





# Digital Innovations in MSMEs during Economic Disruptions: Experiences and Challenges of Young Entrepreneurs

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# Background

## Entrepreneurship

- the creation or extraction of economic value
- the activity of setting up a business or businesses, taking on financial risks in the hope of profit

## Digital Entrepreneurship

- the process of entrepreneurial creation of value using various socio-technical drivers to support the effective acquisition, processing, distribution, and consumption of digital information
- includes various business functions, such as sales, marketing, human resources, operations, finance, research and development, and customer support service



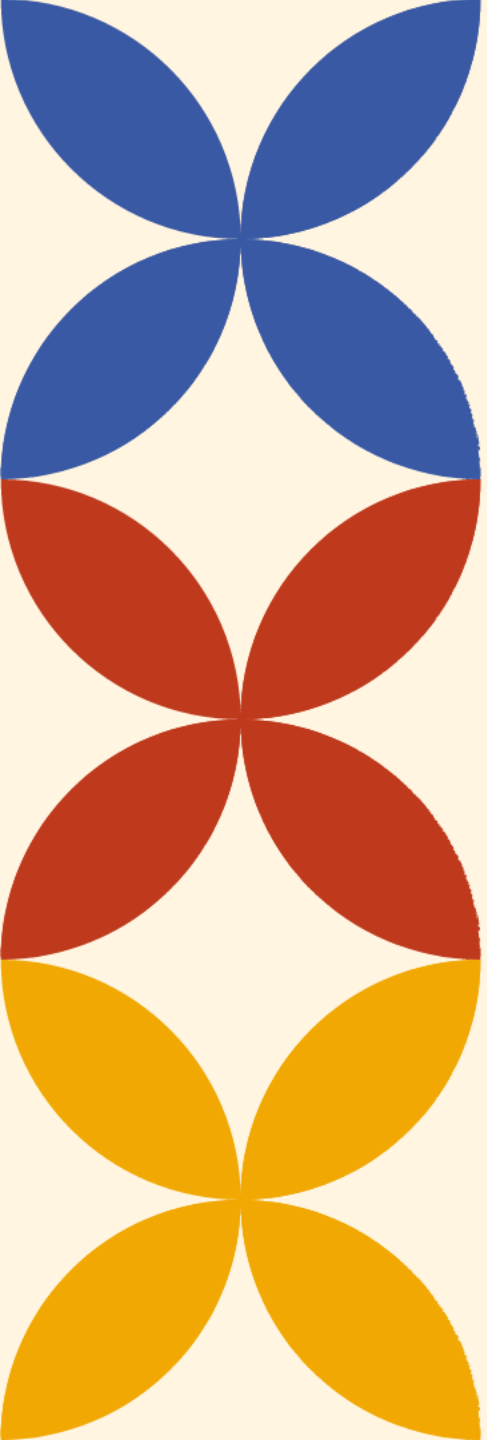


# Background

## Entrepreneurship in the Philippines

- 2020 List of Establishments (DTI): 957,620 registered business enterprises operate in the country composed of 99.51% MSMEs and 0.49% large firms
- MSMEs consist of 88.77% micro, 10.25% small, and 0.49% medium enterprises
- top industry sectors were (1) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, Accommodation and Food Service Activities, Manufacturing, Other Service Activities, and Financial and Insurance Activities (83.77%)
- Pre-pandemic: >5.38 million jobs or 62.66% of the country's total employment





# Research Objectives

The main objective of this study is to analyze how economic disruptions drive business innovations for MSMEs.

Specifically, this aims to

- explore the lived experiences of young entrepreneurs in doing business during the COVID-19 crisis
- investigate the challenges of shifting businesses into digital platforms
- evaluate their implications as bases for government policies and strategies for economic recovery through online entrepreneurship



