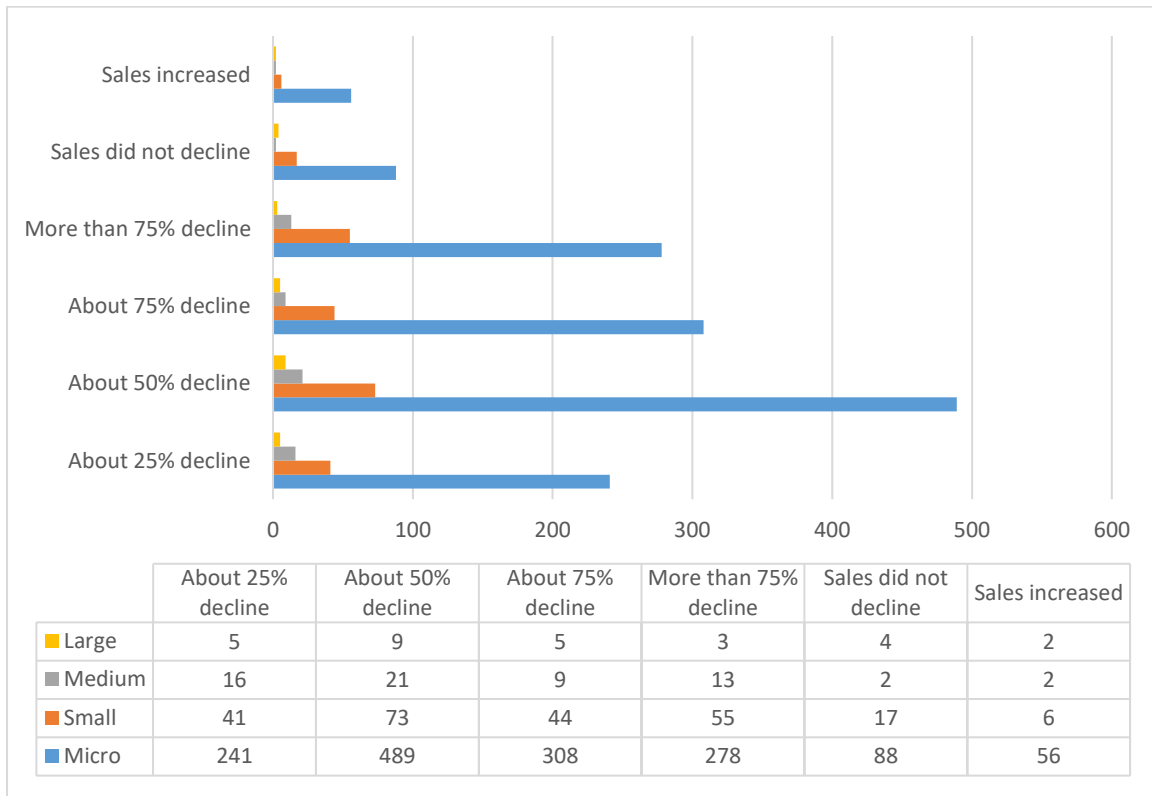


VIII. Asset Size Analysis

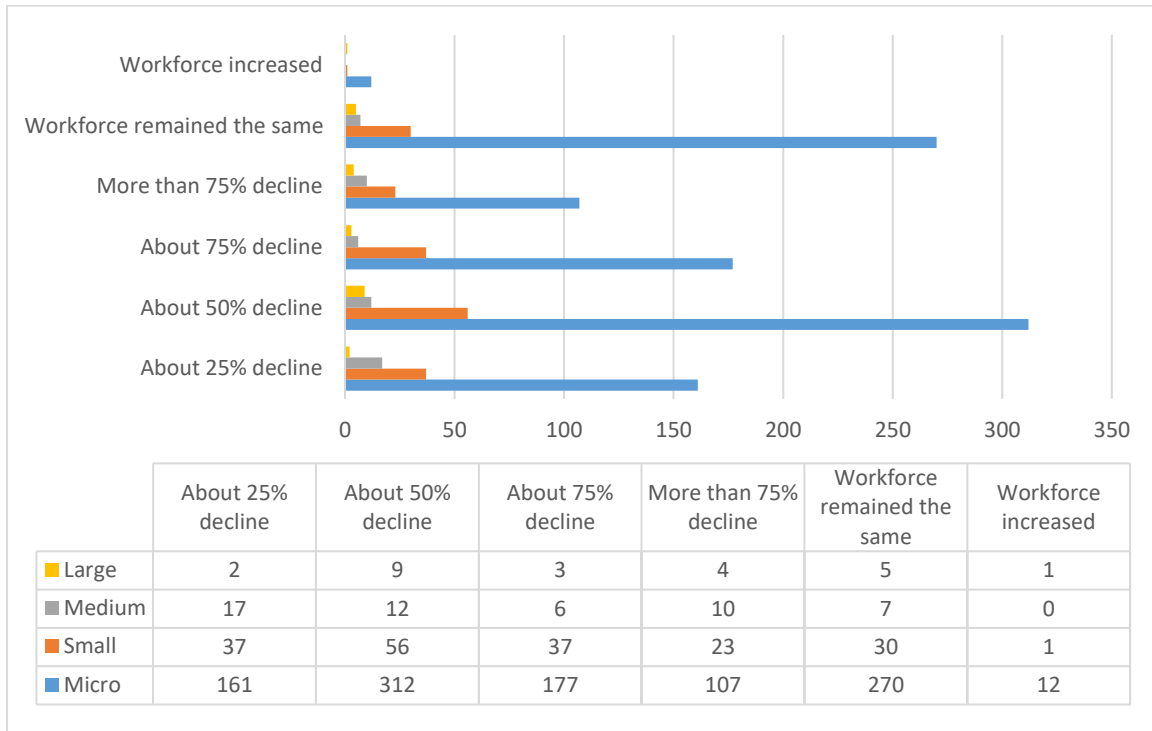
- a. By Effect on Sales (16 March-17 June). Regardless of asset size, majority experienced about 50% decline in sales.



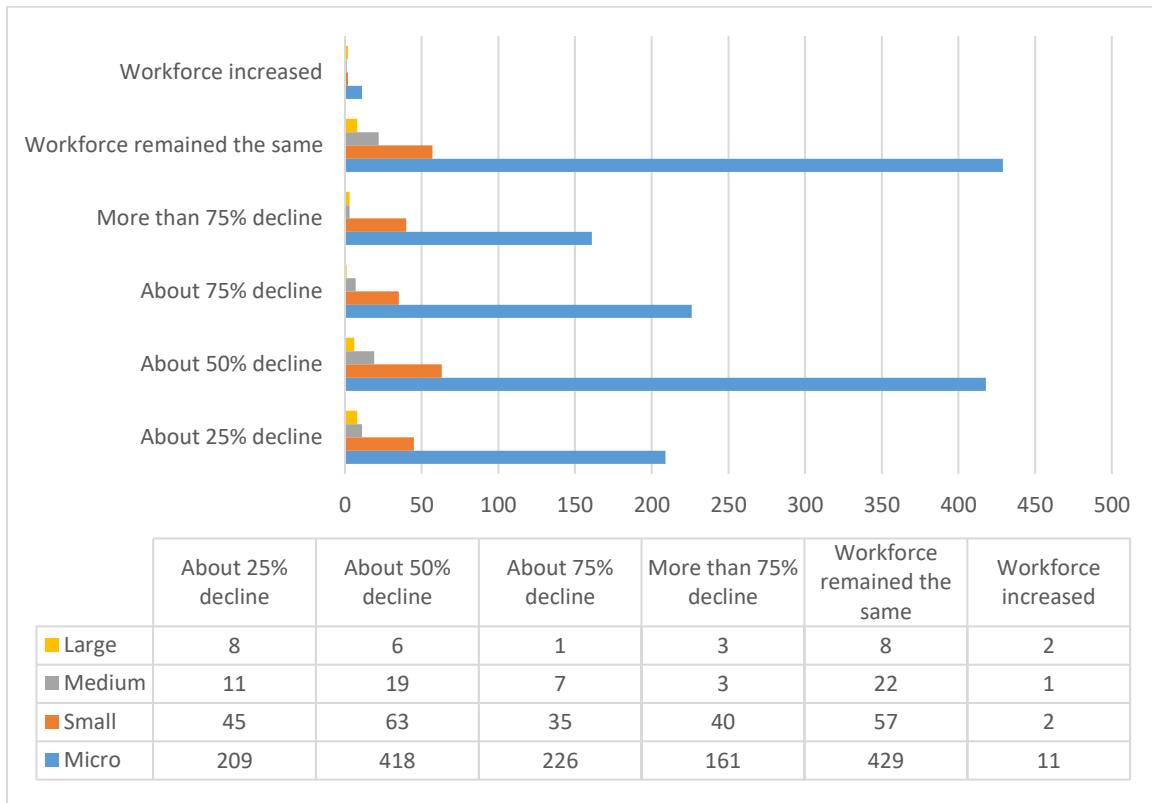
- b. By Effect on Sales (After 17 June). Regardless of asset size, majority experienced about 50% decline in sales.