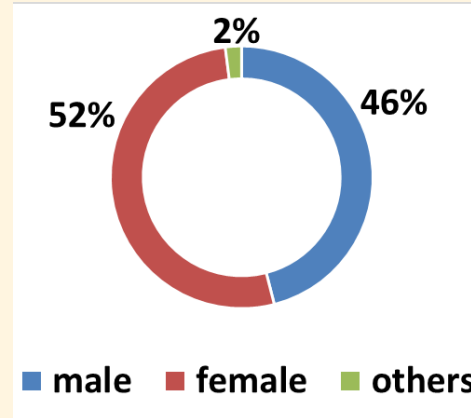


# Research Methodology

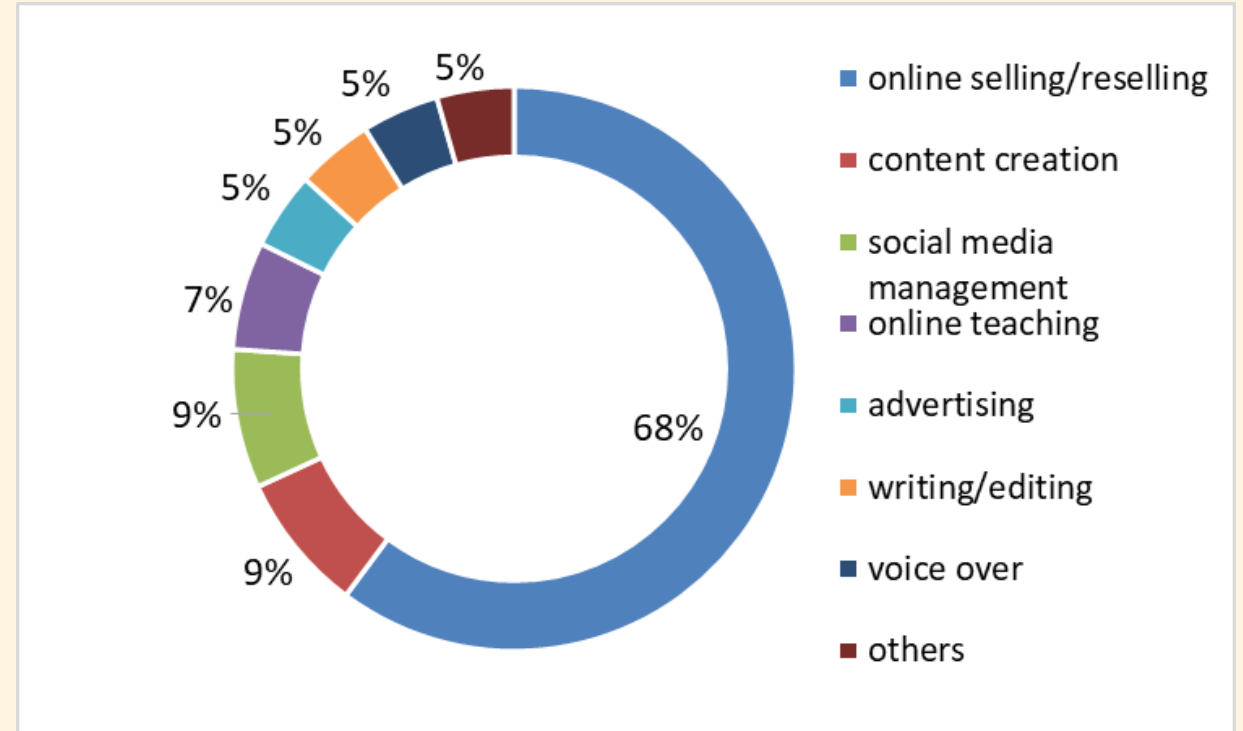
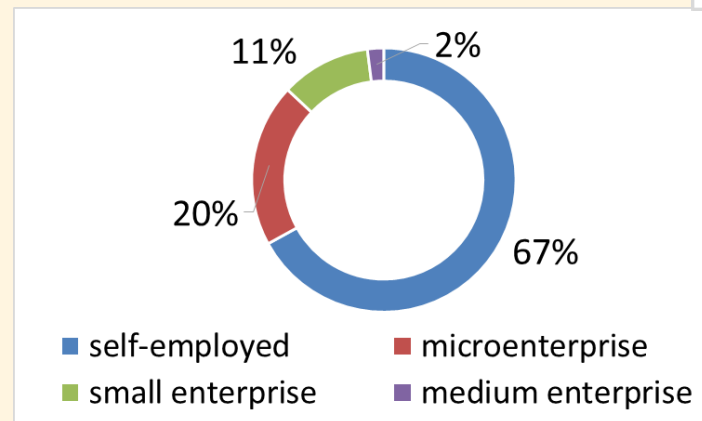
- Design - qualitative
- Participants – 46 young entrepreneurs (data saturation)
- Data gathering – online
- Sampling – purposive
- Inclusion Criteria - (1) young entrepreneur, (2) starting a new OL business during the pandemic, (3) voluntary participation, (4) completeness of the reports



# Research Methodology



min age	15
max age	50
median	30





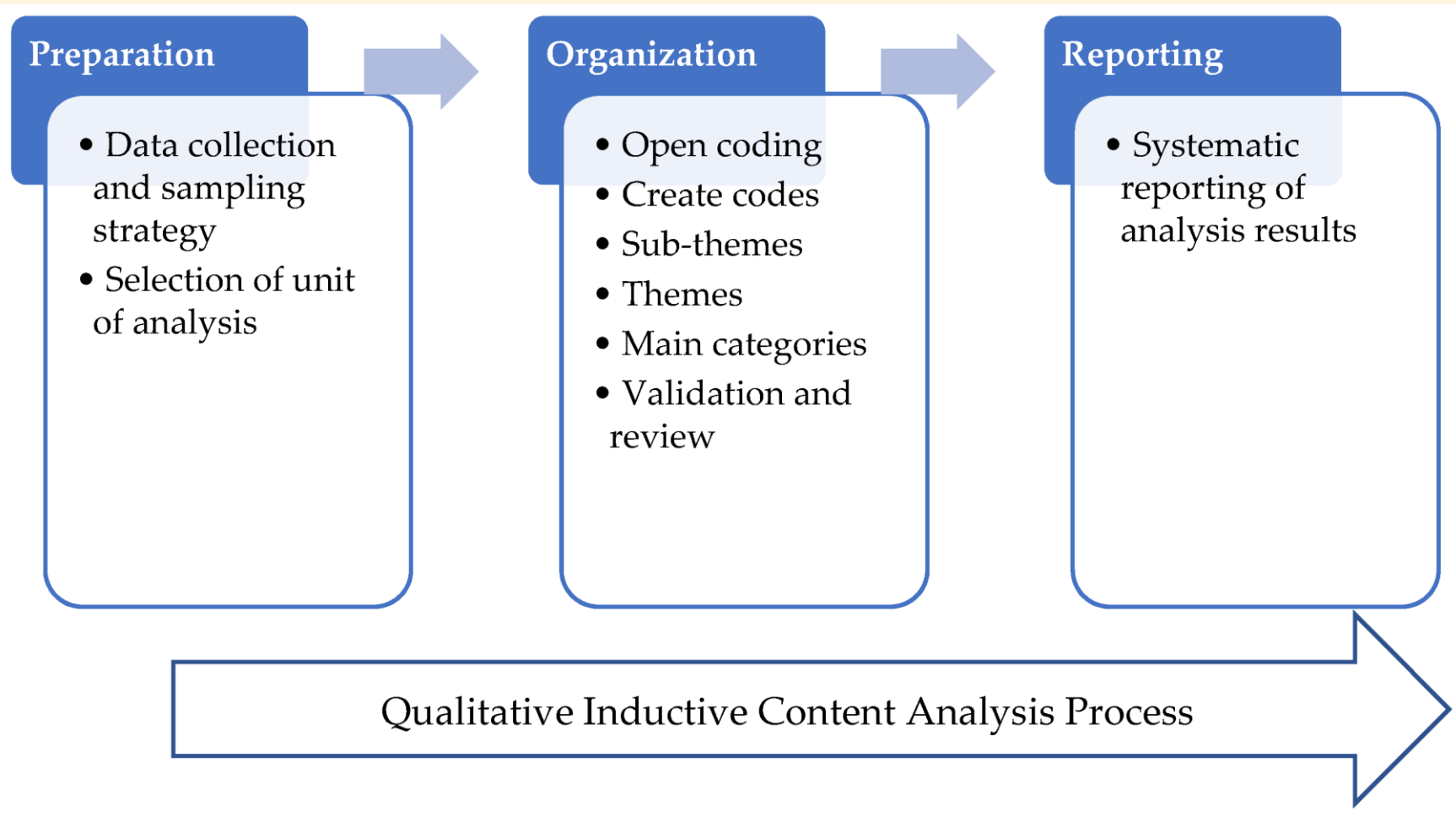


# Research Methodology

- Questionnaire – (a) research details such as the objective of the study, anonymity of the participants, and confidentiality of the responses, (b) questionnaire instructions, (c) personal profile of the participants, and (d) three major open-ended questions.
  - (1) what are your experiences during the pandemic that made you start/engage in an online business,
  - (2) what are the problems and challenges you experienced in doing your online business at the time of the pandemic, and
  - (3) what policies should the government implement to help young entrepreneurs sustain/start a business and at the same time support entrepreneurship as one of the means to economic recovery during the pandemic and beyond



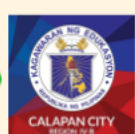
# Research Methodology





# Main Findings

- Driver (External Motivation) - community lockdown restrictions, changes in market demand and market conditions, as well as the sudden change in household economic status brought by the pandemic
- Driver (Internal Motivation) - personal motivation to digital entrepreneurship, professional growth as young entrepreneurs, and the opportunity to help fellow citizens, particularly those severely affected by the pandemic

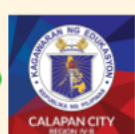




# Main Findings

## Barriers:

- entrepreneurship skills
  - Doing a “business”, utilizing IT skills, personal management skills,
- market conditions with digital platforms
  - Financing a startup business, digital transformation of the market,
  - Online transactions
  - Business permit applications
  - copyrights
- business environment
  - Internet connectivity, power outages
  - Quarantine restrictions





# Main Findings

What support are needed by young entrepreneurs?

- Start-up support
  - Financing support (loan with minimal interest, subsidy during lockdowns, tax reduction/exemption for the duration of economic disruption)
  - Promotion of products
  - Legal protection for fraud/scam
  - Ease of doing business
- Skills development
  - Business & finance, accounting, IT, digital entrepreneurship
- Market Infrastructure
  - Better internet connectivity, more reliable electricity





# Policy Recommendations

- Government support for start-up MSMEs in terms of financing, technical capacity, marketing, and all business registration requirements
- Human Capital Development in terms of providing training support for upskilling young entrepreneurs to improve technical competency, marketing, and financial literacy
- Fast-tracking the improvement of the country's IT and energy infrastructures to accelerate the digital innovations in MSMEs and the economy as a whole



Thank You!