c. By Effect on Workforce (16 March-17 June). Majority of the micro, small, and large enterprises experienced about 50% decline in workforce; for the medium enterprises, about 25% decline.

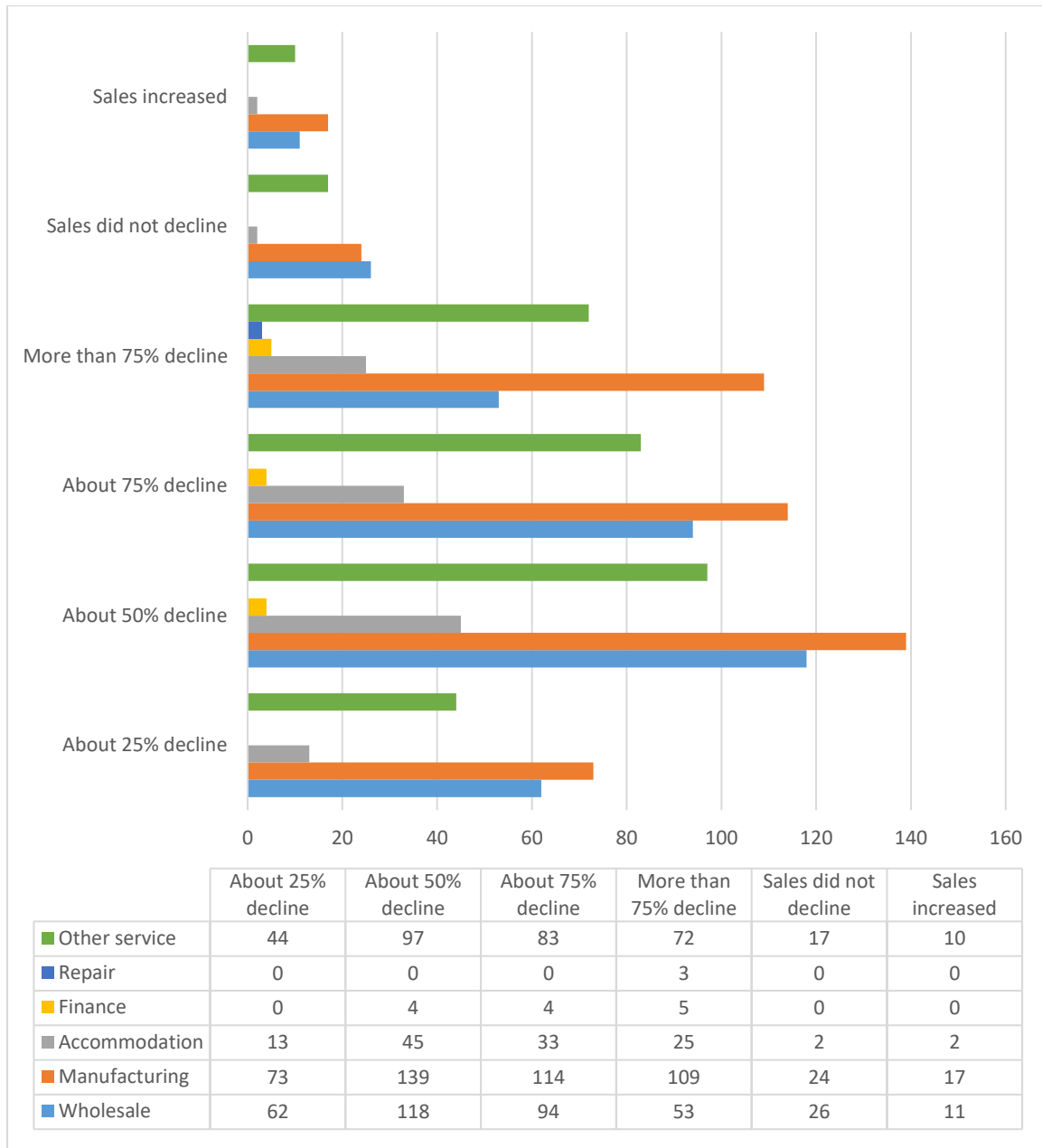


d. By Effect on Workforce (After 17 June). Majority of micro, medium, and large enterprises indicated that their workforce remained the same; for small enterprises, about 50% decline.

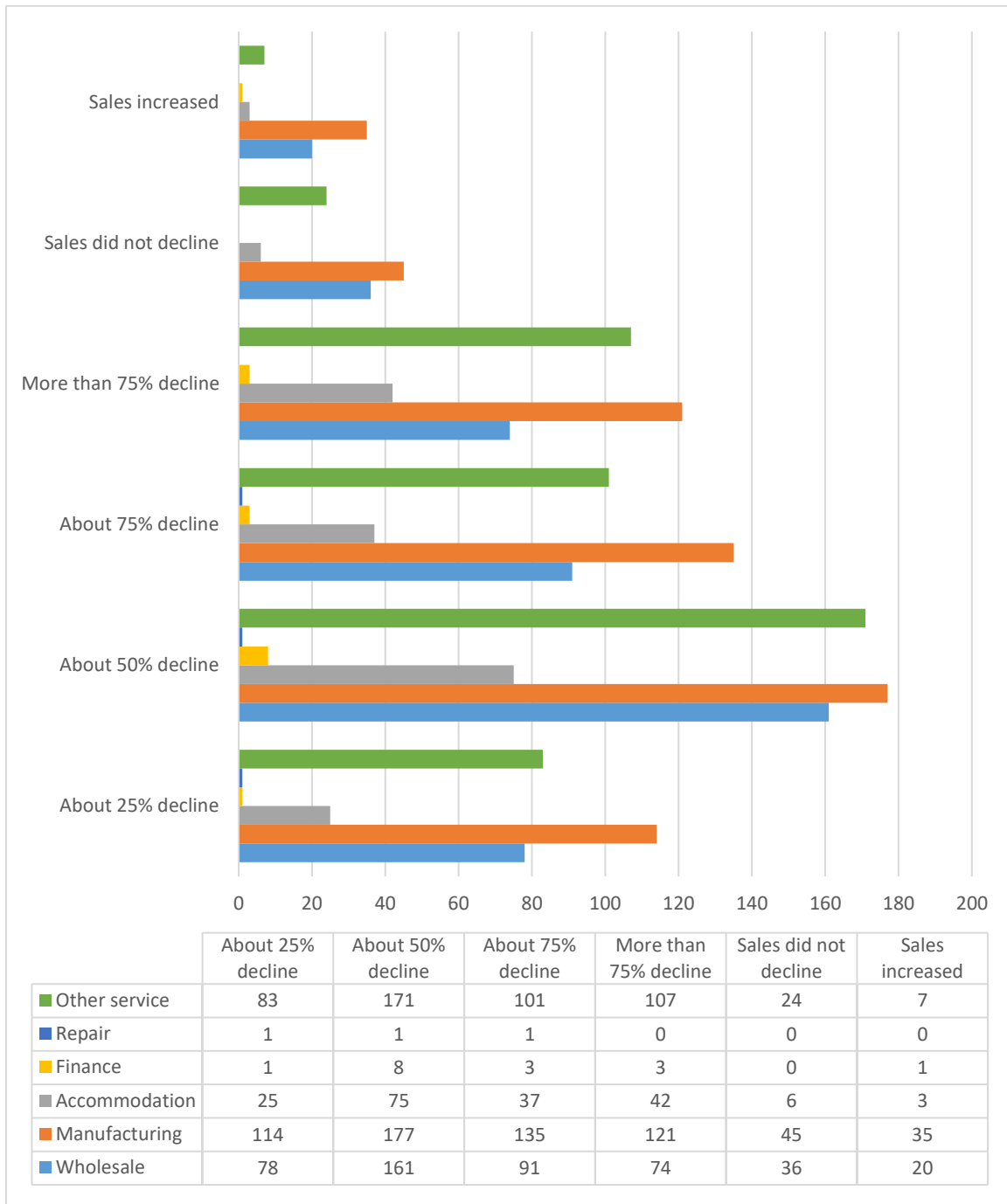


IX. Industry Sector Analysis

- a. By Effect on Sales (16 March-17 June). Majority of the respondents from the wholesale, manufacturing, accommodation, and other service sectors experienced about 50% decline in sales; for those under repair service and finance sectors, more than 75% decline.



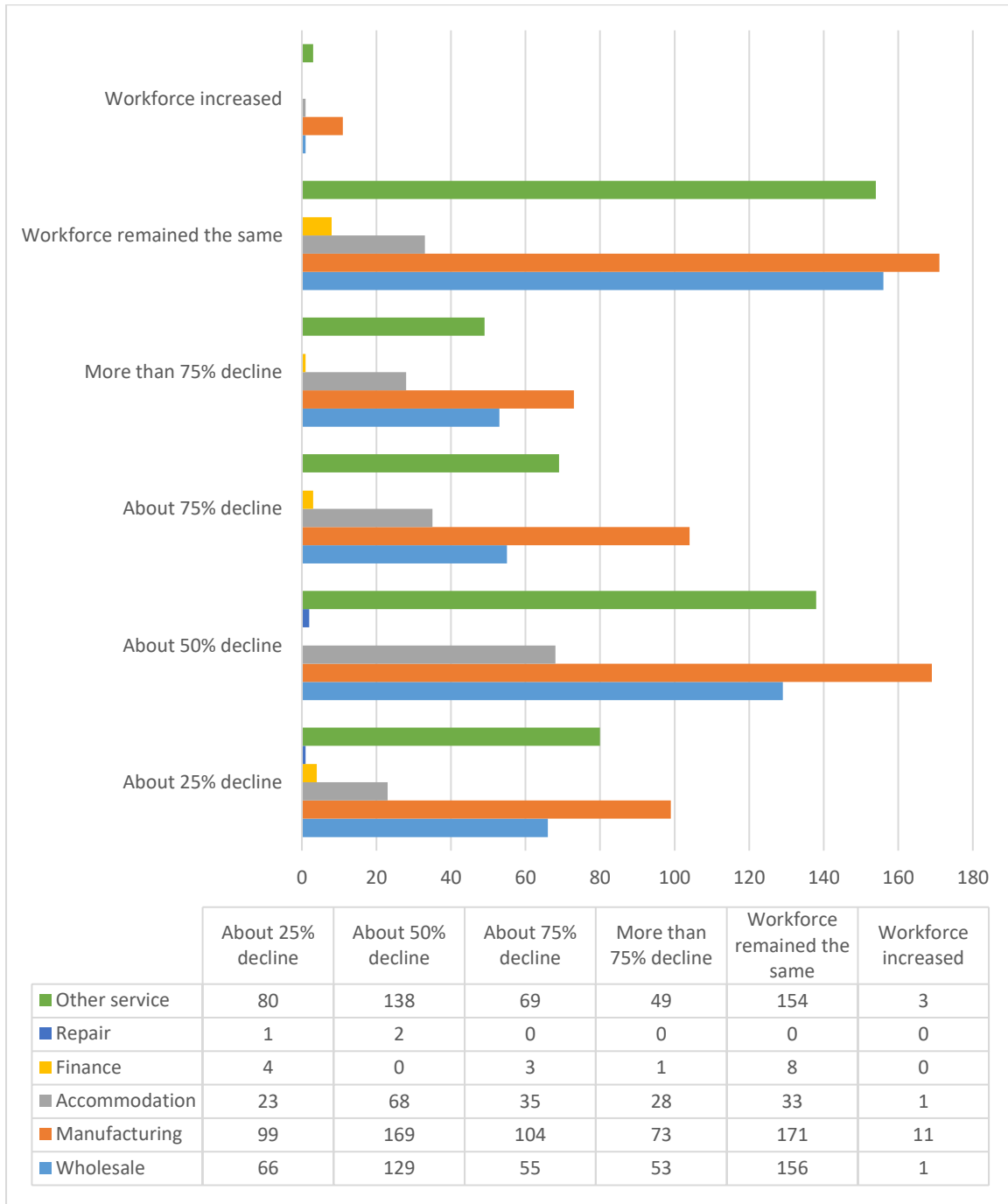
b. By Effect on Sales (After 17 June). Regardless of industry sector, majority experienced about 50% decline in sales.



c. By Effect on Workforce (16 March-17 June). Majority of those under the wholesale, manufacturing, accommodation, other service, and finance industry sectors experienced about 50% decline in workforce; for the repair industry, more than 75% decline.



d. By Effect on Workforce (After 17 June). Majority of those under the wholesale, manufacturing, other service, and finance industry sectors indicated that the size of their workforce remained the same; for accommodation and repair industry sectors, about 50% decline.



Recommendations

Based on the survey findings and the respondents' inputs to other ways the government can help them, the following recommendations are thus made:

1. Intensify financing assistance programs, as some MSMEs rely on the assistance for recovery and continuation of operations, settlement of dues and payables, additional capital, and product development;
2. Ensure that enabling policies for a conducive "new normal" business environment are in place, as restrictions in business operations and the implementation of minimum health protocols push MSMEs to innovate;
3. Maximize online marketing platforms to expand "buy local" and related campaigns, so MSMEs can take advantage of the growth in online shopping during the pandemic;
4. Expand the seminars offered to include business management amidst the new normal, online business opportunities, and digital marketing;
5. Offer more flexible options for compliance with government regulations, as MSMEs cited assistance needed in the processing of requirements with the Bureau of Internal Revenue (BIR), Food and Drug Administration (FDA), and Department of Tourism (DOT), among others;
6. Boost internet connectivity and provide digitalization programs (e.g. CTRL + BIZ) as some MSMEs move their businesses online; and
7. Ensure availability and affordability of products necessary to comply with minimum health protocols including alcohol, face masks, face shields, and personal protective equipment (PPE) as well as testing kits and vaccines.